Derbyshire DALES District Council

Statement of Accounts 2018/19

DERBYSHIRE DALES DISTRICT COUNCIL

STATEMENT OF ACCOUNTS 2018/19

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NARRATIVE STATEMENT

INTRODUCTION

Derbyshire Dales District Council is one of eight second-tier authorities within the county of Derbyshire employing approximately 200 individuals. It covers an area of 307 square miles with a population of 71,000 people. The northern half of Derbyshire Dales lies within the Peak District National Park between Manchester and Sheffield; the southern part borders the National Forest and the City of Derby. The rural market towns of Matlock, Ashbourne, Bakewell and Wirksworth are the main areas of population with the remaining residents living in surrounding parishes. The major industries are farming, mineral extraction and tourism, but public sector organisations, such as the county council, are also major employers.

The organisational management structure of the Council is headed by the Chief Executive who is supported by the Corporate Leadership Team consisting of six Heads of Service with responsibility for the following service areas:

- Regulatory Services
- Housing
- Regeneration & Policy
- Corporate Services
- Resources
- Community & Environmental Services

The purpose of this foreword is to provide a concise and understandable guide for the reader of the accounts of the most significant aspects of the Council's financial and non-financial performance, year-end financial position and cash flows.

THE ACCOUNTS

The accounting treatments applied in the accounts are in line with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Code) applicable to local authorities. The information included within these accounts is presented as simply and clearly as possible. However, the accounts of a diverse organisation such as the District Council can contain both complex and technical elements, so this narrative explains some of the statements and provides a summary of the Council's performance for 2018/19.

SUMMARY OF THE 2018/19 FINANCIAL YEAR

The Council incurs revenue and capital expenditure in the year. Revenue spending is generally on items that are consumed within a year and is financed from the council tax, government grants, business rates and various fees and charges. Capital expenditure has to have a benefit beyond one year and is financed by loans, grants, capital receipts or directly from revenue.

General Fund revenue spending in 2018/19

During 2018/19 the Council has faced a number of challenges in successfully managing its financial position.

In setting its budget for 2018/19 the District Council planned additional savings of £1.0 million over the three years to 2020/21. Council Tax was increased by 2.99%, with the average bill for Derbyshire Dales' services set at £204.27 for the year.

The Council's actual spending in 2018/19 was £9.058m against the revised approved budget of £9.530m a surplus of £0.472m. This balance has been transferred to the Capital programme reserve (£0.172m), the IT reserve (£0.100m) and the Waste fluctuations reserve (£0.200m) to fund future pressures. The most notable variances include:

- Interest and investment income (£0.093m)
- Capitalisation of salaries (£0.031m)
- Planning application fess (£0.075m)
- Car park income (£0.109m)
- Leisure centres £0.058m
- Housing grants (£0.058m)
- Savings within business support (£0.061m)
- Additional and backdated S31 grant (£0.165m)

The following table shows a reconcilliation of budget surplus to the Total Comprehensive Income and Expenditure for 2018/19.

	£000
Reported Surplus	**(472)**
Less: Other movements in reserves and balances (Notes 22 & 23)	(1,735)
Plus: Adjustments between accounting basis and funding basis (Note 9)	754
Plus: Remeasurement of the net defined benefit liability	4,575
Less Surplus on revaluation of non-current assets	(1,326)
Total Comprehensive Income and Expenditure	**1,796**

Capital Spending in 2018/19

Capital expenditure can be defined as that which generates an asset that has a useful life of more than one year. The capital expenditure includes:

- buying new property
- building new property
- work to improve or enhance the Council's properties
- providing grants for the above types of activity, for example, improvement grants.

The original budget (capital programme) for the year was £3.622m. This was revised to take account of progress on schemes and new additional schemes. In March 2019 the Council approved a revised capital programme for 2018/19 of £3.959m. The outturn for 2018/19 is £2.784m.

The table below shows capital spending, analysed by the Council's priorities.

	2018/19 Budget £'000s	2018/19 Revised Budget £'000s	2018/19 Actual £'000s
Council Priorities 2018/19			
Business growth and Job Creation	210	0	2
Affordable Housing	2,533	1,807	1,380
Market Towns	111	125	72
A Clean & Safe District	454	482	241
Other	314	1,545	1,089
Total Capital Spending	**3,622**	**3,959**	**2,784**

At 31st March 2019, there is a surplus of £1.175m compared with the revised estimate; the principal schemes contributing to the surplus are:

Capital scheme	Comments	Variance: £000s
Affordable Housing		
Social Housing Grant Cromford/Matlock Bath	Scheme delayed due to difficulty in identifying a suitable site	(100)
Grant Rural Village – affordable housing for rent programme	The project is progressing with schemes in the pipeline, expenditure will follow in 2019/20	(80)
Social Housing Grant Matlock – Bentley Bridge	Scheme delayed due to a deed of variation to the S106 agreement. Now resolved.	(250)
Market Towns		
Replacement of Pay and Display Ticket Machines	Scheme delayed. Contract due to be awarded.	(21)
Fishpond Meadow, Ashbourne: Car Park Improvements/Feasibility	Scheme delayed due to lack of response to tender	(20)
Bakewell ABC Car Park Improvements/Feasibility Study	Scheme delayed due to lack of response to tender	(32)
Monsal Head Car Park Improvements	Contract due to be awarded	(11)
A Clean and Safe District		
Bakewell Riverside Path	Contribution to Town Council not yet requested.	(10)
Vehicles (lorries & vans)	Purchases delayed	(206)
Other		
Electronic Document Management System	Scheme delayed	(14)
Leisure centres:	Work progressing on developments now due to complete May 2019	(389)

Approval has been requested to carry forward the under-spend into 2019/20.

Capital Resources

The Council has substantial internal resources to finance its capital programme including its strategic reserves and the balance of its Capital Receipts Reserve. Details of these can be found in the Notes to the Financial Statements. Also available is the use of external borrowing when required. Currently the Council has borrowing in respect of Arc Leisure Matlock and its latest purchase of Wheeled Bins that give rise to a Minimum Revenue Provision (see below), and long term liabilities in respect of finance leases for cleansing and refuse vehicles. The Council has sufficient resources to fund its existing capital programme.

The table below shows how the capital spending in the year was financed:

	2018/19 £'000s	2017/18 £'000s
Capital Receipts	908	671
Government Grants & Contributions	0	512
Other Grants and Contributions	436	241
Direct Financing from Revenue and Revenue Reserves	1,440	599
Total Capital Financing	**2,784**	**2,023**

Capital Investment Plans

In March 2019 the Council approved a five-year rolling capital programme totalling £7.962m. The major elements are as follows:

	£m
Affordable Housing	4.178
A Clean and Safe District	1.746
Leisure Centres	0.841
Other Schemes	1.197

Receipts from the Sale of Assets

The Council received £0.561m from the sale of non- current assets during 2018/19. This was credited to the Capital Receipts Reserve.

Details of the movements on the Capital Receipts Reserve can be found in the Notes to the Financial Statements.

Collection Fund and Council Tax and Business Rates Collection

The Collection Fund statement reflects the Council's statutory requirement to maintain a separate account showing all transactions relating to Non-Domestic Rates and Council Tax.

Council tax is collected on behalf of Derbyshire County Council, Derbyshire Fire and Rescue Authority and Derbyshire Police Authority. Amounts collected, bad debts written off and any surplus or deficit on the collection fund are distributed according to precepts. The final year end position is a deficit of £0.146m (2017/18 £0.357m surplus). In 2018/19 £51.7m was collected from council tax payers; this represents 98.7% of council tax that was due by 31 March.

Business rates are collected on behalf of the government, Derbyshire County Council and Derbyshire Fire and Rescue Authority. Amounts collected, bad debts written off and any surplus or deficit on the collection fund are distributed according to prescribed shares. The final year end position is a surplus of £0.367m (2017/18 £1.965m deficit). In 2018/19 £18.5m was collected from business rate payers; this represents 98.1% of business rates were due by 31 March.

Pensions

As part of its terms and conditions of employment the Council offers retirement benefits to its employees. Although these benefits will not actually be payable until the employees retire, the Council has a present commitment to make those payments when employees retire. The Notes to the Financial Statements, give further information and show that the Council has a net liability of £26.726m at 31 March 2019 (£21.441m at 31 March 2018). In calculating the scheme assets and liabilities the fund actuaries make a number of assumptions about future events. The resulting calculations are subject to uncertainties on the outcome of future events and the value of investments held by the fund. The principle assumptions in relation to these accounts are disclosed in the supporting notes to the accounts.

Treasury Management Performance

During the financial year, the Council operated within the treasury limits set out in the Council's Treasury Management and Annual Investment Strategy which was approved in March 2018.

The Council continues to operate a cautious approach to its dealings in the financial markets and accordingly reviews its Treasury Management Strategy regularly. Derbyshire Dales District Council currently deals with commercial entities with a minimum long-term credit rating of A-, the UK government, other local authorities, and organisation without credit ratings upon which the Council has received independent investment advice. During the year the Council invested in the CCLA property fund.

Interest credited to the Comprehensive Income and Expenditure Statement in 2018/19 was £133,000 (2017/18 £56,000). The average rate of interest on investments was 0.51% (0.43% 2017/18).

The Council held investments of £13.4m at 31 March 2019 (£9.0m on 31 March 2018), this includes long and short term investments as well as cash held in interest bearing current accounts.

Reserves and Balances

Revenue balances carried forward at 31 March 2019 total £2.162m (31 March 2018 £2.063m). This balance is significant as it reflects the revenue balances that are generally available for new expenditure or to meet unforeseen events. The Council has determined that it is prudent to maintain a working balance of £1m to meet emergencies and contingencies, and to assist with cash flow.

The Council holds a number of earmarked reserves to finance future capital and revenue expenditure. The value of earmarked reserves held at 31 March 2019 is £13.985m (£11.876m at 31 March 2018). A full analysis of earmarked reserves is contained in the notes to the financial statements.

The Balance Sheet demonstrates that net worth has decreased by £1.5m during the year to £49.7m primarily due to an increase in the Council's pension liability.

Other Events

The responsibility of managing the Council's centres was successfully transferred to Freedom Leisure on 1st August 2018. The Council still retains ownership of the leisure centres and is investing in centre developments to further enhance the services offered. All staff working within the centres have transferred to Freedom Leisure.

NON-FINANCIAL PERFORMANCE

The key document that frames the actions of the Council is the Corporate Plan. The Corporate Plan sets out the District Council's priorities and areas for improvement. It identifies a number of priority targets to be achieved each year. These targets set out the District Council's main promises as to what it wishes to achieve to help meet its top priorities.

For 2018/19, there were seventeen Corporate Plan targets set by Council in March 2018. These covered the three priority areas of:

- Business growth and job creation
- Affordable Housing
- Market Towns

These priority areas were to be achieved whilst also maintaining a clean and safe District and continuing to seek efficiencies and innovative working practices.

The table below sets out headline progress against the Council's Corporate Plan targets:

Strategic Aims/Targets 2018/19	Progress Against Key Target
Business growth and job creation	
• Enable 20 new businesses to start	• Enabled 25 new businesses to start
• Provide support to 75 established businesses	• Provided support to 76 established businesses in the Derbyshire Dales, enabling the creation of jobs
• Support 8 businesses to access grants or loans	• Supported 16 Derbyshire Dales businesses to access grants or loans from Government and Local Enterprise Partnerships
• Assist private sector partners to secure Growth Deal funding and commence work on a new access road at Ashbourne Airfield Industrial Estate by March 2019, opening up 8ha of new employment land	• Project Delayed – Derbyshire County Council (DCC) to determine planning application May 2019. Completion of detailed design and legal agreements for land acquisition and funding from landowners programme for July 2019. Full stage 2 Business Case required by D2N2 LEP November 2019.
• Develop a business case for the District Council to more directly intervene in the creation of employment units/ business workspace	• Project Paused – Grant offer letter received from DCC for feasibility study. Decision awaited from Historic England on application to extend Scheduled Monument within site. The District Council took part in the consultation reiterating the findings of the Local Plan EIP.
Affordable housing	
• Complete 105 new affordable homes	• Completed 113 new affordable homes
• Develop a business case for the District Council to more directly secure and develop affordable housing	• Report Completed – The Local Government Association funded project with Altair culminated in a presentation to the Commercial Board on the 13th March 2019. Approval was given to further develop the business case leading to a more detailed project plan to deliver a modest programme of Council housing subject to further reports to the Commercial Board and Council.
• Develop proposed activities to reduce overall long term empty homes	• The 100% Empty Homes Premium was adopted from the 1st April 2019.
• Provide debt and welfare advice to 250 vulnerable households	• Provided debt and welfare advice to 452 vulnerable households.
• Provide adaptations to the homes of 70 disabled people	• Provided adaptations to the home of 66 disabled people

Market Towns	
• Encourage 2 more themed and farmers markets	• No new themed or farmers markets took place this year.
• Increase average stall occupancy at each market operated by the District Council by 2% above 2017/18 occupancy levels	• Bakewell Market occupancy was up slightly by 6% but this has not offset the decrease in occupancy for Ashbourne, down an average of 18%. Ashbourne Sunday & Thursday Markets are due to be transferred to a CIC
• Prepare a draft Estate Regeneration Plan for Hurst Farm	• Significant work undertaken to deliver the report and prepare a project plan
• Ensure the feasibility study for Bakewell Road (Matlock Community Vision) is complete	• Considerable work undertaken to explore the viability of a number of alternative options for the redevelopment of the Bakewell Road site. Submission made to Ministry for Housing, Communities and Local Government for funding under the Future High Street Fund.
• Achieve 75% resident satisfaction overall with Derbyshire Dales District Council keeping areas including highways free from litter	• Achieved 57% resident satisfaction overall within Derbyshire Dales District.
Other targets	
• Continue a programme of efficiency savings and service reviews with a target of generating £1 million in ongoing savings by 2020/21	• The KPI target that was set in March 2018 was 'to achieve savings of £1m by 2020/21'. By the time that the Council set the budget in March 2019, the target has been changed to 'Continue a programme to identify efficiency savings and/or additional income of £400,000 by 2020/21'.

In addition, within individual Service Plans there are a small number of key targets for achievement within those service areas. These twelve Key Performance Indicators measure how well the District Council is doing at maintaining basic service standards. They cover services such as determining planning applications in good time, paying bills on time, collecting Council Tax efficiently, and paying benefits claims promptly.

The following table sets out a summary of final outturns for the financial year 2018/19, and includes the 17 Corporate Plan targets and the 12 Key Performance Indicators for services (29 targets in total):

	No. of Targets	Green	Amber	Red
Corporate Plan targets	17	11	2	4
Key Performance Indicators	12	10	0	2
TOTAL	**29**	**21**	**2**	**6**

Overall, of the 29 performance indicators for the financial year 2018/19, (76%) were fully or partially achieved. A lower proportion of Corporate Plan targets were fully achieved (11 out of 17, or 65%) as compared to Key Performance Indicator targets (10 out of 12, or 83%). Corporate Plan targets tend to be project based and involve a range of partners, they are therefore more complex and subject to factors outside the Council's direct control, which often means the timescales for delivery become extended.

Corporate Plan target performance was reported to Council in March 2019.

Key events and issues for 2019/20 and beyond

The Council continues to face significant financial pressures. The key issue facing Derbyshire Dales District Council in the medium term is the need to produce a sustainable balanced budget in the face of declining government support, resulting from the government's austerity measures.

Although savings and efficiency gains have been achieved each year in order to set a balanced budget, the latest projection has identified that further savings of around £0.4million are required by 2020/21.

There are a number of major projects outlined below that are being undertaken that will significantly influence the Council's ability to balance its budget in the future. There is also a requirement for significant work and expertise to ensure that the best outcome for the Council and residents is achieved.

Waste Contract

The Council's Waste Contract with Serco is due for renewal / re-tendering in 2020. This is a significant service / contract for the Council both in terms of value and effecting all residents within the Dales. During 2018/19 the project team, along with external waste, procurement and legal experts, have worked to develop the future service requirement and detailed specification. This contract is currently out to tender and final bids are awaited.

Revenues and Benefits (Arvato) Contract

The contract exists between Chesterfield Borough Council and Arvato for the delivery of the Revenues and Benefits Service. This Council joined the contract in 2012 and is, through the location and systems used, tied to a certain extent to Chesterfield's lead on this. The contract is due for renewal in 2020 and the Council is looking at the options for the future and working with Chesterfield on a way forward.

Business Rates Pilot

The Council along with the other 7 Derbyshire districts, Derbyshire Fire and Rescue, the County and City Councils and was successful in bidding to become a business rate pilot. This meant all business rates collected in 2018/19 were retained within the Derbyshire authorities. The pilot was only confirmed by the government for 1 year and in 2019/20 the Council will revert to the Derbyshire Business Rates Pool arrangement it operated previously.

Commercial Board

The Council has recently established a Commercial Board that will explore commercial opportunities that might generate income for the Council. Potential opportunities include:

- Trading directly with the community, e.g. chargeable discretionary services.
- Maximising the value of assets, e.g. purchasing of land, disposing of surplus assets, developing, sales and rental initiatives, making assets work harder.
- Sharing and selling services amongst peers, e.g. revenues and benefits services.
- Driving the business transformation / digital agenda to create efficiencies and new revenue streams, e.g. automation, channel shift, digital by default.
- Investing in opportunities that deliver a profitable rate of return on that investment.

STATUTORY STATEMENTS

The Council's statutory statements comprise:

Statement of Responsibilities
This statement sets out the respective responsibilities for the accounts of the authority under Local Government legislation and other requirements, and those of the Head of Resources, who is the Council's Chief Financial Officer. Under the Code of Practice, the Head of Resources must sign the Statement of Responsibilities stating that the accounts present a true and fair view of the financial position of the Council.

