

Statement of Accounts **2019/20**

DERBYSHIRE DALES DISTRICT COUNCIL

STATEMENT OF ACCOUNTS 2019/20

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NARRATIVE STATEMENT

INTRODUCTION

Derbyshire Dales District Council is one of eight lower-tier authorities within the county of Derbyshire employing approximately 220 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 Derbyshire County Council, are also major employers.

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

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

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 2019/20 (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 2019/20.

SUMMARY OF THE 2019/20 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 2019/20

The General Fund contains all services that the Council is responsible for providing. During 2019/20 the Council faced a number of challenges in successfully managing its financial position whilst also planning for the future. The Council set a balanced budget contributing a net £858,398 to Reserves, including a £47,296 contribution to the General Fund. Despite continuing reductions in government funding, the Council delivered a range of services to residents and ended 2019/20 with a revenue account balance of £490,533, which was transferred to reserves.

The revenue financial performance for the year is set out in the table below:

	Actual 2019/20	Original Budget 2019/20	Revised Budget 2019/20	Variance from Revised Budget 2019/20
	£	£	£	£
Chief Executive	394,685	485,010	424,602	(29,917)
Community and Environmental Services	2,226,638	2,226,724	2,281,860	(55,222)
Corporate Services	1,750,640	1,888,186	1,799,536	(48,896)
Housing	(2,644,217)	511,865	(40,826)	(2,603,391)
Regeneration & Policy	399,740	479,059	421,989	(22,249)
Regulatory Services	395,948	452,325	473,267	(77,319)
Resources	2,678,726	2,674,918	2,714,818	(36,092)
Net cost of Services	5,202,161	8,718,087	8,075,246	(2,873,085)
Non Service Items:				
Interest on Balances	(182,896)	(105,000)	(139,500)	(43,396)
Borrowing Interest Paid	227,456	227,502	225,000	2,456
Statutory Debt Repayment	247,612	247,612	247,612	0
Loan Premium Due	110,924	110,924	110,924	0
Income from Investment Properties	(101,055)	(104,905)	(101,956)	901
Net Revenue Expenditure	5,504,203	9,094,220	8,417,326	(2,913,123)
Appropriations	3,976,831	858,398	1,535,292	2,441,539
Funding Requirement	9,481,034	9,952,618	9,952,618	(471,584)
Funded by:				
External Funding				
Retained Business Rates including S31 Grant				
Payments to and from Pool	(2,728,291)	(2,760,244)	(2,760,244)	31,953
Business Rate Collection Fund (Surplus)/ Deficit	(209,081)	(209,081)	(209,081)	0
CT Collection Fund (Surplus)/ Deficit	(11,299)	(11,299)	(11,299)	0
Rural Services Delivery Grant	(401,179)	(401,179)	(401,179)	0
New Homes Bonus	(519,955)	(519,955)	(519,955)	0
Other Government Grants	(50,902)	0	0	(50,902)
Total External Funding	(3,920,707)	(3,901,758)	(3,901,758)	(18,949)
Total Council Tax Requirement (inc Parishes)	(7,660,812)	(7,660,812)	(7,660,812)	0
Town and Parish Precepts	1,609,952	1,609,952	1,609,952	0
District Council Tax Requirement	(6,050,860)	(6,050,860)	(6,050,860)	0
Total Funding	(9,971,567)	(9,952,618)	(9,952,618)	(18,949)
Outturn	(490,533)	0	0	(490,533)

The main variances against the revised budget are highlighted in the following table:

Budget Head	Variance (Revised Estimate to Outturn 2019/20 £'000)
Income from Section 106 contributions	(2,463)
Revenue grants and contributions	(262)
Recycling credits	(89)
Consultancy services	94
Planning application fees	(65)
Water charges	(64)
Others – Various under and over spends	(24)
Net Cost of Services	(2,873)
Net Interest and Investment Income	(40)
Transfers to / (from) reserves	2,442
Retained Business Rates	32
Other government grants (non ring-fenced)	(51)
Subtotal	(491)

The most significant variances relate to Section 106 contributions received in year, in excess of the £554,000 revised budget and to revenue grants and contributions which have been received but not applied in year. This income is offset in “Transfers to / (from) Reserves” by a transfer to the Revenue Grants Unapplied Reserve to be used in future financial years to fund suitable schemes and initiatives once they are developed.

Note that the variance on Consultancy relates to advice given relating to the Waste Management Contract which was subject to a competitive tendering exercise, and this is offset in “Transfers to / (from) Reserves” as it was funded from the Committed Expenditure Reserve (having been budgeted in 2018/19).

In setting its budget for 2019/20 the District Council planned additional savings of £1.0 million over the three years to 2021/22. Council Tax was increased by the £5 cap (2.45%), with the average bill for Derbyshire Dales’ services set at £209.27 for the year (£204.27 in 2018/19).

The following table shows a reconciliation of budget surplus to the Total Comprehensive Income and Expenditure for 2019/20.

2018/19 £'000		2019/20 £'000
(472)	Reported Surplus	(490)
(1,637)	Other movement in Earmarked Reserves in year (Note 22)	(3,189)
(98)	Movement in General Fund in year (Note 23)	161
(2,207)	Surplus / Deficit on General Fund Balance in Year (EFA)	(3,518)
754	Adjustments between accounting basis and funding basis (Note 9)	3,085
4,575	Remeasurement of the net defined benefit liability	(10,319)
(1,326)	Suplus on revaluation of non-current assets	(3,205)
1,796	Total Comprehensive Income & Expenditure	(13,957)

Capital Spending in 2019/20

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 budget (capital programme) for 2019/20 was set in March 2019 at £3.926m. This was revised during the year to reflect progress on schemes and the addition of new schemes. In March 2020 the Council approved a revised capital programme for 2019/20 of £2.533m. The provisional outturn for 2019/20 is £2.035m.

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

	2019/20 Budget £'000s	2019/20 Revised Budget £'000s	2019/20 Actual £'000s	2018/19 Actual £'000s
Council Priorities 2019/20				
Prosperity	2,488	1,304	1,326	1,382
People	92	124	113	10
Place	214	9	2	38
Other	1,132	1,096	594	1354
Total Capital Spending	3,926	2,533	2,035	2,784

At 31st March 2020, there is an under-spend of £0.498m compared with the revised estimate; the principal schemes contributing to the under-spend are:

Capital scheme	Comments	Variance: Revised Programme to Outturn 2019/20 £000s
Fishpond Meadow, Ashbourne	Scheme completed in April 2020	(23)
Darley Dale Down Station Improvements	To be completed in 2020/21	(23)
Commercial Vehicles	Vehicles now scheduled for replacement in 2020/21	(26)
Matlock Town Hall Condition Surveys	To be completed in 2020/21	(38)
Capital Investment Transfer of Leisure	To be completed in 2020/21	(90)
Ashbourne Leisure Centre – Condition Surveys	To be completed in 2020/21	(145)
Air Handling Unit at Arc Leisure	To be completed in 2020/21	(40)
Customer Innovation Project: Whitespace scheme	To be spent in 2020/21	(17)

Approval has been requested to carry forward the under-spend into 2020/21.

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). The Council has sufficient resources to fund its existing capital programme without further borrowing.

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

	2019/20 £'000s	2018/19 £'000s
Capital Receipts	570	908
Other Grants and Contributions	515	436
Direct Financing from Revenue and Strategic Reserves	950	1,440
Total Capital Financing	2,035	2,784

Capital Investment Plans

In August 2020 the Council approved a revised five-year rolling capital programme totalling £12.293m. The major elements are set out below, analysed by the new corporate plan priorities:

	£m
Prosperity	5.687
People	0.028
Place	4.117
Other Schemes	2.461

Receipts from the Sale of Assets

The Council received £0.588m from the sale of non-current assets during 2019/20. 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 surplus of £0.226m (2018/19 deficit of £0.146m). In 2019/20 £54.5m was collected in respect of 2019/20 bills from council tax payers (£51.4m 2018/19); this represents 98.5% of council tax that was due by 31 March (98.7% in 2018/19).

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 deficit of £1.4m (2018/19 surplus of £0.367m), which has arisen due to the increase in

Bad Debt Provision (see Note 22 for Derbyshire Dales District Councils share). In 2019/20 £18.3m was collected from business rate payers in respect of 2019/20 bills (£18.4m in 2018/19); this represents 97.6% of business rates that were due by 31 March (98.1% in 2018/19).

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. Note 39 – Post Employment Benefits: Defined Benefit Pension Scheme gives further information and shows that the Council has a net liability of £17.969m at 31 March 2020 (£27.857m restated Balance Sheet at 31 March 2019). This reduction is significantly due to the decrease in the present value of funded liabilities. 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 principal 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 2019.

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 organisations without credit ratings upon which the Council has received independent investment advice.

Interest credited to the Comprehensive Income and Expenditure Statement in 2019/20 was £183,000 (2018/19 £133,000). The average rate of interest on investments was 0.54% (0.51% 2018/19).

The Council held investments of £19.6m at 31 March 2020 (£13.4m on 31 March 2019), this includes long and short term investments as well as cash held in interest bearing current accounts.

Reserves and Balances

The table below shows a summary of Reserves. The detailed position on reserves and balances is shown in Notes 23 and 24. It is important to appreciate that many of the reserves are earmarked for specific purposes, and accordingly these funds should not be regarded as being available for general use.

	Opening Balance 1 st April 2019 £'000	Closing Balance 31 st March 2020 £'000	Movement £'000
General Reserve and Working Balance	2,161	2,000	(161)
Earmarked Reserves	13,985	17,664	3,679
Total	16,146	19,994	£3,518

Revenue balances carried forward at 31 March 2020 total £2,000,000 (31 March 2019 £2,161,000). This balance is significant as it reflects the revenue balances that are generally available for new expenditure or unforeseen events and contingencies. 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. This balance will also be required in the event that the Council does not achieve the savings required to balance the budget in any financial year. The Council holds a number of earmarked reserves to finance future capital and revenue expenditure, and an explanation of the use of reserves is included in Note 23.

The Balance Sheet demonstrates that net worth has increased by £14m during the year to £63,4m. Whilst there are many factors affecting this increase, it is significantly impacted by a reduction of £8.8m on the Pensions Liability (see Note 39 - Pensions) and the £4.8m increase in Cash and Cash Equivalents.

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 2019/20, there were **15 Corporate Plan targets** set by Council in March 2019. 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:

<u>Strategic Aims/Targets 2019/20</u>	<u>Progress Against Key Target</u>
<p>Business growth and job creation</p> <ul style="list-style-type: none"> • Enable 10 new businesses to start • Provide support to 75 established businesses enabling the creation of local jobs • Support 9 businesses to access grants or loans • Assist private sector partners to secure funding and commence work on a new access road at Ashbourne Airfield Industrial Estate, opening up 8ha of new employment land • Develop a business case for the District Council to more directly intervene in the creation of employment units/ business workspace 	<ul style="list-style-type: none"> • Enabled 10 new businesses to start • Provided support to 83 established businesses in the Derbyshire Dales, enabling the creation of jobs • Supported 13 Derbyshire Dales businesses to access grants or loans from Government and Local Enterprise Partnerships • Project Delayed – project did not reach initial construction stages prior to lockdown restrictions imposed by Covid19 • Project experienced two delays, the first due to a decision from Historic England on the area of a Scheduled Monument site which would have impacted on the scheme, the second due to the need for further site investigations and discussions with the landowner.

