

# **Statement of Accounts** **2020/21**

# DERBYSHIRE DALES DISTRICT COUNCIL

## STATEMENT OF ACCOUNTS 2020/21

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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 over 70,000 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:

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

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 2020/21 (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 2020/21.

## SUMMARY OF THE 2020/21 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 2020/21

The General Fund contains all services that the Council is responsible for providing. During 2020/21 the Council faced a number of challenges in successfully managing its financial position, delivering new and existing services during the Covid-19 pandemic whilst also planning for the future. The Council set a balanced revised budget in March 2021 which accounted for the known and expected impacts of Covid-19 as fully as possible at that stage. There was an expectation that a contribution of £695,684 (£490,533 from the Funding Uncertainties Reserve and £205,151 from the General Reserve) would be required to balance the budget. It has not been necessary to fund the 2020/21 out-turn with these contributions and a surplus of £17,873 has been achieved as a result of having received more government grants than anticipated .

A number of services had to be temporarily suspended as the country entered national and local lockdowns, and this had a significant impact in particular on income generating services such as car parking, trade waste and markets, but also on other frontline services including those which have been outsourced such as Freedom Leisure for Leisure Centre closures and Serco for Waste Collection. Many of the financial impacts were taken into consideration when the revised budget was set in March 2021

There remains uncertainty on the Government's plans for local government funding reform, including the fair funding review and changes to business rates retention, with the potential of a delay to the implementation of funding reforms. A delay may allow the reforms to take account of the effects of the pandemic. Members agreed that the 2020/21 surplus be transferred into the Funding Uncertainties Reserve, increasing the funding available to support the Council in responding to future financial pressures.

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

	Actual 2020/21	Original Budget 2020/21	Revised Budget 2020/21	Variance from Revised Budget 2020/21
	£	£	£	£
Chief Executive	361,253	454,349	365,566	(4,313)
Community and Environmental Services	4,778,361	3,605,102	5,480,845	(702,484)
Corporate Services	1,777,763	1,903,476	1,842,677	(64,914)
Housing	(355,184)	587,641	479,584	(834,768)
Regeneration & Policy	(160,831)	648,057	526,042	(686,873)
Regulatory Services	1,037,268	1,083,859	1,248,703	(211,435)
Resources	2,441,860	2,234,861	2,585,886	(144,026)
<b>Net cost of Services</b>	<b>9,880,489</b>	<b>10,517,345</b>	<b>12,529,303</b>	<b>(2,648,814)</b>
<b>Non Service Items:</b>				
Interest on Balances	(86,522)	(134,472)	(87,750)	1,228
Borrowing Interest Paid	223,901	225,000	225,010	(1,109)
Statutory Debt Repayment	98,801	191,500	98,801	0
Loan Premium Due	110,924	110,924	110,924	0
Income from Investment Properties	(101,055)	(101,956)	(101,056)	1
<b>Net Revenue Expenditure</b>	<b>10,126,537</b>	<b>10,808,341</b>	<b>12,775,232</b>	<b>(2,648,695)</b>
<b>Appropriations</b>	<b>6,748,372</b>	<b>(548,967)</b>	<b>3,066,860</b>	<b>3,681,512</b>
<b>Funding Requirement</b>	<b>16,874,909</b>	<b>10,259,374</b>	<b>15,842,092</b>	<b>1,032,817</b>
<b>Funded by:</b>				
<b>External Funding</b>				
Retained Business Rates including S31 Grant				
Payments to and from Pool	(6,838,194)	(2,602,786)	(6,610,030)	(228,164)
Business Rate Collection Fund (Surplus)/ Deficit	(130,596)	(130,596)	(130,596)	0
CT Collection Fund (Surplus)/ Deficit	(102,632)	(102,632)	(102,632)	(0)
Rural Services Delivery Grant	(401,179)	(401,179)	(401,179)	0
New Homes Bonus	(630,790)	(630,790)	(630,790)	0
Other Government Grants	(2,398,000)	0	(1,575,474)	(822,526)

<b>Total External Funding</b>	<b>(10,501,391)</b>	<b>(3,867,983)</b>	<b>(9,450,701)</b>	<b>(1,050,690)</b>
Total Council Tax Requirement (inc Parishes)	(8,132,553)	(8,132,553)	(8,132,553)	0
Town and Parish Precepts	1,741,162	1,741,162	1,741,162	0
<b>District Council Tax Requirement</b>	<b>(6,391,391)</b>	<b>(6,391,391)</b>	<b>(6,391,391)</b>	<b>0</b>
<b>Total Funding</b>	<b>(16,892,782)</b>	<b>(10,259,374)</b>	<b>(15,842,092)</b>	<b>(1,050,690)</b>
<b>Outturn</b>	<b>(17,873)</b>	<b>(0)</b>	<b>0</b>	<b>(17,873)</b>
<b>Total Transfers to / (from) Reserves</b>	<b>17,873</b>			

The main reason for the 2020/21 surplus is the receipt of additional government grant funding that was not anticipated when the revised budget was set. The table below identifies the most significant variances against the revised estimates:

<b>Budget Head</b>	<b>Variance: Revised Budget to Outturn 2020/21 £000s</b>
Income from Section 106 contributions (offset by contribution to Revenue Grants Unapplied)	(1,117)
Discretionary Grants funded by government grants paid to Businesses (offset by contribution to Revenue Grants Unapplied Reserve)	(642)
Tree maintenance (offset by contribution to Committed Expenditure Reserve)	(163)
Underspend in anticipated Leisure Centre Management payments (offset by transfer to Covid Funding Reserve)	(302)
Reduced utility bills (electricity, gas and water charges)	(147)
National Leisure Recovery Fund Grant to support Leisure Services	(117)
SWEP Homeless Grant (offset by contribution to Revenue Grants Unapplied)	(163)
Other variances - net	2
<b>Net Cost of Services</b>	<b>(2,649)</b>
Transfers to / (from) Reserves	3,682
Retained Business Rates (offset by contribution to Revenue Grants Unapplied Reserve for NNDR rate reliefs and from Business Rates Fluctuations Reserve)	(228)
Covid-19 New Burdens Grant	(229)
Covid-19 Sales, Fees and Charges Grant in excess of Revised Budget	(452)
Council Tax Income Guarantee Scheme compensation (offset by contribution to Revenue Grants Unapplied)	(77)
Other Non-ring-fenced Government Grants	(65)
<b>Sub Total (surplus)</b>	<b>(18)</b>

Reductions in expenditure or increased income are shown in brackets in the table above.

The impact of Covid-19 on the financial position of the Council has been significant throughout 2020/21 as the effects of the pandemic were felt and as the Council, in its position as a community leader, engaged in a number of projects and initiatives to support its local businesses and electorate, whilst continuing to deliver its core services, where able.

In setting its budget for 2020/21, Council Tax was increased by the £5 cap (2.39%), with the average bill for Derbyshire Dales' services set at £214.27 for the year (£209.27 in 2019/20).

The following table shows a reconciliation of budget surplus to the Total Comprehensive Income and Expenditure for 2020/21.

<b>2019/20</b>		<b>2020/21</b>
<b>£'000</b>		<b>£'000</b>
<b>(490)</b>	<b>Reported Surplus</b>	<b>(18)</b>
(3,189)	Other movement in Earmarked Reserves in year (Note 23)	(3,286)
161	Movement in General Fund in year (Note 24)	0
<b>(3,518)</b>	<b>Surplus / Deficit on General Fund Balance in Year (EFA)</b>	<b>(3,304)</b>
3,085	Adjustments between accounting basis and funding basis (Note 9)	(1,663)
(10,319)	Remeasurement of the net defined benefit liability	9,932
(3,205)	Surplus on revaluation of non-current assets	(1,587)
<b>(13,957)</b>	<b>Total Comprehensive Income &amp; Expenditure</b>	<b>3,378</b>

## **Covid-19 Grants and Reliefs Administered on Behalf of Central Government**

During the 2020/21 financial year Derbyshire Dales District Council has been responsible for administering and distributing a number of grant schemes over the course of the Covid-19 pandemic. The most significant grants related to business grants awarded by BEIS (Department for Business, Energy & Industrial Strategy). The Council has been required to distribute these grants to eligible businesses as either a principal where the Council is acting in its own right, or as an agent where the Council is an intermediary. The Council has also received Test & Trace Support Scheme grants to deliver a mandatory scheme (agent) and a local discretionary scheme (principal) for payments to qualifying individuals.

Where the Council is the Principal, these grants and the payments are recognised in the Council's relevant services and included in the out-turn position. Any grant unspent by the 31st March 2021, but expected to be spent is carried forwards within the Revenue Grants Unapplied balance for use during 2021/22. Where the Council is an agent, these transactions are not included within the outturn.

A number of other grants and reliefs have also been awarded or recognised during the year. The following table summarises the Covid-19 grants received and utilised from Central Government during 2020/21, indicating whether they have been included within the outturn position.

Grant Name	Allocation £	Description	Principal / Agent	Within Outturn	Financial Statements
Small Business Rates/Retail, Hospitality and Leisure	31,455,000	£10,000 grants to businesses in receipt of Small Business Rates relief and £10,000 and £25,000 grants for businesses in the Retail, Hospitality and Leisure sector depending on their rateable value.	Agent	No	Balance Sheet only
Local Authority Discretionary Scheme	1,702,500	An allocation given to local authorities to fund a local scheme at their discretion	Principal	Yes	Within Financial Statements
Additional Restrictions Grant	2,088,967	A discretionary scheme for local authorities to fund businesses based on their knowledge of their local economy	Principal	Yes	Within Financial Statements
Local Restrictions Support Grant Closed	23,698,113	A mandatory grant for those businesses mandated to close during the lockdowns with set eligibility criteria running throughout October 20 to March 21	Agent	No	Balance Sheet only
Local Restrictions Support Grant Open	244,350	A discretionary grant for those businesses that were not mandated to close during the lockdowns	Principal	Yes	Within Financial Statements
Closed Business Support Payment for Wet Led Pubs	96,000	A £1,000 grant for those hospitality venues whereby less than 50% of their income was generated by food sales	Agent	No	Balance Sheet only
<b>Subtotal Business Grants</b>	<b>59,284,930</b>				
NHS Test and Trace Mandatory	35,500	A £500 grant for those residents that were in receipt of a relevant benefit as described within the governments eligibility criteria, where they were required to self-isolate due to a positive COVID-19 test for them or their children	Agent	No	Balance Sheet only

NHS Test and Trace Discretionary	54,000	A £500 grant for those residents who met the local authorities discretionary eligibility criteria, where they were required to self-isolate due to a positive COVID-19 test for them or their children	Principal	Yes	Within Financial Statements
<b>Sub-total Test and Trace Grants</b>	<b>89,500</b>				
Compliance and Enforcement Grant	26,661	Funding to support additional compliance and enforcement activities. Note an additional £50,000 was awarded from DCC.	Principal	Yes	Within Financial Statements
Reopening Highstreets Safely Fund	57,908	Funding to allow local authorities to put in place additional measures to establish a safe trading environment for businesses and customers	Principal	Yes	Within Financial Statements
National Leisure Fund	117,542	Funding to support Local Authority leisure services	Principal	Yes	Within Financial Statements
New Burdens Grants	587,858	Funding to support Local Authorities in delivering additional services which is not financed within the Local Authority Finance Settlement, including to deliver additional services as a result of Covid-19.	Principal	Yes	Within Financial Statements
Coronavirus Emergency funding for Local Government	937,877	Throughout the financial year, government distributed £4.607bn in funding to local authorities as emergency funding to combat funding pressures	Principal	Yes	Within Financial Statements
Sales, fees and charges Grant	896,475	To recompense local authorities for irrecoverable and unavoidable losses from sales, fees and charges income generated through the delivery of services. This has been extended into the first quarter of 2021/22	Principal	Yes	Within Financial Statements
<b>Sub-total LA Assistance funding</b>	<b>2,624,321</b>				



Local Income Tax Guarantee Scheme	77,234	The government outlined that it will compensate local authorities for 75% of irrecoverable losses in council tax income in respect of 2020/21.	Principal	Yes	Within Financial Statements
COVID-19 Hardship Fund	338,264	£500m of funding was provided to support economically vulnerable people and households within local areas	Principal	Yes	Within Financial Statements
Business Rate Relief s31 Grant	4,140,808	Compensation from Government for the cost of additional Expanded retail discounts and nursery discounts to businesses granted in year	Principal	Yes	Within Financial Statements
<b>Sub-total Council Tax/ Business Rates funding</b>	<b>4,556,306</b>				
<b>Grand Total</b>	<b>66,555,057</b>				

## Capital Spending in 2020/21

Capital expenditure can be defined as any expenditure to acquire or construct an asset that has a useful life of more than one year, or any continuing expenditure to enhance (not merely maintain) an asset. Capital expenditure may include:

- buying or building a new property
- work to improve or enhance the Council's properties
- awarding grants for the above types of activity, for example, grants for facilities in disabled residents' homes.

The Capital budget for 2020/21 was set in March 2020 at £7,342,041. This was revised during the year to reflect progress on schemes and the addition of new schemes. In March 2021 the Council approved a revised capital programme for 2020/21 of £7,790,985. The provisional outturn for 2020/21 is £4,944,145.

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

Council Priority	2020/21	2020/21	2020/21	2019/20
	Budget	Revised Budget	Actual	Actual
	£'000s	£'000s	£'000s	£'000s
Prosperity	2,718	2,262	1,347	1,326
People	37	37	37	113
Place	3,762	937	691	2
Other	824	4,555	2,869	594
<b>Total Capital Spending</b>	<b>7,341</b>	<b>7,791</b>	<b>4,944</b>	<b>2,035</b>

At 31st March 2021, there is an under-spending of £2,846,840 compared to the revised estimate. The major schemes contributing to this are:

<b>Capital scheme</b>	<b>Comments</b>	<b>Variance: Revised Programme to Outturn 2020/21 £000s</b>
Waste Vehicles	Further Fleet delivery scheduled for 2021/22	(1,115)
Commercial Vehicles	Further Fleet delivery scheduled for 2021/22	(298)
Ashbourne Leisure Centre - Condition surveys	Scheme scheduled to commence in 2021/22	(145)
Energy Efficiency GHG: LAD Phase 1B	Project is scheduled to commence in 2021/22	(880)
Non Traditional Homes improvement schemes	To be completed in 2021/22	(152)
Rural village affordable Housing	To be completed in 2021/22	(55)

Approval has been granted to carry forward the under-spend into 2021/22.

### **Capital Investment Plans**

In July 2021 the Council approved an updated Capital Programme for 2021/22 alongside a revised five-year rolling capital programme totalling £12.175m. The major elements are set out below, analysed by the new corporate plan priorities:

<b>Priority</b>	<b>2021/22 Revised Capital Programme</b>	<b>2022/23 to 2025/26 Recommended Capital Programme</b>
	£	£
Prosperity	5,869,331	491,470
People	11,000	0
Place	2,027,020	467,000
Other	2,536,924	772,692
	<b>10,444,275</b>	<b>1,731,162</b>

### **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. Previously the Council borrowed in respect of Arc Leisure Centre Matlock and for the purchase of Wheeled Bins, which give rise to a Minimum Revenue Provision (see below). The Council has sufficient resources to fund its existing capital programme without further borrowing.

The following table shows how the capital spending in 2020/21 was financed and how it is proposed to finance the capital programme from 2021/22 to 2025/26:

Source of Funding	2020/21 £	2021/22 £	2022/23 £	2023/24 to 2025/26 £	Total £
Capital Receipts	403,139	2,468,096	55,000	55,000	2,981,235
Grants & Contributions	1,074,765	696,260	458,470	0	2,229,495
Use of Reserves:					
Capital Programme Reserve	91,193	1,709,759	0	0	1,800,952
Section 106 Contributions	667,465	4,312,224	570,000	0	5,549,689
Waste Vehicles Reserve	2,497,571	0	0	0	2,497,571
Vehicle Renewals Reserve	166,684	577,666	214,000	322,000	1,280,350
ICT Reserve	13,048	81,000	50,000	0	144,048
Economic Development Reserve	0	10,000	0	0	10,000
Carsington Reserve	0	26,760	6,692	0	33,452
Investment Reserve	2,080	562,510	0	0	564,590
Customer Innovation Reserve	28,200	0	0	0	28,200
<b>Total Capital Financing</b>	<b>4,944,145</b>	<b>10,444,275</b>	<b>1,354,162</b>	<b>377,000</b>	<b>17,119,582</b>

### 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.

Derbyshire Dales District Council collects council tax 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. In 2020/21 £55.4m (£54.5m in 2019/20) was collected from council tax payers; this represents 97.5% of council tax that was due by 31 March (98.5% collected in 2019/20). The final year-end position on the Council Tax Collection Fund is a deficit of £1.026m, (2019/20 £0.226m surplus).

During 2020/21 the Council was part of a business rates pool with other Derbyshire Authorities, and business rates were collected on behalf of Derbyshire County Council and Derbyshire Fire and Rescue Authority. Amounts raised, movement in bad debt provisions and appeals provision, alongside any surplus or deficit on the collection fund are distributed according to prescribed shares. In 2020/21 £9.5m was collected from business rate payers (£18.3m in 2019/20 – the reduction in 2020/21 is largely offset by Covid-19 Section 31 grants); this represents 92.2% of business rates that were due by 31 March, (97.6% collected in 2019/20). The final year-end position on the National Non Domestic Rates (NNDR) Collection Fund is a deficit of £11.830m (2019/20 £1.416m deficit).