Annual Governance Statement
This statement sets out the District Council's governance arrangements, within which financial control and risks of the authority are managed and reviewed. The statement identifies any significant control issues and action being taken to address them. This statement has to be certified by the Chief Executive and the Leader of the Council.

Auditor's Report
This report provides the independent auditor's opinion on the fairness of the accounts.

FINANCIAL STATEMENTS

The Statements required by the Code are explained in the notes below:

Expenditure and Funding Analysis
The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

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 both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

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 'unusable reserves'. The Statement shows how the movements in year of the Council's reserves are broken down between gains and losses and incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The Net Increase/Decrease line shows the statutory General Fund Balance movements in the year following those adjustments.

Balance Sheet
This is fundamental to the understanding of the Council's year-end financial position. The Balance Sheet shows the reserves at the Council's disposal, its long term indebtedness, the assets employed in its operations and current liabilities. The Balance Sheet excludes Trust Funds.

Cash Flow Statement
This statement summarises the inflows and outflows of cash arising from transactions with third parties for both revenue and capital purposes.

Notes to Financial Statements
These are notes relating to the preceding financial statements which explain and provide additional information to figures included in the core statements.

Collection Fund
This reflects a statutory requirement to maintain a separate Collection Fund. It shows the transactions of the Council as a billing authority in relation to business rates and the council tax, and illustrates the way these have been distributed to Central Government, precepting authorities and the General Fund.

STATEMENT OF RESPONSIBILITIES

The Authority's responsibilities

The Authority is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority that officer is the Head of Resources;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- Approve the Statement of Accounts.

The Head of Resources' responsibilities

The Head of Resources is responsible for the preparation of the authority's Statement of Accounts in accordance with proper practices as set out in Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Code).

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

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

The Head of Resources has also:

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

CHIEF FINANCIAL OFFICER'S CERTIFICATE

I certify that the accounts set out on pages 31 to 95 present a true and fair view of the financial position of the Council at 31st March 2019.

K Henriksen, C.P.F.A.
Head of Resources

16Th July 2019

APPROVAL BY COUNCIL

Councillor R Fitzherbert
Chairman of Council
Date of Meeting: 25th July 2019

ANNUAL GOVERNANCE STATEMENT 2018/19

1. What is corporate governance?

Corporate governance is about making sure that the council is run properly.

It is about trying to achieve the Council's objectives while acting in the public interest at all times. This means carrying out business so that the council:

- operates in a lawful, open, inclusive and honest manner;
- makes sure that public money is safeguarded, properly accounted for and used economically, efficiently and effectively;
- has effective arrangements for the management of risk;
- secures continuous improvements in the way that it operates.

The Governance Framework is the name given to the main management systems, processes, values and culture which ensure that the Council identifies, develops, delivers and reviews the services it provides, works collaboratively, and engages with and leads the community it serves. It ensures that the Council meets its published objectives whilst also assessing whether those objectives have delivered the services at an appropriate cost. It consists of the systems, controls and procedures that ensure that certain desirable activities happen or that undesirable events are avoided. It cannot and does not set out to eliminate all risks in relation to the failure to deliver policies and objectives as this is neither achievable nor desirable. It can therefore only provide a reasonable level of assurance, based on an assessment of the likelihood and the potential impact of risk to the achievement of the Authority's stated objectives, balanced with the resources available to deliver those objectives.

The Authority has published a Code of Governance which sets out the seven key principles of good governance to which it aspires. It sets out the main principle of good governance and the means of demonstrating compliance for each of these principles. A copy of the current Code is available on the governance page of our website.

This Annual Governance Statement explains how Derbyshire Dales District Council has complied with its own code of corporate governance and against guidance on best practice*. The processes being reviewed in this Statement have operated throughout the whole of the financial year ending 31 March 2019 and have remained in operation up to the date of approval of the 2018/19 Statement of Accounts. The key elements of the framework which are in place to meet the Council's responsibilities under the Code are set out in the following pages, together with an Action Plan (at the end of this statement) to identify any significant governance issues and explain how the Council will address them.

*The guidance applicable to 2018/19 is the CIPFA/SOLACE publication "Delivering good governance in local government", issued in April 2016.

2. How do we know that our arrangements are working?

Every year a review of the effectiveness of the Council's governance framework is conducted by the Corporate Leadership Team, supported by officers from policy, financial services and legal. Consideration is also given to reports from internal and external audit and from other inspection bodies (e.g. the Local Government Ombudsman's Annual report and findings on individual complaints, Food Standards Agency assessments and peer reviews).
The focus of the review is to:

- collate and evaluate evidence of corporate governance arrangements;
- compare the evidence against the Council's Code of Corporate Governance and the CIPFA/SOLACE guidance*;

- identify areas requiring action, which are highlighted in the Action Plan at the end of this statement.

The governance review process includes:

- The consideration of the Statement of Accounts;
- The Internal Audit Annual Report, which includes the Internal Audit Consortium Manager's opinion on the overall adequacy and effectiveness of the Council's control environment ;
- A review of compliance with the Council's Local Code of Corporate Governance with reference to CIPFA/Solace Guidance.
- Sign off by the Leader of the Council and the Chief Executive, once approved.

On the basis of our internal review of the operation of the Governance Framework and our assessment against the provisions of the CIPFA/SOLACE Code, the arrangements for the 2018/19 financial year have been assessed as **COMPLIANT, with some planned improvements required**. This indicates that, in general, strong systems are in place but that there are some processes where further action is required.

Details of the review are set out in the following pages of this statement.

A success during 2018/19 is indicated by ✓

Areas for improvement are highlighted by ⚠

This year four governance issues have been identified; the action plan outlined at the end of this statement summarises the areas of governance focus needed to maintain an effective governance framework in respect of these issues.

3. Did we meet the principles of Corporate Governance set out in our Code?

PRINCIPLE 1 - Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law		
How we meet this principle	Source of assurance	Successes and Areas for Improvement
➢ We have set out our priorities, aims, vision and values in our Corporate Plan; ➢ Our Codes of Conduct for members and employees set out clearly the standards that are expected, arrangements for reporting non-compliance and sanctions for any misconduct; ➢ Our values have been embedded in policies and processes; ➢ We require external organisations that provide services on behalf of the Council to act with integrity and in compliance with ethical standards expected by the Council ➢ We make sure that employees, and members are able to fulfil their responsibilities in accordance with legislative and regulatory requirements; ➢ We strive to optimise the use of the full powers available for the benefit of residents, communities and other stakeholders; ➢ We deal with breaches of legal and regulatory provisions effectively; ➢ We have effective arrangements to deal with incidents involving misuse of power	• Corporate Plan • Elected Member Code of Conduct • Periodic report to Council from the Independent Remuneration Panel on Members Allowances • Employee Code of Conduct • Planning Code of Good Practice • Protocol on Employee/Member Relations – Constitution • Constitution • Sponsorship Policy • Risk Management Strategy • Risk assessment of reports • Annual Complaints Report • Confidential Reporting (Whistleblowing) Policy • Anti-Fraud, Bribery and Corruption Policy • Corporate Enforcement Policy • Regulation of Investigatory Powers Act Surveillance Policy & Annual Report	✓ Our internal audit reviews in 2018/19 have not identified any incidents of fraud. We have extensive use of the general power of competence. A Commercial Board has been established. The Anti-Fraud, Bribery and Corruption Policy (including Money Laundering) was reviewed and updated during 2018/19. ⚠ An internal audit report has identified opportunities to strengthen our arrangements for safeguarding (see action plan) Internal audit reviews during 2018/19 have identified that our arrangements for procurement and inventory need to be strengthened, especially at the depot. (see action plan).

➢ We have effective arrangements in place for the discharge of the head of paid service function.	• Protocol on the Management of the Civic Allowance • Inductions for new members and employees • Annual Performance and Development Reviews • Job Evaluation Panel • Complaints Policy • Employee recruitment, interview and selection procedure • Job descriptions • Compliance with CIPFA's "Statement on the Role of the Role of the head of Internal Audit" • Compliance with CIPFA's "Statement on the Role of the Chief Financial Officer in Local Government" • Records of legal advice provided by officers • Monitoring Officer provisions • Procurement policy • Information Governance Framework and Strategy • Data Protection Policy • Contracts with service providers. • Reports from the Local Government Ombudsman & Annual Report to • Governance & Resources Committee	

	• Audit reports issued by Food Standards Agency • Food Law Enforcement Service Business Plan • The Chief Executive is the Council's Head of Paid Service, who is supported in this role by the Corporate Leadership Team and the Human Resources Manager.	

PRINCIPLE 2 – Ensuring openness and comprehensive stakeholder engagement		
How we meet this principle	Source of assurance	Successes and Areas for Improvement
➢ Our Committee and Council meetings are open to the public and agendas, reports and minutes are available on our website; ➢ The minutes of our meetings provide clear reasoning and evidence for decisions; ➢ We have a clear policy on information transparency; ➢ On our website we publish key performance indicators, financial information and details of the earnings, interests and activities of our Members and senior managers. ➢ We consult widely on our plans and use feedback to inform our decisions; ➢ We publish our Freedom of Information Policy and procedures.	• Constitution • The Corporate Plan • Reasoned decisions at quasi- judicial meetings • Annual review of Planning decisions • Constitution • FOI Publication Scheme • Details of spending over £250 on website • Regulation of Investigatory Powers Act 2000 Policy • Data Protection Policy • Council and Committee decisions • Report pro-formas	✓ During the year we received 731 Freedom of Information requests (up from 703 in 2017/18 and 687 in 2016/17). We also received 6 Environmental Information Requests.

➢ We operate clear and accessible arrangements for procuring supplies and services. ➢ We have regular meetings with larger Town and Parish Councils to ensure that we work more closely.	• Web casting and recording of meetings • Public Participation Scheme • Area Community Forums • Town and Parish Council Conference • Market Traders Forums • Matlock Bath Illuminations Project Group • Council website • Calendar of meetings • Communications Strategy • Community & Engagement Strategy • Equality, Consultation and Engagement Plan • Equality and Diversity Policy • Annual Equality Plan • Residents' Panel • Record of consultations and use of feedback from consultations • Contract standing orders • Financial Regulations • Procurement Strategy • Reasons for decisions recorded in all regulatory and quasi-judicial matters • All reports include options, risks and potential outcomes	

	• Procurement decisions require a clear audit trail including reasons • All recruitment decisions are reasoned and recorded	

PRINCIPLE 3 – Defining outcomes in terms of sustainable economic, social and environmental benefits		
How we meet this principle	Source of assurance	Successes and Areas for Improvement
➢ We have set out our priorities, aims, vision and values in our Corporate Plan; ➢ We set key performance indicators for each year and monitor actual performance against targets; ➢ We have a medium term financial strategy to ensure our financial sustainability; ➢ We operate an effective system of risk management; ➢ Our reports include an assessment of financial, legal and corporate risks and consider equalities, environmental, health, human rights, personnel and property issues; ➢ We carry out equality impact assessments to ensure fair access to services.	• Corporate Plan & Priorities • Service Plans • Community & Engagement Strategy • Equality, Consultation and Engagement Plan • Risk Management Strategy • Medium Term Financial Strategy • Annual Revenue Budget • Capital Programme & Prudential Indicators • Annual Governance Statement (part of the Statement of Accounts) • Annual Audit and Inspection Letter • Financial Regulations – Constitution • Contract Standing Orders – Constitution • Asset Management Plan • Equality Impact Assessments • Area Community Forums	✓ In 2018/19 we paid 99.5% of supplier invoices on time – only 22 invoices were paid late! The Risk Management Policy and Strategy was reviewed and updated during 2018/19.

	• Planning: Material Considerations • Committee Reports • Consultation feedback is taken into account at the point of decisions	

PRINCIPLE 4 - Determining the interventions necessary to optimise the achievement of intended outcomes.		
How we meet this principle	Source of assurance	Successes and Areas for Improvement
➢ Our reports include an assessment of financial, legal and corporate risks and consider equalities, environmental, health, human rights, personnel and property issues; ➢ We consult and use feedback from residents and service users when making decisions about significant service changes; ➢ We have strategic and operational plans, including a medium, term financial strategy, annual budgets, and service plans, that support the aims set out in the corporate plan; ➢ We set key performance indicators (KPIs) to identify how the performance of services and projects is measured ➢ We consider and monitor risks facing each partner when working collaboratively, including shared risks ➢ We review service quality regularly	• Consultation and review of feedback including Area Community Forums • Risk Management Hub & Risk Registers • Key Performance Indicators • Service Plans • Medium Term Financial Strategy, Medium Term Financial Plan & Efficiency Plan • Budget preparation in accordance with agreed strategy and MTFP • Budget guidance and processes, including revised estimates • Capital Programme process and scorecard • Annual Audit and Inspection Letter • Confidential Reporting (Whistleblowing) Policy • Anti-Fraud, Bribery and Corruption Policy	✓ We updated our Medium Term Financial Strategy and Medium Term Financial Plan in 2018/19. In 2018/19 we carried out public consultation exercises on: • Discretionary business rate reliefs • Introducing a council tax empty homes premium • Food waste recycling • Proposals for waste collection service • Spending proposals for 2019/20 We have regular meetings with contractors who provide outsourced services.

➢ Our medium term financial strategy integrates and balances service priorities, affordability and other resource constraints ➢ We aim to achieve ‘social value’ through service planning and commissioning.	• Regulation of Investigatory Powers Act Surveillance Policy • Annual Review of Complaints • Calendar of meetings • Communications Strategy • Minutes of regular monitoring meetings with outsourced service providers	The Council’s Efficiency Plan needs to be updated to show how it plans to address the budget gap for future years. See Principle 6 for further information.

PRINCIPLE 5 - Developing the entity’s capacity including the capability of its leadership and the individuals within it		
How we meet this principle	Source of assurance	Successes and Areas for Improvement
➢ We recognise the benefits of partnerships and collaborative working; ➢ All employees have an induction and an annual Performance and Development Review; ➢ We have a Member Code of Conduct, inductions and a Member Training and Induction Programme to ensure that elected and appointed leaders understanding their roles and the Council’s objectives ➢ Our Constitution includes a Scheme of Delegation that sets out clearly the decisions that are delegated to officers ➢ The leader and the chief executive have clearly defined and distinctive leadership roles	• Constitution • Scheme of Delegation • Member Development Scheme • Employee Personal Development Scheme • Member Training and Development Programme • Insight – Internal management development programme • Member Induction • Member Representative roles • Employee Induction • Job Descriptions and Person Specifications	Our partner, Arvato, achieved all the key performance indicators in the Revenues and Benefits contract. Our Performance and Development Review action plans are linked to the priorities set out in our Corporate Plan. During 2018/19 all employees undertook mandatory training in safeguarding, health and safety, data protection, equalities, and fraud and bribery. During 2018/19 employees who use ICT undertook training in ICT security awareness

➢ Taking steps to consider the leadership's own effectiveness and ensuring leaders are open to constructive feedback from peer review and inspections ➢ We encourage shared learning, including lessons learnt from governance weaknesses both internal and external; ➢ There is a public participation session at the beginning of Council and Policy Committee meetings, ➢ We have arrangements in place to support the health and wellbeing of our employees.	• Arrangements for succession planning • Annual review of Scheme of Delegation, Contract Standing Orders and Financial Regulations • LOLA – internal training programme • Peer Reviews • Efficient use of systems and technology • Shared Learning: Notes of Management Meetings, Peer Reviews, Hubs, Benchmarking, Networking with other local authorities & through membership of organisations such as the Local Government Association. • Human Resource Policies • Employee counselling service • Work of Health & Safety Committee • Active Workplace Programme • Employee Group • Senior Management Team	

PRINCIPLE 6 - Managing risks and performance through robust internal control and strong public financial management		
How we meet this principle	Source of assurance	Successes and Areas for Improvement
➢ We have robust arrangements for risk management including a Risk Management Hub that meets regularly to review Strategic Risks; ➢ Our risk management strategy and policies on internal control are aligned with corporate priorities; ➢ The risks associated with delivering services through third parties are set out in our risk registers; ➢ We have arrangements in place to prevent fraud, bribery and corruption; ➢ We encourage effective and constructive challenge and debate on policies and objectives to support balanced and effective decision making ➢ We provide members and senior management with regular reports on service plans and on progress against Key Performance Indicators; ➢ We report on a consistent basis between specification stages (such as budgets) and post implementation reporting (e.g. financial statements). ➢ The Internal Audit Consortium Manager produces an Annual Report that provides an opinion on the overall adequacy and effectiveness of the framework of governance, risk management and control;	• Risk Management Strategy • Risk Management Hub • Strategic and Service Risk Registers • Risk Management Annual Report • Risk assessment of all Committee/Council decisions • Internal audit and reports • External audit and reports • Annual Governance Statement • Financial Regulations • Budget Holder's Manual • Contract Standing Orders • Transparency & Open Source Data • Medium Term Financial Strategy • Anti-Fraud, Bribery and Corruption Policy • Treasury Management Strategy • Regular budget reporting and income monitoring (revenue and capital) • Regular reporting on service plans and performance against KPIs • Benchmarking information • Information Governance Framework & Strategy	✓ The Internal Audit Annual Report for 2018/19 shows that 17 internal audit review reports were issued during the year. Fifteen (88%) of audit reviews were found to provide reasonable or substantial assurance on the level of reliability of internal controls. Nine (53%) were found to provide substantial assurance. Two (12%) audit reviews resulted in a conclusion of "inadequate assurance"; plans are in place to address the recommendations during 2019/20. This demonstrates that there are effective systems of governance, risk management and control in place. During 2018/19 all employees have received training on: • Safeguarding • Health and Safety • Data Protection • The Equality Act Working with our partner, Arvato, in 2018/19, we improved collection rates for council tax, business rates, sundry debts and benefit overpayments. In 2017/18 the Local Government Association carried out a Health Check on our Finances. The reported stated that "The Council is well placed to deal with its financial challenges." During 2018/19 we enhanced procedures for budget monitoring and now report more

➢ The Governance and Resources Committee provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment; ➢ The Governance & Resources Committee monitor the implementation of recommendations from internal audit reviews. ➢ The Council has an Information Governance Framework and Strategy that sets out the arrangements to ensure effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data ➢ We review and audit the quality and accuracy of data used in decision making and performance monitoring ➢ Our financial management arrangements support both long term achievement of outcomes and short-term financial and operational performance ➢ All reports to Council and policy committees include a financial risk assessment.	• Designated Data Protection Officer • Data protection policies and procedures • Data sharing agreements • Privacy Impact Assessments • Procedure for Data Protection Security Breaches • Checks on access to data and systems • ICT systems patched regularly & kept up to date	frequently to councillors. An internal audit review has identified that the pension bond relating to the leisure services contract is not yet in place. Plans are in place to address this by 31 May 2019. (see action plan) The External Auditor's report to the Governance and Resources Committee in February 2019 identified one significant Value For Money (VFM) risk: "Delivery of Budgets". This relates to continual pressures on Local Government Finances and, in particular, the further savings of £0.4 million that it is anticipated will be required to address projected medium term budget shortfalls from 2020/21 onwards. To mitigate this risk, the Council has a Medium Term Financial Strategy and Medium Term Financial Plan in place. However, the Council's Efficiency Plan needs to be updated to show how it plans to address the budget gap for future years. Significant changes in Local Government finances are due to take place over the next few years, which will culminate in a major change in the way Local Government is financed from 2020/21 onwards. It is hoped that the Local Government Finance Settlement, due in late 2019, will bring more certainty for financial planning in the medium term. Once the outcome of the Fair Funding Review, the Comprehensive Spending Review and the Local Government Finance Settlement for 2020/21 are known, the Efficiency Plan will be updated.