<p>Affordable housing</p> <ul style="list-style-type: none"> • Complete 51 new affordable homes • Complete a review of alternative delivery options in order to continue the delivery of affordable housing • Provide debt and welfare advice to 300 vulnerable households • Provide adaptations to the homes of 57 disabled people • Review the effect of increase in Council Tax Premium in September 2019 and prepare a case for other measures to bring empty homes back into use 	<ul style="list-style-type: none"> • Completed 89 new affordable homes • Review completed. The project carries forward into 2020/21 though with some delay due to Covid19 • Debt and welfare advice provided to 381 vulnerable households • Provided adaptations to the homes of 92 disabled people • Review produced for CLT in November.
<p>Market Towns</p> <ul style="list-style-type: none"> • Encourage 2 more themed and farmers markets • Develop 3 funding bids to implement the Estate Management Master Plan for Hurst Farm • Prepare redevelopment proposals for Bakewell Road site • 250 or fewer requests for litter picks or sweeps 	<ul style="list-style-type: none"> • 3 Antiques Fairs took place, in May, August and December • 5 bids submitted in year, including 3 principal bids. • Following on from the generation of a feasibility study last year the Council generated a development brief and a preferred use and operator have been selected to provide a detailed redevelopment proposal for the site. • 230 requests were made.
<p>Other targets</p> <ul style="list-style-type: none"> • Continue a programme of efficiency savings and or additional income of £400,000 by 2020/21 	<ul style="list-style-type: none"> • Savings target deferred following increased government funding for 2019/20 and 2020/21 and subsequent deferral of Governments Review of Local Authority Needs and Resources.

In addition, within individual Service Plans there are a small number of key targets for achievement within those service areas. These **12 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.

PERFORMANCE MANAGEMENT

The District Council's Performance Management scheme is the means by which we understand how well our services are performing. It demonstrates whether or not we are on target to meet Service Plan Requirements, and highlights good performance. Where improvements are required, it helps achieve this by setting out and monitoring actions required. Performance management is good management.

By doing so, the District Council demonstrates that it knows:

- what its priorities are
- what it is aiming for
- what it must do to achieve these aims
- how it measures progress, and

when it is appropriate to take remedial action to address underperformance.

The District Council's Performance Management Handbook¹ sets out the performance management process that uses the following classification at outturn:

Green = has fully achieved the year's target on time

Amber = has partially achieved the target and is on track to fully achieve the year's target albeit later than planned

Red = has not achieved year's target and is unlikely to do so.

https://www.derbyshiredales.gov.uk/images/P/Performance_Management_Handbook_for_2020-21.pdf

COUNCIL PERFORMANCE – OUTTURN 2019/20

Overall, of the 27 performance indicators for the financial year 2019/20 for which data is available, 22 (81%) were fully achieved, as the table below shows:

	No. of Targets	Green	Amber	Red
Corporate Plan targets	15	11	3	1
Key Performance Indicators	12	11	0	1
TOTAL	27	22	3	2

A slightly lower proportion of Corporate Plan targets were fully achieved (11 out of 15, or 73%) as compared to Key Performance Indicator targets (11 out of 12, or 92%). Corporate Plan targets tend to be project based and involve a range of partners; they are therefore more complex, long term and subject to factors outside the Council's direct control, which often means the timescales for delivery become extended.

The following table divides indicators by service related and Corporate Plan priority area. Strong performance is evident from the Revenues & Benefits, Planning and Housing service areas; weaker performance is in the corporate plan target area of Business Growth & Job Creation:

Service Area	No. of Targets	Green	Amber	Red
Organisational Health	3	3		
Housing	1	1		

Service Area	No. of Targets	Green	Amber	Red
Planning	4	3		1
Revenues & Benefits	4	4		
Corporate Plan Priority Area				
Other	1		1	
Business Growth & Job Creation	5	3	1	1
Market Towns	4	4		
Affordable Housing	5	4	1	
TOTAL	27	22	3	2

Key events and issues for 2020/21 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, and the impact of the Coronavirus pandemic in 2020/21, and possibly beyond.

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 £0.5million are required by 2021/22.

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 & recycling collection contract is significant in terms of value and because it affects all Dales residents. During 2019/20 this contract has been subject to a competitive tendering process and a new contract (for 8 years with the option of a further 8 year extension) was awarded to the incumbent contractor, Serco, in December 2019. To allow a period of mobilisation, the new contract will commence in August 2020.

While the expiring contract cost is around £2.1m per year, the new contract will cost over £3m a year. It is planned to offset some of the additional costs by introducing a chargeable garden waste service from April 2021 (forecast annual income is around £0.7m). The contract also allows for the possible introduction of three weekly residual waste collections, should that be necessary in the future.

Revenues and Benefits (Arvato) Contract

The contract exists between the Council and Arvato for the delivery of the Revenues and Benefits Service. The contract is due for renewal in January 2021 and an agreement is being drawn up so that from that point on the Revenues and Benefits Service will be delivered by Chesterfield Borough Council, building on the service that Arvato currently provides to both Councils.

Council House Building Programme

The Council has previously approved proposals to become a provider of social housing. The modest programme of development will see up to 52 homes delivered over the next few years. The programme will provide a new and ongoing revenue stream to the General Fund, helping to support the Council's wider strategic objectives. The business plan for the programme was revised in June 2020 and forecast an annual revenue income of approximately £200,000 when all 52 homes have been completed.

Climate Change Action Plan

The Council's Climate Change Strategy and Action Plan is expected to be received very shortly and will be reported to Council. Whilst the detail is not yet known, it is expected that the Action Plan will identify a number of items that will require significant investment, if the Council is to meet its commitment to reach net zero carbon emissions by 2030.

Business Rates Pilot

The Council along with the other 7 Derbyshire districts, Derbyshire Fire and Rescue, the County and City Councils were successful in bidding to become a business rate pilot for 2018/19. 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 reverted to the Derbyshire Business Rates Pool arrangement it operated previously and this arrangement has continued into 2020/21.

Commercial Board

The Council previously established a Commercial Board to explore commercial opportunities that might generate income for the Council. In May 2020 this was disestablished.

Local Government Funding

The outcomes of the Governments Fair Funding Review and Business Rates Review have both been delayed due to Covid19. It is anticipated that both of these reviews will have a significant impact on Local Government funding and the outcomes of these are awaited. In the meantime medium term financial planning carries inherent uncertainty.

European Union (EU) Exit

The UK has left the EU, and the transition period after 'Brexit' comes to an end in 2020. New arrangements will apply from January 2021 and the financial consequences on the Council remain uncertain at this stage, though it will have implications for specific project funding bids which have in the past been submitted to European established bodies. It is unclear what / if any mechanism will replace this.

Dependent on the economic impact of an EU exit, this could potentially impact the valuation of the Councils assets and liabilities, for example the property portfolio and pension liability. Additionally the EU exit may impact investment and borrowing rates, which have already been reduced following Bank of England base rate reductions occurring after August 2016.

The impact is not expected to be significant, and this issue has been included on the Council's strategic risk register.

Covid 19

Coronavirus was categorised as a pandemic by the World Health Organisation on 11th March 2020. None of the Council's previous spending plans included any contingency for the additional costs or lost income associated with an outbreak of a pandemic and the need to move into lockdown.

It is important to highlight how the Council has responded to the challenges of managing services during the pandemic. In the immediate aftermath of lockdown, the Council began to work differently due to restrictions on physical location and with staff instructed to vacate the Town Hall. The Corporate Leadership team began to meet daily via video conference to discuss key aspects of dealing with the crisis. The focus was driven by Government needs and initiatives as well as local priorities.

From the 23rd March staff worked from home for most office based services, which resulted in some disruption to services. It was decided that only Council laptops would be used to dial into the network in order to ensure cyber-security and accordingly some office based workers were unable to work. Additional laptops were procured during Q1 of 2020/21 to enable all office based workers to work remotely.

A community support team was set up to provide information and support to residents, including getting food and essentials, medical deliveries and collections.

To financially support businesses and individuals the Council introduced numerous initiatives based on Central Government guidelines and requirements. This involved providing cash grants to businesses including Retail, Hospitality and Leisure Grants, Small Business Rates Relief Grants and the Discretionary Grants Fund for Business, and providing relief to vulnerable Council Tax payers via the Council Tax Hardship Fund. The Council has already received over £36m from Government for this purpose.

Central Government have also provided several cash grants to meet urgent and unexpected costs and financial pressures impacting the Council and the local economy, to date the Council has received £0.938m. The Council continues to provide monthly returns to Central Government to inform them of the financial impact of the pandemic on Council resources. The level of Government support received to date has not been sufficient to address the impact of increased costs and income reductions.

There remains considerable uncertainty around the future outlook, and on how some Local Authority services will operate due to the Covid19. Further information relating to Covid19 is contained within the Annual Governance Statement.

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 Director of Resources, who is the Council's Chief Financial Officer. Under the Code of Practice, the Director 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:

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.

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.

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 Director of Resources;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- Approve the Statement of Accounts.

The Director of Resources' responsibilities

The Director 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 2019/20 (the Code).

In preparing this Statement of Accounts, the Director 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 Director 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 43 to 111 present a true and fair view of the financial position of the Council at 31st March 2020.

Karen Henriksen

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

Date 9th November 2020

APPROVAL BY GOVERNANCE & RESOURCES COMMITTEE

Councillor S Bull
Chair of Governance & Resources

Date of Meeting: 19th November 2020

ANNUAL GOVERNANCE STATEMENT

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 2020 and have remained in operation up to the date of approval of the 2019/20 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 2019/20 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;
- (For 2019/20 and 2020/21) an assessment of the impact of the coronavirus pandemic on governance in 2019/20 and a look ahead to the impact on governance in 2020/21;
- 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 2019/20 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 2019/20 is indicated by




Areas for improvement are highlighted by




This year **three** 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
<ul style="list-style-type: none"> ➤ We have set out our priorities 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 ➤ We have effective arrangements in place for the discharge of the head of paid service function. 	<ul style="list-style-type: none"> • 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 Policy and 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 • 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 	<div style="text-align: center;">  </div> <p>A new Corporate Plan setting out our vision and improvement priorities for 2020 – 2024 was approved in March 2020.</p> <p>Our internal audit reviews in 2019/20 have not identified any incidents of fraud.</p> <p>We have extensive use of the general power of competence.</p> <p>The Anti-Fraud, Bribery and Corruption Policy (including Money Laundering) was reviewed and updated during 2018/19. It is next due for a review in 2020/21.</p>

	<ul style="list-style-type: none"> • 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. 	
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PRINCIPLE 2 – Ensuring openness and comprehensive stakeholder engagement


How we meet this principle	Source of assurance	Successes and Areas for Improvement
<ul style="list-style-type: none"> ➤ 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 provide information in response to Freedom of Information requests wherever possible to do so under relevant law and outline any exceptions to this policy. We publish our Freedom of Information Policy and procedures. ➤ 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. ➤ We have a programme of forums / workshops to engage with local businesses. 	<ul style="list-style-type: none"> • Constitution • Corporate Plan • Reasoned decisions at quasi- judicial meetings • Annual review of Planning decisions • 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 • 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 • Business Engagement Programme • Statement of Community Involvement • Record of consultations and use of feedback from consultations 	<div style="text-align: center;">  </div> <p>The Local Government Association Peer Challenge team reported that the district council has a good understanding and appreciation of its local context and is focussing on continually improving local community relationships. The Council is also regarded as an effective leader of the district by partners who attest to the authority being a good partner to work with.</p> <p>During the year we received 849 Freedom of Information requests (up from 731 in 2018). We responded to 643 FOI requests (76%), redirected 117 (14%) to Derbyshire County Council, did not hold the information for 2 requests and 87 requests (10%) were covered by exemption. Where requests were covered by exemption, we gave details of the exemption in our response; the most common reason for exemption (57 requests) was that the information was already accessible by other means.</p> <p>Contract Standing Orders and Financial Regulations were reviewed and updated in May 2019.</p> <p>The Local Government Association Peer Challenge team made several recommendations to address a series of challenges, including:</p>


	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • Developing a strong narrative and vision for the area; • Improvements to the Corporate Plan; • Ensuring that the approach to commercialisation is realistic; • Consideration of the Council's skills base and investment capability; • Engaging with strategic and local organisations to build trust and community capacity to advocate for and deliver on important initiatives. <p>In July 2020 the Council approved an Action Plan to address these issues. While the implementation of these actions will strengthen the Council, they are not seen as significant governance issues.</p>
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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
<ul style="list-style-type: none"> ➤ 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, 	<ul style="list-style-type: none"> • 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 Letter • Financial Regulations – Constitution 	 <p>In 2019/20 we paid 99.8% of non-disputed supplier invoices (4,677 invoices) on time (within 30 days) – only 11 invoices were paid late!</p> <p>The Risk Management Policy and Strategy was reviewed and updated during 2018/19; it is next due for review in Autumn 2020.</p>