Collection rates for both council tax and business rates were affected by the coronavirus pandemic. The revenues team will continue to collect any arrears from 2020/21 and prior years during 2021/22. During 2020/21 a light touch was taken to debt recovery, with only reminders being sent. Full debt recovery is being resumed in July 2021, tying in with the government milestones for emerging from the lockdown. Court dates have been booked for September 2021.

As highlighted in table of Covid-19 grants (page 13), the Council received section 31 grants during the year in respect of expanded retail relief and nursery relief to compensate the Council and the precepting authorities for the reduction in the overall business rates collectable debit. The Council has also received Council Tax Income Guarantee compensation. These balances have been

transferred into Earmarked Reserves to significantly offset the deficits that will be recognised in 2021/22. The Council also received £338K Hardship Grant which was utilised to provide additional Local Council Tax Support to those on low incomes who fulfilled qualifying conditions.

## 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 £28.681m at 31 March 2021 (£17.969m at 31 March 2020). This increase is significantly due to the increase 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

In 2020/21 there was a breach of the Council's Treasury Management Policy. Counter party limits were exceeded by up to £8m for 34 days. The excess funds were diversified over a range of money market funds and had a credit rating of AA-, therefore the financial risk was low. This breach was reported to the Council's Monitoring Officer and to the Governance and Resources Committee. Counter party limits were subsequently reviewed and increased when the Council's Policy was updated in March 2021.

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 who have a minimum long-term credit rating of not less than 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 2020/21 was £86K (2019/20 £183K). The average rate of interest on investments was 0.54% (0.54% 2019/20).

The Council held investments of £21.4m at 31 March 2021 (£19.6m on 31 March 2020), this includes long and short term investments as well as cash held in interest bearing current accounts.

## Reserves and Balances

The following table shows a summary of Reserves and provisions. The detailed position on reserves and balances is shown in Notes 22, 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.

Reserve	Opening Balance	Closing Balance	Amount of Closing Balance Specifically relating to Covid-19
	1 <sup>st</sup> April 2020	31 <sup>st</sup> March 2021	
	£'000	£'000	£'000
General Reserve & Working Balance	2,000	2,000	0
Earmarked Reserves	17,664	20,968	5,589
Capital Receipts Reserve	2,962	2,555	0
Capital Grants Unapplied	236	1,261	0
<b>Useable Reserves</b>	<b>22,862</b>	<b>26,788</b>	<b>5,589</b>
Provisions	1,148	1,617	0

<b>Total Reserves and Provisions</b>	<b>24,010</b>	<b>28,405</b>	<b>5,589</b>
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As a result of the pandemic a number of grants and underspends have been specifically earmarked for future use, and do not represent additional spending power otherwise available to the Council.

The balances held specifically relating to Covid-19 are as follows:

<b>Reason</b>	<b>Amount</b>	<b>Earmarked Reserve</b>
Future covid pressures	£608,040	Covid Funding Reserve
Discretionary Business Support Grants such as Additional Restrictions Grant	£642,290	Revenue Grants Unapplied
Track and Trace Funding	£47,000	Revenue Grants Unapplied
NNDR Section 31 relief for Expanded Retail Discount	£4,126,808*	Revenue Grants Unapplied
NNDR Section 31 relief for Nursery Discount	£14,000*	Revenue Grants Unapplied
Compliance and Enforcement Grant and DCC Contribution	£73,403	Revenue Grants Unapplied
Council Tax Income Guarantee Compensation	£77,234*	Revenue Grants Unapplied
<b>Total</b>	<b>£5,588,775</b>	

\*The surplus on Business Rate Section 31 grants includes £4,140,808 of grant received by the Council to compensate for the loss of Business Rate Income as a result of the extended rate relief given to Retail, Hospitality and Leisure businesses and Nursery providers to support them through the pandemic. The revised budget estimated this amount to be £3,956,571. The legislation that governs Collection Fund Accounting means the related deficit as a result of the loss of Business Rate income in year will not be charged to the Council's General Fund until 2021/22. As a result this balance has been transferred to Revenue Grants Unapplied to be drawn down to offset the deficit in 2021/22. This funding is not available for any other use. The Council Tax Income Guarantee compensation of £77,234 similarly compensates the Council for income losses which would otherwise be recognised in 2021/22, and is not available for any other use.

The creation of the new Covid Funding Reserve underpins the Council's commitment to continue to plan for and react to any ongoing pressures arising from the Covid-19 pandemic which will continue to arise during and beyond 2021/22. This will provide an immediate funding mechanism for emerging pressures which are outside of the Council's direct control, and to develop services post covid-19 which would otherwise be unaffordable or have adverse financial impacts.

Following the transfer of the surplus for 2020/21 into the Funding Uncertainties Reserve, revenue balances carried forward at 31 March 2021 total £1,999,839 (31 March 2020 £1,999,839). This balance is significant as it reflects the revenue balances that are generally available for new expenditure. 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 may also be required in the event that the Council does not achieve the savings required to balance the budget in any financial year after the use of relevant reserves.

The Council holds a number of earmarked reserves to finance future capital and revenue expenditure. The value of earmarked reserves held at 31 March 2021 is £20,970,179 (£17,664,082 at 31 March 2020).

Provisions are made when an event has taken place that gives the Council an obligation that most likely requires settlement, but where the timing or amount are uncertain. The Council has an Insurance provision and a provision for Business Rate Appeals, which has grown during 2020/21 based on the latest information received relating to likely appeals. The Business Rate Retention regime places a liability on the Council and other precepting Authorities to refund ratepayers who successfully appeal against the rateable value of their property on the rating list. The provision represents the Council's estimated share of such liabilities as at the 31st March 2021.

The Balance Sheet demonstrates that net worth has decreased by over £3m during the year to £60.0m, which can be seen on the face of the balance sheet on page 56. There is a note to the accounts for every aspect of the balance sheet, which can be viewed to provide further clarity of the movements in year.

## 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 are assigned annually to specific teams and service areas. These actions set out how the Council will meet its key targets.

For 2020/21, eleven target areas, which include 33 pledges (aims) and 44 actions, were set by Council on the 5<sup>th</sup> March 2020. These targets and actions cover the three priority areas identified in the Council Plan 2020-24:

1. People – Providing you with a high quality customer experience (4 target areas, 9 pledges, 12 actions)
2. Place – Keeping the Derbyshire Dales clean, green and safe (4 target areas, 9 pledges, 14 actions)
3. Prosperity – Supporting better homes and jobs for you (4 target areas, 15 pledges, 18 actions)

The table below sets out headline progress against the Council’s Corporate Plan actions:

<b><u>Action 2020/21</u></b>	<b><u>Progress Against Key Target</u></b>
<p><b>People</b></p> <ul style="list-style-type: none"> <li>• Introduction of faster, and improved website home page including greater functionality and mobile access by April 2020</li> <li>• Implement a new payment portal to expand payment options (accepting Debit Cards, Credit Cards and PayPal) and ensure fully integrated payments are added to all online forms by April 2020</li> <li>• Introduce integrated Direct Debit payments on selected online forms by August 2020</li> <li>• Increase the information available to you automatically in the ‘My Account’ e.g. waste collection dates, Councillor details, weather alerts etc. by April 2020</li> <li>• Implement a ‘My Account’ feature to track service requests by April 2020</li> <li>• Expand the number of services that are fully trackable by March 2022</li> </ul>	<ul style="list-style-type: none"> <li>• New Homepage, improved information</li> <li>• Achieved 1<sup>st</sup> April 2020</li> <li>• Achieved November 2020</li> <li>• Achieved 1<sup>st</sup> April 2020</li> <li>• Achieved 1<sup>st</sup> April 2020</li> </ul>

<ul style="list-style-type: none"> <li>• Undertake Annual Survey using the Online Residents Panel to assess resident satisfaction with DDDC services by November 2020</li> <li>• Review the role and purpose of the Commercial Board by July 2020</li> <li>• Continue to maintain and publicise a variety of offline customer contact channels for the District Council's services through Dales Matters and other media</li> <li>• Provide up to £36,600 of grant funding to local community groups for projects that benefit the wider community in Derbyshire Dales</li> <li>• Support community groups to successfully host events on District Council land by March 2021</li> <li>• Continue to explore opportunities to deliver £250,000 efficiency savings and/or additional income by 2023/24</li> </ul>	<ul style="list-style-type: none"> <li>• 13 waste services, 10 Clean &amp; Green services, 5 payment services (e.g. paying for council tax, business rates, invoices etc.) and car park discount season tickets</li> <li>• Results reported to Council December 14<sup>th</sup> 2020.</li> <li>• Deleted by Council July 2020</li> <li>• Achieved. Dales Matters published, approx. 100 media releases, and posters, adverts and banners</li> <li>• £34,621 in total spent on The Local Projects Fund. £1,361 spend on Ernest Bailey.</li> <li>• All events cancelled due to Covid</li> <li>• On hold pending the outcome of the Government Finance Settlement and the government's review of council funding</li> </ul>
<p><b>Place</b></p> <ul style="list-style-type: none"> <li>• Implement measures to achieve 2% reduction in CO2 from local authority buildings as compared to the previous calendar year by March 2021</li> <li>• Develop a strategy to improve energy efficiency at all buildings of asset value £10,000 and above by March 2021</li> <li>• Appoint consultants to assist with preparation of climate change SPD by October 2020</li> <li>• Publish for public consultation Climate Change SPD by January 2021</li> </ul>	<ul style="list-style-type: none"> <li>• Assessment work on our carbon footprint for 2021 is ongoing &amp; builds on the ClearLead report form 2019/20. Assessment will be complete when energy consumption figures are available for the year. This figure will be reported on later in the year (planned for Q2), when energy data has been collated and analysed. This task will be undertaken by our new Climate Change Project Officer.</li> <li>• Further development delayed by Covid – new target March 2022</li> <li>• Achieved August 2020</li> <li>• Report by be considered by C&amp;E Committee and adopted in June 21</li> </ul>

<ul style="list-style-type: none"> <li>• Complete adoption of SPD on Climate Change by June 2021</li> <li>• Introduce publicly accessible EV charging points in at least one car park in each of our market town by April 2020</li> <li>• Develop a programme for further publicly accessible EV charging points in car parks across the Derbyshire Dales by April 2021</li> <li>• Implement a recycling education and promotional programme by December 2020</li> <li>• Develop a Community Tree Planting Programme by April 2021 for implementation in 2021/22</li> <li>• Support the transfer and re-build of Ashbourne Memorial Pavilion and the Bowls Pavilion on Ashbourne Recreation Ground by March 2021</li> <li>• Implement a refurbishment programme for the bandstand at Ashbourne memorial Gardens by April 2021</li> <li>• Review and implement revised core standards for Clean &amp; Green by April 2021</li> <li>• To work with DFRS and other partners to review and relaunch the Council's Bonfire Safety Campaign by October 2020</li> <li>• Publish an Air Quality Monitoring Report by July 2020 and where necessary commence appropriate mitigation measures by March 2021</li> </ul>	<ul style="list-style-type: none"> <li>• On target</li> <li>• Achieved – one in each market town – Matlock, Wirksworth, Ashbourne &amp; Bakewell.</li> <li>• To date 27 charging points have been installed.</li> <li>• Postponed due to Covid</li> <li>• Postponed due to Covid. Moved to 2021/22.</li> <li>• On track – completion expected by revised date of September 21.</li> <li>• Delayed due to Covid – completion date now December 2021</li> <li>• Postponed until 2021/22 due to Covid</li> <li>• The scheme was not relaunched in 2020 as bonfire events were prohibited under Covid restrictions. Will be relaunched in 2021, as Covid restrictions allow.</li> <li>• Air Quality Management Area declared April 2021. Work has now commenced on the production of an Air Quality Action Plan.</li> </ul>
<p><b>Prosperity</b></p> <ul style="list-style-type: none"> <li>• Work with public &amp; private sector partners to complete infrastructure improvements at Ashbourne Airfield Industrial Estate, opening up 8ha of new employment land by December 2020</li> </ul>	<ul style="list-style-type: none"> <li>• Work began on A52 roundabout in October 2020 and was completed in June 21. Completion of link road by December 21.</li> <li>• In Service Plan for 2021/22.</li> </ul>



<ul style="list-style-type: none"> <li>• Pursue funding opportunities to unlock employment land and support initial phase of workspace development at Middleton Road, Wirksworth by March 2021</li> <li>• Secure investment to enable development of the Bakewell Road town centre site, Matlock by March 2021</li> <li>• Provide support to 75 established businesses in the Derbyshire Dales by March 2021, enabling the creation of local jobs</li> <li>• 9 Dales businesses supported to access grants or loans from D2N2, Government and EU to enable growth by March 2021</li> <li>• Launch a Derbyshire Dales Place Branding Initiative to promote the area as a business location by May 2020</li> <li>• Procure a Development Agent and Managing Agent resister with Homes England and the Regulator of Social Housing to help enable a programme of new Council Housing by August 2020</li> <li>• Complete 80 new affordable homes by March 2021</li> <li>• Implement Policy HC11 in the Derbyshire Dales Local Plan through the determination of planning applications</li> <li>• Provide adaptations to the homes of 50 disabled people by March 2021</li> <li>• Undertake a further review of the effect of increase in Council Tax Premium in May 2020</li> </ul>	<ul style="list-style-type: none"> <li>• District Council and private sector investment for scheme agreed. Planning application due to be submitted June 21.</li> <li>• Economic Development Team/Business Advice Service re-directed to support business survival including handling grant enquiries, advice on Government support measures and administration of several hundred COVID Discretionary Grant Fund and Additional Restrictions Grants</li> <li>• 162 Dales businesses awarded grants of £1.7m through the Derbyshire Dales COVID Discretionary Grant fund. A further 196 businesses awarded discretionary Additional Restrictions Grant support by the end of March 2021 totalling £1.296m. Plus 11 businesses supported to access external grants totalling £242,646 to support growth.</li> <li>• Delayed due to re-allocation of team resources to support COVID survival. New webpages in preparation for July 2021 launch.</li> <li>• Nottingham Community Housing Association was selected as the Council's contractor in Dec 2021. Original business plan being revised using NCHA's appraisal software. Several opportunities are being worked up including new builds, conversions, purchase of empty homes and a S106 scheme.</li> <li>• 12 homes completed in the year. The lower number is due to delays caused by Covid.</li> <li>• Achieved and ongoing</li> <li>• Achieved 71 adaptations completed</li> <li>• Progress has been delayed due to Covid19 and will be taken forward in 2021/22.</li> </ul>
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<ul style="list-style-type: none"> <li>• Explore further policy options to reduce the number of empty homes by December 2020.</li> <li>• Identify opportunities for the provision of permanent Traveller site and conclude negotiations with landowners by July 2020</li> <li>• Complete the phase 1 survey and projects for the Heritage Lottery Fund bid for the Hurst Farm Regeneration Project by March 2021</li> <li>• Review the Council's procurement processes to encourage local firms to do business with the District Council by April 2021</li> <li>• Commence Initial Planning for Review of Derbyshire Dales Local Plan by December 2020 and adoption by December 2022</li> <li>• Provide ongoing officer support to neighbourhood areas including technical and procedural advice</li> <li>• Provide debt and welfare advice to 350 vulnerable households by March 2021</li> </ul>	<ul style="list-style-type: none"> <li>• Partially achieved – numbers of empty homes identified, no further options yet developed until staff resource in place.</li> <li>• No application has been made for the chosen site as yet – report on ecology, contamination and supply of services are being developed for planning application.</li> <li>• The phase 1 works will not now complete until August 2021</li> <li>• Delayed due to Covid priorities</li> <li>• Adoption scheduled for June 2023</li> <li>• All three Neighbourhood Plans (Ashbourne, Brailsford &amp; Kirk Ireton) were approved at the referendum on 6<sup>th</sup> May 2021</li> <li>• 259 supported in total</li> </ul>
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In addition, there are 12 Key Performance Indicators that measure how well the District Council is doing at maintaining its priority service standards. They cover service areas 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 process is the means of measuring, monitoring and improving the Council's progress in achieving its targets. Targets include Corporate Plan Actions, KPIs and Service Specific objectives which are detailed in the Corporate Plan and Service Plans. Good performance an areas for improvement are identified through quarterly reporting processes.

By managing its performance, the District Council demonstrates that it knows:

- what its priorities are
- what its targets are
- actions it must take to achieve targets
- measures progress
- informs where it is appropriate to take remedial action to address underperformance

The District Council's Performance Management Handbook<sup>1</sup> 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. It also includes delays to the achievements of targets caused by the impact of COVID-19.

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

[Performance Management Handbook 2020-21](#)

## COUNCIL PERFORMANCE – OUTTURN 2020/21

Overall, of the 44 Corporate Plan performance action indicators for the financial year 2020/21, for which data is available, all were fully or partially achieved, as the table below shows. The table also shows performance against KPIs, with eight being fully achieved.

	Totals	Green	Amber	Red
Corporate Plan Actions	44	23	21	0
Key Performance Indicators	12	9	1	2
<b>TOTAL</b>	<b>56</b>	<b>32</b>	<b>22</b>	<b>2</b>

A lower proportion of Corporate Plan actions were fully achieved (23 out of 44, or 52%) compared to key Performance Indicator targets (9 out of 12, or 75%). Corporate Plan targets tend to be more project based, one off projects and involve a range of partners; they are therefore frequently more complex and long term. Outturns suggest that changes to service activities required by the impact of Covid, have negatively affected the timescales for Corporate Plan actions delivery, more so than for KPI delivery. It is to be noted however, that progress has been made on almost all Corporate Plan actions despite the challenge of Covid throughout the year.

Of the Council's 12 Key Performance Indicators, 75% were fully achieved, 17% were not achieved, and 8% were partially achieved. Success levels may increase once figures for waste recycling are produced; the current average for waste recycling from Q1 to Q3 is 58.5% which meets the target for 2020/21.