PRINCIPLE 7 - Implementing good practices in transparency, reporting and audit to deliver effective accountability		
How we meet this principle	Source of assurance	Successes and Areas for Improvement
➢ Our reports are written in a style avoids jargon and can be understood by the public; ➢ Our reports and minutes of meetings are available on our website; ➢ We prepare an Annual Governance Statement that reports on compliance against our corporate governance framework; ➢ Our financial statements are prepared on a consistent and timely basis and the statements allow for comparison with other, similar organisations ➢ The Governance & Resources Committee undertakes the core functions of an audit committee and ensures that recommendations for corrective action made by external audit are acted upon ➢ We have an effective internal audit service where the Internal Audit Consortium Manager has direct access to members to provide assurance with regard to governance arrangements and that recommendations are acted upon ➢ We welcome peer challenge, reviews and inspections from regulatory bodies ➢ We have clear governance arrangements in place for partnership arrangements	• Annual report on Service plans and performance management • Annual review of Corporate Governance framework • Annual Governance Statement • Review of actions recommended by internal audit service • Statement of Accounts • Audit Strategy Memorandum and Annual Audit Letter from External Auditor • Anti-fraud, bribery and corruption policy and reporting • Data Protection Officer in place • Compliance with CIPFA's Statement on the Role of the Head of Internal Audit • Compliance with Public Sector Internal Audit Standards • Minutes of meetings from Partnership Board Meetings and Operational Review Meetings. • Annual Complaints Report to Governance & Resources Committee	✓ We report to Members regularly on performance against targets. ⚠ In 2018/19 40 recommendations were made by internal audit (5 high risk, 14 medium and 21 low); plans are in place for the outstanding recommendations to be implemented in 2019/20. Significant governance issues raised during the audit reviews are disclosed elsewhere in this annual governance statement.

4. How the Council works

The Council
The Council is composed of 39 councillors elected every four years. Elections were last held in May 2019. Councillors are democratically accountable to residents of their ward. The overriding duty of councillors is to the whole community, but they have a special duty to their constituents, including those who did not vote for them.

Councillors are required to follow the Council's Code of Conduct to ensure high standards in the way they undertake their duties. The Council's Monitoring Officer trains and advises them on the Code.
All Councillors meet together as the Council. Meetings of the Council are normally open to the public. Here Councillors decide the Council's overall policies and set the budget each year. The Council holds the policy committees to account, and is itself a policy development body. There is an opportunity at Council meetings for members of the public to participate by putting their questions to Councillors. The Civic Chairman of the District of Derbyshire Dales reports to each meeting and the Leader of the Council has an opportunity to address the Council meeting on issues concerning the District of Derbyshire Dales at Council and his attendance at meetings with significant partners.

The Council's Constitution
Derbyshire Dales District Council has adopted a Constitution which sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people. Some of these processes are required by law, while others are a matter for the Council to choose.

The Constitution is divided into 13 articles, which set out the basic rules governing the Council's business. More detailed procedures and codes of practice are provided in separate rules and protocols within the Constitution.

The Monitoring Officer is responsible for carrying out a review of the Council's Constitution to ensure that it is up to date and relevant to the organisation's needs. The Council reviews the Constitution at its Annual Meeting, with informal commentary from the leaders of all political groups.

How decisions are made
Most day-to-day decisions are made by policy committees. The Council has 2 policy committees called 'Governance and Resources' and 'Community and Environment'. Committees also carry out a number of regulatory functions, including dealing with planning applications, licensing and most other regulatory business.

Meetings of the Council's policy and other committees are open to the public except where personal or confidential matters are being disclosed.

In addition, senior officers of the Council make decisions under delegated authority. The level of delegation is recorded in the Council's Constitution.

Area Community Forums
In order to give local people a greater say in Council affairs, there are 3 Area Community Forums. These cover the Northern, Central and Southern areas of the District and are intended to act as a focus point for mutual communication and consultation between the local community, stakeholders and Councillors from all local councils in their area. Two Rounds of public meetings were held during 2018/19 at various venues throughout the District.

The council's employees
The Council has people working for it to give advice, implement decisions and manage the day to day delivery of its services. Some employees have a specific duty to ensure that the Council acts within the

law and uses its resources wisely. A Protocol governs the relationships between employees and members of the Council. Employees are required to follow the Council's Employee Code of Conduct to ensure high standards in the way they undertake their duties. The Council's Monitoring Officer provides guidance and advice on the Code.

Citizens' Rights
Citizens have a number of rights in their dealings with the Council. These are set out in the Constitution.

The Corporate Plan
The Corporate Plan sets out the Council's priorities, aims, vision and values. The current Corporate Plan was agreed by Council in March 2015 for a 4 year period and a new Corporate Plan will be developed during 2019 following the May elections. Annual corporate plan targets are set in March each year and progress is reviewed in March and November each year.

The Corporate Plan is based on extensive consultation with residents, councillors and employees.

Managing Key Risks
All Councillors and Managers are responsible for ensuring that risks are considered in the decisions they take. The Council has a Risk Management Policy and Strategy that is reviewed every two years. It is the Council's policy to proactively identify, understand and manage the risks inherent in our services and associated within our plans and strategies, so as to encourage responsible, informed risk taking.

Chief Financial Officer
The Head of Resources is the Council's appointed Chief Financial Officer and Section 151 Officer. This is a statutory post, responsible for delivering and overseeing the financial management of the council. The Chief Financial Officer is a member of the Corporate Leadership Team and is responsible for financial management at the Council. The role of Chief Financial Officer conforms with the good practice requirements within the CIPFA statement on "The Role of the Chief Financial Officer in Local Government". The Head of Resources has taken a key role in reviewing corporate governance and in preparing this Annual Governance Statement. She is satisfied with the arrangements currently in place for financial management. Overall the control framework is operating effectively and no matters of significance have been omitted from this statement.

Monitoring Officer
The Head of Corporate Services is the Council's appointed Monitoring Officer. The Monitoring Officer is responsible for the legal governance arrangements for the Council. She reviews the Constitution; oversees the ethical framework, and has a personal duty to report to the Council any breaches in the rule of law.

Managing Finances
There is a good system of budgetary control in place, which is enforced by the Corporate Leadership Team. Budget holders are identified for each revenue service or capital project. Training and guidance is provided by the Financial Services Team.

Capital projects are only put forward for Committee approval after the Corporate Leadership Team has approved a business case, which ensures projects support the Council's priorities and that they are fully resourced and planned before spending can commence.

The Council has a Medium Term Financial Strategy that shows the overall direction of the Council's finances over the next five years. This includes a Medium Term Financial Plan which indicates that a budget gap will arise over the next few years due to the expected reduction in government funding. The Council has set a Corporate Savings target to close the budget gap. The Council has a good track record of delivering savings. However, the Council's Efficiency Plan needs to be updated to show how the Council plans to address the budget gap for future years. The Corporate Leadership Team monitors performance against the annual budget, capital programme, medium term financial plan and efficiency plan.

Internal Audit
The Council receives substantial assurance from Internal Audit work who (through an agreed programme of testing – the Internal Audit Plan) review the adequacy of the controls and governance that operate throughout all areas of the Council.

Management of Internal Audit is provided by the Bolsover, Chesterfield and North East Derbyshire District Councils' Internal Audit Consortium.

The Internal Audit Service has been managed and delivered in accordance with Public Sector Internal Audit Standards (PSIAS). The Governance and Resources Committee approves an Internal Audit Charter in 2018, which is due for review every two years. The Charter sets out the role of internal audit and its responsibilities and clarifies its independence.

An external review of Internal Audit was undertaken during 2016/17. The independent report concludes that the Internal Audit Section complies with the expectations of the Public Sector Internal Audit Standards. This means that Members can have confidence in the service provided by internal audit.

The Internal Audit Consortium Manager prepares an Annual Report for the Governance and Resources Committee. The Annual Report includes an opinion on the adequacy and effectiveness of the Council's control environment. For 2018/19, it is considered by the Internal Audit Consortium Manager that 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 31st March 2019. However, during 2018/19 two "limited assurance" reports were issued (relating to procurement and the management of the leisure contract) and in April 2019 one "inadequate assurance" report was issued (relating to arrangements that were in place in 2018/19 in respect of inventory and procurement at the depot) where only limited assurance on the reliability of internal controls could be given at the time the reports were issued. In these areas the governance, risk management and control arrangements were not operating effectively, some key risks were not well managed, and there was a risk that the systems objectives would not be achieved. Where weaknesses have been identified through internal audit review, management have agreed appropriate corrective actions and a timescale for improvement.

As a result of these reports with limited and inadequate assurance, two issues (management arrangements for the leisure contract and arrangements for procurement and inventories) have been reported in the annual governance statement as significant issues.

External Audit & Other Inspections
The Council's external auditor is currently Mazars LLP, who took over from KPMG during 2018/19 following the audit of the financial statements relating to 2017/18.

In July 2018 KPMG issued an unqualified opinion in relation to the Council's 2017/18 statutory financial statements. An unqualified conclusion was also issued in relation to the Council's financial statements for 2017/18 and the external auditor had no matters relating to controls over key financial systems and the IT control environment to bring to Members' attention. However, the external auditor's report identified two recommendations, which related to the valuation of properties and declarations for related party transactions. These recommendations were considered during the preparation of financial statements for 2018/19; While the recommendation relating to the valuation of properties has been implemented for the 2018/19 financial statements, it has not been possible to obtain related party declarations from all councillors, despite several reminders.

The external auditor also issued an unqualified Value For Money conclusion for 2017/18 and did not identify any matters that would require the issue of a public interest report.

Feedback from the work undertaken to date on the 2018/19 financial statements has not highlighted any issues which would lead to a different conclusion for the 2018/19 Statement of Accounts. The external auditor's initial work on the 2018/19 Value For Money risk assessment has identified one significant VFM risk, "Delivery of Budgets". This relates to continual pressures on Local Government Finances and, in particular, the further savings of £0.4 million that it is anticipated will be required to address projected medium term budget shortfalls from 2020/21 onwards.

To mitigate this risk, the Council has a Medium Term Financial Strategy and Medium Term Financial Plan in place. However, the Council's Efficiency Plan needs to be updated to show how it plans to address the budget gap for future years. Significant changes in Local Government finances are due to take place over the next few years, which will culminate in a major change in the way Local Government is financed from 2020/21 onwards. It is hoped that the Local Government Finance Settlement, due in late 2019, will bring more certainty for financial planning in the medium term.

5. Significant governance issues and action plan

a) Update on issues raised in last year's (2017/18) Annual Governance Statement

	Issue	Action Identified in last year's statement	Outcome
1	There is a budget gap for future years as identified in the Medium Term Financial Plan.	Ensure that there are effective processes to manage and monitor budgets and to plan and monitor savings. Update the Efficiency Plan to address the budget gap for future years.	Balanced budget for 2019/20. General Reserve would be sufficient to finance expected budget shortfall for 2020/21 if required. Efficiency Plan not updated due to lack of certainty over future funding levels.
2	An internal audit review has identified that our arrangements for safeguarding need to be strengthened	Implement the recommendations of the Internal Audit Review: • Complete the training for taxi drivers • Update the Safeguarding Policy	Training on safeguarding has been provided to taxi drivers and employees; workshops have been arranged for members following the May 2019 elections. An updated Safeguarding Policy has not yet been completed.
3	A complaint received during 2017/18 questioned the openness of the District Council's procurement process in relation to a high value contract.	Review Contract Standing Orders and procedures for specifying requirements and how tenders will be evaluated.	Contract Standing Orders were reviewed and updated in May 2018. The updated document included revised procedures for specifying requirements (including procurement thresholds), clear instruction as to which procurement procedure should be followed, and evaluation criteria and processes. Training on the new contract standing orders was delivered to relevant employees.

b) Annual Governance Statement issues arising from 2018/19 review, to be actioned in 2019/20

	Issue	Action	Outcome	Lead Officer	Target Date
1	There is a budget gap for future years as identified in the Medium Term Financial Plan.	Ensure that there are effective processes to manage and monitor budgets and to plan and monitor savings. Update the Efficiency Plan to address the budget gap for future years.	Balanced budget for 2020/21 and Efficiency Plan to be updated (following the 2020/21 Local Government Finance Settlement) to address budget gap for future years.	Head of Resources	Efficiency Plan: January 2020 Budget for March 2020
2	An internal audit review has identified that our arrangements for safeguarding need to be strengthened	Implement the outstanding recommendation of the Internal Audit Review: • Update the Safeguarding Policy and publicise it on website and to employees	The Council will be compliant with safeguarding requirements	Head of Community & Environmental Services	31 July 2019

3	Internal audit reviews have identified that our arrangements for procurement and inventory need to be strengthened, especially at the depot.	Implement the outstanding recommendations of the Internal Audit Review: • Establish procedures and records relating to inventories of tools and equipment; • Promote awareness of procurement procedures to relevant employees; • Establish a contract for the provision of specialist procurement advice and support.	Key risks will be better managed and mitigated, including the risks of legal challenge relating to procurement exercises and financial loss arising from inadequate arrangements for procurement and inventories.	Head of Community & Environmental Services Head of Corporate Services	31st March 2020
4	An internal audit review has identified weaknesses in our management arrangements relating to the leisure services contract.	Implement the outstanding recommendations of the Internal Audit Review: • Confirmation should be sought from contractor that the pensions bond required under the contract has been put in place.	The Council's financial risks will be mitigated.	Head of Community & Environmental Services	31st May 2019

We propose over the coming year to take steps to address the significant governance issues identified in section 5b of this statement 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.

Approved at a meeting of the Council held on 30 May 2019:
Signed

Councillor Garry Purdy — Paul Wilson

Leader of the Council — Chief Executive
Date: 30 May 2019 — Date: 30 May 2019

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.

2017/18 Gross Expenditure £000s	2017/18 Gross Income £000s	2017/18 Net Expenditure £000s		2018/19 Gross Expenditure £000s	2018/19 Gross Income £000s	2018/19 Net Expenditure £000s
305	0	305	Chief Executive	200	0	200
12,490	(7,714)	4,776	Community and Environmental Services*	10,474	(6,444)	4,030
2,505	(440)	2,065	Corporate Services	2,453	(252)	2,201
1,473	(1,220)	253	Housing	1,852	(2,420)	(568)
754	(71)	683	Regeneration & Policy	712	(96)	616
1,892	(763)	1,129	Regulatory Services	1,716	(838)	878
15,871	(13,741)	2,130	Resources	15,367	(13,354)	2,013
35,290	**(23,949)**	**11,341**	**Cost Of Services**	**32,774**	**(23,404)**	**9,370**
1,440	(809)	631	Other Operating Expenditure (Note 10)	1,520	(505)	1,015
829	(176)	653	Financing and investment income and expenditure (Note 11)	948	(199)	749
0	**(11,784)**	(11,784)	Taxation and Non-Specific Grant Income and Expenditure (Note 12)	0	(12,587)	(12,587)
		841	**(Surplus) or Deficit on Provision of Services**			**(1,453)**
		(3,291)	Surplus or deficit on revaluation of non current assets			(1,326)
		(1,992)	Remeasurements of the net defined benefit liability			4,575
		(5,283)	**Other Comprehensive Income and Expenditure**			**3,249**
		(4,442)	**Total Comprehensive Income and Expenditure**			**1,796**

* Amounts for Community and Environmental Services have been combined to reflect the merging of departments.