<p>human rights, personnel and property issues;</p> <p>➤ We carry out equality impact assessments to ensure fair access to services.</p>	<ul style="list-style-type: none"> • Contract Standing Orders – Constitution • Asset Management Plan • Equality Impact Assessments • Area Community Forums • Planning: Material Considerations • Committee Reports • Consultation feedback is taken into account at the point of decisions 	<p>Working with our partner, Arvato, in 2019/20 we improved the times for processing new claims for housing benefit and processing changes in circumstances.</p> <p>The Council worked with the Local Resilience Forum to ensure that we were prepared for Brexit.</p>
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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
<p>➤ Our reports include an assessment of financial, legal and corporate risks and consider equalities, environmental, health, human rights, personnel and property issues;</p> <p>➤ We consult and use feedback from residents and service users when making decisions about significant service changes;</p> <p>➤ 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;</p> <p>➤ We set key performance indicators (KPIs) to identify how the performance of services and projects is measured. We include financial penalties in outsourced contracts that can be used when KPIs are not achieved.</p>	<ul style="list-style-type: none"> • 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 • Regulation of Investigatory Powers Act Surveillance Policy 	<p style="text-align: center;"></p> <p>We updated our Medium Term Financial Strategy in January 2020 and our Medium Term Financial Plan in May, November and March.</p> <p>The Local Government Association Peer Challenge team reported that through focused and prudent management, the council has a strong financial position which provides a foundation for the council's future ambition.</p> <p>In 2019/20 we carried out public consultation exercises on:</p> <ul style="list-style-type: none"> • Spending proposals for 2020/21 • Sex Entertainment Venues Policy • Housing Needs for 3 parishes



<ul style="list-style-type: none"> ➤ We consider and monitor risks facing each partner when working collaboratively, including shared risks ➤ We review service quality regularly ➤ 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. 	<ul style="list-style-type: none"> • Annual Review of Complaints • Calendar of meetings • Communications Strategy • Minutes of regular monitoring meetings with outsourced service providers including details of compliance with Key Performance Indicators 	<ul style="list-style-type: none"> • Customer satisfaction with housing needs services • Regeneration project at Hurst Farm, Matlock • Kirk Ireton Neighbourhood Plan. <p>We have regular meetings with contractors who provide outsourced services. For 2019/20, all KPIs were met in the outsourced contracts for leisure management and revenues and benefits. As a result, no financial penalties were applied to those contracts. For the waste management contract, the KPIs for missed bins were not met and the default payments were issued. These along with general performance standards were discussed at the contract meetings.</p> <div style="text-align: center;">  </div> <p>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.</p>
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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
<ul style="list-style-type: none"> ➤ We recognise the benefits of partnerships and collaborative working; ➤ All employees have an induction and an annual Performance and Development Review; 	<ul style="list-style-type: none"> • Constitution • Scheme of Delegation • Member Development Scheme • Employee Development Scheme • Member Training and Development Programme 	<div style="text-align: center;">  </div>

<ul style="list-style-type: none"> ➤ 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 ➤ 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. 	<ul style="list-style-type: none"> • Insight – Internal management development programme • Member Induction • Member Representative roles • Employee Induction • Job Descriptions and Person Specifications • 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 	<p>In 2019/20 our partner, Arvato, achieved all the key performance indicators in the Revenues and Benefits contract.</p> <p>Our Performance and Development Review action plans are linked to the priorities set out in our Corporate Plan.</p> <p>Employees who use ICT undertook training in ICT security awareness in 2018/19, which is mandatory for new employees and will be refreshed every 2 years.</p> <div style="text-align: center;">  </div> <p>During 2019/20 the following mandatory training was undertaken by employees:</p> <ul style="list-style-type: none"> • Safeguarding and Child Protection = 24 • Safeguarding Adults at Risk = 26 • Prevent = 23 • Display Screen Equipment = 17 • Data Protection Essentials = 26 • Managing Health and Safety = 45 • Equality Act 2010 = 21 <p>To fully develop our employees and to further mitigate risks, it is recommended that a comprehensive programme of mandatory training for all employees and Members should be delivered in 2020/21.</p>
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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
<ul style="list-style-type: none"> ➤ 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; 	<ul style="list-style-type: none"> • 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 • Designated Data Protection Officer • Data protection policies and procedures 	<div style="text-align: center;">  </div> <p>The external auditor’s Annual Audit Letter issued in July 2019 states “in all significant respects, the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31st March 2019”. (The Annual Audit Letter for 2019/20 has not yet been issued).</p> <p>The Internal Audit Annual Report for 2019/20 shows that 19 internal audit review reports were issued during the year. Eighteen (95%) of audit reviews were found to provide reasonable or substantial assurance on the level of reliability of internal controls. Nine (47%) were found to provide substantial assurance. One (5%) audit review (asset management) resulted in a conclusion of “limited assurance”; plans are in place to address the recommendations during 2020/21. This demonstrates that there are effective systems of governance, risk management and control in place.</p> <p>In 2019/20 the Local Government Association Peer Review report stated that “The Council has strong financial management.</p>

<ul style="list-style-type: none"> ➤ 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. 	<ul style="list-style-type: none"> • 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 	 <p>During 2019/20 the following mandatory training was undertaken by employees:</p> <ul style="list-style-type: none"> • Safeguarding and Child Protection = 24 • Safeguarding Adults at Risk = 26 • Prevent = 23 • Display Screen Equipment = 17 • Data Protection Essentials – GDPR = 26 • Managing Health and Safety = 45 • Equality Act 2010 = 21 <p>To fully develop our employees and to further mitigate risks, it is recommended that a comprehensive programme of mandatory training for all employees and Members should be delivered in 2020/21.</p> <p>The External Auditor's Strategy Memorandum to the Governance and Resources Committee in January 2020 identified three significant risks that will be tested during the audit of the 2019/20 accounts, due to take place in Autumn 2020:</p> <ul style="list-style-type: none"> • Management override of controls • Property, plant and equipment valuations • Defined benefit liability valuation. <p>At the time of writing this AGS, the testing has not been completed and there is no evidence to show that controls are not effective.</p>  <p>The External Auditor's Strategy Memorandum to the Governance and Resources Committee in</p>
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		<p>January 2020 identified one significant Value For Money (VFM) risk: "Achievement of savings and income generation targets". 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.</p> <p>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 2021/22 onwards. It is hoped that the Local Government Finance Settlement, due in late 2020, 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 2021/22 are known, the Efficiency Plan will be updated. As a further mitigation measure, the Council has reserves and balances that could be used to balance the budget for 2021/22 while an efficiency plan is developed to ensure that subsequent budgets are financially sustainable over the medium term.</p>
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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

<ul style="list-style-type: none"> ➤ 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 	<ul style="list-style-type: none"> • 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 	 <p>We report to Members regularly on performance against targets.</p> <p>In 2019/20 19 internal audit reports were issued containing a total of 45 recommendations by internal audit. Of these recommendations 3 (7%) were high priority, 23 (51%) medium priority and 19 (42%) low priority; plans are in place for the outstanding recommendations to be implemented in 2020/21. A report will be brought to members in September 2020 that will detail all outstanding recommendations along with any manager's comments. Significant governance issues raised during the audit reviews are disclosed elsewhere in this annual governance statement.</p> <p>The Local Government Association Peer Challenge team made several recommendations to address a series of challenges, including:</p> <ul style="list-style-type: none"> • Developing a strong narrative and vision for the area; • Improvements to the Corporate Plan; • Ensuring that the approach to commercialisation is realistic; • Consideration of the Council's skills base and investment capability; • Engaging with strategic and local organisations to build trust and community capacity to advocate for and deliver on important initiatives.
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		<p>In July 2020 the Council approved an Action Plan to address these issues. While the implementation of these actions will strengthen to Council, they are not seen as significant governance issues.</p>
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An internal audit report has identified opportunities to strengthen our arrangements for asset management (see action plan).

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.

The role of the Governance and Resources Committee

The Governance and Resources Committee takes the statutory role of an "Audit Committee" and provides independent review, challenge and assurance of the adequacy of the risk management framework and the associated control environment. Its main functions include:

- To approve and review the Council's Code of Corporate Governance and other supporting material;
- To approve the Annual Governance Statement and the Annual Statement of Accounts;

- To consider the reports from the External Auditors, Local Government Ombudsman and other regulators / inspectors;
- To approve and review the internal audit plan, consider major findings or internal audit investigations and management's response, and promote co-ordination between the internal and external auditors;
- To keep under review the effectiveness of internal control systems, to receive the External Audit Management Letter on behalf of the Council and any representations and refer any issues requiring attention to the relevant committee and/or officer.
- To consider the appointment of the external auditor, the audit fee, the provision of any non-audit services by the external auditor and any questions of resignation or dismissal of the external auditor;
To approve the Council's Risk Management Policy and Strategy and consider the annual monitoring report as part of considering the effectiveness of Risk Management, including the risks of bribery, fraud and Corruption.

Area Community Forums

In order to give local people a greater say in Council affairs, we have an Annual Community Forum. This is 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. During 2019/20 our annual community forum was held at Bakewell Agricultural Business Centre in January 2020.

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.

Whistleblowing

People working for the Council are often the first to realise that there may be something wrong within the Council. However, they may feel unable to express their concerns for various reasons, including the fear of victimisation. The Council has a Confidential Reporting (Whistleblowing) Policy that advises staff and others who work for the Council how to raise concerns about activities in the workplace.

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 2020 for a 4 year period up to the period following the next Council 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.

Monitoring Officer

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

Chief Financial Officer

The Director 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 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 Council's Chief Financial Officer is a full member of the Corporate Leadership Team and is supported by appropriately qualified and experienced staff.

The Director 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.

Managing Finances

Internal financial control is based on a framework of management information that includes the Financial Regulations, Contract Standing Orders, our accounting procedures and key financial systems. These include established budget planning procedures and quarterly budget reports to Council or Governance and Resources Committee. The Corporate Leadership Team monitor key income streams on a monthly frequency.

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, we face a challenge in producing a sustainable budget over the medium term in the face of further potential reductions in government funding. The Council's Efficiency Plan needs to be updated to show how the Council plans to address the budget gap for future years (this will be done when the outcome of the Local Government Finance Settlement for 2021/22 and the Fair Funding Review are known). The Corporate Leadership Team monitors performance against the annual budget, capital programme, medium term financial plan and efficiency plan.

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.

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 approved 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 2019/20, 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 2019/20". However, during 2019/20 one "limited assurance" report was issued (relating to asset management) and [in 2020/21 (to July 2020) no "inadequate or limited assurance" reports have been 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 this report with limited assurance, one area (asset management arrangements) has been reported in the annual governance statement as a significant governance issue.

External Audit & Other Inspections

The Council's external auditor is currently Mazars LLP.

In July 2019 Mazars issued an unqualified opinion in relation to the Council's 2018/19 statutory financial statements. In the Audit Completion Report relating to the Council's financial statements for 2018/19 the External Auditor made two (medium priority) recommendations relating to internal controls for the accounting treatment of fixed assets. These recommendations were considered and implemented during the preparation of financial statements for 2019/20. In the same report in July 2019, in relation to the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources, the external auditor concluded that "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".

Feedback from the work undertaken to date on the 2019/20 financial statements has not highlighted any issues which would lead to a different conclusion for the 2019/20 Statement of Accounts. The external auditor's initial work on the 2019/20 Value For Money risk assessment has identified one significant VFM risk: "Achievement of savings and income generation targets". 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 2021/22 onwards. It is hoped that the Local Government Finance Settlement, due in late 2020, 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 2021/22 are known, the Efficiency Plan will be updated. As a further mitigation measure, the Council has reserves and balances that could be used to balance the budget for 2021/22 while an efficiency plan is developed to ensure that subsequent budgets are financially sustainable over the medium term.

