Public Document Pack

Simon Hobbs
Director of Legal and Democratic Services
County Hall
Matlock
Derbyshire
DE4 3AG

Extension 38357
Direct Dial 01629 538357
Ask for Danny Sunderland

PUBLIC

To: Members of Audit Committee

Monday, 16 March 2020

Dear Councillor,

Please attend a meeting of the **Audit Committee** to be held at **2.00 pm** on **Tuesday, 24 March 2020** in Committee Room 3, County Hall, Matlock, Derbyshire DE4 3AG, the agenda for which is set out below.

Yours faithfully,

Simon Hobbs
Director of Legal and Democratic Services

A G E N D A

1. Apologies for Absence

2. To receive declarations of interest (if any)

3. To confirm the non exempt Minutes of the meeting held on 4 February 2020 (Pages 1 - 6)

4 (a) Budget Monitoring 2019-20 (as at 31 December 2019) (Pages 7 - 26)

4 (b) Tax Strategy (Pages 27 - 36)

4 (c) Accounting Policies (Pages 37 - 128)

PUBLIC

MINUTES of a meeting of the **AUDIT COMMITTEE** held on 4 February 2020 at County Hall, Matlock

PRESENT

Councillor K S Athwal (in the Chair)

Councillors N Barker, S Brittain, L M Chilton, A Griffiths and P Murray

Officers in attendance – D Ashcroft, P Handford, J Lakin, P Spencer and L Wild (representing Derbyshire County Council) and J Pressley (representing Mazars)

Apologies for absence were received on behalf of C Hardman (Derbyshire County Council) and M Surridge (Mazars)

1/20 **MINUTES** **RESOLVED** that the minutes of the meeting held on 10 December 2019 be confirmed as a correct record and signed by the Chairman.

2/20 **BUDGET MONITORING 2019-20 (AS AT 31 OCTOBER 2019)** A report was presented which summarised the controllable budget position by Cabinet Member portfolio as at 31 October 2019. This report had been considered at Cabinet and would be considered at Council in accordance with the Budget Monitoring Policy and Financial Regulations.

The projected outturn compared to controllable budget was presented and the Director of Finance and ICT provided a summary of the individual portfolio positions. This included the one-off funding to support the Highways, Transport and Infrastructure and Young People portfolios. It also allowed for the transfer of £5.000m additional Business Rates Relief Grant into an Earmarked Reserve as approved at the meeting of Cabinet on 21 November 2019.

A Council portfolio overspend of £0.583m was forecast, after the use of £3.382m of Earmarked Reserves to support the Highways, Transport and Infrastructure and Young People portfolios

It was reported that the Risk Management Budget was forecast to underspend by £4.535m. This included a virement of £5.000m of budget from the Adult Care portfolio. In 2019-20 a contingency amount of £1.000m was budgeted for burdens associated with complying with the new General Data Protection Regulations (GDPR). To date, £0.316m of this funding had been awarded to departments. Further awards in the remainder of the financial year were anticipated and additional costs required to comply with GDPR were anticipated to be incurred in 2020-21, therefore, it was proposed to establish an earmarked reserve for £0.684m to carry forward any residual balance of this funding.

It was highlighted that a forecast of the Council's General Reserve balance for the period 2019-20 to 2023-24 was detailed in Appendix 5 to the report. The forecast showed that the level of General Reserve was expected to be between 2% to 9% of the Council's Net Budget Requirement in the medium term. The majority of chief financial officers considered that 3% to 5% of a council's net spending was a prudent level of risk based reserves. Mr Pressley from Mazars, the Authority's External Auditor was satisfied with this level of reserves and the position represented value for money.

Members asked the Director of Finance and ICT of the impact the incidents at Toddbrook Reservoir and the recent flooding had had on the budget and General Reserves. With regard to Toddbrook Reservoir, the bulk of the cost had been picked up by Defra, and the cost to the Authority was mainly down to staffing which had been funded from General Reserves.

The floods had caused significant damage to structures and local services and the estimated cost for this was £20m, however, the Council had requested funding from central government and a response to this request was still awaited.

The Director of Finance and ICT would provide Members with details of grants that were still indicated in the reserves but had not yet been taken up.

RESOLVED to (1) note the 2019-20 budget monitoring position as at 31 October 2019; and

(2) note the establishment of a GDPR Compliance Earmarked Reserve and a contribution of £0.684m from the Contingency budget into this reserve.

3/20 **AUDIT SERVICES UNIT – PROGRESS AGAINST AUDIT PLAN 2019-20** At the meeting of the Audit Committee held on 27 March 2019, Members approved the Audit Plan for 2019-20 which incorporated the outcome of discussions with individual Executive Directors and Directors. In accordance with the Audit Committee's Terms of Reference this report updated Members on progress against the Plan for the nine months to 29 December 2019 and represented work undertaken during that period which was detailed in Appendix 1 to the report. An analysis of the priority criteria for Audit recommendations and assurance levels was shown in Appendix 2.

Members were informed of the latest position regarding staffing within the Unit. Following recent recruitment exercises, two Auditors had now been appointed. Unfortunately, whilst an offer had been made and accepted for the

Senior Auditor post the applicant had subsequently withdrawn. The post of Audit Apprentice was currently advertised on the Council's website and had so far had a reasonable response. The Unit's levels of sickness absence had been higher than estimated and staff attendance continued to be managed in accordance with the Council's Policy; however this situation had had an impact on available days to deliver the Audit Plan.

Members wished to congratulate Audit Services on the recent appointments to the Unit and looked forward to the prospect of more productive days as a result.

The Audit Committee was aware that the ongoing lack of resources would impact on the delivery of the current Audit Plan. This situation would continue to be monitored but it was clear that a number of planned projects would not be delivered and would need to be reconsidered during the formulation of the Audit Plan for 2020-21.

Members were provided with an update on the days worked. It was agreed that in future the figures would be presented pro rata, to reflect the work undertaken during the nine month period.

At the last meeting, Members were presented with the findings of the external review which had been undertaken by C.Co. A report would be presented to the next meeting of the Committee identifying the Unit's response to those areas identified as advisory opportunities to enhance the internal audit service.

RESOLVED to note the information on progress to date against the approved 2019-20 Audit Plan.

4/20 **<u>REGULATION OF INVESTIGATORY POWERS ACT (RIPA) UPDATE</u>** Members were provided with an update on the use of the Council's statutory powers provided for under the Regulation of Investigatory Powers Act (RIPA) 2000 as amended by the Investigatory Powers Act (IPA) 2016.

It was reported that during the period from 1 February 2019 to 31 December 2019, no applications had been made in respect of access to communications data and no applications had been received in relation to directed surveillance.

Although there had not been any applications for the use of the Council's powers under RIPA in 2019, the Authority's RIPA Policy had not been updated for a number of years and consequently it would be prudent to instigate such a review. Therefore, it was intended that a review of the Council's RIPA Policy was undertaken, working in conjunction with the Director of Legal and Democratic Services.

RESOLVED to note that (1) in the period 1 February 2019 to 31 December 2019 no applications were made under the Council's powers relating to RIPA; and

(2) it was intended to review the RIPA Policy in conjunction with the Director of Legal and Democratic Services.

5/20 **MEETING DATES AND AGENDA ITEMS FOR 2020-21** The proposed dates and potential agenda items for 2020-21 were presented for Members' consideration. The items were based on the existing business of the Committee and the proposed dates were as follows:-

23 June 2020
21 July 2020
22 September 2020
8 December 2020
2 February 2021
23 March 2021

RESOLVED that Members agree the proposed programme for 2020-21.

6/20 **EXTERNAL AUDIT PROGRESS REPORT** John Pressley from Mazars attended the meeting to present the Audit Progress Report. Mr Pressley provided the Committee with the assurance that their work was on track and at this stage, there were no matters arising which were required to be reported. The key highlights were as follows:-

- There had been good engagement from the Council's finance team. Planning meetings had been held with senior managers to inform of risk assessments and to update on the understanding of the current priorities and challenges facing the Council. These included a useful discussion on the Council's planned approach on the valuation of land and buildings, ensuring both the Council and the external auditors were clear on the key challenges, issues and audit requirements;
- Undertaken their on-site interim audit work in January 2020 and the work was currently under review;
- It was expected that the Value for Money risk assessment would be focused on the Council's arrangements for sustainable resource deployment;
- On completion of the Engagement Quality Control Reviewer's (EQCR) review, the Audit Strategy Memorandums would be brought to the Audit Committee in March for consideration. The risk assessment process would continue throughout the year;
- The timetable of work was presented for Members' information;
- The key areas of focus for the 2019-20 audits were highlighted.

On behalf of the Committee, the Chairman thanked Mr Pressley for his progress report.

RESOLVED to note the report.

7/20 __**TRAINING**__ The Director of Finance and ICT informed Members that it was the intention to resurrect meetings of the Audit Forum. The Forum would include members from audit committees throughout Derbyshire and had proved a useful arena for the exchange of information in the past.

Discussions were also taking place with KPMG and Mazars in relation to organising training sessions and seminars for elected members. Further information would be provided in due course.

The Chairman thanked everyone for their attendance and contribution.

This page is intentionally left blank

Agenda Item No 4(a)

DERBYSHIRE COUNTY COUNCIL

AUDIT COMMITTEE

24 March 2020

Report of the Director of Finance & ICT

BUDGET MONITORING 2019-20 (as at 31 December 2019)

1 Purpose of the Report

To provide Members with the Revenue Budget position for 2019-20 as at 31 December 2019.

2 Information and Analysis

The report summarises the controllable budget position by Cabinet Member Portfolio as at 31 December 2019. This report has yet to be considered at Cabinet therefore the proposals have yet to be approved.

The projected outturn compared to controllable budget is summarised below. This includes the use of one-off funding to support the Highways, Transport and Infrastructure and Young People portfolios. It also allows for the transfer of £0.684m into a newly established GDPR Compliance Earmarked Reserve as approved at the Cabinet Meeting of 23 January 2020.

	Budget	**Forecast Actuals**	**Projected Outturn**
	£m	**£m**	**£m**
Adult Care	250.538	246.677	(3.861)
Corporate Services	48.308	47.118	(1.190)
Economic Development and Regeneration	0.701	0.667	(0.034)
Health and Communities (exc. Public Health)	1.993	1.572	(0.421)
Highways, Transport and Infrastructure	79.639	79.158	(0.481)
Strategic Leadership, Culture and Tourism	12.953	12.822	(0.131)
Young People	110.127	116.822	6.695
Total Portfolio Outturn	**504.259**	**504.836**	**0.577**
Interest and Dividend Income			(0.620)
Debt Charges			0.045
Risk Management			(5.762)

Levies and Precepts	0.000
Corporate Adjustments	0.680
Total	**(5.080)**

Whilst budgets are monitored by portfolio, the individual portfolios are not separate entities. All the portfolios operate in conjunction with the others and it is important to consider the Council's budgetary position as a whole in the context of its Five Year Financial Plan and its overall level of reserves.

A summary of the individual portfolio positions is detailed below.

Adult Care

There is a projected year-end underspend of £3.861m. It is proposed to transfer this current projected underspend to the Adult Care Budget Saving Pump Priming Earmarked Reserve, to part fund £4.210m due to Newton Europe in 2020-21 in respect of consultancy services provided in relation to the Better Lives programme, with the balance of £0.349m to be funded by a further transfer if additional underspends become available before the end of the financial year.