The Council does not have material items of Other Comprehensive Income and Expenditure which would subsequently be reclassified to the Surplus or Deficit on the Provision of Services when specific conditions are met.

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 'unusable reserves'. The Statement shows how the movements in year of the Council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The Net Increase/Decrease line shows the statutory General Fund Balance movements in the year following those adjustments.

	General Fund Balance £000s	Capital Receipts Reserve £000s	Capital Grants Unapplied £000s	Total Usable Reserves £000s	Unusable Reserves £000s	Total Authority Reserves £000s
31st March 2017	**12,259**	**2,928**	**147**	**15,334**	**31,444**	**46,778**
Total Comprehensive Income and Expenditure	(841)	0	0	**(841)**	5,283	**4,442**
Adjustments from income and expenditure charged under the accounting basis to funding basis (Note 9)	2,521	344	(6)	**2,859**	(2,859)	**0**
2017/18	**1,680**	**344**	**(6)**	**2,018**	**2,424**	**4,442**
31st March 2018	**13,939**	**3,272**	**141**	**17,352**	**33,868**	**51,220**
Total Comprehensive Income and Expenditure	1,453	0	0	**1,453**	(3,249)	**(1,796)**
Adjustments from income and expenditure charged under the accounting basis to funding basis (Note 9)	754	(327)	79	**506**	(506)	**0**
2018/19	**2,207**	**(327)**	**79**	**1,959**	**(3,755)**	**(1,796)**
31st March 2019	**16,146**	**2,945**	**220**	**19,311**	**30,113**	**49,424**

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.

31st March 2018 £000s		Notes	31st March 2019 £000s
65,484	Property, Plant & Equipment	13	65,503
1,550	Investment Property	14	1,519
23	Intangible Assets	15	95
0	Long Term Investments	16	941
67,057	***Long Term Assets***		**68,058**
39	Inventories	17	25
6,934	Short Term Debtors	18	4,248
9,098	Cash and Cash Equivalents	19	10,441
0	Short Term Investments	16	2,007
16,071	***Current Assets***		**16,721**
(5)	Short Term Borrowing	16	(6)
(221)	Provisions	22	(362)
(4,206)	Short Term Creditors	21	(2,606)
(376)	Other Short Term Liabilities	38	(151)
(4,808)	***Current Liabilities***		**(3,125)**
(58)	Provisions (>1yr)	22	(54)
(5,450)	Long Term Borrowing	16	(5,450)
(21,592)	Other Long Term Liabilities	38 & 39	(26,726)
(27,100)	***Long Term Liabilities***		**(32,230)**
51,220	***Net Assets***		**49,424**
17,352	Usable reserves	24	19,311
33,868	Unusable Reserves	25	30,113
51,220	***Total Reserves***		**49,424**

The financial statements were approved for issue on the 16th July by the Head of Resources.

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 and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the 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 authority.

31st March 2018 £000s		**31st March 2019 £000s**
(841)	Net surplus or (deficit) on the provision of services	1,453
6,202	Adjustments to net surplus or (deficit) on the provision of services for non-cash movements (Note 26)	4,247
(495)	Adjustments for items included in the net surplus or (deficit) on the provision of services that are investing and financing activities (Note 26)	(1,086)
4,866	Net cash flows from Operating Activities	4,614
465	Investing Activities (Note 27)	(2,710)
(453)	Financing Activities (Note 28)	(561)
4,878	Net increase or (decrease) in cash and cash equivalents	1,343
4,220	Cash and cash equivalents at the beginning of the reporting period	9,098
9,098	**Cash and cash equivalents at the end of the reporting period (Note 19)**	**10,441**

The cash flow statement has been prepared using the indirect method.

THE FINANCIAL STATEMENTS
EXPENDITURE AND FUNDING ANALYSIS

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's services. Income and expenditure accounted for under generally accepted practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2017/18 Net Expenditure Chargeable to the General Fund Balance £000s	2017/18 Adjustments between the Funding and Accounting Basis £000s	2017/18 Net Expenditure in the Comprehensive Income and Expenditure Statement £000s		2018/19 Net Expenditure Chargeable to the General Fund Balance £000s	2018/19 Adjustments between the Funding and Accounting Basis £000s	2018/19 Net Expenditure in the Comprehensive Income and Expenditure Statement £000s
255	50	305	Chief Executive	161	39	200
1,967	2,809	4,776	Community and Environmental Services *	1,693	2,336	4,029
1,803	262	2,065	Corporate Services	1,825	376	2,201
(536)	789	253	Housing Services	(1,659)	1,092	(567)
509	174	683	Regeneration and Policy	484	132	616
417	712	1,129	Regulatory Services	224	654	878
2,563	(433)	2,130	Resources	2,577	(564)	2,013
6,978	**4,363**	**11,341**	**Net Cost of Services**	**5,305**	**4,065**	**9,370**
(8,658)	(1,842)	(10,500)	Other income and expenditure	(7,512)	(3,311)	(10,823)
(1,680)	**2,521**	**841**	**(Surplus) / Deficit**	**(2,207)**	**754**	**(1,453)**
(12,259)			**Opening General Fund Balance**	**(13,939)**		
(1,680)			**Less/Plus Surplus or (Deficit) on General Fund Balance in Year**	**(2,207)**		
(13,939)			**Closing General Fund Balance at 31st March**	**(16,146)**		

*Amounts for Community and Environmental Services have been combined to reflect the merging of departments

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

a) General principles

The Statement of Accounts summarises the Council's transactions for the 2018/19 financial year and its position at the year-end of 31 March 2019. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015, to be prepared in accordance with proper accounting practices. These practices under Section 21 of the 2003 Act primarily comprise the *Code of Practice on Local Authority Accounting in the United Kingdom 2018/19* (the Code) and the *Service Reporting Code of Practice for Local Authorities 2018/19,* supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

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

b) Accruals of income and expenditure

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

- Revenue from the sale of goods is recognised when the authority transfers the significant risks 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 authority.
- Revenue from the provision of services is recognised when the authority 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 authority.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

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

c) 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 highly liquid investments that mature in [specified period, no more than three months] or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, ie in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

e) Charges to revenue for non-current assets

Services accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

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

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

f) Contingent liabilities

A contingent liability arises where an event has taken place that gives the council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the council's control. 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 Balance Sheet but are disclosed by way of a note to the accounts.

g) Council Tax and Non-Domestic Rate income

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (in 2018/19 this excluded the government for NDR as the Council was part of a 100% Rate Retention Pilot) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (ie the Collection Fund) for the collection and distribution of amounts due in respect of council tax and non-domestic rates. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

Accounting for Council Tax and NDR

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

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

h) Employee benefits

Benefits payable during employment

Short-term employee benefits are those due to be settled wholly within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave for current employees and are recognised as an expense for services in the year in which employees render service to the authority. An accrual is made for the cost of holiday entitlements (or other forms of leave such as flexi-time or time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the pay rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to the Surplus or Deficit on the provision of Services, but then reversed out through the Movement in Reserves Statement so that the holiday benefits are charged to revenue in the financial year in which the holiday absence 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 relevant service line in the Comprehensive Income and Expenditure Statement when the Authority can no longer withdraw the offer of those benefits. Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the authority to the pension fund or pensioner in the 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 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

The Council's employees are part of the Local Government Pension Scheme, administered by Derbyshire County Council (the pension fund). The scheme provides defined benefits to members (in the form of retirement lump sums and pensions), earned as employees work for the Council.

- The liabilities of the Derbyshire County Council pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit cost method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc, and projections of earnings for current employees.

- Liabilities are discounted to their value at current prices, using a discount rate of 2.4% (2.7% in 2016/17). The discount rate is based on the indicative rate of return on high quality corporate bonds.
- The assets of Derbyshire County Council pension fund attributable to the Authority are included in the Balance Sheet at their fair value:
  - quoted securities – current bid price
  - unquoted securities – professional estimate
  - unitised securities – current bid price
  - property – market value.
- The change in the net pension liability is analysed into the following components.
  - **Service cost comprising:**
  - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
  - past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years will be debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non-Distributed Costs.
  - net interest on the net defined benefit liability i.e. net interest expense for the authority – the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period, taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.
  - **Re-measurement comprising:**
  - the return on plan assets – excluding amounts included in net interest on the net defined benefit liability – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
  - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
  - Contributions paid to the Derbyshire County Council 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 Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby 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 Authority also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

i) Events after the balance sheet date

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 event can be identified:

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

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

j) Financial instruments

The term 'financial instrument' covers both financial assets and financial liabilities and includes both the most straightforward financial assets and liabilities such as trade receivables and trade payables and the most complex ones such as derivatives and embedded derivatives. At the present time this Council does not use an external fund manager.

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 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. The effective rate of interest is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

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); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Authority has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

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

There are three main classes of financial assets measured at:

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

The authority'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 principle and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

Financial Assets Measured at Amortised Cost

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

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

Expected Credit Loss Model

The authority does not hold any financial assets at amortised cost requiring an expected credit loss to be applied. Only lifetime losses are recognised for trade receivables (debtors) held by the authority.

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.

Financial Assets Measured at Fair Value through Profit of Loss

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the authority becomes a party to the contractual provision of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive 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.

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 authority 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.

And 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.

Loans and Receivables

Loans and receivables are recognised in the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. Annual credits to the Financing Investment Income and Expenditure line of the

Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans the Authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement. The Council has not made any loans at less than market rates (soft loans).

k) Foreign Currency Translation

Where the Council has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective.

l) Government grants and other contributions

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

- The Council will comply with the conditions attached to the payments; and
- The grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced 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.

m) Heritage Assets

The Council has a small number of heritage assets which are maintained for their historic value. Due to the lack of reliable historic information and lack of comparable data a meaningful value is not possible. Any future costs will be held on the balance sheet at historic cost. The Council’s identified heritage assets include War Memorials and Churchyard Gates. These assets have indefinite lives and so are not depreciated. The Council has adopted a £25,000 de minimis level for heritage assets and any assets identified below this level are not separately identified on the balance sheet and remain in their existing categories.

n) Intangible assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is 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 Authority 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).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Authority's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment 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 and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

o) Inventories and long term contracts

Inventories are included on the Balance Sheet at the lower of cost and net realisable value, calculated separately for each category of inventory. The cost of inventories is assigned using the First In, First Out costing formula.

The Council does not have any trading activities that generate income from long-term contracts.

p) Investment property

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

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

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

q) Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Authority as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments 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 charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

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

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

Operating Leases

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

The Authority as Lessor

Finance Leases

The Authority does not grant any finance leases for property, plant and equipment.

Operating Leases

Where the Authority grants an operating lease over a property or an item or plant or equipment, the asset is retained in 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. where a premium paid at the commencement of a lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

r) Overheads and Support Services

The costs of overheads and support services are charged to service segments in accordance with the authority's arrangements for accountability and financial performance.

s) Property, plant and equipment

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

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located

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

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Authority.

Assets are then carried in the Balance Sheet using the following measurement bases:

- Infrastructure, community assets and assets under construction – depreciated historical cost.
- All other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV)
- The council has a £10,000 de minimis gross cost limit and does not recognise items below this threshold.

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

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

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are 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 the balance (up to the amount of the accumulated gains).
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are 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 amount of the accumulated gains).
- Where the is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been changed 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 is made for assets without determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- Buildings – straight-line allocation over the useful life of the property as estimated by the valuer
- Vehicles, plant, furniture and equipment – straight-line allocation over the useful life of the asset, as advised by a suitably qualified officer.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

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 on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to 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 previously losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified 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 held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) 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. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also 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 accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. These receipts are required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment (or set aside to reduce the Authority's underlying need to borrow (the capital financing requirement)). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in 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.

t) 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. For instance, the council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Statement of Income and Expenditure in the year that the council becomes aware of the obligation, and are measured at the 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 carried in the balance sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the authority settles the obligation.

u) Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.
Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and these do not represent usable resources for the council. Such reserves are explained in the relevant accounting policies.

v) Revenue expenditure funded from capital under statute

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of non-current assets has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement 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.

w) Value Added Tax (VAT)

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs (HMRC). VAT receivable is excluded from income.

x) Interests in Companies and Other Entities

Derbyshire Dales District Council does not have any material interests in companies or other entities that have the nature of subsidiaries, associates and jointly controlled entities. Therefore, the Authority has not prepared group accounts.

y) Fair Value Measurement

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

a) in the principal market for the asset or liability, or
b) in the absence of a principal market, in the most advantageous market for the asset or liability

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

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

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

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

- Level 1 – quoted process (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date
- Level 2 – inputs other than the quoted prices included within Level1 that are observable for the asset or liability, either directly or indirectly
- Level 3 – unobservable inputs for the asset or liability

2. ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard which has been issued but is yet to be adopted by the 2018/19 Code.

Accounting changes that are introduced by the 2019/20 code are:

- Amendments to IAS 40 Investment Property: Transfers of Investment Property
- Annual Improvements to IFRS Standards 2014-2016 Cycle
- FRIC 22 Foreign Currency Transactions and Advance Consideration
- FRIC 23 Uncertainty over Income Tax Treatments
- Amendments to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation.

These changes are not expected to have a material impact on the Council's statements.

3. 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 experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the Authority's balance sheet at 31 March 2019 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Property, plant and equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of an asset is reduced, depreciation increases and the carrying amount of the asset falls. It is estimated that the annual depreciation charge for buildings would increase by £30,000 for every year that useful lives had to be reduced.
Provision for Insurance Claims	The Authority has made a provision for the settlement of insurance claims, based on the number of claims outstanding at the balance sheet date and the estimated settlement costs. It is not certain that all claims have been received by the authority (public liability claims must be made within three years of the accident or within three years of reaching the age of 18 in the case of claims involving children).	An increase of 10% in the total number of claims would have the effect of adding £5,000 to the provision. The Authority has an insurances reserve that is available to finance any unknown future liabilities incurred where the Council has not externalised the insurance cover.
Provision for Business Rates Appeals	Local authorities are liable for their proportionate share of successful appeals against business rates charged to businesses. A provision has been recognised for the best estimate of this amount up to 31 March 2019. The estimate has been calculated using the Valuation Office ratings list of appeals and the analysis of successful appeals to date.	If more appeals were successful than estimated, the Council's liability would increase. If appeal costs increased by 25% the Council would require an additional £90,000 to be set aside as an allowance for its' proportionate share.
Pensions Liability	The estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discounts 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.	See Pension Note

Arrears – Sundry Debtors	At 31 March 2019, the Authority had sundry debtor invoice arrears of £570,000. A review of the arrears, based on the age of the debts and the likely levels of collection, suggested that an impairment allowance of £39,000 was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts relating to debtor invoices would require an additional £39,000 to be set aside as an allowance.
Arrears – Housing Benefit Overpayments	At 31 March 2019, the Authority had arrears of £1,050,000 relating to Housing Benefit Overpayments. A review of the arrears, based on the age of the debts and the likely levels of collection, suggested that an impairment allowance of £100,000 was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts relating to housing benefit overpayments would require an additional £100,000 to be set aside as an allowance.
Fair Value Measurement	When the fair value of financial assets and liabilities cannot be measured based on quoted prices in active markets (Level 1 inputs), valuation techniques such as quoted process for similar assets in active markets or discounted cash flows are used. Where possible, the inputs to the valuation are based on observable data, but where this is not possible, judgement is required in establishing fair values. Changes in assumptions used could affect the fair value. Where Level 1 inputs are not available, the authority uses relevant experts to identify the most appropriate valuation technique to determine fair value. Information about the valuation techniques used is disclosed in note 14.	The significant unobservable inputs used in the fair value measurement include management assumptions regarding rent growth, vacancy levels (for investment properties) and discount rates – adjusted for regional factors. Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for the investment properties.

4. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

Funding

There is a high degree of uncertainty about future levels of funding for local government. The Council has set aside amounts in provisions, working balances and reserves which it believes are appropriate for the local circumstances, taking into accounts the level of general fund spending, risks, robustness of estimates and past track record in financial management. 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.

Asset valuations

The Council revalues its non-current assets using the fair value approach. The valuer exercises judgement to determine whether there is market based evidence that may be used for the valuation. Where there is no such evidence, the Council has used the depreciated replacement cost method to calculate the fair value.

Asset componentisation

The Council has used components to assist in the valuation of its assets. The valuer has used his judgement to determine which assets should be componentised (allowing for a de-minimis level), and for those assets, which individual components it is appropriate to use.

Property, plant and equipment

The Council's assets are depreciated over useful lives that depend on judgements made such as the level of maintenance that will be undertaken and the use of the asset.

Leases

The assets used by the waste collection contractor have been reviewed to determine whether they meet the criteria for an embedded lease. The current contract commenced in August 2012 and is due to run for eight years. The depot used by the contractor is not solely used by this Authority so this does not meet the criteria for an embedded lease. However, for vehicles, it has been determined that under the present contract conditions there is an embedded finance lease. In assessing this lease the Council has estimated the implied interest rate within the lease to calculate interest and principal payments.

Some of the Council's land is leased to third parties. It has been determined that three of these properties are investment properties and that the associated leases are operating leases.

Investment Properties

Investment properties have been identified using the criteria of being held for rental income or for capital appreciation. These criteria are subject to interpretation.

Group Boundaries and Trust Funds

The group boundaries have been estimated using the criteria set out in the Code. Using those criteria the Council has not identified any entities that would require it to complete group accounts.

5. MATERIAL ITEMS OF INCOME AND EXPENSE

For 2018/19, there are no material items of income and expenses not already disclosed in the accounts.

6. EVENTS AFTER THE REPORTING PERIOD

The Statement of Accounts was authorised for issue by the Head of Resources on 16th July 2019. Events taking place after this date are not reflected in the financial statements or notes.