Local Government Association (LGA) Peer Challenge

The LGA Corporate Peer Challenge review was undertaken 22nd – 24th October 2019 and the final feedback report was received and circulated to all Members on 21st January 2020.

The Local Government Association Peer Challenge team made several recommendations to address a series of challenges, including:

- Developing a strong narrative and vision for the area;
- Improvements to the Corporate Plan;
- Ensuring that the approach to commercialisation is realistic;
- Consideration of the Council's skills base and investment capability;
- Engaging with strategic and local organisations to build trust and community capacity to advocate for and deliver on important initiatives.

In July 2020 the Council approved an Action Plan, to address these issues, with a timescale for implementation. While the implementation of these actions will strengthen the Council, they are not seen as significant governance issues.

5. An assessment of the impact of the coronavirus pandemic on governance in 2019/20 and 2020/21.

Coronavirus was categorised as a pandemic by the World Health Organisation on 11 March 2020. The Council's Business Continuity Plan (BCP) was already in place at this time. An assessment of priority services was undertaken to ensure they could be provided in anticipation of the Government's possible response to the pandemic. Changes were put in place to ensure that these services could still be delivered. Priority services identified in the BCP included but were not limited to:

- Payments especially of benefits, supplier invoices and payroll;
- Treasury management and cash flow;
- Waste collection (prioritising residual and food waste collections)
- Homelessness
- Customer Services and Communications.

As a Council we focussed on delivering essential services to residents and businesses, largely through key employees having the ability to work from home and maintaining a presence at Matlock Town Hall for priority functions that could not be delivered from home (e.g. dealing with incoming mail, the telephone switchboard and enquiries where paper-based files were required). It should be recognised that working from home can be more difficult than working from the office for such as accessing the network and files, communicating with team members, holding meetings virtually rather than face to face etc.

Impact on "business as usual" in delivering services

From 23 March, the majority of office-based key employees worked from home (for around 40 non-key employees there was a delay of around 3 weeks for laptops to be delivered to enable home working). Those services temporarily designated non-essential services were suspended to protect staff and to help provide essential services. Matlock Town Hall was closed to members of the public, as were leisure centres and public toilets. Inspection visits, e.g. food safety inspections, pollution

control inspections, licensing inspections etc, were suspended and extended delegation arrangements were introduced, particularly in relation to planning decision making.

Out of the 64 Clean and Green staff available during normal operations, there was only a maximum of 25 at one time following the announcement of the lockdown and the safety measures implemented to protect vulnerable groups. It took almost 3 months for the team to return to full capacity and this was achieved with a phased approach, followed by individual and work place risk assessments. The impact of this severely affected the work programme, delaying many areas of work. Essential safety work, such as visibility splays and the emptying of litter bins, continued, whilst additional work relating to the recovery, such as the cleaning and sanitising of car park pay and display machines and the delivery of food parcels was added.

An agreement was made with our refuse collection contractor to prioritise residual and food waste collections. To ensure cover for sickness and self-isolation, the collection of bulky, recycling and garden waste was suspended for 3 months, weekly food waste collections operated on a reduced service for 4 months and the dry recycling service was disrupted for almost 2 months.

Communication bulletins for members, employees, residents and businesses were provided through the Council's website and other communications channels, including social media.

1.1 All Council and Committee meetings were temporarily suspended until a Council meeting on 12 May agreed to suspend normal business through the Committee system and established the Emergency Committee to deal with urgent decision making during the Covid-19 pandemic. In the early weeks of the lockdown, urgent decisions were taken by the Corporate Leadership Team followed up by approval from the Chair and Vice Chair of the relevant Committee; these decisions were subsequently ratified at the Council meeting on 12 May. The Emergency Committee met on 3 occasions to deal with significant issues in adapting policy and procedures as necessary during these challenging times, until decision making through the full committee system (with virtual meetings for the time being) was resumed following the Annual Council Meeting on 22 July 2020.

New areas of activity

As well as delivering essential services, it was necessary to focus resources on the following new or increased areas of activity:

- Additional monitoring of the Business Continuity Plan and regular attendance at meetings with key partners such as the Local Resilience Forum, Strategic Command Group, Tactical Command Group, and other sub-groups;
- Preparing risk assessments to ensure that services could be provided as safely as possible, protecting employees and service users;
- Provision of temporary accommodation for homeless people;
- Payment of grants and processing rate reliefs to support local businesses;
- Providing support and enforcement to businesses affected by the lockdown;
- Working with providers of outsourced contracts to manage key services;
- Providing adequate ICT, network access and videoconferencing;
- Monitoring additional expenditure and lost income;
- Food parcel deliveries for vulnerable groups (this only ended in August);
- Delivery of new bins on behalf of Serco;
- Increased visitors number required greater response from the C&G team (number of cleans, emptying bins, etc.);
- Dealing with a significant increase in littering of parks and gardens;
- Dealing with increased fly tipping;
- Introduction of sanitiser stations and marshalling of these for markets, etc.;
- Working with partners to Reopen High Streets Safely;

- Community contact through the Sports Development Team;
- Taking on the Business Closure powers under the Coronavirus Regulations;
- Enforcing social distancing in the workplace;
- Taking on the new Pavement Licensing regime;
- Dealing with changes to Planning law that have had to be incorporated into daily business.

Impact on the Council's financial position

The government has awarded three tranches of general financial support to date, totalling £837,877. This will be used to fund additional expenditure (and possibly some lost income), mainly on the following areas:

- Support to the contractor who manages the Council's leisure centres;*
- Support to the waste collection contractor;
- Homelessness emergency accommodation;
- ICT: Laptops, videoconferencing software, network connectivity etc.;
- Lockdown compliance and re-opening costs (Matlock Town Hall, public toilets & stall markets);
- Personal protective equipment, cleaning materials, sanitiser etc.

*It is hoped that, in addition to the above, there will be a specific grant to assist with the financial support for leisure centres; due to uncertainty that has not been included in our financial forecasts at this time.

The Council's income from sales, fees and charges has been significantly affected by the lockdown. Forecasts for income losses for 2020/21 include:

- Car parking (£1.175m);
- Parks activities (£80,000)
- Planning fees (£200,000)
- Public conveniences (£54,000)
- Trade waste (£104,000)
- Stall markets £73,000).

The government has recently announced a further grant to assist with 75% of income losses above a threshold. The grant receivable for this is estimated to amount to £1.125m (the grant amount has yet to be confirmed by government).

Any loss of income or additional expenditure not compensated by Central Government will have to be financed from the Council's reserves. At the current time, this is estimated to amount to around £744,000 for 2020/21. The Director of Resources is satisfied that current levels of reserves and balances will be sufficient to meet this, if necessary, but this will have an impact in the medium term (see below).

Part of the Council's response to the pandemic was to allow council tax and business rates payers whose finances were detrimentally affected by Covid-19 to defer payments to later in 2020/21. Debt recovery was suspended from April to June and resumed in July with reminders only; a plan is being developed to slowly increase debt recovery activities in the coming months.

Income from council tax and business rates has reduced significantly. For the four month period from April to July 2020, council tax received is £562,000 (2.3%) less than expected and business rates income is £1,043,000 (27%) less than expected. There has been an improvement in both collection rates during July. The financial impact of any shortfalls in council tax and business rates will impact when the budget is set for 2021/22 (and potentially the subsequent two financial years, subject to a change in the regulations to allow the impact to be spread).

To aid the Council's cash flow, the government paid the Council the following amounts:

- Business support grants £36,296,000
- Council tax hardship fund £338,264
- Business rates relief S31 grant paid early £1,969,915.

In addition the government deferred the payment of its share of business rates from the Council for 3 months. The cash flow position is being closely monitored and is not expected to be problematic in the next few months.

Assessment of the longer term impact

Areas to consider:

- If the Council is not fully compensated for additional expenditure and lost income, it will have to finance the shortfall from reserves, which would require a top up of reserves in future years to remain financially sustainable over the medium term and it might delay improvement plans or capital projects if reserves are no longer available to finance them;
- Levels of income and arrears will have to be closely monitored for some time. It is difficult to say how long it will take the economy to fully recover, or if that is even possible. ongoing changes to businesses;
- The allocation of the Council Tax Hardship Fund (report to Council 27 August 2020);
- Two internal audit reviews that were scheduled for completion in 2019/20 were not finalised due to the impact of Covid-19 and work on these and the audit plan for 2020/21 has been delayed due to resources being diverted to assurance checks for business support grants.

Plans for recovery

The impact of Covid19 on the Public Sector could not have been expected, and there is no previous experience of this type of virus or of the economic impact that it would have. The current and future economic situation is uncertain and extremely serious. It is hoped that this is a one off event, but this cannot be guaranteed and further highlights the necessity to maintain a comprehensive Business Continuity Plan and an adequate level of Reserves, including the General Reserve to protect the Council against exceptional events. Due to robust Leadership and sound financial management the financial situation at Derbyshire Dales District Council is secure in the immediate aftermath of the first wave, whilst some other Councils are currently in very challenging financial positions. The need to plan long term and to hold sufficient levels of reserves is reinforced in order to be able to deliver our key services, support our residents and businesses now and in the future, and continue to provide value for money in all that we do.

The Corporate Leadership Team is developing a recovery plan, which will address the following areas:

- Risk assessments to ensure the safety of our employees, members, contractors and service users;
- Communications and engagement with stakeholders (members, employees, suppliers, residents, customers, businesses, town and parish councils and others);
- Continue to monitor the financial impact and the adequacy of reserves to address financial sustainability;
- Continue to help businesses and high streets to re-open safely;
- A review of priority areas for 2020/21 and 2021/22 in the light of officer capacity and financial resources;
- A review of the Business Continuity and Emergency Plans to reflect lessons learned.

6. Significant governance issues and action plan

a) Update on issues raised in last year's (2018/19) 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 2020/21. General Reserve and/or Funding Uncertainties Reserve would be sufficient to finance expected budget shortfall for 2021/22, 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 outstanding recommendation of the Internal Audit Review: <ul style="list-style-type: none"> Update the Safeguarding Policy and publicise it on the website and to employees. 	An updated Safeguarding Policy was approved by the Governance & Resources Committee in January 2020 and publicised on the website. A programme of training and raising awareness of safeguarding issues and the revised policy itself was delivered to Council employees and Elected Members in February 2020.
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: <ul style="list-style-type: none"> 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.	Recommendations implemented during 2019/20.

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 Pensions bond agreement was signed by the contractor and passed to the Pension Fund Administrator (Derbyshire County Council) in August 2020.
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b) Annual Governance Statement issues arising from 2019/20 review, to be actioned in 2020/21

	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 2021/22 and Efficiency Plan to be updated (following the 2021/22 Local Government Finance Settlement) to address budget gap for future years.	Director of Resources	Efficiency Plan: January 2021 Balanced budget for 2021/22: March 2021
2	An internal audit review has identified that our arrangements for asset management need to be strengthened	Implement the outstanding recommendations of the Internal Audit Review: <ul style="list-style-type: none"> • Regular meetings of the Corporate Property Group, with minutes; • Regular monitoring of progress against the Asset Management Plan to be undertaken by the Corporate Property Group; • Reconcile assets of the property and financial systems and use a common property identifier on both systems. 	The risk of not achieving the Asset Management Plan will be reduced.	Director of Regulatory Services	30 November 2020

3	A review of employee and member training has identified that our arrangements for mandatory training should be improved.	A comprehensive programme of mandatory training for all employees and members should be delivered in 2020/21.	Employees' knowledge and opportunity for personal development will be enhanced, mitigating the risks of error or non-compliance with system controls or legislation.	The Corporate Leadership Team with support from the Human Resources and Payroll Manager; The Member Development Working Group	31 March 2021
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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.

Draft approved at a meeting of the Governance and Resources Committee held on 20th August 2020.

There is a requirement to review the AGS before the final version is approved as part of the audited Statement of Accounts in November.