The main variances are:

Unallocated Budgets, £2.202m underspend – relates to budgets awaiting allocation during the year.

Purchased Services, £1.066m overspend – relates to an increase in the cost of complex care packages and a reduction in Continuing Health Care funding.

Commissioning and Service Delivery, £0.893m underspend – due to vacancy control in Finance and new posts in the Management Team and Transformation Service being filled later than originally budgeted.

Social Care Activity, £0.644m underspend – due to high levels of unfilled vacancies, partially offset by increased use of agency staff.

Information and Early Intervention, £0.625m underspend – due to lower than expected activity in the Housing Related Support service.

Assistive Technology and Equipment, £0.563m underspend – more targeted issuing has ensured that only the most appropriate equipment is supplied, saving on the procurement of less suitable equipment.

Due to the high projected underspend on the portfolio and the increase in Better Care Fund grant income in addition to this, £5.000m of base budget has been transferred from Adult Care to the Risk Management budget.

The budget savings target for 2019-20 is £5.671m. Of this target, £6.094m is expected to be achieved by the end of the financial year.

Additional funding has been provided in the 2019-20 budget for the main growth items:

- Adult Social Care Precept and Improved Better Care Fund - £12.439m, to cover the additional cost of independent sector fees, the pay award relating to staff working in Adult Care and to address the equitable allocation of budgets across the eight districts.

- Transformational Care Programme - £0.456m, to move 24 clients from long stay hospitals to social care provision in line with the independent living agenda.

The main risks which could impact on the portfolio's outturn position are contained in Appendix Two.

Corporate Services

There is a projected year-end underspend of £1.190m. The main variances are:

Human Resources, £0.611m underspend – due to vacancy control. Departmental Human Resource functions are currently being centralised. Holding vacancies will assist in managing a planned restructure of the function as a whole which is expected to deliver significant savings in 2020-21 and 2021-22.

Finance and ICT, £0.473m underspend - due to vacancy control. This will assist in managing a planned restructure aiming to deliver significant savings over the three years from 2020-21.

Strategic Management, £0.321m underspend - relates to savings arising from previous restructures of senior management.

County Property, £0.292m overspend – relates to the under achievement of the income target for industrial estate properties, an increase in the cost of utilities and increased cover for absences. These overspends are partly offset by an underspend in the Property Services division.

The Shipley Country Park project will require external consultants to be engaged. Therefore, it is proposed to contribute £0.100m from the Property Services' underspend to establish an earmarked reserve to fund this work.

A budget savings target for 2019-20 of £1.435m has been allocated, with a further £0.379m target brought forward from previous years. Of this total target of £1.814m, £1.279m is expected to be achieved by the end of the financial year.

Additional funding has been provided in the 2019-20 budget for the main growth items:

- Legal Services - £0.300m (one-off), to support the high levels of demand for the service.
- ICT Strategy - £0.200m, to ensure that ICT is aligned with the needs of the business and delivery of the Enterprising Council programme.
- Enterprising Council - £0.150m (one-off), to support transformational change.
- Learning Management System - £0.083m (one-off), to manage the replacement of the Council's Learning Management system.
- HR SAP Development - £0.045m (one-off), to support the HR SAP Development team to generate financial savings.

The main risks which could impact on the portfolio's outturn position are contained in Appendix Two.

Economic Development and Regeneration

There is a projected year-end underspend of £0.034m. The main variances are:

Employment and skills, £0.075m overspend – relates to salary overspend, resulting from a budget deficit when the Head of Employment and Skills post was established.

Markham Vale, £0.063m underspend – due to a reduction in salary expenditure as relevant salaries are capitalised.

No budget savings target has been allocated to this portfolio for 2019-20.

No additional funding has been provided to this portfolio in the 2019-20 budget.

It is possible that demand from businesses for additional relief and support with trading arrangements will increase as a result of the process of the United Kingdom's departure from the European Union. It has not been possible to quantify the scale of the resources required to provide this support or the potential impact on the portfolio's outturn position.

Health and Communities

The Health and Communities portfolio includes the Public Health budget of £39.477m, which is fully funded by the ring-fenced Public Health Grant for 2019-20. The forecast year-end position for the portfolio is an underspend of £0.230m. However, excluding Public Health, the portfolio is forecast to underspend by £0.421m. The main variances are:

Trading Standards, £0.196m underspend – progress towards future planned savings and one-off funding yet to be committed to support older people in respect of scams and doorstep crime.

A budget savings target of £0.207m has been allocated for 2019-20. A total of £0.206m of savings initiatives have been identified, of which it is anticipated that £0.206m will be achieved by the end of the financial year.

Additional funding has been provided in the 2019-20 budget for the following growth items:

- Coroners - £0.270m, to establish new posts and increase daily fees to Assistant Coroners.
- Trading Standards (Older People Support) - £0.048m (one-off), to provide a programme to increase awareness and reduce instances of fraudulent activity against older people.

The main risks which could impact on the portfolio's outturn position are contained in Appendix Two.

Highways, Transport and Infrastructure

The Highways, Transport and Infrastructure portfolio is forecast to overspend by £1.519m, against a total budget of £77.639m. However, after the allocation of £2.000m of one-off funding from the Budget Management Earmarked Reserve, the portfolio is projected to underspend by £0.481m. Funding has been set aside in the Budget Management Earmarked Reserve for the purpose of meeting the shortfall in the Economy, Transport and Environment department's identified savings target. The intention is to allocate £2.000m of savings to Highways Maintenance in a future financial year, but the 2019-20 Highways budget remains the same as last financial year because of the use of this funding from reserves. Use of the reserve for this purpose was approved in the Revenue Budget reported to Council on 6 February 2019.

Before the allocation of the reserve funding detailed above, the main variances are:

Unallocated Budget Savings, £5.234m overspend – savings targets not yet allocated to specific services.

Waste Management, £2.734m underspend – lower than expected waste tonnages and savings under the service continuity arrangements.

Planning and Development, £1.820m underspend – mainly due to additional inspection fee income, paid to the Council by building developers, under Section 38 and 278 of the Highways Act (1980). The high levels of fee income reflect the present state of the local economy and the large number of developments currently underway.

Winter Maintenance, £1.527m overspend – of the £1.473m budget for the winter service, £1.350m had been spent by the end of December 2019. Further expenditure of £1.650m is forecast for the remainder of the year. The Winter Service budget does not provide for more than a mild winter, so the

Council is reliant on using contingency reserves for additional costs incurred as a result of a moderate or severe winter.

Highways Maintenance, £0.509m overspend – severe weather towards the end of 2019 caused significant damage to the network requiring additional resources to be directed to pothole and other highway repairs.

Public Transport, £0.480m underspend – reduced demand for Gold Card services.

Costs of £0.567m were incurred in response to the Toddbrook Reservoir incident at Whaley Bridge, predominantly by the Highways Maintenance service. The Highways and Maintenance service costs of £0.547m have been funded from the General Reserve. Use of the General Reserve for this purpose has been reflected in the forecasts above.

The budget savings target for 2019-20 is £2.593m, with a further £3.321m target brought forward from previous years. Of this total target of £5.914m, £0.680m is expected to be achieved by the end of the financial year, with the expected base budget overspend being met from one-off funding, as explained above. Therefore there is currently a £5.234m forecast shortfall in achievement of budget savings, however the multi-year savings programme to 2023-24 does allow for some slippage to be covered by prior years' underspends, still delivering the savings target in total.

Additional funding has been provided in the 2019-20 budget for the main growth items:

- Waste Management - £1.500m, to cover the increased cost of delivering the waste treatment and disposal contracts across Derbyshire and increased cost of recycling credits.
- Highways Maintenance - £1.000m (one-off), to provide a co-ordinated programme of maintenance improvements.
- Public Transport - £0.500m, to maintain reasonable levels of public transport accessibility across Derbyshire.
- Water Body £0.100m (one-off), to enable the Council to meet its obligations to manage its water bodies under new regulations
- HS2 Co-ordination Officer £0.064m (one-off), to support representation of the Council's interests as the HS2 route is developed.
- Street Lighting Energy - £0.048m (one-off), to meet inflationary increases to the cost of street lighting energy.

The main risks which could impact on the portfolio's outturn position are contained in Appendix Two.

Any additional costs incurred from the identified risks will be met from the Budget Management earmarked reserve, the Economy, Transport and Environment Prior Year underspends earmarked reserve and the Winter

Maintenance earmarked reserve, therefore none of these issues are expected to impact on the overall budget position for 2019-20.

Strategic Leadership, Culture and Tourism

A year-end underspend of £0.131m is projected. The main variances are:

Policy and Research, £0.150m underspend – due to vacancy control and reduced running costs.

Call Derbyshire, £0.071m underspend – due to staff turnover.

Heritage, £0.060m overspend – the Environmental Studies Service has been allocated a savings target which has yet to be achieved.

The budget savings target for 2019-20 is £0.515m, with a further £0.245m target brought forward from previous years. All of this total target of £0.760m is expected to be achieved by the end of the financial year.

Additional funding has been provided in the 2019-20 budget for the following items:

- Community Managed Libraries - £0.742m (one-off), to fund the commitment to introduce community managed libraries.
- Thriving Communities - £0.368m, to focus on radically reshaping demand, unlocking community potential and creating an alliance for work and skills.
- Enterprising Council - £0.094m, to support transformational change.

There are no significant risks expected to impact on the portfolio's outturn position.

Young People

The Young People portfolio is forecast to overspend by £8.077m, against a total budget of £108.745m. However, after the allocation of £1.382m of one-off funding from the Budget Management Earmarked Reserve, the portfolio is projected to overspend by £6.695m. Funding has been set aside in the Budget Management Earmarked Reserve for the purpose of meeting the shortfall in the Children's Services department's identified savings target. The intention is to allocate £1.382m of savings to Children's Services budgets in a future financial year, but the 2019-20 budgets have not been reduced by this amount because of the use of this funding from reserves. Use of the reserve for this purpose was approved in the revenue budget reported to Council on 6 February 2019.

However, it should be noted that the eventual overspend could be as high as £8.400m depending on the continued trend in the rate of placements for children in care.

The forecast outturn position includes £6.756m of Dedicated Schools Grant income, as a contribution to the cost of supporting Early Help services and children with additional needs. Income from this source is not guaranteed to continue at the same level in future years.

Before the allocation of the reserve funding detailed above, the main variances are:

Placements for Children in Care, £6.572m overspend – placement numbers have continued to rise steadily throughout the year. There are currently more placements required than can be funded from the allocated budget. The forecast overspend has increased since October due to new placements.

Unallocated Budget, £3.976m underspend – this represents budget released as a result of changes to the Early Help offer. It is being held to cover an anticipated £1.767m of grant income which the government has signalled will be withdrawn in 2020-21. In the interim it will help offset some of the portfolio's underspend against its current budget. The forecast also includes £0.776m planned to be released from the Troubled Families Earmarked Reserve.

Home to School Transport, £1.317m overspend – an increase in the number of journeys provided to children with Special Educational Needs (SEN) and an increase in the cost of those journeys, driven by economic factors and the need to provide more specialised vehicles.