Service Area	Description	2020/21 Target	Full Year
Organisational Health	% of undisputed invoices paid on time	99.00%	99.47%
	% of household waste which has been sent for reuse, recycling, composting or anaerobic digestion	58.5%	Q3 = 58.5% Q4 not available
	Average no. working days lost due to sickness absence per FTE employee – quarterly	9	7.54
Housing	The percentage of homeless households seeking assistance from the Council for whom this intervention helped resolve their situation	75%	88% av
Planning	% of Major planning applications determined in 13 weeks	>75%	100%

	% of Minor planning applications determined in 8 weeks	>77%	90%
	% of other planning applications determined in 8 weeks	>90%	90%
	% of appeals allowed against LA's decision to refuse planning application	<30%	25%
Revenues & Benefits	% of Council Tax collected within the year	98.40%	97.51%
	% of Non-Domestic rates collected within the year	97.30%	92.16%
	Speed of processing new claims (days)	24 days	13 days
	Speed of processing notifications of changes in circumstances (days)	8 days	7days

## Key events and issues for 2020/21 and beyond

Whilst the impact of Covid19 has affected service delivery and Council priorities during 2020/21, Central Government has provided funding to Local Authorities to assist them both with cash flows and with enacting government priorities to protect businesses and individuals who would otherwise have been adversely affected. The longer term impacts and the ability for a V shaped recovery is not guaranteed and this presents a further risk to the Council, especially in returning to pre-covid levels of income for services such as car parking and stall markets and for leisure services through its relationship with Freedom Leisure.

Further uncertainties arise due to the continuing delay of the Fair Funding Review and the Retained Business Rate Review. Both of these reviews have the potential to significantly affect the amount of funding received by the Council in future years. The full impact of the McCloud/ Sargeant tribunal judgement on public sector pensions is also likely to have long term cost implications on the LGPS, the revenue impact of this is also not yet known.

Looking ahead, 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, following previous government austerity measures, and significant uncertainty of how the future now looks. The Council will continue to explore commercial and investment opportunities to help it to achieve a sustainable financial future. The overall aim of this approach is that the Council will be far less reliant on government funding and will become more self-sufficient. The approach will focus on income generation and investment in economic development that will lead to growth. In the longer term, this approach will provide the Council with more financial resilience than depending on government grants.

There are ongoing 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.

### 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.

### **Matlock Regeneration – Bakewell Road**

The Bakewell Road Regeneration Project, Matlock, will convert the unattractive, underutilised former indoor Market Hall to enable provision of a new indoor leisure attraction for Matlock (a two-screen cinema), and will enclose part of the covered legacy bus bay area to provide an ancillary commercial use (a retail / food & beverage unit). The project's business case secured Council approval on 25 November 2020, along with capital investment of up to £848,820 from the District Council. It is intended that works will complete during 2022.

### **Local Plan Review**

A review of the Derbyshire Dales Local Plan began in 2020. The Council has determined that economic recovery and climate change will be front and centre in the revised Local Plan. During 2021/22, evidence gathering will enable a revised Local Plan to be consulted upon. Examination and adoption is scheduled for 2023.

### **Ashbourne Airfield**

Ashbourne Airfield is the largest employment location in the Derbyshire Dales and the focus of the district's manufacturing economy, occupied by over 70 businesses employing over 2,000 people. A new roundabout access and link road will complete during 2021/22, opening up 9 hectares of new employment land and additional land for some 1,500 new homes. The District Council has led the regeneration project and is contributing capital funding to the link road.

### **Other Corporate Plan Priorities**

It is worth noting that priorities and plans in the new Corporate Plan are not fully costed and future financing decisions will need to take this into account.

## **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 2020/21 (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 53 to 125 present a true and fair view of the financial position of the Council at 31<sup>st</sup> March 2021.

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

Date: 12th November 2021

## **APPROVAL BY GOVERNANCE & RESOURCES COMMITTEE**

Councillor T Donnelly  
Chair of Governance & Resources

Date of Meeting: 18<sup>th</sup> November 2021

# 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 2021 and will remain in operation up to the date of approval of the 2020/21 Statement of Accounts (due by 31 July 2021). 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 2020/21 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;
- An assessment of the impact of the coronavirus pandemic on governance in 2020/21 and 2021/22 to date;
- An assessment of compliance with CIPFA's Financial Management Code;
- 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 2020/21 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 2020/21 is indicated by





Areas for improvement are highlighted by




This year **five** 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"> <li>➤ We have set out our priorities in our Corporate Plan;</li> <li>➤ 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;</li> <li>➤ Our values have been embedded in policies and processes;</li> <li>➤ 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</li> <li>➤ We make sure that employees, and members are able to fulfil their responsibilities in accordance with legislative and regulatory requirements;</li> <li>➤ We strive to optimise the use of the full powers available for the benefit of residents, communities and other stakeholders;</li> <li>➤ We deal with breaches of legal and regulatory provisions effectively;</li> <li>➤ We have effective arrangements to deal with incidents involving misuse of power</li> <li>➤ We have effective arrangements in place for the discharge of the head of paid service function.</li> </ul>	<ul style="list-style-type: none"> <li>• <a href="#">Corporate Plan</a></li> <li>• Elected Member Code of Conduct</li> <li>• Periodic report to Council from the Independent Remuneration Panel on Members Allowances</li> <li>• Employee Code of Conduct</li> <li>• Planning Code of Good Practice</li> <li>• Protocol on Employee/Member Relations – Constitution</li> <li>• <a href="#">Constitution</a></li> <li>• Sponsorship Policy</li> <li>• <a href="#">Risk Management Policy and Strategy</a></li> <li>• Risk assessment of reports</li> <li>• Annual Complaints Report</li> <li>• Confidential Reporting (Whistleblowing) Policy</li> <li>• Anti-Fraud, Bribery and Corruption Policy</li> <li>• Corporate Enforcement Policy</li> <li>• Regulation of Investigatory Powers Act Surveillance Policy &amp; Annual Report</li> <li>• Protocol on the Management of the Civic Allowance</li> <li>• Inductions for new members and employees</li> <li>• Annual Performance and Development Reviews</li> <li>• Job Evaluation Panel</li> <li>• Complaints Policy</li> <li>• Employee recruitment, interview and selection procedure</li> </ul>	<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 and reviewed in March 2021.</p> <p>Our internal audit reviews in 2020/21 have not identified any incidents of fraud.</p> <p>The Anti-Fraud, Bribery and Corruption Policy (including Money Laundering) was reviewed and updated during 2018/19. It was due for a review in 2020/21, but this has been deferred to 2021/22 due to resources being diverted to addressing the impact of coronavirus during 2020/21.</p> <div style="text-align: center;">  </div> <p>In 2020/21 there was a breach of the Council's Treasury Management Policy. Counter party limits were exceeded by up to £8m for 34 days. The excess funds were diversified over a range of money market funds and had a credit rating of AA-, therefore the financial risk was low. This breach was reported to the Council's Monitoring Officer and to the Governance and Resources Committee. Counter party limits were subsequently reviewed and increased when the Council's Policy was updated in March 2021.</p>


	<ul style="list-style-type: none"> <li>• Job descriptions</li> <li>• Compliance with CIPFA's "Statement on the Role of the Role of the head of Internal Audit"</li> <li>• Compliance with CIPFA's "Statement on the Role of the Chief Financial Officer in Local Government"</li> <li>• Records of legal advice provided by officers</li> <li>• Monitoring Officer provisions</li> <li>• Procurement policy</li> <li>• Information Governance Framework and Strategy</li> <li>• Data Protection Policy</li> <li>• Contracts with service providers.</li> <li>• Reports from the Local Government Ombudsman &amp; Annual Report to Governance &amp; Resources Committee</li> <li>• Audit reports issued by Food Standards Agency</li> <li>• Food Law Enforcement Service Business Plan</li> <li>• 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.</li> </ul>	
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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"> <li>➤ Our Committee and Council meetings are open to the public and agendas, reports and minutes are available on our website;</li> <li>➤ The minutes of our meetings provide clear reasoning and evidence for decisions;</li> <li>➤ We have a clear policy on information transparency;</li> <li>➤ On our website we publish key performance indicators, financial information and details of the earnings, interests and activities of our Members and senior managers.</li> <li>➤ 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.</li> <li>➤ We operate clear and accessible arrangements for procuring supplies and services.</li> <li>➤ We have regular meetings with larger Town and Parish Councils to ensure that we work more closely.</li> <li>➤ We have a programme of forums / workshops to engage with local businesses.</li> </ul>	<ul style="list-style-type: none"> <li>• <a href="#">Constitution</a></li> <li>• <a href="#">Corporate Plan</a></li> <li>• Reasoned decisions at quasi- judicial meetings</li> <li>• Annual review of Planning decisions</li> <li>• FOI Publication Scheme</li> <li>• Details of spending over £250 on website</li> <li>• Regulation of Investigatory Powers Act 2000 Policy</li> <li>• Data Protection Policy</li> <li>• Council and Committee decisions</li> <li>• Report pro-formas</li> <li>• Web casting and recording of meetings</li> <li>• Public Participation Scheme</li> <li>• Area Community Forums</li> <li>• Town and Parish Council Conference</li> <li>• Market Traders Forums</li> <li>• Matlock Bath Illuminations Project Group</li> <li>• Council website</li> <li>• Calendar of meetings</li> <li>• Communications Strategy</li> <li>• Community &amp; Engagement Strategy</li> <li>• Equality, Consultation and Engagement Plan</li> <li>• Equality and Diversity Policy</li> <li>• Annual Equality Plan</li> <li>• Residents' Panel</li> <li>• Business Engagement Programme</li> <li>• <a href="#">Statement of Community Involvement</a></li> <li>• Record of consultations and use of feedback from consultations</li> </ul>	<p style="text-align: center;"></p> <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 621 Freedom of Information requests (down from 849 in 2019/20). We responded to 495 FOI requests (80%), redirected 87 (14%) to Derbyshire County Council and 37 requests (6%) 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 (17 requests) was that the information was already accessible by other means.</p> <p>Contract Standing Orders and Financial Regulations were reviewed and updated in July 2020.</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"> <li>• Developing a strong narrative and vision for the area;</li> <li>• Improvements to the Corporate Plan;</li> <li>• Ensuring that the approach to</li> </ul>


	<ul style="list-style-type: none"> <li>• Contract standing orders</li> <li>• Financial Regulations</li> <li>• Procurement Strategy</li> <li>• Reasons for decisions recorded in all regulatory and quasi-judicial matters</li> <li>• All reports include options, risks and potential outcomes</li> <li>• Procurement decisions require a clear audit trail including reasons</li> <li>• All recruitment decisions are reasoned and recorded</li> </ul>	<p>commercialisation is realistic;</p> <ul style="list-style-type: none"> <li>• Consideration of the Council's skills base and investment capability; <ul style="list-style-type: none"> <li>• Engaging with strategic and local organisations to build trust and community capacity to advocate for and deliver on important initiatives.</li> </ul> </li> </ul> <p>In July 2020 the Council approved a Peer Challenge Action Plan to address these issues. Progress on implementing the Action Plan has been delayed owing to officers focussing on other higher priority work during the coronavirus pandemic. 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"> <li>➤ We have set out our priorities, aims, vision and values in our Corporate Plan;</li> <li>➤ We set key performance indicators for each year and monitor actual performance against targets;</li> <li>➤ We have a medium term financial strategy to ensure our financial sustainability;</li> <li>➤ We operate an effective system of risk management;</li> <li>➤ Our reports include an assessment of financial, legal and corporate risks and consider equalities, environmental, health,</li> </ul>	<ul style="list-style-type: none"> <li>• Corporate Plan &amp; Priorities</li> <li>• Service Plans</li> <li>• Community &amp; Engagement Strategy</li> <li>• Equality, Consultation and Engagement Plan</li> <li>• Risk Management Strategy</li> <li>• Medium Term Financial Strategy</li> <li>• Annual Revenue Budget</li> <li>• Capital Programme &amp; Prudential Indicators</li> <li>• Annual Governance Statement (part of the Statement of Accounts)</li> <li>• <a href="#">Annual Audit Letter</a></li> </ul>	<p style="text-align: center;"></p> <p>In 2020/21 we paid 99.5% of non-disputed supplier invoices (3,981 invoices) on time (within 30 days) – only 21 invoices were paid late.</p> <p>The <a href="#">Risk Management Policy and Strategy</a> was reviewed and updated during 2020/21.</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"> <li>• Financial Regulations – Constitution</li> <li>• Contract Standing Orders – Constitution</li> <li>• Asset Management Plan</li> <li>• Equality Impact Assessments</li> <li>• Area Community Forums</li> <li>• Planning: Material Considerations</li> <li>• Committee Reports</li> <li>• Consultation feedback is taken into account at the point of decisions</li> </ul>	<p>Up to 8 June 2021, we have paid over £36m (10,415 grant payments) to support businesses affected by the coronavirus pandemic.</p> <p>Working with our partner, Chesterfield Borough Council, we made payments under the Test and Trace Support Scheme.</p> <p>The Council worked with the Local Resilience Forum to ensure that we were prepared for Brexit and the impact of the Coronavirus pandemic.</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</p>	<ul style="list-style-type: none"> <li>• Consultation and review of feedback including Area Community Forums</li> <li>• Risk Management Hub &amp; Risk Registers</li> <li>• Key Performance Indicators</li> <li>• Service Plans</li> <li>• Medium Term Financial Strategy Medium Term Financial Plan Budget preparation in accordance with agreed strategy and MTFP.</li> <li>• Budget guidance and processes, including revised estimates</li> <li>• Capital Programme process and scorecard</li> <li>• Annual Audit and Inspection Letter</li> <li>• Confidential Reporting (Whistleblowing) Policy</li> <li>• Anti-Fraud, Bribery and Corruption Policy</li> </ul>	<p style="text-align: center;"></p> <p>We updated our Medium Term Financial Strategy in March 2021 and our Medium Term Financial Plan in August 2020, January 2021 and March 2021.</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 2020/21 we carried out public consultation exercises on:</p> <ul style="list-style-type: none"> <li>• Spending proposals for 2021/22</li> <li>• Sex Entertainment Venues Policy</li> <li>• Housing Needs for 3 parishes</li> </ul>


<p>can be used when KPIs are not achieved.</p> <ul style="list-style-type: none"> <li>➤ We consider and monitor risks facing each partner when working collaboratively, including shared risks</li> <li>➤ We review service quality regularly</li> <li>➤ Our medium term financial strategy integrates and balances service priorities, affordability and other resource constraints</li> <li>➤ We aim to achieve 'social value' through service planning and commissioning.</li> </ul>	<ul style="list-style-type: none"> <li>• Regulation of Investigatory Powers Act Surveillance Policy</li> <li>• Annual Review of Complaints</li> <li>• Calendar of meetings</li> <li>• Communications Strategy</li> <li>• Minutes of regular monitoring meetings with outsourced service providers including details of compliance with Key Performance Indicators</li> </ul>	<ul style="list-style-type: none"> <li>• Regeneration project at Hurst Farm, Matlock <ul style="list-style-type: none"> <li>• Kirk Ireton Neighbourhood Plan</li> <li>• Residents' satisfaction with the Council's communications during the coronavirus pandemic.</li> </ul> </li> </ul> <p>In response to our consultation, 60.5% of respondents said that they were very well informed or fairly well informed during the coronavirus pandemic.</p> <p>In 2020/21 we made a Declaration of Air Quality Management Area for nitrogen dioxide in relation to Buxton Road and St John's Street in Ashbourne.</p> <p>We have regular meetings with contractors who provide outsourced services.</p> <p>For 2020/21, some KPIs were suspended (due to the coronavirus pandemic) in accordance with Cabinet Office guidance for the outsourced contracts for leisure management and revenues and benefits. As a result of these exceptional circumstances, no financial penalties were applied to contracts for leisure management or revenues and benefits in 2020/21.</p> <p>For the waste management contract, KPIs were again temporarily suspended as a result of Cabinet Office and DEFRA guidance but reinstated on 15 March 2021. Whilst Serco are contesting the reinstatement of the KPIs, Council officers are continuing to monitor problems with missed bin collections and other performance issues and are considering whether the application of financial penalties is appropriate.</p> <p>These, along with general performance standards, were discussed at the contract meetings.</p>
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The Council's Medium Term Financial Plan needs to be updated to show how it plans to address the budget gap for future years. See Principle 6 for further information.