Final version to be Signed

Councillor Garry Purdy
Leader of the Council
Date: 19th November 2020

Paul Wilson
Chief Executive
Date: 19th November 2020

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.

2018/19				2019/20		
Gross Expenditure £000s	Gross Income £000s	Net Expenditure £000s		Gross Expenditure £000s	Gross Income £000s	Net Expenditure £000s
200	0	200	Chief Executive	489	(2)	487
10,474	(6,444)	4,030	Community and Environmental Services	10,164	(5,641)	4,523
2,453	(252)	2,201	Corporate Services	2,447	(422)	2,025
1,852	(2,420)	(568)	Housing Services	1,783	(3,513)	(1,730)
712	(96)	616	Regeneration and Policy	590	(81)	509
1,716	(838)	878	Regulatory Services	1,929	(768)	1,161
15,367	(13,354)	2,013	Resources	13,794	(11,519)	2,275
32,774	(23,404)	9,370	Cost Of Services	31,196	(21,946)	9,250
		1,015	Other Operating Expenditure (Note 10)			1,164
		749	Financing and investment income and expenditure (Note 11)			572
		(12,587)	Taxation and Non-Specific Grants (Note 12)			(11,419)
		(1,453)	(Surplus) or Deficit on Provision of Services			(433)
		(1,326)	Surplus or deficit on revaluation of non current assets			(3,205)
		4,575	Remeasurements of the net defined benefit liability			(10,319)
		3,249	Other Comprehensive Income and Expenditure			(13,524)
		1,796	Total Comprehensive Income and Expenditure			(13,957)

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.

	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 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
Total Comprehensive Income and Expenditure	433	0	0	433	13,524	13,957
Adjustments from income and expenditure charged under the accounting basis to funding basis (Note 9)	3,085	18	15	3,118	(3,118)	0
2019/20	3,518	18	15	3,551	10,406	13,957
31st March 2020	19,664	2,963	235	22,862	40,519	63,381

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 2019 £000s	Restated 31st March 2019 £000s		Notes	31st March 2020 £000s
65,503	65,503	Property, Plant & Equipment	13	67,380
1,519	1,519	Investment Property	14	1,586
95	95	Intangible Assets	15	207
941	941	Long Term Investments	16	898
68,058	68,058	Long Term Assets		70,071
25	25	Inventories	17	23
4,248	4,248	Short Term Debtors	18	5,648
10,441	10,441	Cash and Cash Equivalents	19	15,265
2,007	2,007	Short Term Investments	16	3,009
16,721	16,721	Current Assets		23,945
(6)	(6)	Short Term Borrowing	16	(6)
(362)	(362)	Provisions	22	(1,088)
(2,606)	(2,606)	Short Term Creditors	21	(6,062)
(151)	(151)	Other Short Term Liabilities*	38	0
(3,125)	(3,125)	Current Liabilities		(7,156)
(54)	(54)	Provisions (>1yr)	22	(60)
(5,450)	(5,450)	Long Term Borrowing	16	(5,450)
(26,726)	(27,857)	Other Long Term Liabilities	39	(17,969)
(32,230)	(33,361)	Long Term Liabilities		(23,479)
49,424	48,293	Net Assets		63,381
19,311	19,311	Usable reserves	24	22,862
30,113	28,982	Unusable Reserves	25	40,519
49,424	48,293	Total Reserves		63,381

The financial statements were approved for issue on the 9th November 2020 by the Director of Resources.

The 2018/19 Balance Sheet has been restated to reflect the correct accounting arrangements under IAS19.

In August 2018 Freedom Leisure took responsibility for delivering the Councils Leisure Centres, and at that point employees were TUPE transferred across to be directly employed by them. The contract was awarded on a "Pass Through" basis, which is a situation where the Council retains a level of risk in respect of the continuing LGPS membership for the group of transferred staff, and as such, have Freedom "pooled" with the Council for accounting purposes. This requires the pension obligation to remain on the Balance Sheet of the Council.

However, the pension disclosures for the 2018/19 year were instead undertaken on a “Bulk Transfer” basis which meant that the liability was not correctly disclosed in the 2018/19 Balance Sheet. The impact is a net increase in Pension Liability of £1.131m as at 31st March 2019, as seen in the restatement.

The 2019/20 pension disclosures have been undertaken by the scheme Actuary who has considered the correct pass through basis.

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 2019 £000s		31st March 2020 £000s
1,453	Net surplus or (deficit) on the provision of services	433
4,247	Adjustments to net surplus or (deficit) on the provision of services for non-cash movements (Note 26)	4,689
<u>(1,086)</u>	Adjustments for items included in the net surplus or (deficit) on the provision of services that are investing and financing activities (Note 26)	<u>(1,119)</u>
4,614	Net cash flows from Operating Activities	4,003
(2,710)	Investing Activities (Note 27)	(677)
<u>(561)</u>	Financing Activities (Note 28)	<u>1,498</u>
1,343	Net increase or (decrease) in cash and cash equivalents	4,824
9,098	Cash and cash equivalents at the beginning of the reporting period	10,441
<u>10,441</u>	Cash and cash equivalents at the end of the reporting period (Note 19)	<u>15,265</u>

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

NOTES TO THE ACCOUNTS 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.

Net Expenditure Chargeable to the General Fund Balance	2018/19 Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure Chargeable to the General Fund Balance	2019/20 Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£000s	£000s	£000s		£000s	£000s	£000s
161	39	200	Chief Executive	395	92	487
1,693	2,336	4,029	Community and Environmental Services	2,226	2,297	4,523
1,825	376	2,201	Corporate Services	1,751	274	2,025
(1,659)	1,092	(567)	Housing Services	(2,644)	914	(1,730)
484	132	616	Regeneration and Policy	400	109	509
224	654	878	Regulatory Services	396	765	1,161
2,577	(564)	2,013	Resources	2,678	(403)	2,275
5,305	4,065	9,370	Net Cost of Services	5,202	4,048	9,250
(7,512)	(3,311)	(10,823)	Other income and expenditure	(8,720)	(963)	(9,683)
(2,207)	754	(1,453)	(Surplus) / Deficit	(3,518)	3,085	(433)
(13,939)			Opening General Fund Balance	(16,146)		
(2,207)			Less/Plus Surplus or (Deficit) on General Fund Balance in Year	(3,518)		
(16,146)			Closing General Fund Balance at 31st March	(19,664)		

1. ACCOUNTING POLICIES

a) General principles

The Statement of Accounts summarises the Council's transactions for the 2019/20 financial year and its position at the year-end of 31 March 2020. 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 2019/20* (the Code), 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.

Where figures disclosed in the Statement of Accounts have been rounded to the nearest £'000, there is the potential for rounding errors and minor inconsistency when cross referencing due to inter-dependencies across different disclosures. These have been minimised as far as reasonably possible, whilst ensuring the robustness of values carried forwards and disclosures within the Core Statements carrying prominence.

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 contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- 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 the 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 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.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts (if there is an overdraft) that are repayable on demand and form an integral part of the Council's cash management.

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, i.e. 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 (including Government for NNDR - please note that for 2018/19 comparator figures this excluded government 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 2.3% (2.4% in 2018/19). 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 by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (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). Where there is no market-based evidence in an active market of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.
- The council has a £10,000 de minimis gross cost limit and does not recognise items below this threshold.

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 there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is 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 charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception 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 Level 1 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 2019/2020 Code.

Accounting changes that are introduced by the 2020/21 code are:

- Amendments to IAS 28 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures
- Annual Improvements to IFRS Standards 2015–2017 Cycle
- Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement.

The Council does not anticipate that any of the above will have a material impact on the financial statements.

Changes to IFRS16 Leases which requires Local Authorities that are lessees to recognise most leases on their balance sheet has been deferred for local government to 1st April 2021.

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 2020 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	<p>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.</p> <p>The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a 'Global Pandemic' on 11th March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries.</p> <p>Market activity is being impacted in many sectors. As at the valuation date, our Valuer considers that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement.</p> <p>The valuations, provided by our Valuer are therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that we keep the valuation of these properties under frequent review. Clearly the real estate market will be disrupted significantly by Covid-19 over the forthcoming months with no certainty when this will end. However, because of the reduced level of certainty that can be attached to any valuation because of inconsistent data, or the absence of comparable data, it is impossible to adjust the Land and Building valuations included in the Council's accounts with any meaning, either on an individual or on a portfolio basis.</p>	<p>If the useful life of an asset is reduced, depreciation increases and the carrying amount of the asset falls.</p> <p>It is estimated that the annual depreciation charge for buildings would increase by £59,000 for every year that useful lives had to be reduced.</p>
Provision for Insurance Claims	<p>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).</p>	<p>An increase of 10% in the total number of claims would have the effect of adding £6,000 to the provision.</p> <p>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.</p>

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 31st March 2020. The estimate has been calculated using an analysis of existing threats and liabilities for claims against the VOA ratings list.	If more appeals were successful than estimated, the Council's liability would increase. If appeal costs increased by 10% the Council would require an additional £109,000 to be set aside as an allowance for its' proportionate share.
Pensions Liability	<p>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.</p> <p>As at 31 March 2020 there is a 'material valuation uncertainty' on the valuation of assets within the pension fund due to Covid19. Our share of the valuation of property investments, which were valued by the Pension Funds valuer, Savilles, in accordance with RICS guidance is affected. The explanation is similar in nature to the information contained in Property, Plant and Equipment section above. We are alerting the reader of the accounts to this matter and advising that a higher degree of caution should be given to the overall net pension liability.</p>	See Pension Note.
Arrears – Sundry Debtors	At 31 March 2020, the Authority had sundry debtor invoice arrears of £693,000. A review of the arrears, based on the age of the debts and the likely levels of collection, suggested that an impairment allowance of £40,000 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 £40,000 to be set aside as an allowance.
Arrears – Housing Benefit Overpayments	At 31 March 2020, the Authority had arrears of £880,000 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 £77,000 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 £64,000 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	<p>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.</p> <p>Significant changes in any of the unobservable inputs would result in a</p>

	<p>establishing fair values. Changes in assumptions used could affect the fair value.</p> <p>Where Level 1 inputs are not available, the authority uses relevant experts to identify the most appropriate valuation technique to determine fair value.</p> <p>Information about the valuation techniques used is disclosed in notes 14 & 16</p>	<p>significantly lower or higher fair value measurement for the investment properties and financial assets.</p>
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4. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 1 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 expire in August 2020. 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 2019/20, 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 Director of Resources on 9th November 2020. 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 31st March 2020 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.

2019/20				
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	2	86	4	92
Community and Environmental Services	1,583	715	(1)	2,297
Corporate Services	4	267	3	274
Housing Services	811	101	2	914
Regeneration and Policy	12	92	5	109
Regulatory Services	515	238	12	765
Resources	182	(590)	5	(403)
Net Cost of Services	3,109	909	30	4,048
Other income and expenditure from the Expenditure and Funding Analysis	(2,308)	653	692	(963)
Difference between General Fund (surplus) or deficit and Comprehensive Income and Expenditure Statement (Surplus) or Deficit on the Provision of Services	801	1,562	722	3,085

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 Services	990	710	(946)	754

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:

2018/19		2019/20
£000's	Expenditure/Income	£000's
	Expenditure	
7,959	Employee benefits expenses	8,633
22,999	Other service expenses	21,507
2,563	Depreciation, amortisation, impairment	1,686
232	Interest payments	227
1,520	Precepts and levies	1,610
35,273	Total expenditure	33,663
	Income	
(10,902)	Fees, charges and other service income*	(10,468)
(133)	Interest and investment income	(183)
(11,303)	Income from council tax and non-domestic rates	(10,443)
(13,596)	Government grants and contributions*	(12,556)
(287)	Assets acquired below fair value	0
(505)	Gain on disposal of assets	(446)
(36,726)	Total income	(34,096)
(1,453)	(Surplus) / Deficit on the Provision of Services	(433)

* Note that in the 2018/19 statement of accounts, grants and contributions of £12,632,000 from Central Government relating to rent allowances and benefits administration were recognised as Fees, charges and other service income in error.