The Council is not aware of any events that occurred between the 31 March 2019 and this authorisation date that would require disclosure.

7. NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

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

2018/19
Adjustments between Funding and Accounting Basis

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes £000's	Net change for the Pensions Adjustments £000's	Other Differences £000's	Total Adjustments £000's
Chief Executive	0	42	(3)	39
Community and Environmental Services	2,288	49	(1)	2,336
Corporate Services	2	380	(6)	376
Housing Services	977	115	0	1,092
Regeneration and Policy	14	123	(5)	132
Regulatory Services	409	254	(9)	654
Resources	273	(830)	(7)	(564)
Net Cost of Services	**3,963**	**133**	**(31)**	**4,065**
Other income and expenditure from the Expenditure and Funding Analysis	**(2,973)**	**577**	**(915)**	**(3,311)**
Difference between General Fund (surplus) or deficit and Comprehensive Income and Expenditure Statement (Surplus) or Deficit on the Provision of	**990**	**710**	**(946)**	**754**

2017/18
Adjustments between Funding and Accounting Basis

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes £000's	Net change for the Pensions Adjustments £000's	Other Differences £000's	Total Adjustments £000's
Chief Executive	(1)	51	0	50
Community and Environmental Services	2,074	735	0	2,809
Corporate Services	7	255	0	262
Housing Services	721	68	0	789
Regeneration and Policy	89	85	0	174
Regulatory Services	499	213	0	712
Resources	172	(605)	0	(433)
Net Cost of Services	**3,561**	**802**	**0**	**4,363**
Other income and expenditure from the Expenditure and Funding Analysis	**(2,730)**	**583**	**305**	**(1,842)**
Difference between General Fund (surplus) or deficit and Comprehensive Income and Expenditure Statement (Surplus) or Deficit on the Provision of Services	**831**	**1,385**	**305**	**2,521**

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 these assets
- Financing and investment income and expenditure – the statutory charges for capital financing ie 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.

Net Change for the Pensions Adjustments

Net change for the removal of pension contributions and the addition of IAS19 Employee Benefits pension related income and expenditure:

- 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

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

- For Financing and Investment Income and Expenditure the other differences column recognises adjustments to the General Fund for 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.
- Movements in Fair Value of investments through Financing and Investment Income and Expenditure.
- Accumulated Absence – value of untaken annual leave and lieu time.

8. EXPENDITURE AND INCOME ANALYSED BY NATURE

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

2017/18 £000's	Expenditure/Income	2018/19 £000's
	Expenditure	
9,725	Employee benefits expenses	7,959
23,925	Other service expenses	22,999
2,680	Depreciation, amortisation, impairment	2,563
245	Interest payments	232
1,440	Precepts and levies	1,520
38,015	**Total expenditure**	**35,273**
	Income	
(24,074)	Fees, charges and other service income	(23,534)
(56)	Interest and investment income	(133)
(9,841)	Income from council tax and non-domestic rates	(11,303)
(1,938)	Government grants and contributions	(964)
0	Assets acquired below fair value	(287)
(809)	Gain on disposal of assets	(505)
(36,718)	**Total income**	**(36,726)**
1,297	**(Surplus) / Deficit on the Provision of Services**	**(1,453)**

9. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note details the adjustments that are made in the Movement in Reserves Statement to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

2018/19	Usable Reserves			
	General Fund £'000s	Capital Receipts £'000s	Capital Grants £'000s	**Unusable Reserves £'000s**
Adjustments involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	2,139			(2,139)
Amortisation of Intangible Assets	21			(21)
Reversal of previous impairments/revaluation losses	371			(371)
Capital grants and contributions applied	(33)		(412)	445
Revenue expenditure funded from capital under statute	1,429			(1,429)
Movement in fair value of investment properties	31			(31)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	59			(59)
Assets acquired at less than fair value	(287)			287
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement				
Statutory provision for the repayment of debt	(471)			471
Capital expenditure charged against the General Fund Balance	(1,173)			1,173
Adjustments involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the CIES	(491)		491	0
Movement in reserves during 2018/19				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	(561)	561		0
Use of the Capital Receipts Reserve to finance new capital expenditure		(888)		888
Adjustments involving the Financial Instrument Adjustment Account and Financial Instrument Revaluation Reserve				
Premiums and Discounts	(111)			111
Movement in fair value of financial instruments	68			(68)
Adjustments involving the Pensions Reserve:				
Amount by which pension costs calculated in accordance with IAS19 are different from the contributions due under the pensions scheme regulations	710			(710)
Adjustments involving the Collection Fund Adjustment Account:				
Amount by which council tax and NDR income included in the CIES is different from the amount taken to the General Fund balance	(915)			915
Adjustments involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the CIES on a accruals basis is different from remuneration payable in the year	(32)			32
Total Adjustments	**754**	**(327)**	**79**	**(506)**

2017/18	Usable Reserves			
	General Fund £'000s	Capital Receipts £'000s	Capital Grants £'000s	**Unusable Reserves £'000s**
Adjustments involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	2,217			(2,217)
Amortisation of Intangible Assets	7			(7)
Capital grants and contributions applied	(498)		(14)	512
Revenue expenditure funded from capital under statute	1,351			(1,351)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	206			(206)
Items not debited or credited to the Comprehensive Income and Expenditure Statement				
Statutory provision for the repayment of debt	(465)			465
Capital expenditure charged against the General Fund Balance	(839)			839
Adjustments involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the CIES	(8)		8	
Movement in reserves during 2017/18				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	(1,015)	1,015		
Use of the Capital Receipts Reserve to finance new capital expenditure		(671)		671
Adjustments involving the Financial Instrument Adjustment Account:				
Premiums and Discounts	(111)			111
Adjustments involving the Pensions Reserve:				
Amount by which pension costs calculated in accordance with IAS19 are different from the contributions due under the pensions scheme regulations	1,385			(1,385)
Adjustments involving the Collection Fund Adjustment Account:				
Amount by which council tax and NDR income included in the CIES is different from the amount taken to the General Fund balance	305			(305)
Adjustments involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the CIES on a accruals basis is different from remuneration payable in the year	(14)			14
Total Adjustments	**2,521**	**344**	**(6)**	**(2,859)**

10. OTHER OPERATING EXPENDITURE

2017/18 £'000s		2018/19 £'000s
1,440	Parish Precepts	1,520
(809)	Gains (losses) on the disposal of non-current assets	(505)
631		**1,015**

11. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2017/18 £'000s		2018/19 £'000s
234	Interest payable on debt	225
12	Interest element of finance lease	7
583	Net interest on the pensions net defined benefit liability	577
(56)	Interest receivable and similar income	(133)
(120)	Income and expenditure in relation to investment properties	(97)
0	Movement in fair value of investment property	31
0	Movement in fair value of financial instruments	139
653		**749**

12. TAXATION AND NON SPECIFIC GRANT INCOME

2017/18 £'000s		2018/19 £'000s
	Non-ringfenced government grants	
329	Revenue Support Grant	0
785	New Homes Bonus	472
322	Rural Services Delivery Grant	0
503	Disabled Facilities Grants	491
1,939		**963**
7,156	Council tax income	7,398
2,685	Non-domestic rates distribution	3,905
4	Capital grants and contributions	34
0	Assets acquired below fair value	287
11,784		**12,587**

13. PROPERTY, PLANT AND EQUIPMENT

Property, Plant and Equipment 31st March 2019	Land and Buildings (Restated) £'000s	Vehicles, Plant, Equipment (Restated) £'000s	Community Assets £'000s	Infrastructure Assets £'000s	Surplus Assets £'000s	Total £'000s
Cost or Valuation						
1st April 2018	57,821	8,947	6,548	2,784	0	76,100
Recategorisation*	(195)	(175)	(12)	0	207	(175)
Additions	1,039	238	24	1	0	1,302
Revaluation increases/(decreases) to Revaluation Reserve	(220)	0	0	0	0	(220)
Revaluation increases/(decreases) to (Surplus)/Deficit on provision of services	(604)	0	0	0	0	(604)
Derecognition - Disposals	(53)	(946)				(999)
31st March 2019	**57,788**	**8,064**	**6,560**	**2,785**	**207**	**75,404**
Accumulated Depreciation and Impairment						
1st April 2018	3,953	6,013	0	650	0	10,616
Recategorisation*	0	(135)	0	0	0	(135)
Depreciation Charge	1,224	853	0	62	0	2,139
Depreciation written out to the Revaluation Reserve	(1,547)	0	0	0	0	(1,547)
Depreciation written out to the Surplus/Deficit on the Provision of Services	(232)	0	0	0	0	(232)
Derecognition - Disposals	(23)	(917)	0	0	0	(940)
31st March 2019	**3,375**	**5,814**	**0**	**712**	**0**	**9,901**
Net Book Value:						
31st March 2019	**54,413**	**2,250**	**6,560**	**2,073**	**207**	**65,503**
31st March 2018	**53,868**	**2,934**	**6,548**	**2,134**	**0**	**65,484**

* Items within Property, Plant and Equipment have re categorised within this note and to Intangible Assets

Property, Plant and Equipment 31st March 2018	Land and Buildings £'000s	Vehicles, Plant, Equipment £'000s	Community Assets £'000s	Infrastructure Assets £'000s	Total £'000s
Cost or Valuation					
1st April 2017	55,020	8,623	6,510	2,836	72,989
Transferred from Held for Sale	130	0	0	0	130
Additions	227	366	67	12	672
Revaluation increases/(decreases) to Revaluation Reserve	2,436	0	12	0	2,448
Revaluation increases/(decreases) to (Surplus)/Deficit on provision of services	(3)	0	0	0	(3)
Assets reclassified from Investment Properties	113				113
Derecognition - Disposals	(102)	(42)	(41)	(64)	(249)
31st March 2018	**57,821**	**8,947**	**6,548**	**2,784**	**76,100**
Accumulated Depreciation and Impairment					
1st April 2017	4,084	5,214	0	0	9,298
Adjustment to historic depreciation				586	586
Depreciation Charge	1,229	840	0	64	2,133
Depreciation written out to the Revaluation Reserve	(995)	0	0	0	(995)
Depreciation written out to the Surplus/Deficit on the Provision of Services	(537)	0	0	0	(537)
Impairment charged to the Revaluation Reserve	152	0	0	0	152
Impairment charged to (Surplus)/Deficit on provision of services	22	0	0	0	22
Derecognition - Disposals	(2)	(41)	0	0	(43)
31st March 2018	**3,953**	**6,013**	**0**	**650**	**10,616**
Net Book Value					
31st March 2018	**53,868**	**2,934**	**6,548**	**2,134**	**65,484**
31st March 2017	**50,936**	**3,409**	**6,510**	**2,836**	**63,691**

Depreciation

The measurement bases used for determining the gross carrying amount of property, plant and equipment is set out in Note 1 (s) Accounting Policies.

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

- Operational buildings – 1 to 60 years
- Vehicles, plant and equipment – 3 to 10 years

The depreciation methods used are set out in the Accounting Policies

Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. At 31 March 2019 the Council revalued Matlock Town Hall and the Bakewell Agricultural Centre as part of its rolling programme. In addition, a review of all other assets was undertaken to determine any further action required. Further assets were identified which when combined with the assets valued in the current and previous year totalled 80% of the NBV of the property portfolio. The additional assets included 3 Leisure centres, several larger car parks and the Northwood Depot. A review of these assets values showed the carrying value to be materially correct apart from that for the Depot. The Depot was therefore revalued and, as a result, over 80% of the value of PPE has been reviewed in the past 12 months.

A review of assets was undertaken to determine if any impairment had taken place, and where appropriate values were amended. All valuations were carried out internally. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors. Plant and machinery is included in the valuation of buildings. The assumptions made in producing the various valuations are set out in a valuation certificate and report.

	Land and Buildings £000's	Vehicles, Plant, Equipment £000's	Community Assets £000's	Infrastructure Assets £000's	Surplus Assets £000's	Total £000's
Carried at historical cost	1,039	8,064	6,560	2,785	0	18,448
Valued at fair value as at:						
31st March 2019	13,436				207	13,643
31st March 2018	14,932					14,932
31st March 2017	2,302					2,302
31st March 2016	15,951					15,951
31st March 2015	10,290					10,290
	57,951	8,064	6,560	2,785	207	75,567

Heritage Assets

The Council has a small number of heritage assets which are treated in accordance with the Council's accounting policies. All the heritage assets have indefinite lives and are therefore not subject to depreciation. The Council's identified heritage assets are as follows:

War memorials

The Council has 7 war memorials situated throughout the district. Due to their age, there is no reliable information as to their cost and the lack of comparable data does not afford a meaningful valuation. The assets are not separately identified on the balance sheet. Future identified measurements will be at historic cost.

Churchyard gates, St. Oswald's Church, Ashbourne

The original cost of these gates is unknown. The Council restored the gates in 1999/2000 at a cost of £19,000 and they are held on the balance sheet at this amount. A separate valuation has not been undertaken on this asset due to the lack of comparable data.

De minimis

The de minimis level for individual heritage assets is £25,000. Any assets identified below this level will remain in their existing categories (including those above).

14. INVESTMENT PROPERTY

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

2017/18 £'000s		2018/19 £'000s
127	Rental income from investment property	97
(7)	Direct operating expenses arising from investment property	0
120	**Net gain / (loss)**	**97**

The Authority's investment properties are leased to third parties on terms ranging from 21 years to 125 years.

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

2017/18 £'000s		2018/19 £'000s
1,673	**Balance at 1 April**	**1,550**
(113)	Recatagorised	0
(10)	Net gains / (losses) from fair value adjustments	(31)
1,550	**Balance at 31 March**	**1,519**

Fair Value Hierarchy

Details of the authority's investment properties and information about the fair value hierarchy are shown in the table below. There were no transfers between levels during the year.

2017/18 Significant unobservable inputs (Level 3) £000	Recurring fair value measurements:	2018/19 Significant unobservable inputs (Level 3) £000
1,550	Retail Ground Leases	1,519
1,550	**Total**	**1,519**

Valuation Techniques used to Determine Level 3 Fair Values for Investment Properties

The Council holds retail ground leases and a tourist railway line as investment properties, and these have been measured using the investment approach. As the measurement technique uses significantly unobservable inputs to determine the fair value measurements they have been categorised as Level 3 in the fair value hierarchy.

Highest and Best Use of Investment Properties

In estimating the fair value of the authority'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.

Valuation Process for Investment Properties

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

15. INTANGIBLE ASSETS

The Authority accounts for its software licences and some other licences 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, there are no items of internally generated software.

All software is given a finite useful life, based on the assessments of the period that the software is expected to be of use to the Authority. The useful life assigned to the major software suites used by the Authority is 4 years.

2017/18 £'000s		2018/19 £'000s
	Balance at 1 April:	
30	Gross Carrying Amounts	30
0	Amount reclassified *	175
0	Adjusted Gross Carrying Amount	205
0	Accumulated amortisation	(7)
0	Amount reclassified *	(136)
0	Adjusted Accumulated Amortisation	(143)
30	**Net carrying amount at 1 April**	**62**
0	Additions	54
(7)	Amortisation for the period	(21)
23	**Net carrying amount at 31 March**	**95**
	Comprising:	
30	Gross carrying amounts	259
(7)	Accumulated amortisation	(164)

* Items within property, plant and equipment have been reclassified as intangible

16. FINANCIAL INSTRUMENTS

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.

Transition to IFRS9 Financial Instruments

The council adopted the IFRS9 Financial Instruments accounting standard with effect from 1st April 2018. The main changes include the reclassification and remeasurement of financial assets and the earlier recognition of the impairment of financial assets. Due the relatively simple mix of financial instruments held by the Council there is a limited impact on the Council's accounts. In addition, due to investments being purchased during 2018/19 and not being held in previous years, the Council does not have any transition arrangements.

Financial Assets

A financial asset is a right to future economic benefits controlled by the Council that is represented by cash, 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 classifications:

- Amortised cost (where cash flows are solely payments of principal and interest and the Council's business model is to collect those cash flows) comprising:
  - Cash in hand,
  - Bank current and deposit accounts with Lloyds bank,

- Fixed term deposits,
    - Loans to other local authorities,
    - Certificates of deposit and covered bonds issued by banks and building societies,
    - Treasury bills and gilts issued by the UK Government,
    - Lease receivables
    - Trade receivables for goods and services provided.

- Fair value through other comprehensive income (when cash flows are solely payments of principal and interest and the Council's business model is to both collect those cash flows and sell the instrument). The Council does not currently hold any types of these instruments.
- Fair value through profit and loss (all other financial assets) comprising:
    - Pooled bond, equity and property funds managed by CCLA fund managers.

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 Assets	Long-term				Short-term			
	Investments		**Debtors**		**Investments**		**Debtors**	
	2017/18 £'000	**2018/19 £'000**	**2017/18 £'000**	**2018/19 £'000**	**2017/18 £'000**	**2018/19 £'000**	**2017/18 £'000**	**2018/19 £'000**
Amortised Cost								
Principal	0	0	0	0	0	1,999	1,502	1,197
Accrued Interest	0	0	0	0	0	8	0	0
Lease receivables	0	0	0	0	0	0	0	8
Cash and cash equivalents	0	0	0	0	9,098	10,436	0	0
Accrued Interest	0	0	0	0	0	5	0	0
Total amortised costs	**0**	**0**	**0**	**0**	**9,098**	**12,448**	**1,502**	**1,205**
Fair value through other Comprehensive Income	0	931	0	0	0	0	0	0
Accrued Interest	0	10	0	0	0	0	0	0
Total financial assets	**0**	**941**	**0**	**0**	**9,098**	**12,448**	**1,502**	**1,205**
Non financial assets	67,057	67,117	0	0	0	0	5,471	3,068
Total financial assets	**67,057**	**68,058**	**0**	**0**	**9,098**	**12,448**	**6,973**	**4,273**

Non-financial assets include investment in fixed assets (property) and debtors for non-exchange transactions.