**PRINCIPLE 5 - Developing the entity's capacity including the capability of its leadership and the individuals within it**


How we meet this principle	Source of assurance	Successes and Areas for Improvement
<ul style="list-style-type: none"> <li>➤ We recognise the benefits of partnerships and collaborative working;</li> <li>➤ All employees have an induction and an annual Performance and Development Review;</li> <li>➤ 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</li> <li>➤ Our Constitution includes a Scheme of Delegation that sets out clearly the decisions that are delegated to officers</li> <li>➤ The leader and the chief executive have clearly defined and distinctive leadership roles</li> <li>➤ Taking steps to consider the leadership's own effectiveness and ensuring leaders are open to constructive feedback from peer review and inspections</li> </ul>	<ul style="list-style-type: none"> <li>• Constitution</li> <li>• Scheme of Delegation</li> <li>• Member Development Scheme</li> <li>• Employee Development Scheme</li> <li>• Member Training and Development Programme</li> <li>• Annual corporate and vocational training plan agreed by CLT</li> <li>• Insight – Internal management development programme</li> <li>• Member Induction</li> <li>• Member Representative roles</li> <li>• Employee Induction</li> <li>• Job Descriptions and Person Specifications</li> <li>• Arrangements for succession planning</li> <li>• Annual review of Scheme of Delegation, Contract Standing Orders and Financial Regulations</li> <li>• LOLA – internal training programme</li> <li>• Peer Reviews</li> <li>• Efficient use of systems and technology</li> <li>• Shared Learning: Notes of Management Meetings, Peer</li> </ul>	<p style="text-align: center;"></p> <p>In 2020/21 our partners, Arvato and subsequently Chesterfield Borough Council, achieved all the key performance indicators in the Revenues and Benefits contract, with the exception of those relating to in-year collection of council tax and business rates and collection of council tax for the year before. These were impacted by the coronavirus pandemic.</p> <p>Our Performance and Development Review action plans are linked to the priorities set out in our Corporate Plan.</p> <p>ICT security awareness training is mandatory for new employees who use ICT and it has to be refreshed every 2 years by all ICT users. In 2020 76 ICT users undertook this training, with a further 46 completing the training in 2021 to date. The full staff refresh didn't take place in 2020/21 due to the pandemic and implementation of business continuity. However, all DDDC Members were invited to undertake SAT in 2020. The course content is currently being reviewed before progressing with a refresh to include both staff and Members.</p>



<ul style="list-style-type: none"> <li>➤ We encourage shared learning, including lessons learnt from governance weaknesses both internal and external;</li> <li>➤ There is a public participation session at the beginning of Council and Policy Committee meetings,</li> <li>➤ We have arrangements in place to support the health and wellbeing of our employees.</li> </ul>	<p>Reviews, Hubs, Benchmarking, Networking with other local authorities &amp; through membership of organisations such as the Local Government Association.</p> <ul style="list-style-type: none"> <li>• Human Resource Policies</li> <li>• Employee counselling service</li> <li>• Work of Health &amp; Safety Committee</li> <li>• Active Workplace Programme</li> <li>• Employee Group</li> <li>• Senior Management Team</li> <li>• Trade union recognition and consultation.</li> </ul>	<p>In 2020/21 we recruited a Climate Change Project Officer.</p> <div style="text-align: center;">  </div> <p>During 2020/21 the following mandatory training was undertaken by employees:</p> <p style="text-align: center;">Safeguarding and Child Protection = 34 Safeguarding Adults at Risk = 33 Managing Health &amp; Safety = 39 Equality Act 2010 = 43 Display Screen Equipment = 37 Data Protection (Foundation) 2020 = 157 Data Protection (Data Security) 2020 = 157 Prevent (Counter Terrorism (2021)) = 77</p> <p>To fully develop our employees and to further mitigate risks, it is recommended that a comprehensive programme of mandatory training for <b>all</b> employees and Members should be delivered in 2021/22.</p>
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<b>PRINCIPLE 6 - Managing risks and performance through robust internal control and strong public financial management</b>		
How we meet this principle	Source of assurance	Successes and Areas for Improvement
<ul style="list-style-type: none"> <li>➤ We have robust arrangements for risk management including a Risk Management Hub that meets regularly to review Strategic Risks;</li> </ul>	<ul style="list-style-type: none"> <li>• Risk Management Strategy</li> <li>• Risk Management Hub</li> <li>• Strategic and Service Risk Registers</li> <li>• Risk Management Annual Report</li> </ul>	

<ul style="list-style-type: none"> <li>➤ Our risk management strategy and policies on internal control are aligned with corporate priorities;</li> <li>➤ The risks associated with delivering services through third parties are set out in our risk registers;</li> <li>➤ We have arrangements in place to prevent fraud, bribery and corruption;</li> <li>➤ We encourage effective and constructive challenge and debate on policies and objectives to support balanced and effective decision making</li> <li>➤ We provide members and senior management with regular reports on service plans and on progress against Key Performance Indicators;</li> <li>➤ We report on a consistent basis between specification stages (such as budgets) and post implementation reporting (e.g. financial statements).</li> <li>➤ 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;</li> <li>➤ The Governance and Resources Committee provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment;</li> <li>➤ The Governance &amp; Resources Committee monitor the implementation of recommendations from internal audit reviews.</li> </ul>	<ul style="list-style-type: none"> <li>• Risk assessment of all Committee/Council decisions</li> <li>• Internal audit and reports</li> <li>• External audit and reports</li> <li>• Annual Governance Statement</li> <li>• Financial Regulations</li> <li>• Budget Holder’s Manual</li> <li>• Contract Standing Orders</li> <li>• Transparency &amp; Open Source Data</li> <li>• Medium Term Financial Strategy</li> <li>• Anti-Fraud, Bribery and Corruption Policy</li> <li>• Treasury Management Strategy</li> <li>• Regular budget reporting and income monitoring (revenue and capital)</li> <li>• Regular reporting on service plans and performance against KPIs</li> <li>• Benchmarking information</li> <li>• Information Governance Framework &amp; Strategy</li> <li>• Designated Data Protection Officer</li> <li>• Data protection policies and procedures</li> <li>• Data sharing agreements</li> <li>• Privacy Impact Assessments</li> <li>• Procedure for Data Protection Security Breaches</li> <li>• Checks on access to data and systems</li> <li>• ICT systems patched regularly &amp; kept up to date</li> </ul>	<p>The external auditor’s Annual Audit Letter for 2019/20, issued in January 2021, states “in all significant respects, the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31<sup>st</sup> March 2020”. (The Annual Audit Letter for 2020/21 has not yet been issued).</p> <p>The External Auditor’s Strategy Memorandum to the Governance and Resources Committee in March 2021 stated that due to the late release of the NAO’s Auditor Guidance Note and supporting information to auditors, planning and risk assessment work had not yet been fully completed but auditors have held discussions with management and reviewed the Council’s financial plans and have not identified any significant weaknesses in arrangements from this initial planning and risk assessment.</p> <p>In 2019/20 the Local Government Association Peer Review report stated that “The Council has strong financial management.</p> <div style="text-align: center;">  </div> <p>The External Auditor’s Strategy Memorandum to the Governance and Resources Committee in March 2021 identified three significant risks that will be tested during the audit of the 2020/21 accounts, due to take place in Autumn 2021:</p> <ul style="list-style-type: none"> <li>• Management override of controls</li> <li>• Net defined benefit (pension) liability valuation</li> </ul>
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<ul style="list-style-type: none"> <li>➤ 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</li> <li>➤ We review and audit the quality and accuracy of data used in decision making and performance monitoring</li> <li>➤ Our financial management arrangements support both long term achievement of outcomes and short-term financial and operational performance</li> <li>➤ All reports to Council and policy committees include a financial risk assessment.</li> </ul>		<ul style="list-style-type: none"> <li>• Valuation of property, plant and equipment.</li> </ul> <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>A “limitation of scope” opinion relating to the adequacy and effectiveness of the Council’s control environment has arisen because of COVID-19 and the redeployment of the Senior Internal Auditor, which has resulted in the bulk of the internal audit plan not being completed in 2020/21. To avoid similar limitations in future, the resource levels within internal audit have been reviewed (the 2021/22 budget includes provision for additional audit resources approved by this committee in March 2021). The audit plan for 2021/22 has also been affected. At the time of writing this report it has not proved possible to recruit a suitable Senior Auditor and therefore other options are in the progress of being investigated. It is recommended that audit resources be returned to adequate levels.</p> <div style="text-align: center;">  </div> <p>The Council’s Medium Term Financial Plan identifies a potential budget gap in future years. To mitigate this risk, the Council has a Medium Term Financial Strategy and Medium Term Financial Plan in place. However, the Council’s Medium Term Financial 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</p>
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Government is financed from 2022/23 onwards. It is hoped that the Local Government Finance Settlement, due in late 2021, 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 2022/23 are known, the Medium Term Financial Plan will be updated. As a further mitigation measure, the Council has reserves and balances that could be used to balance the budget for 2022/23 while a savings plan is developed and the Medium Term Financial Plan is updated to ensure that subsequent budgets are financially sustainable over the medium term.



2020/21 was a shadow year for CIPFA's Financial Management Code. A baseline assessment reported to the Governance and Resources Committee in March 2021 indicated that there were six principles / standards identified as less strong, with a need for improvement and action; an action plan is in place and none of the issues have been identified as significant governance issues. See separate section below.

**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"> <li>➤ Our reports are written in a style avoids jargon and can be understood by the public;</li> <li>➤ Our reports and minutes of meetings are available on our website;</li> <li>➤ We prepare an Annual Governance Statement that reports on compliance against our corporate governance framework;</li> <li>➤ Our financial statements are prepared on a consistent and timely basis and the statements allow for comparison with other, similar organisations</li> <li>➤ The Governance &amp; Resources Committee undertakes the core functions of an audit committee and ensures that recommendations for corrective action made by external audit are acted upon</li> <li>➤ 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</li> <li>➤ We welcome peer challenge, reviews and inspections from regulatory bodies</li> <li>➤ We have clear governance arrangements in place for partnership arrangements</li> </ul>	<ul style="list-style-type: none"> <li>• Annual report on Service plans and performance management</li> <li>• Annual review of Corporate Governance framework</li> <li>• Annual Governance Statement</li> <li>• Review of actions recommended by internal audit service</li> <li>• Statement of Accounts</li> <li>• Audit Strategy Memorandum and Annual Audit Letter from External Auditor</li> <li>• Anti-fraud, bribery and corruption policy and reporting</li> <li>• Data Protection Officer and two Information Governance Officers in place</li> <li>• Compliance with CIPFA’s Statement on the Role of the Head of Internal Audit</li> <li>• Compliance with Public Sector Internal Audit Standards</li> <li>• Minutes of meetings from Partnership Board Meetings and Operational Review Meetings.</li> <li>• Annual Complaints Report to Governance &amp; Resources Committee</li> </ul>	<p style="text-align: center;"></p> <p style="text-align: center;">We report to Members regularly on performance against targets.</p> <p style="text-align: center;"></p> <p>In 2020/21 seven out of twenty two (32%) of planned audits have been completed and an audit of cyber/network security is in progress. Three audit areas received substantial assurance, two reasonable assurance and one limited assurance (Data Protection).</p> <p>The internal audit reports issued in 2020/21 contained a total of 19 recommendations by internal audit.</p> <p>Of these recommendations 2 (11%) were high priority, 12 (63%) medium priority and 5 (26%) low priority; plans are in place for the outstanding recommendations to be implemented in 2021/22. A report will be brought to members in July 2021 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>

An internal audit report has identified opportunities to strengthen our arrangements for data protection (see action plan).



While 31 data breaches or near misses were identified in 2020/21 (26 in 2019/20), none were serious enough to be reportable to the Information Commissioner's Office (ICO) in 2020/21 (1 was reported in 2019/20). Reporting of data security incidents is encouraged; incidents are reviewed by the Information Governance Board to identify lessons to be learned and areas for improvement.

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 a Peer Challenge Action Plan to address these issues. Progress on implementing the Action Plan has been delayed owing to officers focussing on other higher priority work during the coronavirus

		pandemic While the implementation of these actions will strengthen to Council, they are not seen as significant governance issues.
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## **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. In 2020/21 most Council meetings were held virtually, due to the coronavirus pandemic, but there was still provision for public participation and meetings were live-streamed on the internet. 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 two 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 2020/21 most Council meetings were held virtually, due to the coronavirus pandemic, but there was still provision for public participation and meetings were live-streamed on the internet.

In addition, senior officers of the Council make decisions under delegated authority. The level of delegation is recorded in the Council's Constitution. In 2020/21, there was a need for an increased number of decisions delegated to officers, owing to the difficulties of arranging council and committee meetings to make decisions during the coronavirus pandemic.



### **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 usually 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 2020/21 our annual community forum was suspended due to the lockdown restrictions.

### **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 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 usually 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, though these will be improved when the action plan for CIPFA's Financial Management Code has been fully implemented. While the internal audit provision has been severely limited in 2020/21, as explained in this Statement, 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 monitors 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 an expected reduction in government funding. 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 has reserves and balances that could be used in the short term to address any savings requirements for 2022/23 while a thorough review of income and expenditure is undertaken and an action plan developed. Given the amount set aside in usable revenue reserves, the timing of the required savings, and the uncertainty surrounding council funding (arising mainly from the outcome of the anticipated level of the government's Fair Funding Review and its review of the Business Rates Retention scheme), the Council's approach to meeting the Corporate Savings Target and closing the budget gap is to refrain from significant service reductions at the present time, until the outcome of the government reviews is known. The Council will continue to explore commercial and investment opportunities to help it to achieve a sustainable financial future. The overall aim of this approach is that the Council will be far less reliant on government funding and will become more self-sufficient. The approach will focus on income generation and investment in economic development that will lead

to growth. In the longer term, this approach will provide the Council with more financial resilience than depending on government grants.

The Corporate Leadership Team monitors performance against the annual budget, capital programme and medium term financial 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.

There is a separate section (below) relating to the CIPFA Financial Management Code.

### **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 2020, which is due for review in a year's time or sooner in the event of any significant changes being made to the PSIAS. The Charter sets out the role of internal audit and its responsibilities and clarifies its independence.

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. The results of internal audit work concluded during the year is presented in the annual report but this does not result in a comprehensive opinion. Some assurance can be obtained from positive internal audit reviews in previous years and the work of the Risk Management Group, PSN compliance and external audit. Internal audit work can only give partial assurance on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

The Internal Audit Annual Report for 2020/21 sets out a "limitation of scope" opinion relating to the adequacy and effectiveness of the Council's control environment. This has arisen because of COVID-19 and the redeployment of the Senior Internal Auditor, which has resulted in the bulk of the internal audit plan not being completed in 2020/21.

In formulating the opinion the CIPFA guidance to internal auditors on the audit annual opinion has been taken into account. CIPFA states that a "limitation of scope" must be given when the Head of Internal Audit is unable to draw on sufficient assurance to issue a complete annual opinion in accordance with professional standards. In 2020/21, only seven out of twenty-two planned audits have been completed and an audit of cyber/network security is in progress. Three audit areas received substantial assurance, two reasonable assurance and one limited assurance (Data Protection), which has been reported as a significant governance issue in this Annual Governance Statement. In respect of the areas reviewed, reasonable assurance can be provided although further work is required in terms of the audit review of data protection arrangements, for which actions have been agreed. Assurance can never be absolute. In this context "reasonable assurance" means that arrangements

are in place to manage key risks and to meet good governance principles, but there are some areas where improvements are required.

To avoid a “limitation of scope” in future, the resource levels within internal audit have been reviewed (the 2021/22 budget includes provision for additional audit resources). The audit plan for 2021/22 has also been affected. At the time of writing this report it has not proved possible to recruit a suitable Senior Auditor and therefore other options are currently being investigated with the intention of engaging adequate audit resources as soon as possible.

An external review of Internal Audit was recently undertaken. The independent report concludes that current services are assessed to ‘generally conform’ with the PSIAS and compare favourably with peers; there are no areas where the service does not comply with the standards. A series of specific recommendations are made in the report to reflect building on the existing considerable strengths in relation to resources, competency and delivery in order to enhance future service delivery. The key theme running through is to continue to build on a risk approach and strengthen the risk thread through documentation. A report and action plan will be presented to the Governance and Resources Committee in September 2021. This means that Members can have confidence in the quality of service provided by internal audit.

### **External Audit & Other Inspections**

The Council’s external auditor is currently Mazars LLP.

On 2 December 2020 Mazars issued an unqualified opinion in relation to the Council’s 2019/20 statutory financial statements. On the same date the external auditor also issued an unqualified conclusion on the Council’s arrangements for securing value for money. In the Audit Completion Report relating to the Council’s financial statements for 2019/20 the External Auditor made three recommendations relating to internal controls in place in regard to the accuracy of remuneration information (low priority), for the preparation of the leases note in the Statement of Accounts for 2019/20 (low priority) and the declaration of Members’ interests (high priority). These recommendations were considered and implemented during the preparation of financial statements for 2020/21.

Feedback from the work undertaken to date on the 2020/21 financial statements has not highlighted any issues which would lead to a different conclusion for the 2020/21 Statement of Accounts.

### **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. Progress on implementing the Action Plan has been delayed owing to officers focussing on other higher priority work during the coronavirus pandemic.

## **5. An assessment of the impact of the coronavirus pandemic on governance in 2020/21 and 2021/22 to date.**

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 2020 and for 2020/21, the majority of office-based key employees worked from home. 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 throughout 2020/21. Leisure centres and public toilets were closed initially but reopened as restrictions were lifted. Inspection visits, e.g. food safety inspections, pollution control inspections, licensing inspections etc. were suspended initially and extended delegation arrangements were introduced, particularly in relation to planning decision making. Covid risk assessments were prepared and adaptations were made to Matlock Town Hall, such as the installation of a new door entry system. A new cloud-based telephone system was introduced in 2021, which improved communications.

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.

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 being held up to 6 May 2021) 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 additional temporary accommodation for homeless people over the winter;
- 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;
- Installation of cloud-based telephony system
- 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 and Welcome Back visitors;
- Community contact through the Sports Development Team;
- Taking on the Business Closure powers under the Coronavirus Regulations;
- Enforcing social distancing in the workplace;
- Advising businesses and the public on the business closure powers and the enforcement of social distancing;
- Taking on the new Pavement Licensing regime;
- Dealing with changes to Planning law that have had to be incorporated into daily business
- Making payments under the council tax hardship scheme;
- Making payments under the Test and Trace Support scheme.
- Delivery of external wall insulation to privately owned properties
- Enabling most staff to work from home with secure ICT connectivity and virtual meeting platforms; with business support activity and clean and green remaining on site with covid secure measures;
- Constant updating advice to staff in line with government advice on their health management of covid-19 risk including self-isolation and testing (including those identified as clinically vulnerable and clinically extremely vulnerable
- Launch of Customer Relationship Management System to enable customers to continue to access services (but make it 24/7) on line rather than come on site.