This is restated to permit a year on year comparison in the above note, and has no overall impact.

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.

2019/20	Usable Reserves			
	General Fund £'000s	Capital Receipts £'000s	Capital Grants £'000s	Unusable Reserves £'000s
Adjustments involving the Capital Adjustment Account:				
<i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</i>				
Charges for depreciation and impairment of non-current assets	1,883			(1,883)
Amortisation of Intangible Assets	28			(28)
Reversal of previous impairments/revaluation losses	(158)			158
Capital grants and contributions applied	0		(515)	515
Revenue expenditure funded from capital under statute	1,356			(1,356)
Movement in fair value of investment properties	(67)			67
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	111			(111)
Assets acquired at less than fair value	0			0
<i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</i>				
Statutory provision for the repayment of debt	(248)			248
Capital expenditure charged against the General Fund Balance	(950)			950
Adjustments involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the CIES	(530)		530	0
Movement in reserves during 2018/19				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	(557)	588		(31)
Use of the Capital Receipts Reserve to finance new capital expenditure		(570)		570
Adjustments involving the Financial Instrument Adjustment Account and Financial Instrument Revaluation Reserve				
Premiums and Discounts	(111)			111
Movement in fair value of financial instruments	43			(43)
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	1,562			(1,562)
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	693			(693)
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	30			(30)
Total Adjustments	3,085	18	15	(3,118)

2018/19	Usable Reserves			
	General Fund £'000s	Capital Receipts £'000s	Capital Grants £'000s	Unusable Reserves £'000s
Adjustments involving the Capital Adjustment Account:				
<i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</i>				
Charges for depreciation and impairment of non-current assets	2,139			(2,139)
Amortisation of Intangible Assets	21			(21)
Reversal of previous impairments/reevaluation 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
<i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</i>				
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)

10. OTHER OPERATING EXPENDITURE

2018/19 £'000s		2019/20 £'000s
1,520	Parish Precepts	1,610
(505)	Gains (losses) on the disposal of non-current assets	(446)
1,015		1,164

11. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2018/19 £'000s		2019/20 £'000s
225	Interest payable on debt	224
7	Interest element of finance lease	3
577	Net interest on the pensions net defined benefit liability	653
(133)	Interest receivable and similar income	(183)
(97)	Income and expenditure in relation to investment properties	(101)
31	Movement in fair value of investment property	(67)
139	Movement in fair value of financial instruments	43
749		572

12. TAXATION AND NON SPECIFIC GRANT INCOME

2018/19 £'000s		2019/20 £'000s
	<i>Non-ringfenced government grants</i>	
472	New Homes Bonus	520
0	Rural Services Delivery Grant	401
491	Disabled Facilities Grants	530
0	Other Non-ringfenced grants	51
963		1,502
7,398	Council tax income	7,724
3,905	Non-domestic rates distribution	2,193
34	Capital grants and contributions	0
287	Assets acquired below fair value	0
12,587		11,419

13. PROPERTY, PLANT AND EQUIPMENT

<u>Property, Plant and Equipment</u>	Land and	Vehicles, Plant, Equipmen t	Communit y Assets	Infrastructur e Assets	Surplus Assets	Total
<u>31st March 2020</u>	Buildings £'000s	£'000s	£'000s	£'000s	£'000s	£'000s
-						
Cost or Valuation						
1st April 2019	57,788	8,064	6,560	2,787	207	75,406
Additions	527	0	2	0	10	539
Accumulated Depreciation & Impairment written off to gross carrying amount	(50)					(50)
Revaluation increases/(decreases) to Revaluation Reserve	492	0	0	0	(15)	477
Revaluation increases/(decreases) to (Surplus)/Deficit on provision of services	103	0	0	0	55	158
Derecognition - Disposals	(99)	0	0	0	(70)	(169)
31st March 2019	58,761	8,064	6,562	2,787	187	76,361
Accumulated Depreciation and Impairment						
1st April 2019	3,375	5,814	0	712	0	9,901
Depreciation Charge	1,164	617	0	58	46	1,885
Depreciation written out to the Revaluation Reserve	(2,693)	0	0	0	(35)	(2,728)
Accumulated Impairment Written off to gross carrying amount	(50)					(50)
Derecognition - Disposals	(16)				(11)	(27)
31st March 2020	1,780	6,431	0	770	0	8,981
Net Book Value						
31st March 2020	56,981	1,633	6,562	2,017	187	67,380
31st March 2019	54,413	2,250	6,560	2,073	207	65,503

Property, Plant and Equipment	Land and Buildings	Vehicles, Plant, Equipment	Community Assets	Infrastructure Assets	Surplus Assets	Total
31st March 2019	(Restated)	(Restated)				
	£'000s	£'000s	£'000s	£'000s	£'000s	£'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 been re categorised within this note and to Intangible Assets

Depreciation

The measurement bases used for determining the gross carrying amount of property, plant and equipment are 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. For the year ending 31 March 2020 the Council revalued Ashbourne leisure centre, Wirksworth leisure centre and Bakewell swimming pool, Henmore car park, Ashbourne, and the Railway from Matlock to Rowsley as part of its rolling programme. In addition, a review of the rebuild costs for assets relying on depreciated replacement cost valuations was undertaken to determine any further action required to materially impact on their valuations.

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 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	9,608	8,062	6,562	2,785	0	27,017
Valued at fair value as at:						
31st March 2020	8,603				187	8,790
31st March 2019	11,805					11,805
31st March 2018	10,812					10,812
31st March 2017	2,002					2,002
31st March 2016	15,935					15,935
	58,765	8,062	6,562	2,785	187	76,361

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:

2018/19 £'000s		2019/20 £'000s
(97)	Rental income from investment property	(101)
<u>(97)</u>	Net (gain) / loss	<u>(101)</u>

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:

2018/19 £'000s		2019/20 £'000s
1,550	Balance at 1 April	1,519
(31)	Net gains / (losses) from fair value adjustments	67
<u>1,519</u>	Balance at 31 March	<u>1,586</u>

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.

2018/19 Significant unobservable inputs (Level 3) £000	Recurring fair value measurements:	2019/20 Significant unobservable inputs (Level 3) £000
1,519	Retail Ground Leases	1,586
<u>1,519</u>	Total	<u>1,586</u>

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

The Council holds retail ground leases and leases land for car parking to a national retailer 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.

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.

2018/19 £'000s		2019/20 £'000s
	Balance at 1 April:	
30	Gross Carrying Amounts	259
175	Amount reclassified *	0
205	Adjusted Gross Carrying Amount	259
(7)	Accumulated amortisation	(163)
(136)	Amount reclassified *	0
(143)	Adjusted Accumulated Amortisation	(163)
62	Net carrying amount at 1 April	96
54	Additions	139
(21)	Amortisation for the period	(28)
95	Net carrying amount at 31 March	207
	Comprising:	
259	Gross carrying amounts	398
(164)	Accumulated amortisation	(191)

* 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.

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	
	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Amortised Cost								
Principal	0	0	0	0	1,999	3,000	1,197	1,189
Accrued Interest	0	0	0	0	8	9	0	0
Lease receivables	0	0	0	0	0	0	8	10
Cash and cash equivalents	0	0	0	0	10,436	15,264	0	0
Accrued Interest	0	0	0	0	5	1	0	0
Total amortised costs	0	0	0	0	12,448	18,274	1,205	1,199
Fair value through other Comprehensive Income	931	888	0	0	0	0	0	0
Accrued Interest	10	10	0	0	0	0	0	0
Total financial assets	941	898	0	0	12,448	18,274	1,205	1,199
Non financial assets	67,117	69,173	0	0	0	0	3,068	4,472
Total financial assets	68,058	70,071	0	0	12,448	18,274	4,273	5,671

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
- trade payables for goods and services received.

Financial Liabilities	Long-term				Short-term			
	Borrowing		Creditors		Borrowing		Creditors	
	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Amortised Cost								
Principal	5,450	5,450	0	0	0	0	1,361	632
Accrued interest	0	0	0	0	6	6	0	0
Finance leases	0	0	0	0	151	0	0	0
Total Amortised Costs	5,450	5,450	0	0	157	6	1,361	632
Fair value through other Comprehensive Income	0	0	0	0	0	0	0	0
Total financial liabilities	5,450	5,450	0	0	157	6	1,361	632
Non financial liabilities	26,517	18,029	0	0	0	0	1,607	6,518
Total financial liabilities	31,967	23,479	0	0	157	6	2,968	7,150

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 2020 of £898,000. 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, the 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	2018/19	2019/20
	Surplus or Deficit on the	Surplus or Deficit on the
	Provision of Services	Provision of Services
	£'000	£'000
Net gains/losses		
Financial assets measured at fair value through profit and loss	69	43
Total net gains/losses	69	43
Interest revenue from financial assets valued at amortised cost	(133)	(183)
Interest expense for financial assets valued at amortised cost	232	228
Total expense	99	45

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, and 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	2018/19	2019/20
			£'000	£'000
CCLA Property Fund	Level 1	Unadjusted quoted prices in active markets for identical shares	931	898

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				
	2018/19		2019/20	
	Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair value £'000
Trade debtors	1,205	1,205	1,199	1,199
Cash and cash equivalents	10,441	10,441	15,265	15,265
Short term investments	2,007	2,007	3,009	3,009
	13,653	13,653	19,473	19,473

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

Financial liabilities measured at fair value				
Financial Liabilities	2018/19		2019/20	
	Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair value £'000
Held at amortised cost:				
Long term PWLB loans	5,450	7,836	5,450	8,093
Lease payables	151	151	-	-
Trade creditors	1,361	1,361	632	632
Short term borrowing	6	6	6	6
	6,968	9,354	6,088	8,731

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 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 seeks 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:

	<u>Cash Limits</u>
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
Real estate investment trusts	£5m 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:

2019/20		
Credit rating	Long-term £000's	Short-term £000's
A+		1,000
Central Government		2,000
Credit risk not applicable	898	
Total Financial Assets	898	3,000

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 36 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 £10,151 and a decrease in the fair value of fixed rate borrowing of £1,549,033. 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 2020 would result in a £43,694 (2019: £46,500) 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				
2018/19	2	7	(9)	0
2019/20	0	0	0	0
Caddy Liners				
2018/19	37	16	(28)	25
2019/20	25	17	(19)	23
Total				
2018/19	39	23	(37)	25
2019/20	25	17	(19)	23

18. DEBTORS

2018/19 £'000s		2019/20 £'000s
1,205	Trade Debtors	1,198
241	Council Tax Payers - Derbyshire Dales share	215
266	Business Ratepayers Derbyshire Dales share	731
2,536	Other Entities and Individuals	3,504
<u>4,248</u>		<u>5,648</u>

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

19. CASH AND CASH EQUIVALENTS

2018/19 £'000s		2019/20 £'000s
3,937	Cash and Bank	3,264
0	Money Market Funds	9,000
5,005	Local Authorities	3,001
1,499	UK Government	0
<u>10,441</u>		<u>15,265</u>

20. ASSETS HELD FOR SALE

At the 31st March 2020 the Council had no assets meeting the definition of Held for Sale.

21. CREDITORS

2018/19 £'000s		2019/20 £'000s
1,361	Trade Creditors	632
100	Council Tax	109
68	Business Rates	54
1,077	Other Entities and Individuals	5,267
<u>2,606</u>		<u>6,062</u>

22. PROVISIONS

	Long Term Insurances	Short Term NNDR Appeals	Total
	£'000s	£'000s	£'000s
1st April 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
Additional provisions made in 2019/20	15	772	787
Amounts used in 2019/20	(9)	(46)	(55)
31st March 2020	60	1,088	1,148

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 of 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 its 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 £1.088m (£0.362m in 2018/19) 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, and during 2019/20 the Council is liable for 40% 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 2019/20.