Children's Safeguarding Services, £1.530m overspend – reliance on more expensive agency social workers to meet an increasing caseload. The number of children with child protection plans is impacting on that team's staff costs. Also, payments to support families without recourse to public funds, short term support associated with Universal Credit and the cost of accommodating children whilst court proceedings are concluded has increased the pressure on budgets to support children and families in need.

Education Support Services, £0.972m overspend – an increase in the number of children with SEN driving demand for the Psychology and the Planning and Assessment teams. Also, a growing number of children who are electively home educated is increasing the cost to the Council undertaking its statutory duties in respect of these children.

Support to Children with Disabilities, £0.984m overspend – increasing demand for support and complexity of some individuals' needs.

Early Help and Preventative Services, £0.627m overspend – a shortfall in contributions from schools towards the Early Help offer.

Pensions Payable to Former Staff, £0.187m overspend – enhanced pension obligations payable to staff who left during the early 1990s.

A savings target of £2.972m has been allocated for 2019-20. Savings initiatives totalling £2.972m have been identified, of which £2.193m are expected to be achieved by the end of the financial year.

Additional funding has been provided in the 2019-20 budget for the main growth items:

- Placement Demand Pressures - £3.000m plus one-off funding of £5.000m, to support the increase in the demand for placements and the increasing complexity of children and young peoples' needs.
- Social Worker Recruitment - £1.300m plus one-off funding of £2.600m, as part of a four year recruitment plan to increase the number of social workers to ensure caseloads are at a healthy working level consistent with good practice.
- Home to School Transport (SEN) - £1.450m, to support the increased cost of transporting children and young people to school, pupil referral units or alternative provision when they have been excluded from mainstream schools.
- Increase in Special Guardianship Placements - £1.097m, to ensure the budget is sufficient to meet the current level of costs payable to those who have parental responsibility under a special guardianship order.
- Children in Care Legal Proceedings - £1.050m (one-off), reflecting the greater number of court proceedings and the increased use of external legal firms to present cases.
- Children's Homes - £0.450m, to provide additional staffing required to meet the needs of children and young people placed in homes.
- Care Leavers - £0.402m (one-off), to meet the cost of additional statutory duties towards care leavers.
- SEND Assessment and Planning - £0.275m, to provide additional staffing.
- Mobile Working - £0.260m (one-off), to develop solutions to enable more flexible working with the aim of achieving cost benefits and improvements to the timeliness of information.
- Complex Case Pooled Budget - £0.250m (one-off), contingency for the Council's contribution to the pooled budget reflecting the increasing levels of expenditure in recent years.
- Child Protection - £0.105m (one-off), to fund the cost of staff needed to respond to an increased number of children on protection plans. Staff will be reduced if the number of children on plans reduces.
- Children's Participation - £0.080m (one-off), to fund a delay to a planned budget reduction to the support provided to children and young people to participate in decision making. The service is seeking to identify alternative savings options.
- Foster Carers - £0.060m, to cover the inflationary increase to foster carer allowances from April 2019.

The main risks which could impact on the portfolio's outturn position are contained in Appendix Two.

Dedicated Schools Grant

The Dedicated Schools Grant (DSG) is a ring-fenced grant comprising four individual blocks: Schools Block, High Needs Block (HNB), Early Years Block and Central Block. Allocations of the blocks are governed by the Schools and Early Years Finance Regulations. Any underspend or overspend on the grant is carried forward to future years within the accumulated balance of the DSG Earmarked Reserve.

The Department for Education (DfE) published its consultation response clarifying the ring-fenced status of the DSG in January 2020. As a result the DfE are putting provisions into the School and Early Years Finance (England) Regulations 2020 to require that a cumulative DSG deficit must be carried forward to be dealt with from future years' DSG income, unless otherwise authorised by the Secretary of State not to do so.

Re-pooled schools funding is forecast to overspend by £0.117m; this is ring-fenced to the Schools Block. After utilising £1.154m of available balances from the DSG reserve it is anticipated that expenditure on the remaining three blocks will exceed the allocated grant income by £3.700m.

The deficit is a result of particular pressure on the HNB block. Expenditure is increasing because of an increasing number of primary school children with high needs, the increasing cost of supporting children and young people who have been excluded and the number of increasingly complex placements with independent and non-maintained providers.

In January 2020, the Schools Forum agreed to leave £1.325m of the Pupil Growth Fund unallocated within the Schools Block in 2020-21, as a contribution to resolving the deficit. The Council will also seek further opportunities to make reductions to DSG expenditure in 2020-21.

On 4 September 2019, in the Spending Review 2019, the Government announced an additional £700m of High Needs Funding for special educational needs. The Department for Education intends to distribute this between authorities based on the HNB within the DSG over the coming three years. It is anticipated that this additional funding will enable balanced spending plans to be set in the financial years to 2022-23, including recovery of the 2019-20 deficit.

Summary

A Council portfolio overspend of £0.577m is forecast, after the use of £3.382m of Earmarked Reserves to support the Highways, Transport and Infrastructure and Young People portfolios. Any underspends in 2019-20 will be used to manage the budget in 2020-21.

Interest and Dividends received on balances is estimated to underspend by £0.620m, assuming that returns on the Council's investments in pooled funds remain robust and that these investments are held for all of the financial year. The interest base rate is currently 0.75%, however, the Council utilises a range of investments to maximise its income.

The Debt Charges budget is projected to overspend by £0.045m. This is based on forecast interest payments, anticipated Capital Financing Requirement (CFR), a Minimum Revenue Provision (MRP) of 2.5% in keeping with the policy reported to Cabinet on 22 November 2016 and a £4.500m one-off reduction in the Council's Capital Adjustment Account Reserve. This reduction is made on the basis that the amounts set aside to repay debt over the last ten years are well in excess of what is required to ensure the Council can repay its debts.

The Risk Management Budget is forecast to underspend by £5.762m. This includes a virement of £5.000m of budget from the Adult Care portfolio.

Corporate Adjustments are forecast to overspend by £0.680m. This is based on a prudent allowance for potential credit losses on the Council's non-rated investments.

Details of the Council's Earmarked Reserves balances as at 31 December 2019 are set out in Appendix One. In addition to these balances, £0.684m of funding to ensure compliance with the General Data Protection Regulations (GDPR) will be transferred to a newly established GDPR Earmarked Reserve as approved by Cabinet on 23 January 2020.

A summary of the expected achievement of budget savings targets is provided at Appendix Three. The budget savings target for 2019-20 is £13.393m, with a further £3.945m target brought forward from previous years. The savings initiatives identified to meet this target currently fall short by £5.571m, therefore further proposals will need to be brought forward to ensure the Council continues to balance its budget. Of this total target of £17.338m, £11.051m is expected to be achieved by the end of the financial year. Therefore, there is a £6.287m forecast shortfall in achievement of budget savings. The resulting base budget overspend is offset to some extent by one-off underspends or is being met from one-off funding from earmarked reserves.

The age profile of debts owed to the Council and the value of debts written off is disclosed in Appendix Four. This information is collected on a departmental rather than a portfolio basis.

A forecast of the Council's General Reserve balance for the period 2019-20 to 2023-24 is detailed in Appendix Five. The forecast shows that the level of General Reserve is expected to be between 3% to 10% of the Council's Net Budget Requirement in the medium term. The majority of chief financial officers consider 3% to 5% of a council's net spending to be a prudent level of risk based reserves.

3 Financial Considerations

As set out above.

4 Other Considerations

In preparing this report the relevance of the following factors has been considered: legal, prevention of crime and disorder, equality and diversity, human resources, environmental, health, property, transport and social value considerations.

5 Background Papers

Papers held in Technical Section, Finance & ICT, Room 137, County Hall.

6 Officer's Recommendation

That Audit Committee:

8.1 Notes the 2019-20 budget monitoring position as at 31 December 2019.

8.2 Notes the proposed establishment of a Shipley County Park Consultants Earmarked Reserve and a contribution of £0.100m from the Property Services budget into this reserve.

8.3 Notes the proposed transfer of the current projected underspend in Adult Care of £3.861m to the Adult Care Budget Saving Pump Priming Earmarked Reserve to part fund £4.210m due to Newton Europe in 2020-21, in respect of consultancy services provided in relation to the Better Lives programme, with the balance of £0.349m to be funded by a further transfer if additional underspends become available before the end of the financial year.

PETER HANDFORD
Director of Finance & ICT

APPENDIX 1

Earmarked Reserves as at 31 December 2019

Adult Care	**£m**
Older People's Housing Strategy	30.000
Other reserves	0.033
Total Adult Care	**30.033**
Corporate Services	
Loan Modification Gains	27.047
Insurance and Risk Management	20.069
Budget Management	19.626
Revenue Contributions to Capital	16.591
Planned Building Maintenance	6.932
Business Rates Relief Grant	5.000
Business Rates Strategic Investment Fund	4.889
Business Rates Pool	4.716
Prior Year Underspends	3.879
Uninsured Financial Loss	3.500
Computer Purchasing	3.029
Property Insurance Maintenance Pool	2.817
Property DLO	2.503
Change Management	2.011
PFI Reserves	1.981
Community Priorities Programme	1.025
Other reserves	4.047
Total Corporate Services	**129.662**
Economic Development and Regeneration	
D2 Growth Fund	0.200
Markham Environment Centre	0.114
Skills Training	0.101
Other reserves	0.276
Total Economic Development and Regeneration	**0.691**
Health and Communities	
Domestic Abuse	2.060
S256/External Funding	0.254
Trusted Trader	0.101
Other reserves	0.278
Total Health and Communities	**2.693**
Highways, Transport and Infrastructure	
Prior Year Underspends	9.876
Winter Maintenance	2.000

Road Safety Public Service Agreement (PSA)	1.182
Commuted Highways Maintenance	0.832
Derby and Derbyshire Road Safety Partnership Reserve	0.608
Waste Recycling Initiatives	0.598
IT Reserve	0.540
Other reserves	1.246
Total Highways, Transport and Infrastructure	**16.882**
Strategic Leadership, Culture and Tourism	
Policy and Research	1.044
Community Managed Libraries	0.742
Derbyshire Challenge Fund	0.400
Library Restructure	0.429
Derwent Valley Mills World Heritage Site	0.193
Other reserves	0.540
Total Strategic Leadership, Culture and Tourism	**3.348**
Young People	
Tackling Troubled Families	4.083
Standards Fund (Schools)	1.170
School Rates Refunds	0.721
Childrens Services IT Systems	0.716
Youth Activity Grants	0.330
Foster Carer Adaptations	0.326
Other reserves	0.498
Total Young People	**7.844**
Total Portfolio Earmarked Reserves	**191.153**
Schools	
Schools Balances	25.776
Dedicated Schools Grant (DSG)	3.561
Total balances held for and on behalf of schools	**29.337**
Public Health Grant	**7.601**