### **Impact on the Council's financial position**

While it had been anticipated in August 2020 (when the Council set a revised budget for 2020/21) that the Council would need to use over £700,000 from reserves in 2020/21 to fund additional expenditure

and lost income arising from the coronavirus pandemic, significant levels of financial support were subsequently received from government. This meant that it was not necessary to use reserves as a result of the pandemic during 2020/21, nor is such use anticipated for 2020/22 at the current time. General financial support that was received from government in 2020/21 amounted to £937,877. This has been used to fund additional expenditure, 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.

The government's financial support also covered some of the Council's lost income, which has been significantly affected by the lockdown. This was supplemented by a further government grant of £896,475 in 2020/21 to compensate for lost income from sales, fees and charges. Forecasts for income losses for 2020/21 and the first three months of 2021/22 include:

- Car parking (£1.384m);
- Parks activities (£152,000)
- Planning fees (£88,000)
- Public conveniences (£53,000)
- Trade waste (£158,000)
- Stall markets (£197,000).

Other government grants awarded to provide support during the pandemic include:

- Council Tax Hardship Support £338,264
- New burdens funding to administer additional services (mainly business support grants) £587,858
- Council tax income guarantee scheme £77,234
- Business support grants £59.3m
- National Leisure Relief Fund £117,542
- Compliance & Enforcement Grant £26,661
- Re-opening High Streets Safely £57,908
- NHS Test & Trace Support Payments £89,500
- Business rate reliefs £4,140,808.

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 as lockdown restrictions are lifted.

Income from council tax and business rates has reduced significantly. For 2020/21 in-year collection of council tax was £618,000 (1.1%) less than expected and business rates income was £581,000 (5.6%) less than expected, though the Council shares these shortfalls with the government and major preceptors. There has been an improvement in council tax collection rates during April and May 2021 but business rates income is still less than expected. The financial impact of any shortfalls in council tax and business rates in 2020/21 will impact when the budget is set for 2022/23 (and potentially the subsequent two financial years for council tax, as a change in the regulations allows the impact to be spread).

## **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 financial support from central government, robust Leadership and sound financial management the financial situation at Derbyshire Dales District Council is secure at the time of writing this statement, 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 updating the organisational recovery plan, which will address the following areas:

- Updates to risk assessments to ensure the safety of our employees, members, contractors and service users as lockdown restrictions are eased;
- Employees returning to the Town Hall and reopening the building to the public;
- 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. Compliance with the Financial Management Code**

The Chartered Institute of Public Finance and Accountancy (CIPFA) published The Financial Management Code (FM Code) in October 2019. The FM Code provides guidance for good and sustainable financial management in local authorities, giving assurance that authorities are managing resources effectively.

The FM Code requires authorities to demonstrate that the processes they have in place satisfy the principles of good financial management, which is an essential part of ensuring that public sector finances are sustainable.

2020/21 was a shadow year for CIPFA's Financial Management Code. A baseline assessment reported to the Governance and Resources Committee in March 2021 indicated that there were six principles / standards identified as less strong, with a need for improvement and action. Areas which have been identified as less strong, with a need for improvement and action, include:

- E: The financial management style of the authority supports financial sustainability
- F: The authority has carried out a credible and transparent financial resilience assessment
- G: The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members
- L: The authority has engaged where appropriate with key stakeholders in developing its long term financial strategy, medium term financial plan and annual budget



- M: The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions.
- N: The leadership team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability.

An action plan is in place to address these issues during 2021/22 and none of the issues have been identified as significant governance issues.

## 7. Significant governance issues and action plan

### a) Update on issues raised in last year's (2019/20) Annual Governance Statement

	Issue	Action Identified in last year's statement	Outcome	Lead Officer
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 Medium Term Financial Plan to address the budget gap for future years.	Balanced budget set for 2021/22. General Reserve and/or Funding Uncertainties Reserve would be sufficient to finance expected budget shortfall, if required. Implementation of savings is on hold, pending the outcome of the government's funding review.	Director of Resources
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"> <li>Regular meetings of the Corporate Property Group, with minutes;</li> <li>Regular monitoring of progress against the Asset Management Plan to be undertaken by the Corporate Property Group;</li> <li>Reconcile assets of the property and financial systems and use a common property identifier on both systems.</li> </ul>	<ul style="list-style-type: none"> <li>The Corporate Property Group has met during 2020/21;</li> <li>Monitoring is taking place;</li> <li>The reconciliation of assets has not yet been completed.</li> </ul>	Director of Regulatory Services
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.	Deferred to 2021/22 due to pandemic workloads. Programmes for members and employees are being developed in 2021/22.	The Corporate Leadership Team with support from the Human Resources Manager; The Member Development Working Group

**b) Annual Governance Statement issues arising from 2020/21 review, to be actioned in 2021/22**

	Issue	Action	Expected 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.  Review position following outcome of government's reviews of fair funding and business rates retention.	Balanced budget for 2022/23 and Medium Term Financial Plan to be updated (following the 2022/23 Local Government Finance Settlement) to address budget gap for future years.	Director of Resources	Updated Medium Term Financial Plan & Balanced Budget for 2022/23: by 10 March 2022
2	An internal audit review has identified that our arrangements for asset management need to be strengthened	Address the outstanding recommendation to reconcile assets of the property and financial systems and use a common property identifier on both systems.	Completion of reconciliation	Director of Regulatory Services and Director of Resources	31 March 2022
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.	Delivery of comprehensive programme of mandatory training for all employees and members	The Corporate Leadership Team with support from the Human Resources and Payroll Manager; The Member Development Working Group	31 March 2022
4	An internal audit review of data protection arrangements has identified areas where improvements are required.	Address the implementation of outstanding recommendations from the internal audit review.	<ul style="list-style-type: none"> <li>• Completion of the mandatory data protection training for all employees and members</li> <li>• As recommended by the ICO redaction training for employees should be provided</li> <li>• Develop processes and deliver training relating to Data Protection Impact assessments</li> </ul>	Data Protection Officer & Information Governance Officers	<p>31 July 2021</p> <p>31 July 2021</p> <p>31 July 2021</p>

			<ul style="list-style-type: none"> <li>• Paper and electronic forms used by the Council which include personal information should be reviewed as soon as practically possible and amended to include a simpler statement on how their personal data will be dealt with and where they can find further information.</li> <li>• The current information asset register should be reviewed and updated to ensure that all personal data collected and processed by the authority can be recorded and mapped</li> </ul>		<p>Briefing paper to CLT by 31 August 2021; complete exercise by 31 March 2022</p> <p>Briefing paper to CLY by 31 August 2021; complete exercise by 31 March 2022</p>
5	Internal audit resources have been insufficient to complete the internal audit plan	Ensure that appropriately trained auditors are in place to deliver the audit plan.	Audit team to be fully resourced to complete the audit plan.	Director of Resources	31 December 2021

We propose over the coming year to take steps to address the significant governance issues identified in section 7b 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 1 July 2021.

Signed

Councillor Garry Purdy  
**Leader of the Council**  
**Date: 18<sup>th</sup> November 2021**

Paul Wilson  
**Chief Executive**  
**Date: 18<sup>th</sup> November 2021**

## 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. 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.

2019/20				2020/21		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£000s	£000s	£000s		£000s	£000s	£000s
489	(2)	487	Chief Executive	402	0	402
10,164	(5,641)	4,523	Community and Environmental Services	16,425	(4,149)	12,276
2,447	(422)	2,025	Corporate Services	2,160	(195)	1,965
1,783	(3,513)	(1,730)	Housing Services	2,172	(1,594)	578
590	(81)	509	Regeneration and Policy	4,193	(4,181)	12
1,929	(768)	1,161	Regulatory Services	2,551	(740)	1,811
13,794	(11,519)	2,275	Resources	13,159	(11,228)	1,931
<b>31,196</b>	<b>(21,946)</b>	<b>9,250</b>	<b>Cost Of Services</b>	<b>41,062</b>	<b>(22,087)</b>	<b>18,975</b>
		1,164	Other Operating Expenditure (Note 10)			1,741
		572	Financing and investment income and expenditure (Note 11)			633
		<u>(11,419)</u>	Taxation and Non-Specific Grants (Note 12)			<u>(16,516)</u>
		<b>(433)</b>	<b>(Surplus) or Deficit on Provision of Services</b>			<b>4,833</b>
		(3,205)	Surplus or deficit on revaluation of non current assets			(1,587)
		<u>(10,319)</u>	Remeasurements of the net defined benefit liability			<u>9,932</u>
		<b>(13,524)</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>8,345</b>
		<u><b>(13,957)</b></u>	<b>Total Comprehensive Income and Expenditure</b>			<u><b>13,178</b></u>

## 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 Reserve s £000s	Unusable Reserves £000s	Total Authority Reserves £000s
<b>31st March 2019</b>	<b>16,146</b>	<b>2,945</b>	<b>220</b>	<b>19,311</b>	<b>30,113</b>	<b>49,424</b>
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
<b>2019/20</b>	<b>3,518</b>	<b>18</b>	<b>15</b>	<b>3,551</b>	<b>10,406</b>	<b>13,957</b>
<b>31st March 2020</b>	<b>19,664</b>	<b>2,962</b>	<b>235</b>	<b>22,862</b>	<b>40,519</b>	<b>63,381</b>
Total Comprehensive Income and Expenditure	(4,833)	0	0	(4,833)	(8,345)	(13,178)
Adjustment to Unuseable Reserves via Fixed Assets					9,800	
Adjustments from income and expenditure charged under the accounting basis to funding basis (Note 9)	8,137	(407)	1,026	8,756	(8,756)	0
<b>2020/21</b>	<b>3,304</b>	<b>(407)</b>	<b>1,026</b>	<b>3,923</b>	<b>(7,301)</b>	<b>(3,378)</b>
<b>31st March 2021</b>	<b>22,968</b>	<b>2,555</b>	<b>1,261</b>	<b>26,788</b>	<b>33,215</b>	<b>60,003</b>

## 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 2020 £000s		Notes	31st March 2021 £000s
67,380	Property, Plant & Equipment	13	75,037
1,586	Investment Property	14	1,450
207	Intangible Assets	15	199
898	Long Term Investments	16	845
<b>70,071</b>	<b>Long Term Assets</b>		<b>77,531</b>
23	Inventories	17	13
5,648	Short Term Debtors	18	14,877
15,265	Cash and Cash Equivalents	19	20,582
3,009	Short Term Investments	16	0
<b>23,945</b>	<b>Current Assets</b>		<b>35,472</b>
(6)	Short Term Borrowing	16	(6)
(1,088)	Provisions	22	(1,535)
(6,062)	Short Term Creditors	21	(17,246)
0	Other Short Term Liabilities*	38	0
<b>(7,156)</b>	<b>Current Liabilities</b>		<b>(18,787)</b>
(60)	Provisions (>1yr)	22	(82)
(5,450)	Long Term Borrowing	16	(5,450)
(17,969)	Other Long Term Liabilities	39	(28,681)
<b>(23,479)</b>	<b>Long Term Liabilities</b>		<b>(34,213)</b>
<b>63,381</b>	<b>Net Assets</b>		<b>60,003</b>
22,862	Usable reserves	24	26,788
40,519	Unusable Reserves	25	33,215
<b>63,381</b>	<b>Total Reserves</b>		<b>60,003</b>

The financial statements were approved for issue on the 12<sup>th</sup> November 2021 by the Director of Resources.

## CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority.

31st March 2020 £000s		31st March 2021 £000s
433	Net surplus or (deficit) on the provision of services	(4,833)
4,689	Adjustments to net surplus or (deficit) on the provision of services for non-cash movements (Note 26)	12,821
(1,119)	Adjustments for items included in the net surplus or (deficit) on the provision of services that are investing and financing activities (Note 26)	899
4,003	Net cash flows from Operating Activities	8,887
(677)	Investing Activities (Note 27)	(805)
1,498	Financing Activities (Note 28)	(2,765)
4,824	Net increase or (decrease) in cash and cash equivalents	5,317
10,441	Cash and cash equivalents at the beginning of the reporting period	15,265
<b>15,265</b>	<b>Cash and cash equivalents at the end of the reporting period (Note 19)</b>	<b>20,582</b>

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	2019/20 Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure Chargeable to the General Fund Balance	2020/21 Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£000s	£000s	£000s		£000s	£000s	£000s
395	92	487	Chief Executive	361	41	402
2,226	2,297	4,523	Community and Environmental Services	4,778	7,498	12,276
1,751	274	2,025	Corporate Services	1,778	187	1,965
(2,644)	914	(1,730)	Housing Services	(355)	933	578
400	109	509	Regeneration and Policy	(161)	173	12
396	765	1,161	Regulatory Services	1,037	773	1,810
2,678	(403)	2,275	Resources	2,442	(511)	1,931
<b>5,202</b>	<b>4,048</b>	<b>9,250</b>	<b>Net Cost of Services</b>	<b>9,880</b>	<b>9,094</b>	<b>18,974</b>
(8,720)	(963)	(9,683)	Other income and expenditure	(13,184)	(958)	(14,142)
<b>(3,518)</b>	<b>3,085</b>	<b>(433)</b>	<b>(Surplus) / Deficit</b>	<b>(3,304)</b>	<b>8,136</b>	<b>4,832</b>
<b>(16,146)</b>			<b>Opening General Fund Balance</b>	<b>(19,664)</b>		
<b>(3,518)</b>			<b>Less/Plus Surplus or (Deficit) on General Fund Balance in Year</b>	<b>(3,304)</b>		
<b>(19,664)</b>			<b>Closing General Fund Balance at 31st March</b>	<b>(22,968)</b>		



## **1. ACCOUNTING POLICIES**

### **a) General principles**

The Statement of Accounts summarises the Council's transactions for the 2020/21 financial year and its position at the year-end of 31 March 2021. 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 2020/21* (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 Rates (NDR) income**

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including Government for NNDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (i.e. 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 Non Domestic Rates (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 2.0% (2.3% in 2019/20). 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 2020/2021 Code.

The standards introduced by the 2021/22 Code and relevant for additional disclosures that will be required in the 2020/21 financial statements are:

- Definition of a Business: Amendments to IFRS 3 Business Combinations
- Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7
- Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.

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

## **3. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY**

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Authority's balance sheet at 31 March 2021 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:



Item	Uncertainties	Effect if actual results differ from assumptions
Property, plant and equipment	Assets are depreciated on a straight line basis over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of an asset is reduced, depreciation increases and the carrying amount of the asset falls.  It is estimated that the annual depreciation charge for buildings would increase by £43,000 for every year that useful lives had to be reduced.
Provision for Insurance Claims	The Authority has made a provision for the settlement of insurance claims, based on the number of claims outstanding at the balance sheet date and the estimated settlement costs. It is not certain that all claims have been received by the authority (public liability claims must be made within three years of the accident or within three years of reaching the age of 18 in the case of claims involving children).	An increase of 10% in the total number of public liability claims would have the effect of adding £5,000 to the provision.  The Authority has an insurances reserve that is available to finance any unknown future liabilities incurred where the Council has not externalised the insurance cover.
Provision for Business Rates Appeals	Local authorities are liable for their proportionate share of successful appeals against business rates charged to businesses. A provision has been recognised for the best estimate of this amount up to 31st March 2021. 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 £154,000 to be set aside as an allowance for its' proportionate share.
Pensions Liability	The estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discounts used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	See Pension Note.
Arrears – Sundry Debtors	At 31 March 2021, the Authority had sundry debtor invoice arrears of £380k. A review of the arrears, based on the age of the debts and the likely levels of collection, suggested that an impairment allowance of £30k 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 £30,000 to be set aside as an allowance.
Arrears – Housing Benefit Overpayments	At 31 March 2020, the Authority had arrears of £790k 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 £68k 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 £57,000 to be set aside as an allowance.

<p>Fair Value Measurement</p>	<p>When the fair value of financial assets and liabilities cannot be measured based on quoted prices in active markets (Level 1 inputs), valuation techniques such as quoted process for similar assets in active markets or discounted cash flows are used. Where possible, the inputs to the valuation are based on observable data, but where this is not possible, judgement is required in establishing fair values. Changes in assumptions used could affect the fair value.</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 &amp; 16</p>	<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 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 on a straight Line Basis that depend on judgements such as the level of maintenance and improvements that will be undertaken and the economic consumption of the asset.

## **Leases**

The assets used by the waste collection contractor were previously reviewed to determine whether they meet the criteria for an embedded lease. The previous contract commenced in August 2012 and expired in August 2020. The depot used by the contractor is not solely used by this Authority so this did not meet the criteria for an embedded lease. However, for vehicles, it has been determined that under the previous contract conditions there was an embedded finance lease. This Lease ended at the end of the 2020/21 financial year and the vehicles have since been replaced with new ones acquired by the Council and these have been duly recognised in the Balance Sheet. In assessing the lease the Council estimated the implied interest rate within the lease to calculate interest and principal repayments. This principal has been defrayed in full.

Some Council lands are 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 2020/21, 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 30<sup>th</sup> July 2021. Events taking place after this date are not reflected in the financial statements or notes.

The Council is not aware of any events that occurred between the 31<sup>st</sup> March 2021 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.