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
- short-term loans from other local authorities
- lease payables detailed in note 38
- trade payables for goods and services received.

Financial Liabilities	Long-term				Short-term			
	Borrowing		Creditors		Borrowing		Creditors	
	2017/18 £'000	2018/19 £'000	2017/18 £'000	2018/19 £'000	2017/18 £'000	2018/19 £'000	2017/18 £'000	2018/19 £'000
Amortised Cost								
Principal	5,450	5,450	0	0	0	0	1,621	1,361
Accrued interest	0	0	0	0	5	6	0	0
Finance leases	0	0	0	0	376	151	0	0
Total Amortised Costs	**5,450**	**5,450**	**0**	**0**	**381**	**157**	**1,621**	**1,361**
Fair value through other Comprehensive Income	0	0	0	0	0	0	0	0
Total financial liabilities	**5,450**	**5,450**	**0**	**0**	**381**	**157**	**1,621**	**1,361**
Non financial liabilities	21,650	26,517	0	0	0	0	2,806	1,607
Total financial liabilities	**27,100**	**31,967**	**0**	**0**	**381**	**157**	**4,427**	**2,968**

Non-financial liabilities include employee defined benefit obligations and creditors for non-exchange transactions.

Financial Instruments – Income, Expense, Gains and Losses

The Council holds units within the Church, Charities and Local Authority (CCLA) Property Fund. This investment was initially purchased at a bid price of £1m and has a fair value as at 31 March 2019 of £941,000 (£931,000 quoted price plus £10,000 accrued interest). This change in fair value has been recognised in the accounts. However a temporary, 5 year, statutory override has been introduced to reverse out the effect of fair value movements from the General Fund and transfer these to a new unusable reserve, Financial Instrument Revaluation Reserve.

The Income and expense along with gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments consist of the following:

Income, Expense, Gains and Losses	2017/18 Surplus or Deficit on the Provision of Services £'000	2018/19 Surplus or Deficit on the Provision of Services £'000
Net gains/losses		
Financial assets measured at fair value through profit and loss	0	69
Total net gains/losses	0	**69**
Interest revenue from financial assets valued at amortised cost	(56)	(133)
Interest expense for financial assets valued at amortised cost	246	232
Total expense	**190**	**99**

The Council has no movements in financial instrument fair value recognised in Other Comprehensive Income and Expenditure.

Financial Instruments – Fair Values

One of the Councils financial assets is measured at fair value on a recurring basis is shown in the following table including the valuation technique used.

Financial assets measured at fair value

Recurring fair value measurements	Input level in fair value hierarchy	Valuation technique used to measure fair value	2017/18 £'000	2018/19 £'000
CCLA Property Fund	Level 1	Unadjusted quoted prices in active markets for identical shares	0	931

Fair values are shown in the table above, 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.

Except for the financial assets carried at fair value, in the table above, all other financial assets and liabilities held by the Council are carried at amortised cost. The fair value of other long term loans have been discounted at market rate for similar instruments with similar remaining terms to maturity on 31st March. No early repayment or impairment has been recognised.

Financial assets measured at fair value

	2017/18		2018/19	
	Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair value £'000
Short term debtors	1,502	1,502	1,205	1,205
Cash and cash equivalents	9,098	9,098	10,441	10,441
Short term investments	0	0	2,007	2,007
	10,600	**10,600**	**13,653**	**13,653**

Short term debtors and investments are carried at cost as this is a fair approximation of their value.

Financial liabilities measured at fair value				
	2017/18		2018/19	
Financial Liabilities	**Carrying amount £'000**	**Fair value £'000**	**Carrying amount £'000**	**Fair value £'000**
Held at amortised cost:				
Long term PWLB loans	5,450	9,703	5,450	7,836
Lease payables	376	376	151	151
Short term creditors	3,619	3,619	1,361	1,361
Short term borrowing	5	5	6	6
	9,450	**13,703**	**6,968**	**9,354**

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. This shows a notional future loss arising from the commitment to pay interest to lenders above current market rates. The fair value of short-term financial assets held at amortised cost, including trade receivables, is assumed to approximate to the carrying amount.

Financial Instruments – Risks

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

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

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

The main risks covered are:

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

Credit Risk: Treasury Investments

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

The Council has set a number of limits as per the table below to manage credit risk:

	Cash Limits
Lloyds Bank (Council's Bankers)	£6m
Any single organisation, except the UK Central Government	£3m each
UK Central Government	unlimited
Any group of organisations under the same ownership	£3m per group
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	£2m per country
Registered Providers	£5m in total
Unsecured Investments with Building Societies	£3m in total
Loans to unrated corporates	£2m in total
Money Market Funds	£12m in total

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

2018/19 Credit rating	Long-term £000's	Short-term £000's
A+		1,000
Central Government		999
Credit risk not applicable	931	
Total Financial Assets	**931**	**1,999**

Credit Risk – Trade Receivables

Loss allowances on trade receivables have been calculated by reference to the Council's historic experience of default. It is anticipated future events will not materially affect the Council's recovery performance.

Receivables are written off to the Surplus or Deficit on the Provision of Services when they are considered irrecoverable and all enforcement activity has been exhausted.

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. The Council has one PWLB Loan for £5,450,000. There is no perceived risk that the Council will be unable to raise finance to meet its commitments. The PWLB loan matures in 37 years in 2056.

Market Risks: Interest Rate Risk

The Council is exposed to risk in terms of its exposure to interest rates 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 fixed rates – the fair value of the liabilities will fall

- 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.

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

Decrease in fair value of investments at amortised cost of £5,420 and a decrease in the fair value of fixed rate borrowing of £1,502,173. These movements would not affect the General Fund of the Council.

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

Market Risks: Price Risk

The market prices of the Council's fixed rate bond investments and its units in pooled bond funds are governed by prevailing interest rates and the price risk associated with these instruments is managed alongside interest rate risk.

The Council's investment in a pooled property fund is subject to the risk of falling commercial property prices. This risk is limited by the Council's maximum exposure to property investments of £3m. A 5% fall in commercial property prices at 31st March 2019 would result in a £46,500 (2018: £0) charge to the Surplus or Deficit on the Provision of Services which is then transferred to the Financial Instrument Revaluation Reserve (FIRR).

17. INVENTORIES

	Balance at 1 April £'000s	Purchases £'000s	Recognised as expense in year £'000s	Balance at 31 March £'000s
Fuel and Oils				
2017/18	2	11	(11)	2
2018/19	2	7	(9)	0
Caddy Liners				
2017/18	42	0	(5)	37
2018/19	37	16	(28)	25
Total				
2017/18	**44**	**11**	**(16)**	**39**
2018/19	**39**	**23**	**(37)**	**25**

18. DEBTORS

2017/18 £'000s		2018/19 £'000s
1,502	Trade Debtors	1,205
258	Council Tax Payers - Derbyshire Dales	241
238	Business Ratepayers Derbyshire Dales	266
4,936	Other Entities and Individuals	2,536
6,934		**4,248**

The amounts shown above represent the value of debts net of impairment allowance for non-collection.

19. CASH AND CASH EQUIVALENTS

2017/18 £'000s		2018/19 £'000s
4,898	Cash and Bank	3,937
2,000	Money Market Funds	0
700	Fixed Notice Accounts	0
1,500	Local Authorities	5,005
0	UK Government	1,499
9,098		**10,441**

20. ASSETS HELD FOR SALE

At the 31st March 2019 the Council had no assets meeting the definition of Held for Sale.

21. CREDITORS

2017/18 £'000s		2018/19 £'000s
1,621	Trade Creditors	1,361
1,437	Council Tax	100
298	Business Rates	68
850	Other Entities and Individuals	1,077
4,206		**2,606**

22. PROVISIONS

	Long Term Insurances £'000s	**Short Term** NNDR Appeals £'000s	**Total** £'000s
1st April 2017	**50**	**254**	**304**
Additional provisions made in 2017/18	10	329	**339**
Amounts used in 2017/18	(2)	(362)	**(364)**
31st March 2018	**58**	**221**	**279**
Additional provisions made in 2018/19	10	166	**176**
Amounts used in 2018/19	(14)	(25)	**(39)**
31st March 2019	**54**	**362**	**416**

Insurance claims

The Insurances Provision was established to provide for claims that are pending in respect of uninsured losses, arising where there is no externally provided cover, such as where quotations from external insurers are not cost effective when compared with the value of claims likely to be made. Also covered are losses falling within the levels of excess on all other policies. All of the insurance claims are individually insignificant. They relate to personal injuries where the Authority is alleged to be at fault (e.g. through a failure to repair a car park properly) or vehicle accidents. Provision has been made for those claims where it is deemed probable that the Authority will have to make a settlement, based on past experience about court decisions about liability and the amount of damages payable. It is not clear when all the outstanding claims will be settled as some, especially personal accident claims involving minors, can take several years to settle. The Authority may be reimbursed by its insurers for amounts above a £2,500 excess and, where there is reasonable assurance that this will be so, the income has been recognised.

NDR Backdated Appeals

The Council is carrying a provision of £0.362m (£0.221 in 2017/18) for the repayment of any successful NDR appeals upheld by the Valuation Office Agency (VOA). Prior to the introduction of the Retained Business Rate Scheme the cost of these appeals was met by the national pool administered by central government, but during 2018/19 the council is liable for 50% of the cost of appeals. The timing of these appeals is uncertain and outside the control of the Council as they are dependent upon reviews of cases conducted by the VOA.

23. TRANSFERS TO / FROM EARMARKED RESERVES

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

	Balance at 1st April 2018 £'000s	Receipts in year £'000s	Payments in year £'000s	Balance at 31st March 2019 £'000s	Movement 2018/19 £'000s	Movement 2017/18 £'000s
Business Rate Fluctuations	1,399	0	(303)	1,096	(303)	610
Capital Programme	3,115	540	(665)	2,990	(125)	130
Carsington Improvements	33	0	0	33	0	0
Committed Expenditure	262	40	(32)	270	8	15
Customer Innovation Project	0	371	0	371	371	0
Economic Development	220	109	(56)	273	53	(86)
Elections	98	60	0	158	60	30
Information Technology	421	143	(126)	438	17	(50)
Insurances	465	0	0	465	0	(42)
Investment Fund	569	0	(4)	565	(4)	452
Job Evaluation	150	0	0	150	0	0
Local Plan	108	50	0	158	50	0
Member / Officer Indemnity	25	0	0	25	0	0
Revenue Grants Unapplied	3,933	2,737	(1,114)	5,556	1,623	792
Vehicle Renewals	1,042	183	(236)	989	(53)	(49)
Ward Member Budgets	36	0	0	36	0	(68)
Waste Fluctuations Reserve	0	412	0	412	412	0
Wheeled Bins Reserve	0	0	0	0	0	(202)
	11,876	**4,645**	**(2,536)**	**13,985**	**2,109**	**1,532**

Reserves are held for the following purposes:

Reserve	**Purpose**
Business Rate Fluctuations Reserve	To provide funds that can be used to meet future losses in non-domestic rates.
Capital Programme	For future application to capital schemes.
Carsington Improvements	To finance new or improved facilities for visitors to Carsington Reservoir or to mitigate any adverse effect on the locality caused by the development of the reservoir or the attraction of visitors to it, after consultations with Severn Trent Water.
Committed Expenditure	To finance expenditure committed in the Council's accounts as at 31st March but not yet due.
Customer Innovation Project	To procure and implement, a customer platform that integrates with existing systems to enable us to drive channel shift and to deliver easier, faster and better customer service. To provide our customers with an improved, user friendly and accessible means of accessing and paying for services electronically and promote a culture of 'digital by choice' for all customer interactions.
Economic Development	To finance economic development schemes within the District.
Elections	To finance future District Council elections, by spreading the estimated costs annually.
Information Technology	To acquire items of information and communications technology, such as personal computers and telephone systems and in connection with the Council's IT strategy.
Insurances	To finance any unknown future liabilities incurred where the Council has not externalised the insurance cover, mainly where quotations from external insurers are not cost effective when compared to the value of claims likely to be made such as for terrorism. Also covered are losses falling within the levels of excess on all other policies and levies under the Municipal Insurance Ltd Scheme of Arrangement (see note 40).
Investment Fund	To provide funds that can be used to finance schemes that will result in future ongoing savings.
Job Evaluation	To finance the extra costs of the Council's Job Evaluation exercise.
Local Plan	To finance the costs of the Council's Local Plan by spreading cost annually.
Member / Officer Indemnity	This reserve provides for risks not covered by insurance. The main risks comprise acts or omissions found to be ultra vires and defence costs of criminal proceedings.
Revenue Grants Unapplied	The balance of grants received but not yet spent, set aside to finance expenditure in future years.
Vehicle Renewals	To fund the replacement of the Council's vehicle fleet. The balance on this reserve has been re-examined based on the current fleet of vehicles.
Ward Member Budgets	Set aside for Ward Members to use for the benefit of their communities over their four year term of office.
Waste Fluctuations	To smooth the impact of changes in recycling prices on the new waste contract.

24. USABLE RESERVES

Movements in the Authority's usable reserves are detailed in the Movement In Reserves Statement. The table below shows the balances at 31 March:

2017/18 £'000s		2018/19 £'000s
	Revenue Accounts	
2,063	General Fund	2,161
	Earmarked Reserves	
4,157	Capital	3,979
7,719	Revenue	10,006
	Other	
3,272	Capital Receipts Reserve	2,945
141	Capital Grants Unapplied	220
17,352	**Total Usable Reserves**	**19,311**

25. UNUSABLE RESERVES

2017/18 £'000s		2018/19 £'000s
39,513	Capital Adjustment Account	39,024
20,829	Revaluation Reserve	21,860
(4,215)	Financial Instruments Adjustment Account	(4,104)
(21,441)	Pensions Reserve	(26,726)
(746)	Collection Fund Adjustment Account	169
0	Financial Instruments Revaluation	(69)
(72)	Accumulated Absences Reserve	(41)
33,868	**Total Unusable Reserves**	**30,113**

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements 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 a 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 revaluation gains accumulated on Property, Plant and Equipment before April 2007, the date that the Revaluation reserve was created to hold such gains.

Note 9 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2017/18 £'000s	2017/18 £'000s		2018/19 £'000s	2018/19 £'000s
	40,418	**Balance at 1 April**		**39,513**
		Reversal of Items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
(2,207)		Charges for depreciation and impairment of non-current assets	(2,511)	
(7)		Amortisation of intangible assets	(21)	
0		Movement in fair value of investment properties	(31)	
(1,351)		Revenue expenditure funded from capital under statute	(1,426)	
(206)		Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	(59)	
0		Assets acquired below fair value	287	
	(3,771)			(3,761)
	315	Historic Cost depreciation transfer from Revaluation Reserve		345
	74	Revaluation Reserve balances written off on disposed assets		(51)
	(3,382)	Net written out amount of the cost of non-current assets consumed in the year		(3,467)
		Capital financing applied in the year:		
671		Use of the Capital Receipts Reserve to finance new capital expenditure	888	
512		Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	446	
465		Statutory provision for the financing of capital investment charged against the General Fund Balance	471	
839		Capital expenditure charged against General Fund balances	1,173	
	2,487			2,978
	(10)	Movements in the market value of investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		0
	39,513	**Balance at 31 March**		**39,024**

Revaluation Reserve

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

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

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

	2017/18 £'000s			2018/19 £'000s
	17,927	**Balance at 1 April**		**20,829**
3,443		Upward revaluation of assets	1,404	
(152)		Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(79)	
	3,291	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		1,325
(315)		Difference between fair value depreciation and historical cost depreciation	(345)	
(74)		Accumulated gains on assets sold or scrapped	51	
	(389)	Amount written off to Capital Adjustment Account		(294)
	20,829	**Balance at 31 March**		**21,860**

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefitting from gains per statutory provisions. The Authority uses the Account to manage premiums paid on the early repayment of loans, which were redeemed in 2003/04. Premiums are excluded from the Comprehensive Income and Expenditure Statement but included in the Movement in Reserves Statement. Over time, the expense is posted back to the General fund Balance in accordance with statutory arrangements for spreading the burden on council tax. In this Authority's case, the period to charge the premium is 50 years.

2017/18 £'000s		2018/19 £'000s
(4,326)	**Balance at 1 April**	**(4,215)**
111	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	111
(4,215)	**Balance at 31 March**	**(4,104)**

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 the pension fund or eventually pays any pension for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time that the benefits come to be paid.

2017/18 £'000s		2018/19 £'000s
(22,048)	**Balance at 1 April**	**(21,441)**
1,992	Remeasurements of net defined liability	(4,575)
(2,853)	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	(2,123)
1,468	Employer's pensions contributions payable in the year	1,413
(21,441)	**Balance at 31 March**	**(26,726)**

Collection Fund Adjustment Account

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

2017/18 £'000s		2018/19 £'000s
(441)	**Balance at 1 April**	**(746)**
8	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory arrangements	(72)
(313)	Amount by which Business Rate income credited to the Comprehensive Income and Expenditure Statement is different from business rate income calculated for the year in accordance with statutory arrangements	987
(746)	**Balance at 31 March**	**169**

Financial Instrument Revaluation Reserve

The Financial Instrument Revaluation Reserve is a new reserve that contains the gains made the Council 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 lost
- disposed of and the gains are realised

The Ministry for Housing, Communities and Local Government introduced a statutory override following the adaptation of IFRS9 to protect the General Fund balance from any movements in fair value of quoted investment funds. In the Council's case this applies to its investment in the CCLA Property Fund. This override expires on 31 March 2023 and, unless extended, all fair value movements in this investment will impact the General Fund balance.