	Balance at 1st April 2019 £'000s	Receipts in year £'000s	Payments in year £'000s	Balance at 31st March 2020 £'000s	Movement 2019/20 £'000s	Movement 2018/19 £'000s
Business Rate Fluctuations	1,096	264	(600)	760	(336)	(303)
Capital Programme	2,990	0	(1,183)	1,807	(1,183)	(125)
Carsington Improvements	33	0	0	33	0	0
Committed Expenditure	270	78	(177)	171	(99)	8
Customer Innovation Project	371	0	(92)	279	(92)	371
Economic Development	273	64	(39)	298	25	53
Elections	158	30	(90)	98	(60)	60
Funding Uncertainties	0	912	(421)	491	491	0
Information Technology	438	100	(116)	422	(16)	17
Insurances	465	0	0	465	0	0
Investment Fund	565	0	0	565	0	(4)
Job Evaluation	150	0	0	150	0	0
Local Plan	158	50	0	208	50	50
Member / Officer Indemnity	25	0	0	25	0	0
Revenue Grants Unapplied	5,556	3,657	(1,123)	8,090	2,534	1,623
Vehicle Renewals	989	150	(549)	590	(399)	(53)
Ward Member Budgets	36	0	(36)	0	(36)	0
Waste Fluctuations Reserve	412	300	0	712	300	412
Waste Vehicle Reserve	0	2,500	0	2,500	2,500	0
	13,985	8,105	(4,426)	17,664	3,679	2,109

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 finance 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.
Funding Uncertainties	To provide finance to meet the immediate requirements of a balanced budget including if future funding is lower than reasonably anticipated.
Information Technology	To acquire items of information and communications technology, such as personal computers and telephony 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 Job Evaluation reviews.
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.
Waste Vehicle Reserve	Funding transferred from other reserves in 2019/20 as approved at the Council meeting on 18/12/19 for vehicle required for the new waste contract in 2020/21.

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:

2018/19 £'000s		2019/20 £'000s
	<u>Revenue Accounts</u>	
2,161	General Fund	2,000
	<u>Earmarked Reserves</u>	
3,979	Capital	4,897
10,006	Revenue	12,767
	<u>Other</u>	
2,945	Capital Receipts Reserve	2,962
220	Capital Grants Unapplied	236
<u>19,311</u>	Total Usable Reserves	<u>22,862</u>

25. UNUSABLE RESERVES

2018/19 £'000s		2019/20 £'000s
39,024	Capital Adjustment Account	38,628
21,860	Revaluation Reserve	24,559
(4,104)	Financial Instruments Adjustment Account	(3,993)
(26,726)	Pensions Reserve	(17,969)
169	Collection Fund Adjustment Account	(524)
(69)	Financial Instruments Revaluation	(112)
(41)	Accumulated Absences Reserve	(70)
<u>30,113</u>	Total Unusable Reserves	<u>40,519</u>

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.

2018/19 £'000s		2019/20 £'000s
39,513	Balance at 1 April	39,024
	Reversal of Items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(2,511)	Charges for depreciation and impairment of non-current assets	(1,727)
(21)	Amortisation of intangible assets	(28)
(31)	Movement in fair value of investment properties	67
(1,426)	Revenue expenditure funded from capital under statute	(1,356)
(59)	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	(142)
287	Assets acquired below fair value	0
(3,761)		(3,186)
345	Historic Cost depreciation transfer from Revaluation Reserve	408
(51)	Revaluation Reserve balances written off on disposed assets	98
(3,467)	Net written out amount of the cost of non-current assets consumed in the year	(2,680)
	Capital financing applied in the year:	
888	Use of the Capital Receipts Reserve to finance new capital expenditure	571
446	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	515
471	Statutory provision for the financing of capital investment charged against the General Fund Balance	248
1,173	Capital expenditure charged against General Fund balances	950
2,978		2,284
0	Movements in the market value of investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	0
<u>39,024</u>	Balance at 31 March	<u>38,628</u>

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.

2018/19 £'000s		2019/20 £'000s
20,829	Balance at 1 April	21,860
1,404	Upward revaluation of assets	3,664
(79)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(459)
1,325	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	3,205
(345)	Difference between fair value depreciation and historical cost depreciation	(408)
51	Accumulated gains on assets sold or scrapped	(98)
(294)	Amount written off to Capital Adjustment Account	(506)
<u>21,860</u>	Balance at 31 March	<u>24,559</u>

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.

2018/19 £'000s		2019/20 £'000s
(4,215)	Balance at 1 April	(4,104)
111	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	111
<u>(4,104)</u>	Balance at 31 March	<u>(3,993)</u>

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.

2018/19 £'000s		2019/20 £'000s
(21,441)	Balance at 1 April	(26,726)
(4,575)	Remeasurements of net defined liability	10,319
(2,123)	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	(3,110)
1,413	Employer's pensions contributions payable in the year	1,548
<u>(26,726)</u>	Balance at 31 March	<u>(17,969)</u>

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.

2018/19 £'000s		2019/20 £'000s
(746)	Balance at 1 April	169
	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	52
(72)		
	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	(745)
987		
169	Balance at 31 March	(524)

Financial Instrument Revaluation Reserve

The Financial Instrument Revaluation Reserve contains the gains made by 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.

2018/19 £'000s		2019/20 £'000s
0	Balance at 1 April	(69)
(69)	Movement of Financial Instruments held under fair value through Profit and Loss	(43)
(69)	Balance at 31 March	(112)

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2018/19 £'000s	2019/20 £'000s
(72) Balance at 1 April	(41)
72 Settlement or cancellation of accrual made at the end of the preceding year	41
(41) Amounts accrued at the end of the current year	(70)
<u>(41) Balance at 31 March</u>	<u>(70)</u>

26. CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

2018/19 £'000s	2019/20 £'000s
116 Interest received	143
(232) Interest paid	(339)
10 Dividends received	41
<u>(106) Total</u>	<u>(155)</u>

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

2018/19 £'000s	2019/20 £'000s
(561) Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(588)
(525) Any other items for which the cash effects are investing or financing cash flows	(531)
<u>(1,086) Total</u>	<u>(1,119)</u>

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

2018/19 £'000s		2019/20 £'000s
2,139	Depreciation	1,885
372	Impairment and revaluations	(158)
21	Amortisation	28
(1,487)	Increase/Decrease in Creditors excl. investment and financing	828
2,182	Increase/Decrease in Debtors excl. investment and financing	(308)
14	Increase/Decrease in Inventories	2
710	Movement in Pension Liability	1,562
59	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	142
237	Other non-cash items charged to the net surplus or deficit on the provision of services	708
4,247	Total	4,689

27. CASH FLOW STATEMENT – INVESTING ACTIVITIES

2018/19 £'000s		2019/20 £'000s
(1,474)	Purchase of property, plant and equipment, investment property and intangible assets	(791)
(2,999)	Purchase of short-term and long-term investments	(1,001)
(31)	Other Payments for investing activities	0
561	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	588
1,233	Other receipts from investing activities	527
(2,710)	Net cash flows from investing activities	(677)

28. CASH FLOW STATEMENT – FINANCING ACTIVITIES

2018/19 £'000s		2019/20 £'000s
(376)	Cash payments for the reduction of a finance lease liability	(151)
(185)	Other payments for financing activities	1,649
(561)	Net cash flows from financing activities	1,498

29. ACQUIRED AND DISCONTINUED OPERATIONS

The Authority has no operations that have been acquired or discontinued in 2018/19 or 2019/20.

30. AGENCY SERVICES

The Council operates as an agent for Derbyshire County Council in respect of verge mowing. In 2019/20 the expenditure was £197,000. In 2018/19 expenditure was £197,000.

In 2019/20 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:

2018/19 £'000s		2019/20 £'000s
29	Statutory External Audit Inspection	29
5	Certification of Grant Claims and Returns	6
34	Total Fees	35

32. MEMBERS' ALLOWANCES

Members allowances paid during 2019/2020 amounted to £227,000 (2018/19 £226,000). In addition, travel expenses amounting to £8,000 were paid (2018/19 £10,000).

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	
	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19 £'000s	2019/20 £'000s
£0 - £20,000	5	0	1	1	6	1	11	1
Total	5	0	1	1	6	1	11	1

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					
	2019/20	103,011	-	13,910	116,921
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
Corporate Director					
Vacant Post	2019/20	-	-	-	-
Promoted to CEO May 2018	2018/19	13,836	207	1,882	15,925
Head of Resources					
	2019/20	72,551	-	9,790	82,341
	2018/19	70,572	1,239	9,598	81,409
Head of Regeneration & Policy					
	2019/20	65,602	-	8,845	74,447
	2018/19	63,759	1,239	8,671	73,669
Head of Corporate Services					
	2019/20	65,885	-	8,858	74,743
	2018/19	63,759	1,239	8,671	73,669
Head of Regulatory Services					
	2019/20	63,052	-	8,448	71,500
	2018/19	58,717	1,239	7,985	67,941
Head of Community & Environmental Services					
	2019/20	66,332	-	8,944	75,276
	2018/19	62,665	1,239	8,522	72,426
Head of Housing					
	2019/20	53,476	-	7,220	60,696
	2018/19	52,047	1,024	7,078	60,149

The Council does not have any other employees whose remuneration exceeded £50,000 excluding employer's pension contributions, during the 2019/20 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:

2018/19 £'000s		2019/20 £'000s
	Credited to Taxation and Non specific Grant Income	
0	Revenue Support Grant (inc Rural Services Delivery Grant)	401
473	New Homes Bonus	520
492	Disabled Facilities Grants	530
5,029	Retained Business Rates	4,011
17	EU Exit Preparation Grant	35
0	Flooding	16
33	Recognised capital grants and contributions	0
6,044		5,513
	Credited to Services	
	<i>Government Grants</i>	
12,361	Rent Allowances	10,625
72	Discretionary Housing Payments	81
199	Housing and Council Tax Benefits Administration	183
147	NNDR Cost of Collection	147
37	Elections Grants	244
10	IER Grant	31
0	New Burdens	56
64	Homelessness Grants	74
30	Custom Build Grant	15
11	Parks Improvement Fund	0
13	High Street Community Clean Up Fund	0
25	Pocket Parks Hurst Farm Estate	0
12	Welfare Reform Grant	0
15	Verifying Earnings & Pensions	0
11	LADS Programme	12
0	DHP - Universal Credit	16
20	Neighbourhood Planning	20
0	DEFRA Waste Management Grant	68
	<i>Other Contributions</i>	
56	Contributions towards Sports Development/Active Lifestyles	36
60	Contributions towards Community Safety	41
72	Contribution - Housing	115
895	Derbyshire County Council Recycling Credits	1,000
14	Contribution towards salary for Recycling Advisor	8
301	Derbyshire County Council Homelessness Grants	365
2,118	Section 106 Agreements	3,018
0	Central Area Workspace Study	18
24	D2N2 Growth Hub	25
15	SCR Launchpad	0
0	Insurance Claims	51
100	Grants and contributions that were individually below £10,000	23
16,682		16,272
22,726	Total of all grants, contributions and donations	21,785

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.

2018/19 £'000s		2019/20 £'000s
6,369	Opening Capital Financing Requirement	5,898
	Capital Investment	
1,355	Property, Plant and Equipment	678
1,430	Revenue expenditure Funded from capital	1,356
(287)	Adjustment for asset acquired at less than fair value	0
	Sources of finance	
(889)	Capital receipts	(570)
(436)	Other grants and contributions	(514)
(1,173)	Direct revenue contributions	(950)
(471)	Minimum revenue provision	(247)
5,898	Closing Capital Financing Requirement	5,651
	Explanation of movements in year	
(471)	Increase /(Decrease) in underlying need to borrow (unsupported by government financial assistance)	(247)
(471)	Increase / (Decrease) in Capital Financing Requirement	(247)

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.

Central government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides 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. The total of members' allowances paid in 2019/20 is disclosed in Note 32. There are a number of Councillors who serve on outside bodies that receive some form of financial support from Derbyshire Dales District Council. During 2019/20 the following payments were made to the organisations in which members have an interest:

Ashbourne Community Transport £150. (£75 in 2018/19)
 Peak District National Park £14,101, including £8,633 towards Pedal Peak project. (£19,746 in 2018/19 including £11,715 towards Pedal Peak project).