**2020/21****Adjustments between Funding and Accounting Basis**

<b>Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts</b>	<b>Adjustments for Capital Purposes £000's</b>	<b>Net change for the Pensions Adjustments £000's</b>	<b>Other Differences £000's</b>	<b>Total Adjustments £000's</b>
Chief Executive	2	38	1	41
Community and Environmental Services	7,016	475	7	7,498
Corporate Services	6	170	11	187
Housing Services	875	55	3	933
Regeneration and Policy	118	51	4	173
Regulatory Services	607	156	10	773
Resources	65	(582)	6	(511)
<b>Net Cost of Services</b>	<b>8,689</b>	<b>363</b>	<b>42</b>	<b>9,094</b>
<b>Other income and expenditure from the Expenditure and Funding Analysis</b>	<b>(5,595)</b>	<b>417</b>	<b>4,220</b>	<b>(958)</b>
<b>Difference between General Fund (surplus) or deficit and Comprehensive Income and Expenditure Statement (Surplus) or Deficit on the Provision of Services</b>	<b>3,094</b>	<b>780</b>	<b>4,262</b>	<b>8,136</b>

**2019/20****Adjustments between Funding and Accounting Basis**

<b>Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts</b>	<b>Adjustments for Capital Purposes £000's</b>	<b>Net change for the Pensions Adjustments £000's</b>	<b>Other Differences £000's</b>	<b>Total Adjustments £000's</b>
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)
<b>Net Cost of Services</b>	<b>3,109</b>	<b>909</b>	<b>30</b>	<b>4,048</b>
<b>Other income and expenditure from the Expenditure and Funding Analysis</b>	<b>(2,308)</b>	<b>653</b>	<b>692</b>	<b>(963)</b>
<b>Difference between General Fund (surplus) or deficit and Comprehensive Income and Expenditure Statement (Surplus) or Deficit on the Provision of Services</b>	<b>801</b>	<b>1,562</b>	<b>722</b>	<b>3,085</b>

### **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:

<b>2019/20</b>		<b>2020/21</b>
<b>£000's</b>	<b>Expenditure/Income</b>	<b>£000's</b>
	<b>Expenditure</b>	
8,633	Employee benefits expenses	8,117
21,507	Other service expenses**	26,751
1,686	Depreciation, amortisation, impairment	6,791
227	Interest payments	224
1,610	Precepts and levies	1,741
<b>33,663</b>	<b>Total expenditure</b>	<b>43,624</b>
	<b>Income</b>	
(10,468)	Fees, charges and other service income	(8,117)
(183)	Interest and investment income	(107)
(10,443)	Income from council tax and non-domestic rates	(10,984)
(12,556)	Government grants and contributions*	(19,583)
(446)	Gain on disposal of assets	0
<b>(34,096)</b>	<b>Total income</b>	<b>(38,791)</b>
<b>(433)</b>	<b>(Surplus) / Deficit on the Provision of Services</b>	<b>4,833</b>

Key explanations of movement:

\* Note that in the 2020/21 Statement of Accounts, income from Council Tax and Non-Domestic Rates includes £4.4m of Section 31 grant awarded to Councils to compensate for income losses as a result of reliefs granted to retail, hospitality and leisure and nurseries. This amount is also reflected in Earmarked Reserves (note 23) and the Collection Fund Adjustment Account (note 24) as it will be transferred from the General Fund to the Collection Fund in 2021/22.

\* and \*\* The Council has also acted as a Principal administering and delivering Business Support Grants to local businesses with a value of approximately £4m as part of its local response to the Covid-19 pandemic.

## **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.

2020/21	General Fund £'000s	Capital Receipts £'000s	Capital Grants £'000s	Unusable Reserves £'000s
<b>Adjustments involving the Capital Adjustment Account:</b>				
<i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</i>				
Charges for depreciation and impairment of non-current assets	6,606			(6,606)
Amortisation of Intangible Assets	49			(49)
Reversal of previous impairments/revaluation losses	0			0
Capital grants and contributions applied	(1,495)		(1,075)	2,570
Revenue expenditure funded from capital under statute	2,033			(2,033)
Movement in fair value of investment properties	136			(136)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	0			0
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	(99)			99
Capital expenditure charged against the General Fund Balance	(3,462)			3,462
<b>Adjustments involving the Capital Grants Unapplied Account:</b>				
Capital grants and contributions unapplied credited to the CIES	(607)		2,101	(1,494)
<b>Movement in reserves during 2020/21</b>				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	0	0		0
Use of the Capital Receipts Reserve to finance new capital expenditure		(407)		407
<b>Adjustments involving the Financial Instrument Adjustment Account and Financial Instrument Revaluation Reserve</b>				
Premiums and Discounts	(111)			111
Movement in fair value of financial instruments	43			(43)
<b>Adjustments involving the Pensions Reserve:</b>				
Amount by which pension costs calculated in accordance with IAS19 are different from the contributions due under the pensions scheme regulations	780			(780)
<b>Adjustments involving the Collection Fund Adjustment Account:</b>				
Amount by which council tax and NDR income included in the CIES is different from the amount taken to the General Fund balance	4,220			(4,220)
<b>Adjustments involving the Accumulated Absences Account:</b>				
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration payable in the year	44			(44)
<b>Total Adjustments</b>	<b>8,137</b>	<b>(407)</b>	<b>1,026</b>	<b>(8,756)</b>

2019/20

	General Fund £'000s	Capital Receipts £'000s	Capital Grants £'000s	Unusable Reserves £'000s
<b>Adjustments involving the Capital Adjustment Account:</b>				
<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
<b>Adjustments involving the Capital Grants Unapplied Account:</b>				
Capital grants and contributions unapplied credited to the CIES	(530)		530	0
<b>Movement in reserves during 2019/20</b>				
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
<b>Adjustments involving the Financial Instrument Adjustment Account and Financial Instrument Revaluation Reserve</b>				
Premiums and Discounts	(111)			111
Movement in fair value of financial instruments	43			(43)
<b>Adjustments involving the Pensions Reserve:</b>				
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)
<b>Adjustments involving the Collection Fund Adjustment Account:</b>				
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)
<b>Adjustments involving the Accumulated Absences Account:</b>				
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration payable in the year	30			(30)
<b>Total Adjustments</b>	<b>3,085</b>	<b>18</b>	<b>15</b>	<b>(3,118)</b>



## **10. OTHER OPERATING EXPENDITURE**

2019/20 £'000s		2020/21 £'000s
1,610	Parish Precepts	1,741
(446)	Gains (losses) on the disposal of non-current assets	0
<b><u>1,164</u></b>		<b><u>1,741</u></b>

## **11. FINANCING AND INVESTMENT INCOME AND EXPENDITURE**

2019/20 £'000s		2020/21 £'000s
224	Interest payable on debt	224
3	Interest element of finance lease	0
653	Net interest on the pensions net defined benefit liability	417
(183)	Interest receivable and similar income	(86)
(101)	Income and expenditure in relation to investment properties	(101)
(67)	Movement in fair value of investment property	136
43	Movement in fair value of financial instruments	43
<b><u>572</u></b>		<b><u>633</u></b>

## **12. TAXATION AND NON SPECIFIC GRANT INCOME**

<b>2019/20</b>		<b>2020/21</b>
<b>£'000s</b>		<b>£'000s</b>
7,724	Council tax income	8,059
2,193	Non-domestic rates distribution	2,925
	<i>Non-Ringfenced Grants:</i>	
520	New Homes Bonus	631
401	Rural Services Delivery Grant	401
0	Covid-19 Emergency Local Authority Funding	938
0	Covid-19 Sales, Fees & Charges Grant	896
51	Other Non-ringfenced grants	564
530	Disabled Facilities Grants	607
0	Capital grants and contributions	1,495
<b><u>11,419</u></b>		<b><u>16,516</u></b>

### 13. PROPERTY, PLANT AND EQUIPMENT

<b>Property, Plant and Equipment 31st March 2021</b>	Land and Buildings £'000s	Vehicles, Plant, Equipment £'000s	Community Assets £'000s	Infrastructure Assets £'000s	Surplus Assets £'000s	Total £'000s
-						
<b>Cost or Valuation</b>						
1st April 2020	58,761	5,518	6,562	2,784	187	73,812
Adjustments		2,546		3		2,549
<b>Opening Balance</b>	<b>58,761</b>	<b>8,064</b>	<b>6,562</b>	<b>2,787</b>	<b>187</b>	<b>76,361</b>
Additions	95	2,672	48	21	0	2,836
Accumulated Depreciation & Impairment written off to gross carrying amount	(1,015)				(30)	(1,045)
Revaluation increases/(decreases) to Revaluation Reserve	10,739	0	20	0	60	10,819
Revaluation increases/(decreases) to (Surplus)/Deficit on provision of services	(4,873)	0	0	0	(27)	(4,900)
Derecognition - Disposals Lease Vehicles	0	(23) 509	0	0	0	(23) 509
<b>31st March 2021</b>	<b>63,707</b>	<b>11,222</b>	<b>6,630</b>	<b>2,808</b>	<b>190</b>	<b>84,557</b>
<b>Accumulated Depreciation and Impairment</b>						
1st April 2020	1,780	6,431	0	771	0	8,982
Depreciation Charge	1,106	400	0	57	32	1,596
Depreciation written out to the Revaluation Reserve	(890)	0	0	0	(30)	(920)
Accumulated Impairment Written off to gross carrying amount	(125)					(125)
Derecognition - Disposals	0	(13)			0	(13)
<b>31st March 2021</b>	<b>1,872</b>	<b>6,818</b>	<b>0</b>	<b>828</b>	<b>3</b>	<b>9,520</b>
<b>Net Book Value</b>						
<b>31st March 2021</b>	<b>61,836</b>	<b>4,404</b>	<b>6,630</b>	<b>1,980</b>	<b>188</b>	<b>75,037</b>
<b>31st March 2020</b>	<b>56,981</b>	<b>1,633</b>	<b>6,562</b>	<b>2,017</b>	<b>187</b>	<b>67,380</b>

<b>Property, Plant and Equipment 31st March 2020</b>	Land and Buildings £'000s	Vehicles, Plant, Equipment £'000s	Community Assets £'000s	Infrastructure Assets £'000s	Surplus Assets £'000s	Total £'000s
-						
<b>Cost or Valuation</b>						
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)
<b>31st March 2020</b>	<b>58,761</b>	<b>8,064</b>	<b>6,562</b>	<b>2,787</b>	<b>187</b>	<b>76,361</b>
<b>Accumulated Depreciation and Impairment</b>						
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)
<b>31st March 2020</b>	<b>1,780</b>	<b>6,431</b>	<b>0</b>	<b>770</b>	<b>0</b>	<b>8,981</b>
<b>Net Book Value</b>						
<b>31st March 2020</b>	<b>56,981</b>	<b>1,633</b>	<b>6,562</b>	<b>2,017</b>	<b>187</b>	<b>67,380</b>
<b>31st March 2019</b>	<b>54,413</b>	<b>2,250</b>	<b>6,560</b>	<b>2,073</b>	<b>207</b>	<b>65,503</b>

## 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 once every five years. For the year ending 31 March 2021 the Council revalued more than 50% of properties, including the Town Hall 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 Surveyor's Red Book. 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 provided by the valuer.

	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						0
Valued at fair value as at:						
31st March 2021	28,614				168	28,782
31st March 2020	8,603				19	8,622
31st March 2019	11,805					11,805
31st March 2018	10,812					10,812
31st March 2017	2,002					2,002
	61,836	0	0	0	187	62,023

## 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:

2019/20 £'000s		2020/21 £'000s
(101)	Rental income from investment property	(101)
<u>(101)</u>	<b>Net (gain) / loss</b>	<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:

2019/20 £'000s		2020/21 £'000s
<b>1,519</b>	<b>Balance at 1 April</b>	<b>1,586</b>
67	Net gains / (losses) from fair value adjustments	(136)
<u><b>1,586</b></u>	<b>Balance at 31 March</b>	<u><b>1,450</b></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.

2019/20 Significant unobservable inputs (Level 3) £000	Recurring fair value measurements:	2020/21 Significant unobservable inputs (Level 3) £000
1,586	Retail Ground Leases	1,450
<b>1,586</b>	<b>Total</b>	<b>1,450</b>

### 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.

2019/20 £'000s		2020/21 £'000s
	<b>Balance at 1 April:</b>	
259	Gross Carrying Amounts	398
0	Amount reclassified *	(30)
259	Adjusted Gross Carrying Amount	368
(163)	Accumulated amortisation	(191)
0	Amount reclassified *	23
(163)	Adjusted Accumulated Amortisation	(168)
<b>96</b>	<b>Net carrying amount at 1 April</b>	<b>200</b>
139	Additions	69
(28)	Amortisation for the period	(70)
<b>207</b>	<b>Net carrying amount at 31 March</b>	<b>199</b>
	Comprising:	
398	Gross carrying amounts	437
(191)	Accumulated amortisation	(238)

## **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	
	2019/20 £'000	2020/21 £'000	2019/20 £'000	2020/21 £'000	2019/20 £'000	2020/21 £'000	2019/20 £'000	2020/21 £'000
<b>Amortised Cost</b>								
Principal	0	0	0	0	3,000	0	1,189	1,225
Accrued Interest	0	0	0	0	9	0	0	0
Lease receivables	0	0	0	0	0	0	10	0
Cash and cash equivalents	0	0	0	0	15,264	20,582	0	0
Accrued Interest	0	0	0	0	1	0	0	0
<b>Total amortised costs</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>18,274</b>	<b>20,582</b>	<b>1,199</b>	<b>1,225</b>
<b>Fair value through other Comprehensive Income</b>	888	845	0	0	0	0	0	0
<b>Accrued Interest</b>	10	0	0	0	0	0	0	0
<b>Total financial assets</b>	<b>898</b>	<b>845</b>	<b>0</b>	<b>0</b>	<b>18,274</b>	<b>20,582</b>	<b>1,199</b>	<b>1,225</b>
Non financial assets	69,173	80,905	0	0	0	0	4,472	13,652
<b>Total financial assets</b>	<b>70,071</b>	<b>81,750</b>	<b>0</b>	<b>0</b>	<b>18,274</b>	<b>20,582</b>	<b>5,671</b>	<b>14,877</b>

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	
	2019/20 £'000	2020/21 £'000	2019/20 £'000	2020/21 £'000	2019/20 £'000	2020/21 £'000	2019/20 £'000	2020/21 £'000
<b>Amortised Cost</b>								
Principal	5,450	5,450	0	0	0	0	632	2,385
Accrued interest	0	0	0	0	6	6	0	0
Finance leases	0	0	0	0	0	0	0	0
<b>Total Amortised Costs</b>	<b>5,450</b>	<b>5,450</b>	<b>0</b>	<b>0</b>	<b>6</b>	<b>6</b>	<b>632</b>	<b>2,385</b>
<b>Fair value through other Comprehensive Income</b>	0	0	0	0	0	0	0	0
<b>Total financial liabilities</b>	<b>5,450</b>	<b>5,450</b>	<b>0</b>	<b>0</b>	<b>6</b>	<b>6</b>	<b>632</b>	<b>2,385</b>
Non financial liabilities	18,029	28,763	0	0	0	0	6,518	16,396
<b>Total financial liabilities</b>	<b>23,479</b>	<b>34,213</b>	<b>0</b>	<b>0</b>	<b>6</b>	<b>6</b>	<b>7,150</b>	<b>18,781</b>

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 2021 of £845K. 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	2019/20	2020/21
	Surplus or Deficit on the Provision of Services £'000	Surplus or Deficit on the Provision of Services £'000
<b>Net gains/losses</b>		
Financial assets measured at fair value through profit and loss	43	43
<b>Total net gains/losses</b>	<b>43</b>	<b>43</b>
Interest revenue from financial assets valued at amortised cost	(183)	(87)
Interest expense for financial assets valued at amortised cost	228	224
<b>Total expense</b>	<b>45</b>	<b>137</b>

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.

<b>Financial assets measured at fair value</b>				
<b>Recurring fair value measurements</b>	<b>Input level in fair value hierarchy</b>	<b>Valuation technique used to measure fair value</b>	<b>2019/20 £'000</b>	<b>2020/21 £'000</b>
CCLA Property Fund	Level 1	Unadjusted quoted prices in active markets for identical shares	898	845

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 31<sup>st</sup> March. No early repayment or impairment has been recognised.

	<b>2019/20</b>		<b>2020/21</b>	
	<b>Carrying amount £'000</b>	<b>Fair value £'000</b>	<b>Carrying amount £'000</b>	<b>Fair value £'000</b>
Trade debtors	1,199	1,199	1,225	1,225
Cash and cash equivalents	15,265	15,265	20,582	20,582
Short term investments	3,009	3,009	-	-
	<b>19,473</b>	<b>19,473</b>	<b>21,807</b>	<b>21,807</b>

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

<b>Financial liabilities measured at fair value</b>				
<b>Financial Liabilities</b>	<b>2019/20</b>		<b>2020/21</b>	
	<b>Carrying amount £'000</b>	<b>Fair value £'000</b>	<b>Carrying amount £'000</b>	<b>Fair value £'000</b>
<b>Held at amortised cost:</b>				
Long term PWLB loans	5,450	8,093	5,450	8,440
Lease payables	-	-	-	-
Trade creditors	632	632	2,385	2,385
Short term borrowing	6	6	6	6
	<b>6,088</b>	<b>8,731</b>	<b>7,841</b>	<b>10,831</b>

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:

2020/21 Credit rating	Long-term £000's	Short-term £000's	
A+			0
Central Government			0
Credit risk not applicable		845	
<b>Total Financial Assets</b>		<b>845</b>	<b>0</b>

### 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 change in interest received of £165,820.

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 31<sup>st</sup> March 2021 would result in a £42,500 (2020: £43,694) 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
<b>Caddy Liners</b>				
2019/20	25	17	(19)	23
2020/21	23	21	(31)	13

## **18. DEBTORS**

2019/20 £'000s		2020/21 £'000s
1,198	Trade Debtors	1,225
215	Council Tax Payers - Derbyshire Dales share	334
731	Business Ratepayers Derbyshire Dales share	522
3,504	Other Entities and Individuals	12,796
<b>5,648</b>		<b>14,877</b>

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

## **19. CASH AND CASH EQUIVALENTS**

2019/20 £'000s		2020/21 £'000s
3,264	Cash and Bank	4,582
9,000	Money Market Funds	16,000
3,001	Local Authorities	0
0	UK Government	0
<b>15,265</b>		<b>20,582</b>

## **20. ASSETS HELD FOR SALE**

At the 31<sup>st</sup> March 2021 the Council had no assets meeting the definition of Held for Sale.