Service	Risk	Sensitivity* £m	Likelihood (1 = Low, 5 = High)
*Sensitivity represents the potential negative impact on the outturn position should the event occur.			
Debt Charges			
Interest Payments	If the Council needed to take out extra borrowing to fund additional capital expenditure, such as that associated with the purchase of the Waste Treatment Plant at Sinfin, this would impact on its annual interest payments. For example, an additional £30.000m of borrowing, from the Public Works Loans Board, repayable on maturity in 40 years, would cost an additional £0.900m each year at the current rate of 3.00%. If this borrowing were taken out in March 2020, the 1 month impact on the budget would be £0.075m.	0.075	1
Minimum Revenue Provision	An additional £30.000m of borrowing, from the Public Works Loans Board, repayable on maturity in 40 years would require an additional £0.750m to be provided each year for repayment of the debt. If this borrowing were taken out in March 2020, the 1 month impact on the budget would be £0.063m.	0.063	1
Adult Care			
None	No single risks over £0.500m	-	-
Corporate Services			
County Property	Loss of key personnel due to uncertainty over a review planned to be implemented from January 2020. Potential net loss of income.	0.200	3

Service	**Risk**	**Sensitivity* £m**	**Likelihood (1 = Low, 5 = High)**
	Health and Communities		
Coroners	National shortage of Pathologists may impact by increasing fees	0.090	5
	Highways, Transport and Infrastructure		
Highways and Countryside	Failure of assets such as roads, pavements, bridges, retaining walls, street lighting columns, safety fencing, gullies, countryside assets, canals, reservoirs.	1.500	4
Winter Maintenance	Impact of a severe winter.	1.500	4
Street Lighting Energy and Maintenance	Further energy price increases, or further slippage in implementation of the LED programme.	0.300	2
Flooding and/or extreme weather	Emergency response procedures are in place to minimise the impacts of these emergencies. However there is the potential subsequent costs of remedial activities.	1.000	3
Waste Management	Costs associated with resolving the future of the Waste Treatment Plant at Sinfin, including the possibility that some of these costs may not be considered capital in nature.	1.000	3
	Young People		
Placements	Increased number of children requiring placements.	0.500	4
Social Care services	Increase in number of referrals meeting social care thresholds. Inability to recruit and retain sufficiently experienced social workers.	0.100 0.100	4 5
Department wide	Data security breaches resulting in fines.	0.500	3
	Dedicated Schools Grant		
High Needs Block	Increased number of children requiring placements or support	0.500	4

APPENDIX 3

Budget Savings Monitoring 2019-20

	Budget Savings Targets			**Ongoing Savings Initiatives**	**Target not Identified**	**Actual Savings Forecast**	**Savings Shortfall**
Portfolio	**Not yet achieved Brought Forward Prior Year**	**Current Year**	**Total Target**	**Total Identified**	**(Shortfall)/ Additional Identified Savings**	**Forecast to be achieved by Financial Year End**	**Actual (Shortfall)/ Additional Achievement of Savings Target**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
AC	0.000	5.671	**5.671**	5.671	0.000	6.094	0.423
CS	0.379	1.435	**1.814**	1.437	(0.377)	1.279	(0.535)
EDR	0.000	0.000	**0.000**	0.000	0.000	0.000	0.000
HC	0.000	0.207	**0.207**	0.206	(0.001)	0.206	(0.001)
HTI	3.321	2.593	**5.914**	0.680	(5.234)	0.680	(5.234)
SLCT	0.245	0.515	**0.760**	0.760	0.000	0.599	(0.161)
YP	0.000	2.972	**2.972**	3.013	0.041	2.193	(0.779)
Total	3.945	13.393	**17.338**	11.767	(5.571)	11.051	(6.287)

AC = Adult Care ; CS = Corporate Services ; EDR = Economic Development and Regeneration ; HC = Health and Communities ; HTI = Highways, Transport and Infrastructure ; SLCT = Strategic Leadership, Culture and Tourism ; YP = Young People

Age profile of debt, relating to income receivable, at 31 December 2019

0 - 30 Days £m	31 - 365 Days £m	1 - 2 Years £m	2 - 3 Years £m	3 - 4 Years £m	Over 4 Years £m	Total £m
Adult Social Care and Health						
4.885	6.021	1.066	0.760	0.356	0.604	**13.692**
35.7%	44.0%	7.8%	5.6%	2.6%	4.4%	**100.0%**
Children's Services						
0.406	0.771	0.068	0.035	0.006	0.020	**1.306**
31.1%	59.0%	5.2%	2.7%	0.5%	1.5%	**100.0%**
Economy, Transport and Environment						
1.697	4.200	0.427	0.046	0.007	0.020	**6.397**
26.5%	65.7%	6.7%	0.7%	0.1%	0.3%	**100.0%**
Commissioning, Communities and Policy						
0.744	5.491	0.204	0.090	0.024	0.176	**6.729**
11.1%	81.6%	3.0%	1.3%	0.4%	2.6%	**100.0%**
All Departments						
7.732	16.483	1.765	0.931	0.393	0.820	**28.124**
27.5%	58.6%	6.3%	3.3%	1.4%	2.9%	**100.0%**

The value of debt written off in the 12 months up to 31 December 2019

Department	£m
Adult Social Care and Health	0.739
Children's Services	0.065
Economy, Transport and Environment	0.012
Commissioning, Communities and Policy	0.053
All Departments	**0.869**

APPENDIX 5

General Reserves Forecast

	2019-20	2020-21	2021-22	2022-23	2023-24
	£m	**£m**	**£m**	**£m**	**£m**
Opening Balance	**64.570**	**42.686**	**26.880**	**22.144**	**15.494**
Forecast Contributions	12.610	2.500	2.500	2.500	2.500
Forecast Use	(34.494)	(18.306)	(7.236)	(9.150)	(4.150)
Forecast Closing Balance	**42.686**	**26.880**	**22.144**	**15.494**	**13.844**
Net Budget Requirement (NBR)	**521.292**	**560.211**	**553.604**	**566.550**	**581.160**
As Forecast in the Five Year Financial Plan in the Revenue Budget Report 23 January 2020					
General Reserve Balance as % of NBR	**8.19%**	**4.80%**	**4.00%**	**2.73%**	**2.38%**

This page is intentionally left blank

Agenda Item No 4(b)

DERBYSHIRE COUNTY COUNCIL

AUDIT COMMITTEE

24 March 2020

Report of the Director of Finance & ICT

TAX STRATEGY

1 Purpose of the Report

To note and approve the Council's Tax Strategy.

2 Information and Analysis

The Tax Strategy sets out the overall framework for the Council's management of its tax affairs, including tax compliance, policies and procedures, tax risk, tax planning and relationship with the tax authorities.

The Finance Act 2016 Schedule 19 sets out what should be included in a Tax Strategy. Whilst not required to publish a Tax Strategy by this legislation, the Council chooses to do so and to follow its principles, as it wishes to demonstrate transparency in its commitment to managing its tax affairs, taking into consideration its public purpose and balancing the interests of its stakeholders.

The key components of the Tax Strategy are:

- The Council's approach to risk management and governance arrangements in relation to taxation.
- The Council's attitude towards tax planning.
- The level of risk in relation to taxation that the Council is prepared to accept.
- The Council's approach towards its dealings with HMRC.

In line with the Council's governance framework and consistent with its wider values, the Council is committed to being fully compliant with all tax laws, rules and regulations. It will conduct its tax affairs in an open, honest and timely fashion.

The Council will not seek to gain a tax advantage through tax avoidance but will seek to manage its tax affairs in an efficient manner, whilst following both the letter and the spirit of the law.

In order to achieve this, the Council undertakes to:

- Take all reasonable steps to ensure that it is fully compliant with tax legislation and pays the right amount of tax at the right time.
- Maintain an open, honest, and collaborative relationship with the tax authorities.
- Respond to all queries and enquiries in a timely fashion.
- Where the correct tax treatment is ambiguous and where it is appropriate to do so, take the appropriate external advice and act in accordance with that advice, making disclosures to the tax authorities as appropriate.
- In cases of dispute, act transparently and fairly, aiming to resolve the dispute in a manner that preserves good working relationships.

The Council's overall management of tax risk and supporting governance framework is the responsibility of the Council's Director of Finance & ICT.

The Audit Committee independently contributes to the Council's process of ensuring internal control systems are maintained and approves the Annual Governance Statement.

It is proposed that the Council's Tax Strategy will be reviewed and reported to Audit Committee on an annual basis.

A copy of the Strategy is shown at Appendix One.

3 Considerations

In preparing this report the relevance of the following factors has been considered:- financial, human resources, legal and human rights, equality of opportunity, health, environmental, transport, property, crime and disorder and social value considerations.

4 Background Papers

Papers held in Technical Section, Finance & ICT, Room 137.

5 Officer's Recommendation

That Audit Committee approves the Council's Tax Strategy.

PETER HANDFORD

Director of Finance & ICT

Tax Strategy

DERBYSHIRE
County Council

Peter Handford BA(Hons) PGCert FCPFA
Director of Finance & ICT

Approval and Authentication

Version	Name/Body	Job Title	Signature	Date
1.0 March 2020	Peter Handford	Director of Finance & ICT		24 March 2020
	Audit Committee			

Introduction

The Tax Strategy of Derbyshire County Council sets out the overall framework for the Council's management of its tax affairs, including compliance, policies and procedures, tax risk, tax planning and relationship with the tax authorities.

Whilst not required to publish its Tax Strategy, the Council chooses to do so, as it wishes to demonstrate transparency in its commitment to managing its tax affairs, taking into consideration its public purpose and balancing the interests of its stakeholders.

The Tax Strategy is, by design, a brief document, presented as a series of linked elements. It will be reviewed and reported to Audit Committee on an annual basis.

Background

The Council is a Local Government body. It is exempt from Corporation Tax and is a Section 33 Body under the VAT Act 1994, which entitles it to recover VAT attributable to non-business activities and to exempt business activities, providing this is an insignificant proportion of the total tax incurred.

The Council is the administering authority of the Derbyshire Pension Fund under the Local Government Pension Scheme (Administration) Regulations 2013, which is also exempt from Corporation Tax and is a Section 33 Body.

Derbyshire Developments Limited is a private limited company, wholly owned by the Council. It is assessable to Corporation Tax and VAT in accordance with current legislation.

D2N2 Local Enterprise Partnership (D2N2 LEP) is a private limited company, managed by a Board made up of Derby, Derbyshire, Nottingham and Nottinghamshire councils and private sector representatives. The Council is the Single Accountable Body for the D2N2 LEP. The D2N2 LEP is assessable to Corporation Tax and VAT in accordance with current legislation.

Governance

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

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them effectively, efficiently and economically.

Specific controls and procedures are in place at an operational level, to ensure compliance with relevant tax legislation and to mitigate tax risk.

The Council's overall management of tax risk and supporting governance framework is the responsibility of the Council's Director of Finance & ICT.

The Audit Committee independently contributes to the Council's process of ensuring internal control systems are maintained and approves the Annual Governance Statement.

Overriding Principals

In line with the Council's governance framework and consistent with its wider values, the Council is committed to being fully compliant with all tax laws, rules and regulations. It will conduct its tax affairs in an open, honest and timely fashion.

The Council will not seek to gain a tax advantage through tax avoidance but will seek to manage its tax affairs in an efficient manner, whilst following both the letter and the spirit of the law.