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

Members of the Corporate Leadership Team were also asked to disclose any relevant interests; no matters of undue influence were identified in respect of related party transactions.

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 final payments for the lease liability were settled in the year 2018/19.

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

2018/19 £000's		2019/20 £000's
146	Vehicles, Plant, Furniture & Equipment	0
<u>146</u>		<u>0</u>

2018/19 £000's		2019/20 £000's
151	Current	0
<u>2</u>	Finance costs payable in future years	<u>0</u>
<u>153</u>		<u>0</u>

All minimum lease payments have now been made, with no liability outstanding. The Council has recently decided to purchase Waste vehicles outright instead of by lease arrangement, with the next purchases expected to occur in 2020/21.

2018/19 £000's		2019/20 £000's
<u>153</u>	Not later than one year	<u>0</u>
<u>153</u>	Future minimum lease payments	<u>0</u>

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

2018/19 £000's		2019/20 £000's
151	Not later than one year	0
<u>151</u>	Future minimum lease payments	<u>0</u>

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 2018/19 or 2019/20.

Operating leases

The Council rents land for use as 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:

2018/19 £000's		2019/20 £000's
78	Not later than one year	128
270	Later than one year and not later than five years	451
5,584	Later than five years	5,997
<u>5,932</u>		<u>6,576</u>

The expenditure charged to the relevant services line in the Comprehensive Income and Expenditure Statement during the year was £135,000 (2018/19 £78,000).

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 2019 £000's		31st March 2020 £000's
211	Not later than one year	232
728	Later than one year and not later than five years	767
7,076	Later than five years	7,527
<u>8,015</u>		<u>8,526</u>

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

The Authority recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge 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:

2018/19 £000s	Comprehensive Income and Expenditure Statement	2019/20 £000s
	<i>Service Cost</i>	
1,972	Current service cost	2,457
280	Past service cost (including curtailments)	0
(706)	Effect of Settlements	0
1,546	Total Service Costs	2,457
	<i>Financing and Investment income and Expenditure</i>	
(1,476)	Interest Income on plan assets	(1,370)
2,053	Interest cost on defined benefit obligation	2,023
577	Total Net Interest	653
2,123	Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	3,110
	<i>Remeasurements of the Net Defined Liability Compromising</i>	
(1,688)	Return on plan assets excluding amounts included in net interest	1,424
6,290	Actuarial Losses arising from changes in financial assumptions	(6,780)
0	Actuarial Losses arising from changes in demographic assumptions	(3,027)
(27)	Other	(1,936)
4,575	Total remeasurements recognised in other comprehensive income	(10,319)
6,698	Total Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement	(7,209)
	Movement in Reserves Statement	
(2,123)	Reversal of net charges made to the Surplus or Deficit for the Provision of Services	(3,110)
1,413	Employer's contributions payable to scheme	1,548

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

2018/19 £000s		2019/20 £000s
(57,068)	Fair Value of employer assets	(56,776)
82,628	Present value of funded liabilities	73,751
1,166	Present value of unfunded liabilities	994
26,726	Net Liability Arising from Defined Benefit Obligation	17,969

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 2020.

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

2018/19 £000s		2019/20 £000s
77,597	Opening fair value of scheme liabilities	83,794
1,972	Current service cost	2,457
280	Past Service Cost	0
(2,672)	Effect of Settlements	0
2,053	Interest cost	2,023
324	Contributions from scheme participants	353
	Remeasurement gain	
6,290	Actuarial Losses arising from changes in financial assumptions	(6,780)
0	Actuarial Losses arising from changes in demographic	(3,027)
(27)	Other	(1,936)
(2,023)	Benefits Paid	(2,139)
83,794	Closing Fair Value of Scheme Liabilities	74,745

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

2018/19 £000s		2019/20 £000s
56,156	Opening Fair value of scheme assets	57,068
1,476	Interest Income	1,370
(1,966)	Effect of Settlements	0
1,688	Return on plan assets excluding amounts included in net interest	(1,424)
1,413	Contributions from employer	1,548
324	Contributions from employees into the scheme	353
(2,023)	Benefits paid	(2,139)
57,068	Closing Fair Value of Scheme Assets	56,776

Pension Scheme Assets Comprised:

Asset Category	31st March 2020			
	Quoted Prices in Active Markets £'000	Quoted Prices not in active markets £'000	Total £'000	Percentage of Total Assets
Equity Securities:				
Consumer	1,548	-	1,548	3%
Manufacturing	886	-	886	2%
Energy and Utilities	416	-	416	1%
Financial Institutions	625	-	625	1%
Health and Care	893	-	893	2%
Information Technology	1,330	-	1,330	2%
Other	4,707	-	4,707	8%
Debt Securities:				
Corporate Bonds (investment Grade)	-	7,185	7,185	13%
UK Government	5,641	-	5,641	10%
Other	1,421	-	1,421	3%
Private Equity:				
All	672	1,222	1,894	3%
Real Estate:				
UK Property	-	4,990	4,990	9%
Investment Funds & Unit Trusts:				
Equities	17,415	-	17,415	31%
Infrastructure	950	3,258	4,207	7%
Cash and Cash Equivalents:				
All	-	3,619	3,619	6%
Totals	36,503	20,273	56,776	100%

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%

The significant assumptions used by the actuary have been:

31 March 2019		31 March 2020
	<i>Mortality assumptions:</i>	
	Longevity at 65 for current pensioners:	
21.9	Men	21.6
24.4	Women	23.7
	Longevity at 65 for future pensioners:	
23.9	Men	22.6
26.5	Women	25.1
3.0%	Rate of increase in salaries	2.6%
2.5%	Rate of increase in pensions	1.9%
2.4%	Rate used to discount scheme liabilities	2.3%
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 2020	Approximate % Increase to Employer Liability	Approximate Monetary Amount (£000)
0.5% decrease in Real Discount Rate	10%	7,107
0.5% increase in the Salary Increase Rate	1%	841
0.5% increase in the Pension Increase Rate	8%	6,192

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 2019.

The liabilities show the underlying commitments that the council has in the long run to pay post employment (retirement) benefits. The total liability of £17,969,000 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 £1,350,000 to the scheme in 2020/21.

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 2020 the cost of remediation work is estimated at £3.2m. 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 31st March for appeals already lodged. It is not possible to quantify the appeals that have not yet been lodged with the Valuation Office Agency (VOA). This means that there is a risk that national and local appeals may have a future impact on the Council’s accounts.

41. 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 2020 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 2019 £'000s		31st March 2020 £'000s
10	Balance at 1st April	10
1	Interest on Investment	1
11	Total	11
(1)	Less: Grants	(1)
<u>10</u>	Balance at 31st March	<u>10</u>

OTHER FINANCIAL STATEMENTS

THE COLLECTION FUND

INTRODUCTION

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

The national code of practice followed by Local Authorities in England stipulates that a Collection Fund Income and Expenditure account is shown as a separate statement in the Council's Statement of Accounts. The Collection Fund balance sheet meanwhile is incorporated into the Council's consolidated balance sheet.

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.

2018/19 £000s Council Tax	2018/19 £000s NDR	2018/19 £000s Total		2019/20 £000s Council Tax	2019/20 £000s NDR	2019/20 £000s Total
Income						
51,782	0	51,782	Income receivable from Council Tax payers	55,121	0	55,121
0	18,634	18,634	Income collectable from Business Ratepayers	0	18,495	18,495
0	1,550	1,550	Transitional protection payments	17	1,113	1,130
0	1828	1,828	Contribution towards previous year's est. deficit	0	68	68
51,782	22,012	73,794	Total Income	55,138	19,676	74,814
Expenditure						
Precepts and Demands:						
7,410	0	7,410	- Derbyshire Dales District Council	7,661	0	7,661
36,680	0	36,680	- Derbyshire County Council	38,250	0	38,250
5,553	0	5,553	- Police and Crime Commissioner for Derbyshire	6,263	0	6,263
2,155	0	2,155	- Derbyshire Fire and Rescue	2,204	0	2,204
Business Rates Paid on Account:						
0	9,568	9,568	- Payments to Derbyshire Dales District Council	0	7,578	7,578
0	9,377	9,377	- Payments to Derbyshire County Council	0	1,905	1,905
0	191	191	- Payments to Derbyshire Fire Authority	0	188	188
0	0	0	- Payments to Government	0	9,212	9,212
Transfers to General Fund:						
0	147	147	- Cost of Collection for Business Rates	0	147	147
0	157	157	- Business Rates from Renewable Energy	0	177	177
419	0	419	Contribution towards previous year's est. surplus	79	0	79
Bad and Doubtful Debts:						
68	67	135	- Allowance for impairment	309	258	567
0	173	173	- Provision for appeals	0	1,994	1,994
52,285	19,680	71,965	Total Expenditure	54,766	21,459	76,225
(503)	2,332	1,829	Increase/(decrease) for the year	372	(1,783)	(1,411)
Collection Fund Balance						
357	(1,965)	(1,608)	Surplus / (deficit) brought forward at 1 April	(146)	367	221
(503)	2,332	1,829	Increase/(decrease) for the year (as above)	372	(1,783)	(1,411)
(146)	367	221	Surplus / (deficit) carried forward	226	(1,416)	(1,190)
Allocated to:						
0	(69)	(69)	- Central Government	0	(696)	(696)
(20)	197	177	- Derbyshire Dales District Council	32	(569)	(537)
(102)	235	133	- Derbyshire County Council	161	(137)	24
(18)	0	(18)	- Police and Crime Commissioner for Derbyshire	24	0	24
(6)	4	(2)	- Derbyshire Fire Authority	9	(14)	(5)
(146)	367	221		226	(1,416)	(1,190)

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 rates set nationally by Central Government.

The business rates shares payable for 2019/20 were estimated before the start of the financial year as £1,905,000 to Derbyshire County Council, £188,000 to Derbyshire Fire Authority, £7,578,000 to Derbyshire Dales District Council and £9,212,000 to Central Government. These sums have been paid in 2019/20 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 2019/20 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	4.77	5/9	2.65	2.62
A	3,510	2,041.47	6/9	1,360.98	1,350.10
B	7,310	5,450.99	7/9	4,239.66	4,205.73
C	7,436	6,273.95	8/9	5,576.84	5,532.25
D	5,622	4,986.86	9/9	4,986.86	4,946.93
E	4,950	4,495.08	11/9	5,493.99	5,450.07
F	2,999	2,786.72	13/9	4,025.26	3,993.06
G	2,076	1,944.98	15/9	3,241.63	3,215.70
H	132	109.75	18/9	219.50	217.67
Total	34,035	28,094.57		29,147.38	28,914.13

* Properties in Band A that receive disabled relief.

In 2019/20 the Council set an overall Band D Council Tax of £1,880.65, (£1,796.44 for 2018/19).

2018/19 £s		2019/20 £s
1,272.12	Derbyshire County Council	1,322.88
192.60	Derbyshire Police Authority	216.60
74.74	Derbyshire Fire & Rescue	76.22
204.27	Derbyshire Dales District Council	209.27
1,743.73		1,824.97
52.71	Average parish council	55.68
1,796.44	Average Band D Council Tax	1,880.65

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

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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 not paid for by the end of the accounting period, or for payments or income in advance

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 the United Kingdom 2019/20 (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 by suppliers 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 have been 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.

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 Rural Services Delivery 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 are land, buildings and 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 and Rural Services Delivery Grant

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

Section 106

A Section 106 is a legal agreement between an applicant seeking planning permission and the local planning authority, which is used to mitigate the impact of the new home on the local community and infrastructure.

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:

**DIRECTOR OF RESOURCES
DERBYSHIRE DALES DISTRICT COUNCIL
TOWN HALL
MATLOCK
DERBYSHIRE
DE4 3NN**

or e-mail

karen.henriksen@derbyshiredales.gov.uk



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