## **21. CREDITORS**

2019/20 £'000s		2020/21 £'000s
632	Trade Creditors	2,385
109	Council Tax	149
54	Business Rates	143
5,267	Other Entities and Individuals	14,569
<b>6,062</b>		<b>17,246</b>

## **22. PROVISIONS**

	Long Term Insurances £'000s	Short Term NDR Appeals £'000s	Total £'000s
<b>1st April 2019</b>	<b>54</b>	<b>362</b>	<b>416</b>
Additional provisions made in 2019/20	15	772	<b>787</b>
Amounts used in 2019/20	(9)	(46)	<b>(55)</b>
<b>31st March 2020</b>	<b>60</b>	<b>1,088</b>	<b>1,148</b>
Additional provisions made in 2020/21	37	732	<b>769</b>
Amounts used in 2020/21	(15)	(285)	<b>(300)</b>
<b>31st March 2021</b>	<b>82</b>	<b>1,535</b>	<b>1,617</b>

### **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.

The Council has also received a new insurance claim during 2020/21 attributable to the now defunct Matlock Urban District Council, an organisation who no longer exist and was replaced by the District Council in 1974. The contents of this claim are sensitive in nature, but there is a probability that a settlement will be made. Accordingly a provision has been made at the value of £32k as advised by external solicitors acting on the Council's behalf.

### **NDR Backdated Appeals**

The Council is carrying a provision of £1.535m (£1.088m in 2019/20) 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 2020/21.

	<b>Balance at 1st April 2020 £'000s</b>	<b>Receipts in year £'000s</b>	<b>Payments in year £'000s</b>	<b>Balance at 31st March 2021 £'000s</b>	<b>Movement 2020/21 £'000s</b>	<b>Movement 2019/20 £'000s</b>
<b>-</b>						
<b>Balances Held not Specifically Relating to Covid-19</b>						
Business Rate						
Fluctuations	760		(44)	716	(44)	(336)
Capital Programme	1,807		(97)	1,710	(97)	(1,183)
Carsington						
Improvements	33			33	0	0
Committed Expenditure	171	242	(78)	335	164	(99)
Corporate Plan Priority						
Reserve	0	201		201	201	0
Customer Innovation						
Project	279		(126)	153	(126)	(92)
Economic Development	298	29	(47)	280	(18)	25
Elections	98	30		128	30	(60)
Funding Uncertainties	491	17		508	17	491
Information Technology	422	12	(62)	372	(50)	(16)
Insurances	465			465	0	0
Investment Fund	565		(2)	563	(2)	0
Job Evaluation	150			150	0	0
Local Plan	208	50	(52)	206	(2)	50
Member / Officer						
Indemnity	25			25	0	0
Revenue Grants						
Unapplied (Non-Covid)	8,090	1,874	(1,559)	8,405	315	2,534
Vehicle Renewals	590	150	(167)	573	(17)	(399)
Ward Member Budgets	0			0	0	(36)
Waste Fluctuations						
Reserve	712		(157)	555	(157)	300
Waste Vehicle Reserve	2,500		(2,497)	3	(2,497)	2,500
<b>Total</b>	<b>17,664</b>	<b>2,605</b>	<b>(4,888)</b>	<b>15,381</b>	<b>(2,283)</b>	<b>3,679</b>

<b>Balances Held Specifically Relating to Covid-19</b>						
COVID Funding Reserve	0	608		608	608	0
				0	0	
Balances held in Revenue Grants Unapplied:				0	0	
Discretionary Business Support Grants (ARG)	0	642		642	642	0
Track & Trace	0	47		47	47	0
NNDR Section 31 relief for Expanded Retail Discount and Nursery Discount	0	4,140		4,140	4,140	0
Compliance & Enforcement Grant and DCC Contribution	0	73		73	73	0
Council Tax Income Guarantee Compensation	0	77		77	77	0
<b>Total</b>	<b>0</b>	<b>5,587</b>	<b>0</b>	<b>5,587</b>	<b>5,587</b>	<b>0</b>
<b>Grand Total</b>	<b>17,664</b>	<b>8,192</b>	<b>(4,888)</b>	<b>20,968</b>	<b>3,304</b>	<b>3,679</b>

Business Rate Section 31 grants of £4,140,808 was received by the Council during 2020/21 to compensate for the loss of Business Rate Income as a result of the extended rate relief given to retail, hospitality and leisure businesses and nursery providers to support them through the pandemic. The legislation that governs Collection Fund Accounting means the related deficit as a result of the loss of Business Rate income in year will not be charged to the Council's General Fund until 2021/22 but is recognised in the Collection Fund Adjustment Account during 2020/21. As a result, this balance has been transferred to Revenue Grants Unapplied to be drawn down to offset the deficit in 2021/22. This funding is not available for any other use. The Council Tax Income Guarantee compensation of £77,234 similarly compensates the Council for income losses which would otherwise be recognised in 2021/22, and is not available for any other use

Reserves are held for the following purposes:

<b>Reserve</b>	<b>Purpose</b>
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.
Covid Funding Reserve	To provide funding for future pressures relating to or resulting from Covid 19.
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 for vehicles 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:

<b>2019/20 £'000s</b>		<b>2020/21 £'000s</b>
	<u>Revenue Accounts</u>	
2,000	General Fund	2,000
	<u>Earmarked Reserves</u>	
2,397	Capital	2,286
15,267	Revenue	18,682
<b>17,664</b>		<b>20,968</b>
	<u>Other</u>	
2,962	Capital Receipts Reserve	2,555
236	Capital Grants Unapplied	1,261
<b>22,862</b>	<b>Total Usable Reserves</b>	<b>26,784</b>

## **25. UNUSABLE RESERVES**

<b>2019/20 £'000s</b>		<b>2020/21 £'000s</b>
38,628	Capital Adjustment Account	35,696
24,559	Revaluation Reserve	35,096
(3,993)	Financial Instruments Adjustment Account	(3,882)
(17,969)	Pensions Reserve	(28,681)
(524)	Collection Fund Adjustment Account	(4,744)
(112)	Financial Instruments Revaluation	(155)
(70)	Accumulated Absences Reserve	(114)
<b>40,519</b>	<b>Total Unusable Reserves</b>	<b>33,216</b>

### **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.

2019/20 £'000s		2020/21 £'000s
39,024	<b>Balance at 1 April</b>	<b>38,628</b>
	Reversal of Items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(1,727)	Charges for depreciation and impairment of non-current assets	(6,606)
(28)	Amortisation of intangible assets	(49)
67	Movement in fair value of investment properties	(136)
(1,356)	Revenue expenditure funded from capital under statute	(2,033)
(142)	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	0
(3,186)		(8,824)
408	Historic Cost depreciation transfer from Revaluation Reserve	619
98	Revaluation Reserve balances written off on disposed assets	12
0	Adjustment between Revaluation Reserve and Capital Adjustment Account	(9,582)
0	Movement in Fixed Assets recognised in year	9,800
(2,680)	Net written out amount of the cost of non-current assets consumed in the year	(7,975)
	Capital financing applied in the year:	
571	Use of the Capital Receipts Reserve to finance new capital expenditure	407
515	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	1,075
248	Statutory provision for the financing of capital investment charged against the General Fund Balance	99
950	Capital expenditure charged against General Fund balances	3,462
2,284		5,043
0	Movements in the market value of investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	0
<b><u>38,628</u></b>	<b>Balance at 31 March</b>	<b><u>35,696</u></b>

## 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.

2019/20 0 £'000s		2020/21 1 £'000s
<b>21,860</b>	<b>Balance at 1 April</b>	<b>24,559</b>
3,664	Upward revaluation of assets	3,619
(459)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(2,033)
3,205	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	1,586
(408)	Difference between fair value depreciation and historical cost depreciation	(619)
(98)	Accumulated gains on assets sold or scrapped	(12)
(506)	Adjustment between Revaluation Reserve and Capital Adjustment Account	9,582
(506)	Amount written off to Capital Adjustment Account	8,951
<b><u>24,559</u></b>	<b>Balance at 31 March</b>	<b><u>35,096</u></b>

## 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.

2019/20 £'000s		2020/21 £'000s
(4,104)	<b>Balance at 1 April</b>	(3,993)
111	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	111
<u>(3,993)</u>	<b>Balance at 31 March</b>	<u>(3,882)</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.

2019/20 £'000s		2020/21 £'000s
(26,726)	<b>Balance at 1 April</b>	(17,969)
10,319	Remeasurements of net defined liability	(9,932)
(3,110)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(2,316)
1,548	Employer's pensions contributions payable in the year	1,536
<u>(17,969)</u>	<b>Balance at 31 March</b>	<u>(28,681)</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.

2019/20 £'000s		2020/21 £'000s
<b>169</b>	<b>Balance at 1 April</b>	<b>(524)</b>
	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		(177)
	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)		(4,043)
<b>(524)</b>	<b>Balance at 31 March</b>	<b>(4,744)</b>

As highlighted previously the balance as at 31st March 2021 includes the deficit of the Councils share of the Collection Fund. Central Government awarded Section 31 grant to Councils to offset this deficit which was recognised in the General Fund in 2020/21, but won't be recognised in the Collection Fund until 2021/22. In 2021/22 this will be transferred from the Collection Fund Adjustment Account to the General Fund, and will be offset with the release from Earmarked Reserves.

## 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.



2019/20 £'000s		2020/21 £'000s
(69)	<b>Balance at 1 April</b>	(112)
(43)	Movement of Financial Instruments held under fair value through Profit and Loss	(43)
<u>(112)</u>	<b>Balance at 31 March</b>	<u>(155)</u>

### 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.

2019/20 £'000s		2020/21 £'000s
(41)	<b>Balance at 1 April</b>	(70)
41	Settlement or cancellation of accrual made at the end of the preceding year	70
(70)	Amounts accrued at the end of the current year	(114)
<u>(70)</u>	<b>Balance at 31 March</b>	<u>(114)</u>

## **26. CASH FLOW STATEMENT – OPERATING ACTIVITIES**

The cash flows for operating activities include the following items:

2019/20 £'000s		2020/21 £'000s
143	Interest received	76
(339)	Interest paid	(224)
41	Dividends received	30

(155) Total

(118)

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

2019/20 £'000s		2020/21 £'000s
0	Proceeds from short-term and long-term investments	3,000
(588)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	0
(531)	Any other items for which the cash effects are investing or financing cash flows	(2,101)
<u>(1,119)</u>	<b>Total</b>	<u>899</u>

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

2019/20 £'000s		2020/21 £'000s
1,885	Depreciation	1,706
(158)	Impairment and revaluations	4,900
28	Amortisation	49
828	Increase/Decrease in Creditors excl. investment and financing	4,836
(308)	Increase/Decrease in Debtors excl. investment and financing	(131)
2	Increase/Decrease in Inventories	10
1,562	Movement in Pension Liability	780
142	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	23
708	Other non-cash items charged to the net surplus or deficit on the provision of services	648
<u>4,689</u>	<b>Total</b>	<u>12,821</u>

## **27. CASH FLOW STATEMENT – INVESTING ACTIVITIES**

2019/20 £'000s		2020/21 £'000s
(791)	Purchase of property, plant and equipment, investment property and intangible assets	(2,984)
(1,001)	Purchase of short-term and long-term investments	0
0	Other Payments for investing activities	0
588	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	0
527	Other receipts from investing activities	2,179
<b><u>(677)</u></b>	<b>Net cash flows from investing activities</b>	<b><u>(805)</u></b>

## **28. CASH FLOW STATEMENT – FINANCING ACTIVITIES**

2019/20 £'000s		2020/21 £'000s
(151)	Cash payments for the reduction of a finance lease liability	0
1,649	Other payments for financing activities	(2,765)
<b><u>1,498</u></b>	<b>Net cash flows from financing activities</b>	<b><u>(2,765)</u></b>

## **29. ACQUIRED AND DISCONTINUED OPERATIONS**

The Authority has no operations that have been acquired or discontinued in 2019/20 or 2020/21.

## **30. AGENCY SERVICES**

The Council operates as an agent for Derbyshire County Council in respect of verge mowing. In 2020/21 the expenditure was £199,000. In 2019/20 expenditure was £197,000.

In 2020/21 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:

2019/20 £'000s		2020/21 £'000s
40	Audit Fee	36
6	Housing Benefits assurance work	8
<b>46</b>	<b>Total Fees</b>	<b>44</b>

### **32. MEMBERS' ALLOWANCES**

Members allowances paid during 2020/2021 amounted to £234,000 (2019/20 £226,000). In addition, travel expenses amounting to less than £1,000 were paid (2019/20 £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	
	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20 £'000s	2020/21 £'000s
£0 - £20,000	0	0	1	2	1	2	1	1
<b>Total</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>2</b>	<b>1</b>	<b>2</b>	<b>1</b>	<b>1</b>

### **34. OFFICERS' REMUNERATION**

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

<b>Post Holder</b>		<b>Salary, Fees and Allowances £</b>	<b>Benefits in Kind £</b>	<b>Employer's Pension Contributions £</b>	<b>Total Remuneration £</b>
<b>Chief Executive *</b>					
	2020/21	114,171	-	15,650	129,821
	2019/20	103,011	-	13,910	116,921
<b>Director of Resources*</b>					
	2020/21	75,665	-	10,798	86,463
	2019/20	72,551	-	9,790	82,341
<b>Director of Regeneration &amp; Policy*</b>					
	2020/21	69,641		9,756	79,397
	2019/20	65,602	-	8,845	74,447
<b>Director of Corporate Services*</b>					
	2020/21	24,687	-	2,060	26,747
	2020/21	39,786	-	5,808	45,594
	2019/20	65,885	-	8,858	74,743
<b>Director of Regulatory Services</b>					
	2020/21	66,253	-	9,556	75,809
	2019/20	63,052	-	8,448	71,500
<b>Director of Community &amp; Environmental Services</b>					
	2020/21	67,145	-	9,799	76,944
	2019/20	66,332	-	8,944	75,276
<b>Director of Housing</b>					
	2020/21	54,807	-	8,002	62,809
	2019/20	53,476	-	7,220	60,696

The Director of Corporate Services retired on 9/8/2021 & was replaced on 10/8/2021.

\* Payments for undertaken leave due to additional workloads in response to the Covid pandemic were made to these members of staff during 2020/21.

The Council has the following other employees whose remuneration exceeded £50,000 excluding employer's pension contributions, during the 2020/21 financial year.

	2019/20	2020/21
Remuneration		
£50,000 to £54,999	0	3
	<u>0</u>	<u>3</u>

### **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:

2019/20 £'000s		2020/21 £'000s
	<b>Credited to Taxation and Non specific Grant Income</b>	
401	Revenue Support Grant (inc Rural Services Delivery Grant)	401
520	New Homes Bonus	631
530	Disabled Facilities Grants	607
4,011	Retained Business Rates	5,922
35	EU Exit Preparation Grant	0
16	Flooding	3
0	Covid 19 New Burdens Funding	399
0	Covid 19 Emergency Local Authority Funding	938
0	Covid Sales, Fees & Charges Grant	896
0	Council Tax Income Guarantee Scheme	77
0	New Burdens Funding	85
0	Recognised Capital Grants & Contributions	1,495
<b>5,513</b>		<b>11,454</b>
	<b>Credited to Services</b>	
	<i>Government Grants</i>	
10,625	Rent Allowances	10,199
81	Discretionary Housing Payments	104
183	Housing and Council Tax Benefits Administration	189
147	NNDR Cost of Collection	147
244	Elections Grants	13
31	IER Grant	15
56	New Burdens	43
74	Homelessness Grants	94
15	Custom Build Grant	0

0	NRLF Leisure Grant	118
12	LADS Programme	0
0	Compliance & Enforcement Grant	27
16	DHP - Universal Credit	0
20	Neighbourhood Planning	60
68	DEFRA Waste Management Grant	0
0	Reopening the High Street	58
0	COVID 19 Discretionary Business Grants	4,036
0	COVID 19 Self Isolation Payments	31
0	COVID 19 Council Tax Hardship Fund	338
0	COVID 19 Track & Trace	54
	<i>Other Contributions</i>	
36	Contributions towards Sports Development/Active Lifestyles	37
41	Contributions towards Community Safety	25
115	Contribution - Housing	266
1,000	Derbyshire County Council Recycling Credits	966
8	Contribution towards salary for Recycling Advisor	5
365	Derbyshire County Council Homelessness Grants	305
0	Derbyshire County Council contribution to Compliance & Enforcement	50
3,018	Section 106 Agreements	1,122
18	Central Area Workspace Study	0
25	D2N2 Growth Hub	25
0	SCR Launchpad	0
51	Insurance Claims	1
23	<i>Grants and contributions that were individually below £10,000</i>	35
<hr/>		<hr/>
16,272		18,363
<hr/>		<hr/>
<b>21,785</b>	<b>Total of all grants, contributions and donations</b>	<b>29,817</b>

### **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.

2019/20 £'000s		2020/21 £'000s
<b>5,898</b>	<b>Opening Capital Financing Requirement</b>	<b>5,651</b>
	<b>Capital Investment</b>	
678	Property, Plant and Equipment	2,911
1,356	Revenue expenditure Funded from capital	2,033
0	Adjustment for asset acquired at less than fair value	0
	<b>Sources of finance</b>	

(570)	Capital receipts	(407)
(514)	Other grants and contributions	(1,075)
(950)	Direct revenue contributions	(3,462)
(247)	Minimum revenue provision	(99)
<b>5,651</b>	<b>Closing Capital Financing Requirement</b>	<b>5,552</b>
	<b>Explanation of movements in year</b>	
	Increase /( Decrease) in underlying need to borrow (unsupported by government financial assistance)	
(247)		(99)
<b>(247)</b>	<b>Increase / (Decrease) in Capital Financing Requirement</b>	<b>(99)</b>

### **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 2020/21 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 2020/21 the following payments were made to the organisations in which members have an interest:

Monsal Head community toilets (£4,000)  
 Knowledge Nutters (£10,000)  
 Cavendish fields sports association (£1,166)

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

A small number of related party disclosures have not been received from Members. Efforts are ongoing to obtain this information before the Final Statement of Accounts is published.