In order to achieve this, the Council undertakes to:

- Take all reasonable steps to ensure that it is fully compliant with tax legislation and pays the right amount of tax at the right time.
- Maintain an open, honest, and collaborative relationship with the tax authorities.
- Respond to all queries and enquiries in a timely fashion.
- Where the correct tax treatment is ambiguous and where it is appropriate to do so, take the appropriate external advice and act in accordance with that advice, making disclosures to the tax authorities as appropriate.
- In cases of dispute, act transparently and fairly, aiming to resolve the dispute in a manner that preserves good working relationships.

Management of Tax Risk

Tax risk falls into three broad categories:

- **Compliance Risk**
  Procedures or processes are deficient in ensuring that the right amount of tax is paid at the right time.

- **Transactional Risk**
  Transactions are entered into without fully considering and evaluating the immediate or wider tax implications.

- **Reputational Risk**
  The wider damage that risks may have on the Council's relationship with its stakeholders, including the tax authorities, staff, and the general public.

As with any organisation of this size and complexity, it is impossible to completely eliminate tax risk. However, with careful management, the incidence and impact of tax risks can be significantly reduced.

Policies and Procedures

The Council has a number of policies and procedures covering various aspects of its financial management. All such policies and procedures are formulated to ensure that the Council is fully compliant with its tax obligations. Such procedures are subject to regular review to ensure that they are, and remain, fit for purpose.

The Council has regular support from its external tax advisor, which includes access to a fast response helpline, as well as regular VAT and Employment Taxes Forums for Local Government.

For large, complex or unusual transactions the Council will engage additional specialist legal and tax advice when required, to ensure that the tax implications are identified and fully considered before approval is given.

Attitude to Tax Planning and Tax Risk

The Council will claim such reliefs and incentives as it is properly entitled to, and will take reasonable steps to minimise its tax liabilities, where it is appropriate and responsible to do so.

The Council has a low risk appetite in relation to tax matters and does not use artificial tax structures or undertake transactions whose sole purpose is to create an abusive tax result. When evaluating tax planning the Council's reputation and corporate and social responsibilities are always considered.

Relationship with Tax Authorities

The Council is transparent about its approach to tax and where it is appropriate to do so will discuss the interpretation of tax legislation with HMRC, in real-time, particularly where the tax treatment is unclear. HMRC will be kept up to date regarding major changes or transactions within the business, so that any potential tax risks can be addressed at an early stage.

The Council seeks to develop and maintain a strong and mutually respectful relationship with HMRC. In March 2019 the Council was again given a 'Low Risk' tax status by HMRC. This followed the Council's HMRC Customer Relationship Manager meeting with key Council personnel to gain a greater understand of the Council as an organisation and to understand the day to day systems, controls, processes, checks and governance the Council adopts in meeting its statutory obligations to ensure the completeness and accuracy of its monthly and annual returns made to HMRC. Customers assessed as Low Risk benefit from no intervention work undertaken by HMRC (with the exception of significant issues and mandatory and national projects) for a given period across all taxes.

Peter Handford
S151 Officer
Derbyshire County Council

Published on 24 March 2020 based on the Finance Act 2016 Schedule 19.

Agenda Item No 4(c)

DERBYSHIRE COUNTY COUNCIL

AUDIT COMMITTEE

24 March 2020

Report of the Director of Finance & ICT

ACCOUNTING POLICIES

1 Purpose of the Report

To provide Members with amendments to the Accounting Policies for 2019-20 and with the proposed Accounting Policies for 2020-21.

2 Information and Analysis

2019-20 Accounting Policies

On 27 February 2019, Audit Committee approved the proposed Accounting Policies for the 2019-20 financial year, pending receipt of further technical guidance on IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments for 2018-19. Since then the following amendments have been made to the 2019-20 Accounting Policies:

- Amendments in respect of IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments, following receipt of further technical guidance, as reflected in the 2018-19 Accounting Policies in the signed Statement of Accounts for the year ended 31 March 2019.
- Other minor amendments to improve the clarity of the Accounting Policies for Capital Accounting.

The updated 2019-20 Accounting Policies are attached at Appendix One.

2020-21 Accounting Policies

Appendix Two includes the proposed 2020-21 Accounting Policies. These include amendments for IFRS 16 Leases, based on technical guidance issued to date for 2020-21. Additional technical guidance is likely to be received and it is possible that this will also impact on the 2020-21 accounting policies. Any further proposed amendments will be reported to Audit Committee in due course.

- Amendments have been made in respect of the introduction of IFRS 16 Leases across the Public Sector in 2020-21, replacing existing lease accounting standards and interpretations IAS 17, IFRIC 4, SIC 12 and SIC 27. There are significant potential implications for the accounting treatment of leases. All leases will be recognised in lessee accounts, with a lease liability and a corresponding right-of-use asset. The Accounting Policy changes are an addition to paragraph 1.14 for right-of-use assets and the insertion of replacement lease paragraphs 1.18 to 1.26 and 1.34 to 1.35. Preparations are underway to ensure that the Council is ready for the introduction of IFRS 16.

- The transition to accounting for leases as required by IFRS 16 entails a significant amount of work:

    - to identify all the arrangements which fall within its scope;
    - to ensure that all right-of-use property assets are valued appropriately;
    - to set up the necessary master data within the financial systems to separately identify right-of-use assets in the Council's accounts;
    - to calculate and process the book keeping entries to correctly reflect the lease liability and right-of-use asset value; and
    - to develop and maintain a system to record these lease arrangements.

- Over 90 contracts which contain leases relating to land and buildings have been identified to date. There are also expected to be arrangements which will be identified where the Council is holding over on a lease after the term has expired. Furthermore, it is anticipated that a large number of contracts entered into by the Council's schools, which will be in the scope of IFRS 16, will be discovered. It is estimated that the lease liabilities reported on the balance sheet will increase by between £5m and £9m, with an equivalent or greater increase to the value of the reported assets relating to these leases. The scale of this change means that the risk of the Statement of Accounts for 2020-21 being materially misstated as a result of an incorrect implementation is not insignificant.

- However, progress on implementation has already been made. Regular meetings between technical and capital accountants and the valuers are taking place, to agree approaches to identifying contracts referencing property assets which are in scope and suitable valuation methodologies for property right-of-use assets. The majority of the surveys required to value the property right-of-use assets which have already been identified have been undertaken. A model to determine the value of the lease liabilities and the necessary accounting adjustments is well developed.

- It should also be acknowledged that the requirement in IFRS 16 to revalue the right-of-use assets for all property leases with sufficiently regularity and to adjust lease liabilities for any relevant changes in indices will place an additional and ongoing burden on the Council's valuers and accountants.

3 Considerations

In preparing this report the relevance of the following factors has been considered:- financial, human resources, legal and human rights, equality of opportunity, health, environmental, transport, property, crime and disorder and social value considerations.

4 Background Papers

Papers held in Technical Section, Finance & ICT, Room 137, County Hall.

5 Officer's Recommendation

That Audit Committee:

- Approves the changes outlined above in relation to the Accounting Policies for 2019-20; and

- Approves the Accounting Policies for 2020-21.

PETER HANDFORD

Director of Finance & ICT

Public

Statement of Accounting Policies

For the Year Commencing 1 April 2019

Version History			
Version	**Date**	**Detail**	**Author**
0.01	22 01 2020	Final Post-Audit Accounts Accounting Policies 2018-19 (same as Acc Policies reported to Audit Cttee for 2019-20 in Feb 19, updated)	E Scriven
0.02	18 02 2020	Minor amendments made to improve clarity.	E Scriven S Holmes S W Round
0.03	18 02 2020	Review by S151 Officer and Deputy S151 Officer	P Handford P Stone
0.04	25 02 2020	PHR Report	

This document has been prepared using the following ISO27001:2013 standard controls as reference:	
ISO Control	**Description**
A.8.2	Information classification
A.7.2.2	Information security awareness, education and training
A.18.1.1	Identification of applicable legislation and contractual requirements
A.18.1.3	Protection of records
A.18.1.4	Privacy and protection of personally identifiable information

ACCOUNTING POLICIES

INTRODUCTION

The Accounting Policies for Derbyshire County Council (the Council) have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code for Local Authority Accounting (the Code). Where there is no specific guidance in the Code, the Council has developed its own accounting policy which is aimed at creating information which is:

- Relevant to the decision making needs of users; and
- Reliable, in that the financial statements:
    - Represent fairly the financial position, financial performance and cash flows of the entity;
    - Reflect the economic substance of transactions, other events and conditions and not merely the legal form;
    - Are neutral i.e. free from bias;
    - Are prudent; and
    - Are complete in all material respects.

This document outlines how the Council will account for all income, expenditure, assets and liabilities held and incurred during the 2019-20 financial year.

The accounting policies of the Council are updated annually to reflect any changes in IFRS, including changes in International Public Sector Accounting Standards (IPSAS), HM Treasury guidance, CIPFA guidance or any other change in statute, guidance or framework impacting on the authority's accounts.

The Accounting Policies of the Council as far as possible have been developed to ensure that the accounts of the Council are understandable, relevant, free from material error or misstatement, reliable and comparable. A Glossary of Terms can be found at the end of this document.

The document has been divided into four distinct categories which are Accounting Principles, Capital Accounting, Revenue Accounting and Treasury Management, with each policy being assigned a policy number.

ACCOUNTING PRINCIPLES

1.1. Going Concern

The Council prepares its accounts on the basis that it remains a going concern; that is that there is the assumption that the functions of the Council will continue in operational existence. In the case of a pending local government reorganisation, where assets and liabilities are due to be redistributed, the Council would still account on the basis of going concern as the provision of services would continue in another Council.

1.2. Accruals Concept

The Council accounts for income and expenditure in the period in which the provision of goods or service has taken place, rather than when cash payments are received or made.

Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Equally, where cash has been received or paid which is not yet recognised as income or expenditure, a creditor (income in advance) or debtor (payment in advance) is recorded in the Balance Sheet.

1.3. Cost of Services

Internal support service costs (e.g. Human Resources) are apportioned across the core service areas to represent the total cost of delivering that service to the public, in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2019-20 (SerCOP).

Where possible the full cost of support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on non-operational properties, or any other operational cost that cannot be reasonably attributed to a specific service.

1.4. Value Added Tax

Income and expenditure treated as either capital or revenue, excludes any amounts related to VAT. All VAT collected is payable to HM Revenue & Customs and all VAT paid is recoverable from the same. Any amounts outstanding (payment or receipt) at the year-end date is held as a creditor or debtor after netting off the amounts either due or owed.

1.5. Changes in Accounting Policy

Where there is a known future change in accounting policy required by the CIPFA Code, the Council will disclose the following in the notes to the accounts:

- The nature of the change in accounting policy;

- The reasons why applying the new accounting policy provides reliable and more relevant information;
- For both the current reporting period, and the previous year comparatives reported, the extent to which the change in accounting policy would have impacted on the financial statements if it had been adopted in that year;
- The amount of adjustment relating to years previous to those reported in the set of financial statements, had the proposed policy been adopted retrospectively;
- If retrospective application is impracticable for a particular period, the circumstances that led to the existence of that condition and a description of how and from when the change in accounting policy has been applied.

The Council will also disclose information relating to an accounting standard which has been issued but not yet adopted.

1.6. **Prior Year Adjustments**

These typically arise from omissions and misstatements in the Council's financial statements for one or more prior periods. For the error to be a prior year adjustment, it would need to have arisen from a failure to use or misuse, reliable information that:

a) Was available when financial statements for those periods were authorised for issue; and
b) Could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

Such errors include the effects of mathematical mistakes, misunderstanding in applying accounting policies, oversights or misinterpretations of facts, and fraud.