2017/18 £'000s		2018/19 £'000s
0	**Balance at 1 April**	**0**
0	Movement of Financial Instruments held under fair value through Profit and Loss	(69)
0	**Balance at 31 March**	**(69)**

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.

2017/18 £'000s		2018/19 £'000s
(86)	**Balance at 1 April**	**(72)**
86	Settlement or cancellation of accrual made at the end of the preceding year	72
(72)	Amounts accrued at the end of the current year	(41)
(72)	**Balance at 31 March**	**(41)**

26. CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

2017/18 £'000s		2018/19 £'000s
59	Interest received	116
(140)	Interest paid	(232)
0	Dividends received	10
(81)	**Total**	**(106)**

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

2017/18 £'000s		2018/19 £'000s
1,000	Items previously held as short term investments that should be classified as cash equivalents	0
(989)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(561)
(506)	Any other items for which the cash effects are investing or financing cash flows	(525)
(495)	**Total**	**(1,086)**

The net (surplus)/deficit on the provision of services has been adjusted for the following non-cash movements:

2017/18 £'000s		2018/19 £'000s
2,719	Depreciation	2,139
(512)	Impairment and revaluations	372
7	Amortisation	21
1,464	Increase/Decrease in Creditors excl. investment and financing	(1,487)
943	Increase/Decrease in Debtors excl. investment and financing	2,182
5	Increase/Decrease in Inventories	14
1,385	Movement in Pension Liability	710
206	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	59
(15)	Other non-cash items charged to the net surplus or deficit on the provision of services	237
6,202	**Total**	**4,247**

27. CASH FLOW STATEMENT – INVESTING ACTIVITIES

2017/18 £'000s		2018/19 £'000s
(678)	Purchase of property, plant and equipment, investment property and intangible assets	(1,474)
0	Purchase of short-term and long-term investments	(2,999)
2	Other Payments for investing activities	(31)
989	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	561
152	Other receipts from investing activities	1,233
465	**Net cash flows from investing activities**	**(2,710)**

28. CASH FLOW STATEMENT – FINANCING ACTIVITIES

2017/18 £'000s		2018/19 £'000s
(371)	Cash payments for the reduction of a finance lease liability	(376)
(151)	Repayment of Short-Term and Long-Term Borrowing	0
69	Other payments for financing activities	(185)
(453)	**Net cash flows from financing activities**	**(561)**

29. ACQUIRED AND DISCONTINUED OPERATIONS

The Authority has no operations that have been acquired or discontinued in 2017/18 or 2018/19.

30. AGENCY SERVICES

The Council operates as an agent for Derbyshire County Council in respect of verge mowing. In 2018/19 the expenditure was £197,000. In 2017/18 expenditure was £377,000 and included highways cleansing work.

In 2018/19 the Council acted as an agent for Central Government, Derbyshire County Council and Derbyshire Fire Authority in collecting Non-Domestic Rates, and as an agent for major precepting authorities in collecting their shares of council tax.

31. EXTERNAL AUDIT COSTS

The Authority paid the following fees relating to external audit:

2017/18 £'000s		2018/19 £'000s
38	Statutory External Audit Inspection	29
5	Certification of Grant Claims and Returns	5
43	**Total Fees**	**34**

32. MEMBERS' ALLOWANCES

Members allowances paid during 2018/19 amounted to £226,000 (2017/18 £215,000). In addition, travel expenses amounting to £10,000 were paid (2017/18 £8,000).

33. EXIT PACKAGES AND TERMINATION BENEFITS

Exit Packages cost band	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18 £'000s	2018/19 £'000s
£0 - £20,000	0	5	2	1	2	6	34	11
Total	**0**	**5**	**2**	**1**	**2**	**6**	**34**	**11**

34. OFFICERS' REMUNERATION

The remuneration paid to the Authority's senior employees is as follows:

Post Holder		Salary, Fees and Allowances £	Benefits in Kind £	Employer's Pension Contributions £	Total Remuneration £
Chief Executive					
New CEO started June 2018	2018/19	82,199	-	11,179	93,378
Previous CEO left May 2018	2018/19	17,388	207	2,365	19,960
	2017/18	102,279	1,239	13,910	117,428
Corporate Director					
Promoted to CEO May 2018	2018/19	13,836	207	1,882	15,925
	2017/18	83,874	1,239	11,407	96,520
Head of Resources					
	2018/19	70,572	1,239	9,598	81,409
	2017/18	68,767	1,239	9,352	79,358
Head of Regeneration & Policy					
	2018/19	63,759	1,239	8,671	73,669
	2017/18	62,509	1,239	8,501	72,249
Head of Corporate Services					
	2018/19	63,759	1,239	8,671	73,669
	2017/18	62,509	1,239	8,501	72,249
Head of Regulatory Services					
	2018/19	58,717	1,239	7,985	67,941
	2017/18	56,476	1,239	7,681	65,396
Head of Community & Environmental Services	2018/19	62,665	1,239	8,522	72,426
	2017/18	60,634	1,239	8,285	70,158
Head of Housing					
	2018/19	52,047	1,024	7,078	60,149
	2017/18	51,042	1,239	6,940	59,221

The Head of Environmental Services left on 28th February 2017. The post has now been combined with the Head of Community Development with effect from 1st October 2017 to create the new post of Head of Community & Environmental Services.

The Council does not have any other employees whose remuneration exceeded £50,000, excluding employer's pension contributions, during the 2018/19 financial year.

35. GOVERNMENT AND NON GOVERNMENT GRANTS

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in the year:

2017/18 £'000s		2018/19 £'000s
	Credited to Taxation and Non specific Grant Income	
651	Revenue Support Grant (inc Rural Services Delivery Grant)	0
785	New Homes Bonus	473
503	Disabled Facilities Grants	492
3,210	Retained Business Rates	5,029
0	EU Exit Preparation Grant	17
4	Recognised capital grants and contributions	33
5,153		6,044
	Credited to Services	
	Government Grants	
12,708	Rent Allowances	12,361
81	Discretionary Housing Payments	72
211	Housing and Council Tax Benefits Administration	199
148	NNDR Cost of Collection	147
241	Elections Grants	37
44	New Burdens	0
59	Homelessness Grants	64
100	Hurst Farm Estate Grant	0
30	Custom Build Grant	30
49	Counter Fraud Fund	0
12	Right Benefit Initiative	0
11	Transparency Code Set Up	0
0	Parks Improvement Fund	11
0	High Street Community Clean Up Fund	13
0	Pocket Parks Hurst Farm Estate	25
0	Welfare Reform Grant	12
0	Verifying Earnings & Pensions	15
0	LADS Programme	11
0	Neighbourhood Planning	20
	Other Contributions	
123	Contributions towards Sports Development/Active Lifestyles	56
11	Contributions towards Community Safety	60
68	Contribution - Housing	72
904	Derbyshire County Council Recycling Credits	895
14	Contribution towards salary for Recycling Advisor	14
305	Derbyshire County Council Homelessness Grants	301
704	Section 106 Agreements	2,118
23	D2N2 Growth Hub	24
0	SCR Launchpad	15
85	*Grants and contributions that were individually below £10,000*	110
15,931		16,682
21,084	**Total of all grants, contributions and donations**	**22,726**

36. CAPITAL EXPENDITURE AND 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 are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR is analysed in the second part of this note.

2017/18 £'000s		2018/19 £'000s
6,834	**Opening Capital Financing Requirement**	**6,369**
	Capital Investment	
672	Property, Plant and Equipment	1,355
1,351	Revenue expenditure Funded from capital	1,430
	Adjustment for asset acquired at less than fair value	(287)
	Sources of finance	
(671)	Capital receipts	(889)
(512)	Government grants and contributions	0
(241)	Other grants and contributions	(436)
(599)	Direct revenue contributions	(1,173)
(465)	Minimum revenue provision	(471)
6,369	**Closing Capital Financing Requirement**	**5,898**
	Explanation of movements in year	
(465)	Increase /(Decrease) in underlying need to borrow (unsupported by government financial assistance)	(471)
(465)	**Increase / (Decrease) in Capital Financing Requirement**	**(471)**

37. RELATED PARTIES

The Authority 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.

The UK 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 much of the Council's funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills and housing benefits). Grants received from government departments are set out in the subjective analysis in Note 35.

Members of the Council have direct control over the Council's financial and operating policies. There are a number of Councillors who serve on outside bodies that receive some form of financial support from Derbyshire Dales District Council. During 2018/19 the following payments were made to the organisations in which members have an interest:

- Bradwell Community Land Trust : Grant £150.00 (2017/18 £0)
- Wirksworth Transition Community Land Trust : Grant £2,174.91 (2017/18 £0)

The decisions regarding these payments were taken by officers under delegated authority.

38. LEASES

Derbyshire Dales District Council as Lessee

Finance leases

The Council holds finance leases in respect of cleansing vehicles. The Council's waste collection contract also includes an embedded finance lease in respect of refuse vehicles.

The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

2017/18 £000's		2018/19 £000's
509	Vehicles, Plant, Furniture & Equipment	146
509		146

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

2017/18 £000's		2018/19 £000's
376	current	151
151	non-current	0
9	Finance costs payable in future years	2
536		153

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

2017/18 £000's		2018/19 £000's
383	Not later than one year	153
153	Later than one year and not later than five years	0
536	Future minimum lease payments	153

The finance lease liabilities will be payable over the following periods:

2017/18 £000's		2018/19 £000's
376	Not later than one year	151
151	Later than one year and not later than five years	0
527	Future minimum lease payments	151

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. There were no contingent rents payable by the Council in 2017/18 or 2018/19.

Operating leases

The Council rents land for the use of Car Parking. The leases range from a period of 5 to 125 years.

The Council has acquired its Multifunctional Devices by entering into an operating lease with a life of 3 years.

The future minimum lease payments due under non-cancellable leases in future years are:

2017/18 £000's		2018/19 £000's
62	Not later than one year	78
243	Later than one year and not later than five years	270
4,964	Later than five years	5,584
5,269		5,932

The expenditure charged to the relevant services line in the Comprehensive Income and Expenditure Statement during the year was £78,000 (2017/18 £62,000).

Derbyshire Dales District Council as Lessor

Finance leases

The Council does not lease out any assets on finance leases.

Operating leases

The Authority leases out property under operating leases for the following purposes:

- for the provision of community services, such as sports facilities, tourism services and community centres
- for economic development purposes to provide suitable, affordable accommodation for local businesses.

The future minimum lease payments due under non-cancellable leases in future years are:

31st March 2018 £000's		31st March 2019 £000's
182	Not later than one year	211
674	Later than one year and not later than five years	728
6,896	Later than five years	7,076
7,752		8,015

The minimum lease payments receivable do not include rents that are contingent upon events taking place after the lease was entered into, such as adjustments following rent reviews.

39. POST EMPLOYMENT BENEFITS: DEFINED BENEFIT PENSION SCHEME

Participation in pensions scheme

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

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

Transactions relating to retirement benefits

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against the council tax (determined by statute) 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 General Fund balance via the Movement in Reserves Statement during the year:

2017/18 £000s	Comprehensive Income and Expenditure Statement	2018/19 £000s
	Service Cost	
2,270	Current service cost	1,972
0	Past service cost (including curtailments)	280
0	Effect of Settlements	(706)
2,270	**Total Service Costs**	**1,546**
	Financing and Investment income and Expenditure	
(1,412)	Interest Income on plan assets	(1,476)
1,995	Interest cost on defined benefit obligation	2,053
583	**Total Net Interest**	**577**
2,853	***Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services***	**2,123**
	Remeasurements of the Net Defined Liability Compromising	
(468)	Return on plan assets excluding amounts included in net interest	(1,688)
(1,512)	Actuarial Losses arising from changes in financial assumptions	6,290
(12)	Other	(27)
(1,992)	***Total remeasurements recognised in other comprehensive income***	**4,575**
861	***Total Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement***	**6,698**
	Movement in Reserves Statement	
(2,853)	Reversal of net charges made to the Surplus or Deficit for the Provision of Services	(2,123)
1,468	**Employer's contributions payable to scheme**	**1,413**

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

2017/18 £000s		2018/19 £000s
(56,156)	Fair Value of employer assets	(57,068)
76,376	Present value of funded liabilities	82,628
1,221	Present value of unfunded liabilities	1,166
21,441	**Net Liability Arising from Defined Benefit Obligation**	**26,726**

Some of the scheme liabilities are "unfunded". This means that they are not a liability of the Local Government Pension Scheme, and are instead met by the employer out of its own financial resources. At this Council, unfunded liabilities are mostly Compensatory Added Years benefits awarded to current pensioners when they first retired and they are all wholly unfunded.

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Hymans Robertson LLP, an independent firm of actuaries, has assessed the pension scheme liabilities with estimates for the Council being based on the latest valuation of the scheme as at 31st March 2019.

Impact of McCloud Judgement

When the LGPS benefit structure was reformed in 2014, transitional protections were applied to certain older members close to normal retirement age. The benefits accrued from 1 April 2014 by these members are subject to an 'underpin' which means that they cannot be lower than what they would have received under the previous benefit structure. The underpin ensures that these members do not lose out from the introduction of the new scheme, by effectively giving them the better of the benefits from the old and new schemes.

In December 2018 the Court of Appeal upheld a ruling ("McCloud/Sargeant") that similar transitional protections in the Judges' and Firefighters' Pension Schemes were unlawful on the grounds of age discrimination. The implications of the ruling are expected to apply to the LGPS (and other public service schemes) as well. LGPS benefits accrued from 2014 may therefore need to be enhanced so that all members, regardless of age, will benefit from the underpin.

Quantifying the impact of the judgement at this stage is very difficult because it will depend on the compensation awarded, members' future salary increases, length of service and retirement age, and whether (and when) members withdraw from active service. Salary increases in particular can vary significantly from year to year and from member to member depending on factors such as budget restraint, job performance and career progression. The Government Actuary's Department (GAD) has estimated that the impact for the LGPS as a whole could be to increase active member liabilities by 3.2%, based on a given set of actuarial assumptions. A full description of the data, methodology and assumptions underlying these estimates is given in GAD's paper, dated 10 June 2019. The Fund's actuary has adjusted GAD's estimate to better reflect the Derbyshire Fund's local assumptions, particularly salary increases and withdrawal rates.

If the judgement is upheld then there will be unavoidable pressure on contributions in future years.

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

2017/18 £000s		**2018/19 £000s**
76,466	Opening fair value of scheme liabilities	77,597
2,270	Current service cost	1,972
0	Past Service Cost	280
0	Effect of Settlements	(2,672)
1,995	Interest cost	2,053
362	Contributions from scheme participants	324
	Remeasurement gain	
(1,512)	Actuarial Losses arising from changes in financial assumptions	6,290
(12)	Other	(27)
(1,972)	Benefits Paid	(2,023)
77,597	**Closing Fair Value of Scheme Liabilities**	**83,794**

Reconciliation of fair value of the scheme (plan) assets:

2017/18 £000s		2018/19 £000s
54,418	Opening Fair value of scheme assets	56,156
1,412	Interest Income	1,476
0	Effect of Settlements	(1,966)
468	Return on plan assets excluding amounts included in net interest	1,688
1,468	Contributions from employer	1,413
362	Contributions from employees into the scheme	324
(1,972)	Benefits paid	(2,023)
56,156	**Closing Fair Value of Scheme Assets**	**57,068**

Pension Scheme Assets Comprised:

	31st March 2019			
Asset Category	Quoted Prices in Active Markets £'000	Quoted Prices not in active markets £'000	Total £'000	Percentage of Total Assets
Equity Securities:				
Consumer	3,467	-	3,467	6%
Manufacturing	3,602	-	3,602	6%
Energy and Utilities	2,523	-	2,523	4%
Financial Institutions	2,779	-	2,779	5%
Health and Care	1,808	-	1,808	3%
Information Technology	1,363	-	1,363	2%
Other	6,100	-	6,100	11%
Debt Securities:				
Corporate Bonds (investment Grade)	-	6,019	6,019	11%
UK Government	5,317	-	5,317	9%
Other	1,111	-	1,111	2%
Private Equity:				
All	796	762	1,558	3%
Real Estate:				
UK Property	-	4,552	4,552	8%
Investment Funds & Unit Trusts:				
Equities	10,052	-	10,052	18%
Infrastructure	900	1,385	2,285	4%
Cash and Cash Equivalents:				
All	-	4,533	4,533	8%
Totals	39,816	17,252	57,068	100%

Asset Category	31st March 2018 Quoted Prices in Active Markets £'000	Quoted Prices not in active markets £'000	Total £'000	Percentage of Total Assets
Equity Securities:				
Consumer	3,610	-	3,610	6%
Manufacturing	4,931	-	4,931	9%
Energy and Utilities	3,073	-	3,073	5%
Financial Institutions	3,888	-	3,888	7%
Health and Care	1,937	-	1,937	3%
Information Technology	1,669	-	1,669	3%
Other	6,399	-	6,399	11%
Debt Securities:				
Corporate Bonds (investment Grade)	-	4,424	4,424	8%
UK Government	5,309	-	5,309	9%
Other	875	-	875	2%
Private Equity:				
All	763	372	1,136	2%
Real Estate:				
UK Property	-	3,694	3,694	7%
Investment Funds & Unit Trusts:				
Equities	10,687		10,687	19%
Infrastructure	862	965	1,827	3%
Cash and Cash Equivalents:				
All	-	2,698	2,698	5%
Totals	44,002	12,154	56,156	100%

The significant assumptions used by the actuary have been:

31 March 2018		31 March 2019
	Mortality assumptions:	
	Longevity at 65 for current pensioners:	
21.9	Men	21.9
24.4	Women	24.4
	Longevity at 65 for future pensioners:	
23.9	Men	23.9
26.5	Women	26.5
2.9%	Rate of increase in salaries	3.0%
2.4%	Rate of increase in pensions	2.5%
2.7%	Rate used to discount scheme liabilities	2.4%
50%	Take-up of option to elect to take annual pension into retirement lump sum pre April 2008 Service	50%
75%	Take-up of option to elect to take annual pension into retirement lump sum for post-April 2008 Service	75%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below based on reasonable possible changes to 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 cost method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Change in Assumptions at 31 March 2019	Approximate % Increase to Employer Liability	Approximate Monetary Amount (£000)
0.5% decrease in Real Discount Rate	10%	8,733
0.5% increase in the Salary Increase Rate	1%	1,241
0.5% increase in the Pension Increase Rate	9%	7,340

Impact on the Authority's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 3 years. Funding levels are monitored on an annual basis. The last triennial valuation was completed on 31 March 2016.