**Members of the Corporate Leadership Team (CLT)** were also asked to disclose any relevant interests; The spouse of a member of CLT works for Nottingham Community Housing Association (NCHA) as a Project Manager in the Housing Development Team. The Council provides capital grant to NCHA for the development of affordable housing within the district. There have been no specific payments to projects being worked on by the spouse, though other payments have been made for other schemes with NCHA, managed by other staff at NCHA, specifically £0.570m grant for a scheme in Darley Dale and £80,000 for a scheme in Bakewell. The Council also entered into a contract with NCHA to provide development services leading to a new supply of Council Housing. The spouse has extensive knowledge of housing issues in the



district and is working on several sites for the Council programme. Development opportunities are emerging but the spouse is line managed by a Development Manager at NCHA and the programme itself is subject to the usual internal processes of NCHA associated with Homes England grant. In recognition of this relationship, the Officer does not present any reports to Committee relating to NCHA, instead the Rural Housing Enabler takes such reports.

### **38. LEASES**

#### **Derbyshire Dales District Council as Lessee**

##### **Finance leases**

The Council currently has no finance leases. The Council has recently decided to purchase Waste vehicles outright instead of by lease arrangement, with replacement vehicles purchased during 2020/21.

##### **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:

2019/20 £000's		2020/21 £000's
128	Not later than one year	125
451	Later than one year and not later than five years	471
5,997	Later than five years	6,479
<hr/> <u>6,576</u>		<hr/> <u>7,075</u>

The expenditure charged to the relevant services line in the Comprehensive Income and Expenditure Statement during the year was £nil with the final payments being made in 2019/20, (2019/20 £135,000).

#### **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 2020 £000's		31st March 2021 £000's
232	Not later than one year	208
767	Later than one year and not later than five years	735
7,527	Later than five years	6,725
<hr/> 8,526 <hr/>		<hr/> 7,668 <hr/>

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:

2019/20 £000s	Comprehensive Income and Expenditure Statement	2020/21 £000s
	<i>Service Cost</i>	
2,457	Current service cost	1,899
0	Past service cost (including curtailments)	0
0	Effect of Settlements	0
<hr/> 2,457	<b>Total Service Costs</b>	<hr/> 1,899
	<i>Financing and Investment income and Expenditure</i>	
(1,370)	Interest Income on plan assets	(1,301)

2,023	Interest cost on defined benefit obligation	1,718
<b>653</b>	<b>Total Net Interest</b>	<b>417</b>
<hr/>		
<b>3,110</b>	<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>2,316</b>
<i>Remeasurements of the Net Defined Liability Compromising</i>		
1,424	Return on plan assets excluding amounts included in net interest	(10,534)
(6,780)	Actuarial Losses arising from changes in financial assumptions	19,965
(3,027)	Actuarial Losses arising from changes in demographic assumptions	1,195
(1,936)	Other	(694)
<b>(10,319)</b>	<b>Total remeasurements recognised in other comprehensive income</b>	<b>9,932</b>
<hr/>		
<b>(7,209)</b>	<b>Total Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement</b>	<b>12,248</b>
<b>Movement in Reserves Statement</b>		
(3,110)	Reversal of net charges made to the Surplus or Deficit for the Provision of Services	(2,316)
<b>1,548</b>	<b>Employer's contributions payable to scheme</b>	<b>1,536</b>

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

2019/20 £000s		2020/21 £000s
(56,776)	Fair Value of employer assets	(68,261)
73,751	Present value of funded liabilities	95,887
994	Present value of unfunded liabilities	1,055
<b>17,969</b>	<b>Net Liability Arising from Defined Benefit Obligation</b>	<b>28,681</b>

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 31<sup>st</sup> March 2021.

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

2019/20 £000s		2020/21 £000s
83,794	Opening fair value of scheme liabilities	74,745
2,457	Current service cost	1,899
0	Past Service Cost	0
0	Effect of Settlements	0
2,023	Interest cost	1,718
353	Contributions from scheme participants	370
	<b>Remeasurement gain</b>	
(6,780)	Actuarial Losses arising from changes in financial assumptions	19,965
(3,027)	Actuarial Losses arising from changes in demographic assumptions	1,195
(1,936)	Other	(694)
(2,139)	Benefits Paid	(2,256)
<b>74,745</b>	<b>Closing Fair Value of Scheme Liabilities</b>	<b>96,942</b>

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

2019/20 £000s		2020/21 £000s
57,068	Opening Fair value of scheme assets	56,776
1,370	Interest Income	1,301
0	Effect of Settlements	0
(1,424)	Return on plan assets excluding amounts included in net interest	10,534
1,548	Contributions from employer	1,536
353	Contributions from employees into the scheme	370
(2,139)	Benefits paid	(2,256)
<b>56,776</b>	<b>Closing Fair Value of Scheme Assets</b>	<b>68,261</b>

Pension Scheme Assets Comprised:

Asset Category	31st March 2021			Percentage of Total Assets
	Quoted Prices in Active Markets £'000	Quoted Prices not in active markets £'000	Total £'000	
<b>Equity Securities:</b>				
Consumer	1,156	-	1,156	2%
Manufacturing	673	-	673	1%
Energy and Utilities	245	-	245	0%
Financial Institutions	516	-	516	1%
Health and Care	605	-	605	1%

Information Technology	937	-	937	1%
Other	13,726	-	13,726	20%
<b>Debt Securities:</b>				
Corporate Bonds (investment Grade)	-	8,879	8,879	13%
UK Government	5,755	-	5,755	8%
Other	1,222	-	1,222	2%
<b>Private Equity:</b>				
All	1,031	1,504	2,535	4%
<b>Real Estate:</b>				
UK Property	-	5,184	5,184	8%
<b>Investment Funds &amp; Unit Trusts:</b>				
Equities	18,256	-	18,256	27%
Infrastructure	994	3,239	4,233	6%
<b>Cash and Cash Equivalents:</b>				
All	-	4,339	4,339	6%
<b>Totals</b>	<b>45,116</b>	<b>23,145</b>	<b>68,261</b>	<b>100%</b>

Asset Category	31st March 2020		Total £'000	Percentage of Total Assets
	Quoted Prices in Active Markets £'000	Quoted Prices not in active markets £'000		
<b>Equity Securities:</b>				
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%
<b>Debt Securities:</b>				
Corporate Bonds (investment Grade)	-	7,185	7,185	13%
UK Government	5,641	-	5,641	10%
Other	1,421	-	1,421	3%
<b>Private Equity:</b>				
All	672	1,222	1,894	3%
<b>Real Estate:</b>				
UK Property	-	4,990	4,990	9%
<b>Investment Funds &amp; Unit Trusts:</b>				
Equities	17,415	-	17,415	31%
Infrastructure	950	3,258	4,207	7%
<b>Cash and Cash Equivalents:</b>				
All	-	3,619	3,619	6%
<b>Totals</b>	<b>36,503</b>	<b>20,273</b>	<b>56,776</b>	<b>100%</b>

The significant assumptions used by the actuary have been:

31 March 2020		31 March 2021
	<i>Mortality assumptions:</i>	
	Longevity at 65 for current pensioners:	
21.6	Men	21.3
23.7	Women	23.9
	Longevity at 65 for future pensioners:	
22.6	Men	22.5
25.1	Women	25.8
2.60%	Rate of increase in salaries	3.55%
1.90%	Rate of increase in pensions	2.85%
2.30%	Rate used to discount scheme liabilities	2.00%
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 2021	Approximate % Increase to Employer Liability	Approximate Monetary Amount (£000)
0.5% decrease in Real Discount Rate	10%	9,821
0.5% increase in the Salary Increase Rate	1%	1,107
0.5% increase in the Pension Increase Rate	9%	8,493

### 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 £28,681,000 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 £1,392,000 to the scheme in 2021/22.

## **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 31<sup>st</sup> March 2021 the cost of remediation work is estimated at £3.3m. 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.

### **Business Rates Appeals**

The Council has made a provision for business rate appeals based upon its best estimates of the liability at the 31<sup>st</sup> 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 31<sup>st</sup> March 2021 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 2020 £'000s		31st March 2021 £'000s
10	<b>Balance at 1st April</b>	10
1	Interest on Investment	0
0	Additional Donation	1
11	Total	11
(1)	Less: Grants	(1)
<u>10</u>	<b>Balance at 31st March</b>	<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.

2019/20 £000s Council Tax	2019/20 £000s NDR	2019/20 £000s Total		2020/21 £000s Council Tax	2020/21 £000s NDR	2020/21 £000s Total
<b>Income</b>						
(55,121)	0	(55,121)	Income receivable from Council Tax payers	(56,743)	0	(56,743)
0	(18,495)	(18,495)	Income collectable from Business Ratepayers	0	(9,694)	(9,694)
(17)	(1,113)	(1,130)	Transitional protection payments	(329)	(533)	(862)
0	(68)	(68)	Contribution towards previous year's est. deficit	0	0	0
<b>(55,138)</b>	<b>(19,676)</b>	<b>(74,814)</b>	<b>Total Income</b>	<b>(57,072)</b>	<b>(10,227)</b>	<b>(67,299)</b>
<b>Expenditure</b>						
7,661	0	7,661	Precepts and Demands:			
38,250	0	38,250	- Derbyshire Dales District Council	8,133	0	8,133
			- Derbyshire County Council	40,249	0	40,249
6,263	0	6,263	- Police and Crime Commissioner for Derbyshire	6,759	0	6,759
2,204	0	2,204	- Derbyshire Fire and Rescue	2,318	0	2,318
			Business Rates Paid on Account:			
0	7,578	7,578	- Payments to Derbyshire Dales District Council	0	7,570	7,570
0	1,905	1,905	- Payments to Derbyshire County Council	0	1,694	1,694
0	188	188	- Payments to Derbyshire Fire Authority	0	189	189
0	9,212	9,212	- Payments to Government	0	9,477	9,477
			Transfers to General Fund:			
0	147	147	- Cost of Collection for Business Rates	0	147	147
0	177	177	- Business Rates from Renewable Energy	0	320	320
79	0	79	Contribution towards previous year's est. surplus	728	0	728
309	258	567	Bad and Doubtful Debts:			
0	1,994	1,994	- Allowance for impairment	137	125	262
			- Provision for appeals	0	1,119	1,119
<b>54,766</b>	<b>21,459</b>	<b>76,225</b>	<b>Total Expenditure</b>	<b>58,324</b>	<b>20,641</b>	<b>78,965</b>
<b>(372)</b>	<b>1,783</b>	<b>1,411</b>	<b>(Increase)/decrease for the year</b>	<b>1,252</b>	<b>10,414</b>	<b>11,666</b>
<b>Collection Fund Balance</b>						
(146)	367	221	Surplus / (deficit) brought forward at 1 April	226	(1,416)	(1,190)
372	(1,783)	(1,411)	Increase/(decrease) for the year (as above)	(1,252)	(10,414)	(11,666)
<b>226</b>	<b>(1,416)</b>	<b>(1,190)</b>	<b>Surplus / (deficit) carried forward</b>	<b>(1,026)</b>	<b>(11,830)</b>	<b>(12,856)</b>
<b>Allocated to:</b>						
0	(696)	(696)	- Central Government	0	(5,915)	(5,915)
32	(569)	(537)	- Derbyshire Dales District Council	(145)	(4,732)	(4,877)

161	(137)	24	- Derbyshire County Council	(718)	(1,065)	(1,783)
24	0	24	- Police and Crime Commissioner for Derbyshire	(122)	0	(122)
9	(14)	(5)	- Derbyshire Fire Authority	(41)	(118)	(159)
<b>226</b>	<b>(1,416)</b>	<b>(1,190)</b>		<b>(1,026)</b>	<b>(11,830)</b>	<b>(12,856)</b>

## 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 2020/21 were estimated before the start of the financial year as £1,694,000 to Derbyshire County Council, £189,000 to Derbyshire Fire Authority, £7,569,000 to Derbyshire Dales District Council and £9,476,000 to Central Government. These sums have been paid in 2020/21 and charged to the collection fund in year.

The actual business rates collected during 2020/21 differed significantly to the estimated amounts as a consequence of the Covid-19 pandemic and the granting of rate reliefs to retail, hospitality and leisure and nursery businesses. The Council was compensated for this by way of Section 31 grants, which have been transferred to Earmarked Reserves to offset the deficit which will be recognised in 2021/22.

## 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 2020/21 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	2.67	5/9	1.48	1.47
A	3,514	2,118.60	6/9	1,412.40	1,401.08
B	7,379	5,611.50	7/9	4,364.50	4,329.61
C	7,482	6,444.41	8/9	5,728.36	5,682.52
D	5,654	5,204.52	9/9	5,204.52	5,162.89
E	5,014	4,676.80	11/9	5,716.09	5,670.32
F	3,042	2,864.58	13/9	4,137.73	4,104.64
G	2,095	1,966.35	15/9	3,277.25	3,251.04
H	132	113.50	18/9	227.00	255.11
<b>Total</b>	<b>34,312</b>	<b>29,002.93</b>		<b>30,069.33</b>	<b>29,858.68</b>

\* Properties in Band A that receive disabled relief.

In 2020/21 the Council set an overall Band D Council Tax of £1,926.31, (£1,880.65 for 2019/20).

<b>2019/20</b>		<b>2020/21</b>
<b>£s</b>		<b>£s</b>
1,322.88	Derbyshire County Council	1,349.34
216.60	Derbyshire Police Authority	226.60
76.22	Derbyshire Fire & Rescue	77.73
<u>209.27</u>	Derbyshire Dales District Council	<u>214.27</u>
<b>1,824.97</b>		<b>1,867.94</b>
<u>55.68</u>	Average parish council	<u>58.37</u>
<b><u>1,880.65</u></b>	<b>Average Band D Council Tax</b>	<b><u>1,926.31</u></b>

## **Independent auditor's report to the members of Derbyshire Dales District Council Report on the audit of the financial statements**

### **Opinion on the financial statements**

We have audited the financial statements of Derbyshire Dales District Council ("the Council") for the year ended 31 March 2021, which comprise the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Balance Sheet, Statement of Cash Flows, notes to the financial statements including a summary of significant accounting policies and the Collection Fund. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Council as at 31<sup>st</sup> March 2021 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

### **Basis for opinion**

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

### **Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the Director of Resources' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Council's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

### **Other information**

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we

identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## **Responsibilities of the Director of Resources for the financial statements**

As explained more fully in the Statement of the Director of Resources' Responsibilities, the Director of Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, and for being satisfied that they give a true and fair view. The Director of Resources is also responsible for such internal control as the Director of Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Director of Resources is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and prepare the financial statements on a going concern basis on the assumption that the functions of the Council will continue in operational existence for the foreseeable future. The Director of Resources is responsible for assessing each year whether or not it is appropriate for the Council to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

## **Auditor's responsibilities for the audit of the financial statements**

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the Council we identified that the principal risks of non-compliance with laws and regulations related to the Local Government Act 2003 (and associated regulations made under section 21), the Local Government Finance Acts of 1988, 1992 and 2012, the Local Government and Housing Act 1989 and the Local Audit and Accountability Act 2014 and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated the Director of Resources' incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates and significant one-off or unusual transactions.

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements. Our audit procedures included but were not limited to :

- discussing with management and the Governance and Resources Committee the policies and procedures regarding compliance with laws and regulations;

- communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- considering the risk of acts by the Council which were contrary to applicable laws and regulations, including fraud.

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

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

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

We are also required to conclude on whether the Director of Resources' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. We performed our work in accordance with Practice Note 10: Audit of financial statement and regularity of public sector bodies in the United Kingdom, and Supplementary Guidance Note 01, issued by the National Audit Office in April 2021.

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

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

### **Matter on which we are required to report by exception**

We are required to report to you if, in our opinion, we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

We have not completed our work on the Council's arrangements. On the basis of our work to date, having regard to the guidance issued by the Comptroller and Auditor General in April 2021, we have not identified any significant weaknesses in arrangements for the year ended 31 March 2021.

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

### **Responsibilities of the Council**

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

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

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

We have undertaken our work in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in April 2021.

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

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

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

We have nothing to report in these respects.

### **Use of the audit report**

This report is made solely to the members of Derbyshire Dales District Council, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited.

Our audit work has been undertaken so that we might state to the members of the Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Council, as a body, for our audit work, for this report, or for the opinions we have formed.

### **Delay in certification of completion of audit**

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

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

Gavin Barker  
Director For and on behalf of Mazars LLP  
The Corner  
Bank Chambers  
26 Mosley Street  
Newcastle Upon Tyne. NE1 1DF

18 November 2021



## **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 1<sup>st</sup> April and finishes on 31<sup>st</sup> 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:

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