They may also arise for reasons such as changes in Accounting Standards, which are required to be applied retrospectively.

Where required changes are thought to be significant, an adjustment will be entered into the financial statement's comparative year balances, and the columns headed 'restated'. In addition full disclosure as to the nature, circumstance and value of the adjustment will be disclosed in the notes to the accounts.

Errors which are found and are not significant will not result in a prior year adjustment and will be corrected as a current year entry. In addition, errors as a result of information which was not known to the Council, or could not have reasonably been obtained by the Council when the accounts were authorised for issue will also be treated as an in year adjustment.

1.7. **Unidentified Income**

All unidentified income received is initially coded to an income suspense account. Individual amounts below £10 are written off due to immateriality. Weekly updates of the content of the suspense accounts are circulated to finance departments, to ensure the balances are cleared quickly. Any items of income below £10,000 which remain unidentified for six months will be written off. Items above £10,000 will be written off after 12 months.

1.8. Events after the Balance Sheet Date

Where there is a material post balance sheet event before the date the accounts are authorised for issue, a disclosure in the notes to the accounts will be included. If this event provides additional evidence of conditions that existed at the Balance Sheet date, and materially affects the amounts to be included in the accounts; adjusting items will be shown in the accounts.

1.9. Exceptional Items

Exceptional items will have been disclosed separately on the face of the Comprehensive Income and Expenditure Statement and details will be disclosed in the notes to the accounts.

1.10. Contingent Assets and 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 control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. They are not recognised in the Balance Sheet but disclosed in a note to the accounts.

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

CAPITAL ACCOUNTING

1.11. Recognition of Capital Expenditure (de-minimis Policy)

In accordance with International Accounting Standard 16 (IAS 16), the Council recognises non-current assets as:

- Assets where it is expected that future economic benefit or service potential will flow to the Council.
- Assets where the cost can be measured reliably.

and defines them as :-

- Assets held for use in the production or supply of goods or services, rental to others, or for administrative purposes.
- Assets expected to be used for more than one financial period.

The initial measurement of an asset is recognised to be:

- Purchase price, construction cost, minimum lease payments or equivalent including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates.

- Costs associated with bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.
- Initial estimate of the costs of dismantling and removing the asset and restoring the site on which it is located, the obligation for which the Council incurred either when the asset was acquired or as a consequence of having used the asset during a particular period for purposes other than producing inventories during that period.

Subsequent expenditure are costs incurred to add to, replace part of, or service the asset, but do not include day-to-day repairs and maintenance and are treated as capital when

- The expenditure will substantially increase the market value of the asset.
- The expenditure will substantially increase the extent to which the Council can use the asset for the purpose, or in conjunction with the functions of the Council.

Where a component is replaced, the carrying amount of the old component shall be derecognised to avoid double counting and the new component reflected in the carrying amount, subject to the recognition principles as set out above.

The Council has two levels of de-minimis for recognition of capital expenditure, £10,000 and £500,000:

- £10,000 and below – all expenditure at this level is deemed to be non-enhancing unless funded by a Capital grant, and therefore is charged to revenue as it is incurred. This includes initial recognition of assets and subsequent asset expenditure.
- Above £500,000 - expenditure meeting the definitions above will be treated as capital expenditure, either as initial recognition or as an enhancement. However, in order to ensure that the subsequent asset expenditure is enhancing the value of the asset, the Council will instruct a valuation of the asset by a Royal Institute of Chartered Surveyors (RICS) qualified valuer, and any impairment or additional enhancement recognised as necessary.
- Any expenditure above £10,000 and below £500,000 will be treated as capital expenditure as the amount is significant enough to increase the useful life of an asset, however is not material enough to warrant individual impairment review, until the time the asset would normally be valued.

Capital Assets are held on the balance sheet as non-current assets, unless otherwise stated.

The Council has assessed whether Voluntary Aided, Voluntary Controlled and Foundation Schools should be included within the balance sheet, based upon an assessment of ownership and control of the assets. Maintained schools are already held on the balance sheet as the Council controls these entities and therefore all transactions relating to maintained schools are recognised in these accounts. Other types of schools such as Voluntary Aided, Voluntary Controlled and Foundation schools are subject to a test of ownership. The Council recognises a school's assets on its balance sheet where it directly owns them and/or the Council retains substantive rights over the assets and the future economic benefits/service potential of school assets flow to the Council or rights to use the assets have been transferred from another entity.

1.12. **Donated Assets**

These are acquired at less than fair value or transferred for nil consideration. When the Council receives a donated non-current asset, the initial recognition of the asset will be at fair value.

Once any condition attached to the donation has been satisfied, the credit which is the difference between any cash payment and fair value will be treated as income in the Taxation and Non-Specific Grant Income and Expenditure line in the Comprehensive Income and Expenditure Statement. To ensure there is no impact on Council Tax this will then be reversed in the Movement in Reserves Statement and credited to the Capital Adjustment Account.

Until the condition has been satisfied the credit will be recognised in the Donated Assets account. If there is no condition, the recognition of the credit in the Comprehensive Income and Expenditure Statement will occur upon acquisition of the asset.

The fair value of an asset will be assessed upon acquisition; this will be provided by a RICS qualified valuer for property assets and another relevant valuation specialist for other types of asset. After initial recognition, donated assets are treated in the same way as similar owned assets.

1.13. **Non-Current Asset Classification**

The Council manages its assets in the following categories:

- **Intangible Assets**

  In line with International Accounting Standard 38 (IAS 38), the Council recognises intangible assets as non-monetary assets without physical substance, where that asset meets the capital expenditure criteria set out in Accounting Policy 1.11.

- **Property, Plant and Equipment Assets**

  Property Plant and Equipment Assets are subcategorised into Operational Land & Buildings, Community Assets, Vehicles Plant Furniture & Equipment, Infrastructure Assets, Non-Operational Assets, these being Surplus Assets and Assets under Construction.

  - Land and/or Buildings Assets.

    These assets are recorded, valued and accounted for based on their significant components in line with IAS 16. The Council recognises a significant asset to be 25% of the total asset base within an asset class. A component would be recognised if its expenditure in a given financial year exceeds 25% of the total value of the significant asset and has a substantially different life to the overall asset:

- Combined Group containing Flat Roof & Mechanical Engineering (Internal Works i.e. boiler system)
- Land
- Temporary Buildings (sheds / portacabins)
- Combined group containing permanent structure, external works (i.e. car park), pitched roof and components of less than 25% of the overall structure value
- Other unique features (e.g. a swimming pool)

- Community Assets
  These are assets that the Authority intends to hold in perpetuity, that have no determinable useful life and which may, in addition, have restrictions on their disposal. There is little prospect for sale or change of use.

  If the asset is used for a specific operational purpose, it does not qualify as a community asset and should be valued accordingly.

- Infrastructure Assets
  These include all tangible (physical) assets required within the Council's road networks. There is no prospect for sale or alternative use of infrastructure assets; expenditure is only recoverable through continued use of the asset.

- Vehicles, Plant Furniture and Equipment Assets and Assets Under Construction
  These assets are also classified as Property Plant and Equipment where they do not meet the criteria for Investment Property Assets or Assets Held for Sale.

- Non-Operational (Surplus) Assets
  Surplus assets are assets that are not being used to deliver services, and do not meet the criteria to be classified as either investment properties or held for sale. All surplus assets under IFRS13 which came into effect and were adopted by the Council from 1 April 2015 are to be valued at Fair Value and depreciated accordingly.

- **Investment Property Assets**

These are items of land and / or buildings held by the Council solely for the purpose of rental income generation or capital appreciation or both.

As such where there is a service of the Council being delivered from the property, this is not classified as Investment Property Assets. This includes where the intention of the asset is to generate economic growth to an area such as below market value rental.

Investment property that subsequently meets the criteria within the Code to be classified as held for sale shall continue to be accounted for as an investment property, but may be reported separately as investment property held for sale.

Some Assets Under Construction may also be classified as Investment Properties where the intended eventual use is rental income generation or capital appreciation.

- **Heritage Assets**

Assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations are classified as Heritage Assets.

- **Assets Held for Sale**

The Council will classify assets as held for sale where all of the following criteria have been met:

- The asset must be available for immediate sale in its present condition. However, if a sale is dependent on planning permission being obtained, reclassification is suspended until that permission has been given.
- The asset's sale is highly probable.
- The asset must be actively marketed for sale.
- The completion of the sale is expected within 12 months from the date of classification.

In situations where it is not necessary to carry out active marketing, for example the Council is able to identify prospective purchases willing to pay a reasonable price without marketing or because the buyer initiates the transaction (such as a right-to-buy-sale) the actively marketed test is treated as 'not applicable', rather than failed.

Assets which become non-operational which do not meet all of the criteria set out as assets Held for Sale will be classified as surplus. If at a later point in time the asset no longer meets the criteria of Held for Sale, it is restored to its previous classification and all transactions which would have occurred shall be retrospectively applied as though the asset had never been held for sale.

Assets meeting the criteria as Held for Sale are held as current assets on the balance sheet as income is expected within 12 months.

It is possible that assets meeting the criteria to be Held for Sale; may undergo a change in circumstance beyond the control of the Council resulting in the sale being delayed beyond 12 months. In these instances the Council follows the policies outlined for assets held for sale; however disclosure of the value for these assets is within non-current assets. Due to the circumstances around the definition, it is expected that this will occur very rarely.

1.14. **Non-Current Asset Valuation Methodology**

The various classifications of assets as outlined in Accounting Policy 1.13 are valued on a differing base. Where not explicitly stated otherwise, property revaluations are completed by a RICS qualified valuer (who is internal to the Council), over a 'short period', interpreted to mean on a five year rolling programme for each class of asset i.e. 20% of the Council's assets are revalued at the 1 April for the financial year. However an impairment review to consider if any material degradation or other impairment has occurred during the financial year is then completed at the Balance Sheet date.

Where there is an upward revaluation, the carrying value is increased and the associated credit charged directly to the Revaluation Reserve. This is then reflected in the Comprehensive Income and Expenditure Statement as a revaluation gain. Where there is a revaluation resulting in a lower than carrying amount valuation, this is treated in line with Accounting Policy 1.15 – impairment of Non-Current Assets.

The Council, as per the reporting standard, values its assets and liabilities in accordance with section 2.10 of the Code of Practice on Local Authority Accounting in the United Kingdom to reflect the adoption of IFRS13 Fair Value Measurement at each reporting date except where adaptations to fit the public sector are detailed in the Code. However, Section 4.1 of the Code adapts IAS 16 to require that items of Property, Plant and Equipment that are operational and therefore providing a service potential for the authority are measured for their service potential at existing use value, existing use value – social housing, (depreciated) historic cost or depreciated replacement cost and not at fair value. Surplus assets are measured at fair value. 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 and the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability
- In the absence of a principal market, in the most advantageous market for the asset or liability.

Fair value of an asset or liability is measured using the assumptions that 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 Council takes into account a market participants 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.