The liabilities show the underlying commitments that the council has in the long run to pay post employment (retirement) benefits. The total liability of £26,726,000 has a substantial impact on the net worth of the council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the council remains healthy:

- the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary; and

- finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The council anticipates paying contributions of £1,327,000 to the scheme in 2019/20.

The weighted average duration of the defined benefit obligation for scheme members is 17.7 years.

40. CONTINGENT LIABILITIES

Housing Stock Transfer Warranties

As part of the Housing Stock Transfer in March 2002, the Council gave warranties for sewers and environmental pollution to Dales Housing. The environmental warranty means that the Council is responsible for the remediation costs of environmental pollution at any of the transferred properties until March 2033. At 31st March 2019 the cost of remediation work is estimated at £3.0m. No claims have been received to date. The risk of the warranty being called is considered to be low. No specific financial provision has been made in the accounts at this time, but the situation will be monitored annually.

Municipal Mutual Insurance

In 1992, Municipal Mutual Insurance Ltd (MMI), then the principal insurer of local government, avoided insolvency by entering a Scheme of Arrangement. The “arrangement” with creditors enabled MMI to pay outstanding claims on the basis that, should there be insufficient assets, participating creditors would be subject to “claw back” of previously paid claims. On the basis of a potential £30m share of surplus funds at the time, Derbyshire Dales District Council, along with 728 other authorities, participated in the scheme. In the case of this council the “claw back” is limited to a maximum of £141,000. The directors of MMI triggered the Scheme of Arrangement on 13 November 2012. In 2013 MMI’s administrators informed the Council that under the Scheme of Arrangement an initial levy of 15% of total claim payments was required. The scheme administrators advised the Council that the 15% levy amounted to £21,000. The Levy Notice and demand for payment were issued in 2013/14 and the sum of £21,000 was paid during the year. In 2016 a further levy of 10% of total claim payments was required which amounted to £14,112. There are sufficient monies in the Insurances Reserve to finance the outstanding liability of £106,000.

Business Rates Appeals

The Council has made a provision for business rate appeals based upon its best estimates of the liability at the yearend for appeals already lodged. It is not possible to quantify the appeals that have not yet been lodged with the Valuation Office. This means that there is a risk that national and local appeals may have a future impact on the Council’s accounts.

VAT

The Council has received invoices from HM Revenues and Customs in relation to unpaid VAT relating to its 2014/15 partial exemption calculation totalling £116,000. The Council is currently disputing this charge and has not included a liability in these accounts.

42. ERNEST BAILEY TRUST FUND

The Council is the Trustee of the Ernest Bailey Charity. It discharges its functions as Trustee through a Committee, comprised of the ward members for the area of benefit from the Charity. The fund has not been consolidated in the accounts of the Council. At the 31st March 2019 it has invested £150,000 with the Council and receives interest. The value of the investment does not represent an asset of the authority and so has not been included in the balance sheet. The table below sets out the working balance of the Charity. The proceeds from this trust fund may only be used for charitable purposes for the benefit of the inhabitants of the Matlock area (which includes Darley Dale, Tansley, Matlock Bath and Cromford).

31st March 2018 £'000s		31st March 2019 £'000s
10	**Balance at 1st April**	10
1	Interest on Investment	1
11	Total	11
(1)	Less: Grants	(1)
10	**Balance at 31st March**	**10**

OTHER FINANCIAL STATEMENTS

THE COLLECTION FUND

INTRODUCTION

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.

Accounting Policies for the Collection Fund

- Precepts for major preceptors and the billing authority's demand on the fund are paid out of the Collection Fund and credited to the Comprehensive Income and Expenditure Account Statements of the respective precepting and billing authorities. However, the transactions presented in the Collection Fund Statement are limited to the cash flows permitted by statute for the full financial year, whereas each authority will recognise income on a full accruals basis (i.e. sharing out the full surplus or deficit on the Collection Fund at the end of the year, even though it will be distributed to or recovered from the authorities in a subsequent financial year).
- Parish precepts are paid from the General Fund of billing authorities and are disclosed on the face of the Comprehensive Income and Expenditure Account Statement.

2017/18 £000s Council Tax	2017/18 £000s NDR	2017/18 £000s Total		2018/19 £000s Council Tax	2018/19 £000s NDR	2018/19 £000s Total
			Income			
49,340	0	49,340	Income receivable from Council Tax payers	51,782	0	51,782
0	17,008	17,008	Income collectable from Business Ratepayers	0	18,634	18,634
0	2,234	2,234	Transitional protection payments	0	1,550	1,550
0	157	157	Contribution towards previous year's est. deficit	0	1,828	1,828
0	906	906	Business Rates: Settled Appeals	0	0	0
49,340	**20,305**	**69,645**	**Total Income**	**51,782**	**22,012**	**73,794**
			Expenditure			
			Precepts and Demands:			
34,574	0	34,574	- Derbyshire County Council	36,680	0	36,680
5,153	0	5,153	- Police and Crime Commissioner for Derbyshire	5,553	0	5,553
2,071	0	2,071	- Derbyshire Fire and Rescue	2,155	0	2,155
7,100	0	7,100	- Derbyshire Dales District Council	7,410	0	7,410
			Business Rates Paid on Account:			
0	9,756	9,756	- Payments to Government	0	0	0
0	1,756	1,756	- Payments to Derbyshire County Council	0	9,377	9,377
0	195	195	- Payments to Derbyshire Fire Authority	0	191	191
0	7,805	7,805	- Payments to Derbyshire Dales District Council	0	9,568	9,568
			Transfers to General Fund:			
0	148	148	- Cost of Collection for Business Rates	0	147	147
0	155	155	- Business Rates from Renewable Energy	0	157	157
330	0	330	Contribution towards previous year's est. surplus	419	0	419
			Bad and Doubtful Debts:			
52	130	182	- Allowance for impairment	68	67	135
0	822	822	- Provision for appeals	0	173	173
49,280	**20,767**	**70,047**	**Total Expenditure**	**52,285**	**19,680**	**71,965**
60	**(462)**	**(402)**	**Increase/(decrease) for the year**	**(503)**	**2,332**	**1,829**
			Collection Fund Balance			
297	(1,503)	(1,206)	Surplus / (deficit) brought forward at 1 April	357	(1,965)	(1,608)
60	(462)	(402)	Increase/(decrease) for the year (as above)	(503)	2,332	1,829
357	**(1,965)**	**(1,608)**	**Surplus / (deficit) carried forward**	**(146)**	**367**	**221**
			Allocated to:			
0	(982)	(982)	- Central Government	0	(69)	(69)
52	(786)	(734)	- Derbyshire Dales District Council	(20)	197	177
252	(177)	75	- Derbyshire County Council	(102)	235	133
38	0	38	- Police and Crime Commissioner for Derbyshire	(18)	0	(18)
15	(20)	(5)	- Derbyshire Fire Authority	(6)	4	(2)
357	**(1,965)**	**(1,608)**		**(146)**	**367**	**221**

Business Rates

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

The business rates shares payable for 2018/19 were estimated before the start of the financial year as £9,377,000 to Derbyshire County Council, £191,000 to Derbyshire Fire Authority and £9,568,000 to Derbyshire Dales District Council. These sums have been paid in 2018/19 and charged to the collection fund in year.

Council Tax

The council tax base is the amount that setting a Council Tax of £1 for a band D property (the standard band) would raise in revenue. The tax base for 2018/19 was calculated as follows:

Band	Number of Dwellings on valuation list	Number of Dwellings, adjusted for discounts, exemptions and reliefs	Ratio to Band D	Equivalent number of Band D full charge properties	Council Tax Base (assuming 99.2% collection rate)
X*	0	3.79	5/9	2.11	2.10
A	3,496	2,074.81	6/9	1,383.21	1372.14
B	7,255	5,409.75	7/9	4,207.58	4173.91
C	7,389	6,228.59	8/9	5,536.52	5492.19
D	5,608	5,007.96	9/9	5,007.96	4967.89
E	4,896	4,476.11	11/9	5,470.80	5427.02
F	2,980	2,769.61	13/9	4,000.55	3968.53
G	2,072	1,943.79	15/9	3,239.65	3213.75
H	131	109.08	18/9	218.16	216.33
Total	**33,827**	**28,023.49**		**29,066.54**	**28,833.86**

* Properties in Band A that receive disabled relief.

The total precepts and demands (£51,797,553) were divided by the tax base to derive the Council Tax for the year for a Band D property. Thus, in 2018/19 the Council set a Band D Council Tax of £1,796.44, including the average parish council charge of £52.71 (2017/18 £1,713.65 including £50.47 for average parish).

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

Report on the financial statements

Opinion

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

In our opinion, the financial statements:

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

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

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

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

We have nothing to report in this regard

Responsibilities of the Head of Resources for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Head of 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 2018/19, and for being satisfied that they give a true and fair view. The Head of Resources is also responsible for such internal control as the Head of Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor’s responsibilities for the audit of the financial statements

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

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

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

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

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

We have nothing to report in these respects

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

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

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

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

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

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

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

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

GLOSSARY OF TERMS

Accounting Period
The period of time covered by the accounts. Normally this is the 12 months commencing on 1 April and finishing on 31 March the following year. The end of the accounting period is the Balance Sheet date.

Accrual
A sum included in the final accounts to cover income or expenditure attributable to an accounting period for goods or services received but paid for by the end of the accounting period.

Agency
The provision of services by one local authority (the agent) on behalf of the responsible body. The Authority carrying out agency services is reimbursed by the responsible body to the extent of approved expenditure together with any agreed contribution towards administrative costs.

Appropriation
The transfer of ownership of land or a building between one service and another.

Auditor
An independent expert who examines the Council's processes and accounts to ensure that statutory requirements and non-statutory Codes of Practice have been followed.

Balance Sheet
This shows the financial position of the Council as a whole (excluding amounts attributable to the Ernest Bailey Trust Fund) and summarises its assets, liabilities and reserves as at the end of the accounting period.

Budget
A statement of the Council's policies and spending plans for net revenue and capital expenditure over a specified period of time.

Capital Charge
A charge to service revenue accounts to reflect the cost of fixed assets used in the provision of services.

Capital Expenditure
Expenditure on the acquisition of a fixed asset or expenditure that enhances and not merely maintains the value of an existing fixed asset, such as land and buildings.

Capital Receipts
The proceeds from the disposal of land or other fixed assets and repayment of certain grants and advances. Capital receipts can be used to finance new capital expenditure within rules set down by the Government, but they cannot be used to finance revenue expenditure.

Code (of Practice)
Within the context of this document, this refers to the Code of Practice on Local Authority Accounting in in the United Kingdom 2017/18 (the Code) published by the Chartered Institute of Public Finance and Accountancy (CIPFA). The Code specifies the principles and practices of accounting that must be followed to prepare a set of accounts that "presents fairly" the financial position of a Council.

Collection Fund
A separate account, required by statute, to show the transactions of a billing authority in relation to Council Tax and Non-Domestic Rates (NDR).

Community Assets

Assets that the Council intends to hold in perpetuity, that have no determinable useful lives, and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings.

Contingency

A condition which exists at the balance sheet date, where the outcome will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events.

Creditors

Amounts owed by the Council to others for work done, goods received or services rendered for which payment has not been made at the balance sheet date.

Current Assets

Assets whose value tends to vary on a day-to-day basis, e.g. physical stockholdings, cash and bank balances. It is reasonable to expect that assets under this head on a balance sheet will be consumed or realised during the next accounting period.

Current Liabilities

Amounts which will become payable or could be called in within the next accounting period, e.g. creditors.

Debtors

Amounts due to the Council from others for goods and services that they have received but not paid for at the balance sheet date.

Deferred Liabilities

These are items shown on the balance sheet that reflect amounts owed to others, where the sums are payable over future financial years.

Deferred Premium

This is an amount due to be paid by an authority on the early redemption of debt where losses have been made. It can arise as part of a restructuring package and can be written off to revenue over the life of the replacement loans.

Depreciation

This is a charge made to the revenue account each year that reflects the reduction in value of fixed assets due to age or deterioration through usage.

Earmarked Reserves

Amounts put aside to meet specific liabilities in the future. The main Council reserves are its Capital and Insurance Reserves.

Embedded Lease

A contractual arrangement involving the provision of services using specific underlying assets, for example refuse collection vehicles held by the contractor.

Financial Year

The Council's financial year commences on 1st April and finishes on 31st March the following year.

Finance Lease

A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee. The Government's capital control system treats this as a credit arrangement, as if it were similar to borrowing.

Financial Instruments Adjustment Account
This provides a balancing mechanism between the different rates at which gains and losses (such as premiums on the early repayment of debt) are recognised under the SORP and are required by statute to be met from the General Fund.

FRS

This refers to Financial Reporting Standards, which set out the proper accounting practices with which the Council must comply when preparing its accounts.

General Fund

The statutory revenue account of the Council which summarises the cost of all services provided by the Council which are funded from the precept, government grants and other income.

General Reserves
Amounts put aside, but not allocated to meet, any future spending commitments. The Council's General Reserves include a working balance of £1m to meet emergencies and contingencies, and to assist with cash flow.

Government Grants

Part of the cost of the Council's services is paid for by central government from its own tax income. These grants are of two main types. Some (Specific Grants and Supplementary Grants) are for particular services such as Housing Benefits. Others are in aid of services generally such as the Revenue Support Grant.

Impairment
The reduction in the value of a fixed asset caused by a change in circumstances such as a decline in market value, physical damage, obsolescence etc. The impairment must be written off to the Comprehensive Income and Expenditure Account.

Liquid Resources

Current asset investments that are readily disposable by the Council without disrupting its business and are either readily converted to known amounts of cash at or close to the carrying amount, or traded in an active market.

Minimum Revenue Provision
The minimum amount which must be charged to an authority's revenue account each year, as a provision to repay borrowing and finance leases.

Net Book Value

The amount at which fixed assets are included (valued) in the Balance Sheet i.e. their historical cost or their current value less the cumulative amounts provided for depreciation.

Net Current Replacement Cost
The cost of replacing or recreating a fixed asset in its existing condition or existing use.

Net Debt

The Council's borrowings less cash and liquid resources.

Net Realisable Value
The open market value of the asset in its existing use.

Net Worth

This represents the Council's reserves and balances, both capital and revenue.

Non-Current Assets

Items that have a monetary value and are expected to yield benefits to the Council and the services it provides for a period of more than one year. Examples of fixed assets would be land and buildings or vehicles. The amounts shown in the Balance Sheet are the current valuations less depreciation.

Non Distributed Costs

These are central costs that are unapportionable over service heads. For example certain retirement benefits and unused shares of IT facilities and other assets

Operating Lease

A lease other than a finance lease. This type of lease, usually for office equipment, is similar to renting and does not come into the Government's capital control system. Ownership of the asset must remain with the lessor.

Precept

The levying of an amount by one authority that requires another authority to collect income on its behalf. The Council's Collection Fund meets the precepts from the County Council, Police Authority and Fire and Rescue Service as well as making a payment to the Council's own General Fund. Precepts raised by Town and Parish Councils are paid from the Council's General Fund.

Provisions

A liability of uncertain timing or amount.

Prudential Code

Prudential Code for Capital Accounting in Local Authorities. To ensure within a clear framework that the capital investment plans of local authorities are affordable, prudent and sustainable. A further key objective is to ensure that the Treasury Management decisions are taken in accordance with good practice.

Public Works Loans Board

A central government agency, which provides loans to local authorities.

Residual Value

The net realisable value of an asset at the end of its useful life.

Revenue Expenditure

Expenditure to meet the day-to-day running costs incurred in providing services e.g. wages and salaries, purchase of materials and capital charges.

Revenue Expenditure Funded from Capital Under Statute

Expenditure classified as capital for funding purpose, when it does not result in the expenditure being carried on the Balance Sheet as a fixed asset. This is to enable it to be funded from capital resources rather than charged to the General Fund and impact on the Council Tax.

Revenue Support Grant

A general government grant paid to the Council as a contribution towards the cost of its services.

INVITATION FOR FEEDBACK

In preparing the Statement of Accounts the District Council has attempted to present details of its finances in a way, which is accurate, in accordance with appropriate Codes of Practice, meets statutory obligations, and is reasonably easy to understand. However efforts are continuing to improve the presentation of financial information, so if you have any views, comments, questions or suggestions for improvement, please write to:

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