IFRS 13 requires all assets to be measured at Current Value and the basis of valuation will be determined using the following criteria:

- Depreciated replacement cost – specialised assets
- Existing use value – non-specialised assets
- Existing use value – social housing

Fair value for the following assets:
- Investment assets
- Surplus assets
- Assets Held for Sale

The Council uses valuation techniques, as required by IFRS13, which maximise the use of relevant observable inputs and minimise the use of unobservable inputs and that are appropriate in the circumstances and for which sufficient data is available.

Observable inputs are inputs that are developed using market data, such as publically available information about actual events or transactions, and that reflect the assumptions that market participants would use when pricing the asset or liability.

Unobservable inputs are inputs for which market data is not available and that are developed using the best information available about the assumptions that market participants would use when pricing the asset or liability.

The Council follows the fair value hierarchy which categorises inputs to the valuation techniques in respect of assets and liabilities into three levels for which fair value is measured or disclosed in the Council's financial statements, these include:

- Level 1 inputs – unadjusted quoted prices in active markets for identical assets or liabilities
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 inputs – unobservable inputs for the asset or liability

Highest priority is given to Level 1 inputs (unadjusted) in active markets and lowest priority to Level 3.

Upon the revaluation of a Surplus Asset at the 31st March of the financial year, based on the inputs available at the date of valuation the valuer will establish the IFRS 13 Valuation Input Level for the valuation and will compare this with the IFRS 13 Valuation Input Level for the previous valuation. Where the Input Level is different from that of the previous valuation this will be specifically reported with the valuation together with a narrative description of the reasons and differing circumstances that have resulted in the change.

Valuations are completed under IFRS 13 as follows:

- **Intangible Assets –** the Council recognises Intangible Assets at cost. The Council will only revalue intangible assets annually where there is a determinable market value for the asset.

- **Property Plant and Equipment (PPE) –** Property Assets are held at current value which is the amount that would be paid for the asset in its existing use. This requirement is met by providing a valuation on the basis of Existing Use Value (EUV) in accordance with United Kingdom Practice Statement (UKPS) 1.3 of the RICS Valuation Standards. Where no other valuation method can be used because of the specialist nature of the asset, current value is estimated using a Depreciated Replacement Cost (DRC) approach. Vehicles, Plant, Furniture and Equipment, IT Hardware, and Assets Under Construction within PPE are held at historic cost (not valued).

- **Infrastructure Assets –** the Council recognises Infrastructure Assets at Depreciated Historical Cost.

- **Investment Property Assets –** Investment Properties are annually revalued at fair value which is interpreted as the amount that would be paid for the asset in its highest and best use, i.e. market value. An investment property under construction is measured at cost until such time as its fair value can be determined reliably or its construction us complete, whichever comes first. The fair value of Investment Property held under a lease is the lease interest.

- **Community Assets –** the Council recognises Community Assets at historic cost.

- **Heritage Assets –** where it is possible to determine a valuation for Heritage Assets, then the Council will recognise the asset in the Balance Sheet at that valuation. However, where it is not practicable to obtain a valuation the asset will be carried at historic cost. Where information on cost or value is not available all Heritage Assets will be disclosed in the notes to the accounts, even where they are not recognised in the Balance Sheet. Where there is evidence of impairment to Heritage Assets e.g. where an item has suffered a physical deterioration or breakage or new doubts arise as to its authenticity, any impairment is recognised and measured in accordance with the Council's general policies on impairment.

- **Assets Held for Sale –** Assets held for sale are, at initial classification and at the end of each reporting year, valued at the lower of carrying amount and fair value less costs to sell and depreciation on these assets should cease.

- **Surplus Assets** - Surplus assets from 1 April 2015 are to be valued at Fair Value in accordance with section 2.10 IFRS 13.

1.15. **Impairment of Non-Current Assets**

This accounting policy has been created in accordance with IAS 36.

Impairment is the amount to which the carrying value of an asset exceeds the recoverable amount.

At the end of each reporting period the Council assesses whether there is any indication that an asset may be impaired.

The Council recognises impairment as:
- A significant decline (i.e. more than expected as a result of the passage of time or normal use) in an asset's carrying amount during the period that is specific to the asset;
- Evidence of obsolescence or physical damage of an asset;
- A commitment by the Council to undertake a significant reorganisation; and
- A significant adverse change in the statutory or other regulatory environment in which the Council operates.

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). Any further impairment or if there has been no previous revaluation, the impairment is charged to revenue. This is then reversed through the Movement in Reserves Statement and charged to the Capital Adjustment Account.

1.16. **Disposal of Non-Current Assets**

When an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet is written off to the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals are credited to the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Sale proceeds in excess of £10,000 are categorised as Capital Receipts. Receipts are credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the Capital Financing Requirement). Receipts are transferred to the Reserve from the movement in reserves statement. The value of the asset is transferred to the Capital Adjustment Account via the Movement in Reserves Statement.
Sale proceeds of £10,000 and below are credited straight to the Comprehensive Income and Expenditure Statement.

1.17. **Depreciation / Amortisation Methodology**

In order to recognise the total cost of using fixed assets, the Council has a policy to depreciate assets on a straight line basis over their useful economic life, reducing the value of the asset, and charging the relevant revenue service expenditure. However, under statute, depreciation is not chargeable to the tax payer, the Council removes this charge through the Movement in Reserves Statement and charges it to the Capital Adjustment Account.

The Council charges depreciation on a pro-rata basis during the year i.e. from the month of acquisition to the month of disposal.

The economic lives of assets are:

- **Intangible Assets –** 5 years.

- **Property Plant and Equipment**
    - Combined Group for Flat Roof and Mechanical Engineering – 20 years
    - Land – not depreciated
    - Temporary Buildings – 15 years
    - Modular Buildings – 25 years
    - Combined group for structure, external works, pitched roof and components of less than 25% of the overall structure value – 40 years
    - Other unique features (i.e. a swimming pool) – as required
    - Fixtures and Fittings – 10 years
    - IT Hardware – 5 years
    - Vehicles – 3 to 10 years

- **Infrastructure Assets**
    - Carriage ways – 40 years
    - Footways and cycle tracks – 40 years
    - Structures – 40 years
    - Lighting – 25 years
    - Traffic management – 25 years
    - Street furniture – 25 years

- **Investment Property Assets –** not depreciated

- **Community Assets –** Community Assets are assets that an authority intends to hold to perpetuity which have no determinable useful lives and as such are not depreciated.

- **Assets Held for Sale –** are not depreciated

1.18. **Leases**

In line with IAS 17, the Council recognises a lease to be any agreement which transfers the right to use an asset for an agreed period in exchange for payment, or a series of payments.

This includes leases, hire purchase, rental, contracts of service, service level agreements and any other arrangement where the ability to use an asset is conveyed.

1.19. **Defining a Finance Lease**

A finance lease is where substantially all of the risks and rewards relating to ownership transfer to the lessee.

Tests to give an indication of the transfer of risk and reward are:

- If the lessee will gain ownership of the asset at the end of the lease term (e.g. hire purchase)
- If the lessee has an option to purchase the asset at a sufficiently favourable price that it is reasonably certain, at the inception of the lease, that it will be exercised
- If the lease term is for the major part of the economic life of the asset even if the title is not transferred. Measures to identify this are:
    - The economic life of the asset is deemed to be that which is consistent with the class of asset in the depreciation policy.
    - The Council recognises ‘major part’ to be 75% of the life of the asset, unless on an individual case basis this would not give a true representation of the substance of the transaction.
- At the inception of the lease, the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset. Measures to identify this are:
    - Fair value of the leased asset is assessed by a RICS qualified valuer.
    - The present value of the minimum lease payments is calculated by discounting at the rate inherent in the lease.
    - If this rate cannot be determined the incremental borrowing rate applicable for that year is used.
    - The Council recognises ‘substantially all’ to be 75% of the value of the asset, unless on an individual case basis this would not give a true representation of the substance of the transaction.
- The leased assets are of such a specialised nature that only the lessee can use them without major modifications.
- If the lessee cancels the lease, the losses of the lessor, associated with the cancellation are borne by the lessee.
- Gains or losses from the fluctuation in the fair value of the residual accrue to the lessee (e.g. in the form of a rent rebate equalling most of the sales proceeds at the end of the lease).
- The lessee has the ability to continue the lease for a secondary period at a rent that is substantially lower than market rent.

A suitably experienced accountant, with assistance from qualified valuers, will make a judgement based on the level of risk and reward held by the Council as to whether a lease is operating or finance.

1.20. **Defining an Operating Lease**

The Council recognises an operating lease to be a lease which is not a finance lease.

1.21. **Lessee Accounting for a Finance Lease**

Where the Council is tenant in a property, or is, by definition of IFRIC 4, leasing an asset which is deemed under IAS 17 to be a finance lease the Council will recognise that asset within the asset register, and account for that asset as though it were an owned asset.

The initial recognition of the asset is at the fair value of the property, or if lower, the present value of the minimum lease payments. A liability is also recognised at this value, which is reduced as lease payments are made.

1.22. **Lessor Accounting for a Finance Lease**

Where the Council is the lessor for a finance lease, the asset is not recognised in the asset register; however a long term debtor at the present value of minimum lease payments is recognised. Income received is split between capital - credited against the debtor, and finance income – credited to the Comprehensive Income and Expenditure Statement as interest receivable.

1.23. **Lessor Accounting for an Operating Lease**

Where the Council is the lessor for an operating lease, it will retain the property as either an item of Property Plant and Equipment or as an Investment Property on the Balance Sheet. Any rental income is credited to the relevant service income.

1.24. **Service Concession Agreements (Private Finance Initiative (PFI) and other similar contracts)**

PFI contracts are agreements to receive services, where the responsibility for making available the fixed assets needed to provide the services passes to the PFI contractor. PFI and similar contracts are assessed against criteria within IFRIC 12 Service Concession Arrangements to determine whether the risks and rewards incidental to ownership lie with the Council or the contractor.

Those which lie with the contractor – payments made during the life of the contract are chargeable to revenue as incurred.

Those which lie with the Council – are recognised as an asset in the Balance Sheet for the construction costs of the asset. Once recognised this asset is treated in line with all capital assets. A corresponding long term liability is also recognised at the construction value. Payments made during the life of the contract are split into finance costs, capital costs and service costs. Determining the split of payments is calculated at the inception of the contract and is based on the inherent interest rate within the original agreement. Finance costs are chargeable to the Comprehensive Income and Expenditure Statement as Interest payable. Capital Costs reduce the level of liability in the Balance Sheet. Service costs are chargeable to the relevant revenue service expenditure. Pre-payments or Dowry payments reduce the level of liability at the start of the contract.

PFI Credits are treated as general revenue government grants.

1.25. **Capital Grants and Contributions**

The Council recognises capital grants and contributions as being related to capital assets and uses them to fund capital expenditure on those assets. Grants, contributions and donations are recognised as income at the date that the Council has satisfied the conditions of entitlement, and there is reasonable assurance that the monies will be received.

Any grant received before these recognition criteria were satisfied would be held as a creditor. Any grant which had met the recognition criteria but had not been received would be shown as a debtor. This is in line with the Accruals Concept Policy.

Once the recognition criteria above have been satisfied, capital grants are recognised as income in the Comprehensive Income and Expenditure Statement.

In order to not impact on the level of Council Tax, the Council removes the credit from the General Reserves through the Movement in Reserves Statement, and makes a credit to the Capital Grants Unapplied Reserve.

Once expenditure has been incurred on the related asset, the credit is removed from the Capital Grants Unapplied Reserve and credited to the Capital Adjustment Account.

1.26. **Revenue Expenditure Funded from Capital Under Statute (REFCUS)**

Expenditure incurred that either may be capitalised under statutory provisions or is capital in nature but does not result in the creation of a fixed asset that is owned by the Council. REFCUS is charged as expenditure to the Comprehensive Income and Expenditure Statement in the year, however is financed from existing capital resources or by borrowing. A transfer between the Capital Adjustment Account and the Movement in Reserves Statement then reverses out the impact on the general fund balance.

1.27. **Minimum Revenue Provision (MRP)**

The Council is not required to raise Council Tax to cover depreciation, impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement.

The Council will provide for 2.5% of debt outstanding on all debt as at 31 March 2008. On any new debt since this date the Council will provide 2.5% of the balance on all borrowing, unless any unsupported borrowing relates to any significant assets with a life of less than 20 years. In this case an annual amount based on the expected useful life of the individual assets is used and where those assets are vehicles then an average life of five years is used.

The Council has adopted the policy of charging MRP for PFI and Leased Assets at the value of the associated loan liability repayment each year, thus mitigating the impact to the General Reserve.

1.28. **Capital Reserves**

The Council holds Capital Reserves for the purpose of financing capital expenditure. Reserves will be disclosed as either usable (available to fund capital expenditure) or unusable (reserves held as a result of timing differences associated with recognition of capital expenditure and related financing).

Movements in capital reserves are accounted through the Movement in Reserves Statement.

REVENUE ACCOUNTING

1.29. **Recognition of Revenue Expenditure**

The Council recognises revenue expenditure as expenditure which is not capital.

1.30. **Employee Costs**

In accordance with IAS 19, the Council accounts for the total benefit earned by employees during the financial year.

Employee Costs are split into 3 categories; short term benefits, termination benefits and pensions costs.

Short Term Employee Benefits

- **Salaries and Wages –** The total salary and wages earned by employees during the financial year are charged to the Comprehensive Income and Expenditure Statement. Where the amount accrued exceeds the amount paid at the 31 March, a creditor will be reflected in the accounts.

- **Leave Owed, Accumulating Absences –** The Council allows employees to earn time off in one period with the resulting cost to the Council in a later period when that time is either taken off or paid to the employee. Examples of this accumulating leave are annual leave, flexi-time and time off in lieu.

  If an employee were to leave the Council, cash payment would be made for entitlements such as annual leave; this leave is termed vesting. Where no cash payment would be due, the leave is termed non-vesting.

  In order to correctly reflect the cost of time owed to staff, a charge has been made to the Comprehensive Income and Expenditure Statement and a creditor accrual has been reflected in the Balance Sheet. This charge is reflective of the estimated time cost value of all accumulating leave owed to employees. Vesting leave will be charged in full; however non-vesting leave has been adjusted to reflect the turnover of staff.

- **Easter Bank Holiday –** When Good Friday and/or Easter Monday fall in April, the preceding financial year only accounts for 6 or 7 bank holidays rather than the statutory 8. When this occurs a charge is made to the Comprehensive

Income and Expenditure Statement and a creditor accrual is reflected in the Balance Sheet.

- **Non-accumulating Absences –** are periods of leave that cannot be carried forward for use in future periods. Examples include Maternity Leave, Special Leave, Sick Leave and Jury Service. The Council does not recognise non-accumulating compensated absences until the time that the absence occurs.

- **Non-monetary Benefits –** Where employees have non-monetary benefits (e.g. retirement benefits or life insurance), the associated cost of providing that benefit has been charged to the Comprehensive Income and Expenditure Statement.

Termination Benefits

- **Redundancy Costs –** The obligation to pay redundancy costs occurs when there is a formal plan to create redundancies. The plan would include the location, function and approximate number of employees affected; the termination benefits offered; and the time of implementation. When these recognition criteria have been met the Council recognises the costs associated with this in the service revenue expenditure and creates a creditor in the Balance Sheet. Where the payable amount is due in more than 12 months from the year end date, the costs are discounted at the rate determined by reference to market yields. In the case of an offer to encourage voluntary redundancy, the Council has recognised the estimated cost based on the expected number of employees taking the offer.

The Council will disclose details of exit packages within the notes to the accounts.

Pensions Costs

- **Teachers' Pension Scheme –** is a defined benefit scheme administered by the Department for Education. The assets and liabilities of the Teachers' Pension Scheme are not attributable to the Council, therefore the Council accounts for the scheme as if it were a defined contribution scheme. This means that the Children and Education Services line in the Comprehensive Income and Expenditure Statement will only include the Council's contributions payable to the scheme.

- **Local Government Pension Scheme –** is a defined benefit scheme. The liabilities of the scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit 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 such as mortality rates and employee turnover rates, and projections of earnings for current employees.

  Pension liabilities are measured using the projected unit method, discounted using the rate on high quality corporate bonds of equivalent term to the liabilities. The discount rate is the weighted average of "spot yields" on AA rated corporate bonds.

The change in the net pension liability is analysed into seven components:

- 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 within the relevant service area dependant on staff employed at the Council. The current service cost includes an allowance for administration expenses
- Past Service Cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- Gains/Losses on Settlements and Curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited to the Net Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- Interest Cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to Net Operating Expenditure in the Comprehensive Income and Expenditure Statement
- Interest Income on Plan Assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to Net Operating Expenditure in the Comprehensive Income and Expenditure Statement
- 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 – debited to the Movement in Reserves Statement.
- Employer Contributions – cash paid by the Council to the Pension Fund.

In relation to retirement benefits, statutory provisions require the General Reserve to be charged with the amount payable by the Council to the Pension Fund in the year, not the amount calculated according to the relevant accounting standards. Adjustments are therefore made in the Movement in Reserves Statement.

➢ **Early Retirement, Discretionary Payments –** the Council has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies which are applied to the Local Government Pension Scheme.

1.31. **Lessee Accounting for an Operating Lease**

Costs associated with operating leased assets where the Council is the lessee are charged immediately to the Comprehensive Income and Expenditure Statement within the Net Cost of Services on an accruals basis.

1.32. **Revenue Grants and Contributions**

Grants, contributions and donations (referred to as grants for the purposes of this policy) are recognised as income at the date that the Council has satisfied the conditions of entitlement, and there is reasonable assurance that the monies will be received. Any grant received before these recognition criteria were satisfied would be held as a creditor (income in advance). Any grant which had met the recognition criteria but had not been received would be shown as a debtor.

Revenue grants will either be received to be used only for a specific purpose, or can be used for general purpose. Those for a specific purpose are recognised in the Comprehensive Income and Expenditure Statement within the Net Cost of Services. Those which are for general purpose are shown within Other Operating (Income) and Expenditure in the Comprehensive Expenditure and Income Statement.

1.33. **Income from Service Recipients**

Income from service recipients is defined as consideration that a party, which has contracted with the Council, has given in exchange for goods or services that are the output of the Council's normal operating activities. Such a contract may be in writing, orally or in accordance with customary business practices. These may include:

- Charges for service provided by the Council.
- Sale of goods provided by the Council.
- Fees and charges for services under statutory requirements where there is an exchange of assets or services, such as the issuing of a licence or processing of an application.

In such cases the Council recognises income when it has satisfied the performance obligation by transferring the promised goods or services to the service recipient. The point of transfer is when the service recipient takes control of the goods or benefits from the service.

The Council deems performance obligations to be satisfied over time, rather than at a point in time if any of the following criteria are met:

- The service recipient simultaneously receives and consumes the benefits of a service.
- The Council's performance enhances an asset that the service recipient controls.
- The Council has an enforceable right to payment for performance completed to date and that performance does not create an asset for which it has an alternative use.

Such income is recognised in the Comprehensive Income and Expenditure Statement within the Net Cost of Services.

1.34. **Provisions**

Provisions are made where an event has taken place that gives the Council an obligation that probably requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain.

Provisions are charged to the appropriate service revenue account in the year that the Council recognises an obligation, based on the best estimate of the likely settlement. When payments are eventually made, it is charged to the provision. Where payment is not expected for more than 365 days after the balance sheet date, the provision has been discounted using the rate of a high quality corporate bond.

Estimated settlements are reviewed at the end of each financial year and adjustments with the Comprehensive Income and Expenditure Statement are made as required.

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

The Council does not hold any general provisions.

1.35. **Revenue Reserves**

The Council holds usable revenue reserves for the purpose of funding future expenditure. The General Reserve represents the balance of reserves to meet short term, unforeseeable expenditure and to enable significant changes in resources or expenditure to be properly managed over the period of the Five Year Financial Plan. Earmarked Reserves represent balances where approval has been received to use the reserve for a specific purpose.

Unusable revenue reserves represent timing differences such as those associated with the recognition of retirement benefits, Council tax income and financial instruments.

Movement in reserves are accounted through the Movement in Reserves Statement.

The Council publishes a separate Reserves Policy document, which is reviewed by Cabinet at least annually.

1.36. **Research Costs**

Research costs should be treated as revenue expenditure at the point in which they are incurred, and charged to the Comprehensive Income and Expenditure Statement.

1.37. **Members' Allowances**

The Council in exercise of the powers and duties conferred by the Local Authorities (Members' Allowances) (England) Regulations 2003, has established a Members Allowance Scheme, outlining the allowances payable to Members of the Council.
Members are reminded of the need to keep detailed supporting information, such as a diary, about every attendance for which they claim. This information should be available for scrutiny by the Council's Auditors or other relevant persons as and when required. The scheme is updated annually, and full details are available on the Council's website.

The total amount paid in terms of Members Allowances is disclosed in the notes to the accounts.

1.38. **Council Tax and Business Rates Recognition**

Council Tax and Business Rates income included in the Comprehensive Income and Expenditure Statement includes the Council's share of accrued income recognised by billing authorities in the production of the Collection Fund Statements.

The difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Reserve is taken to the Collection Fund Adjustment Account and reported in the Movement in Reserves Statement.

1.39. **Inventories and Work in Progress**

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. Inventory is recorded in terms of average cost, with the exception of fleet parts where the cost is recorded on a first in, first out basis.

Work in progress is subject to an interim valuation at the year-end and recorded in the Balance Sheet at cost plus any profit reasonably attributable to the works.

1.40. **Loss Allowance for Expected Credit Losses**

The Council maintains a loss allowance for any amounts it is due to receive from its debtors or investments which might become uncollectable.

At each Balance Sheet date the Council makes a two-stage assessment as to whether impairment losses need to be recognised:

- Firstly, whether there is evidence of impairment for individual debtor or investment that are significant, and
- Secondly, whether there is evidence of impairment for groups of similar debtors or investments.

Assessment is made based on the risk of a debtor's or an investment issuer's ability to pay future cash flows due under the contractual terms. This risk is estimated where possible based on historical loss experience, the debtor's or investment issuer's credit rating and other impacting factors including forward-looking information.

The loss allowance for an investment is initially measured at an amount equal to the portion of the lifetime credit losses which might be expected from a default event within 12 months of the balance sheet date. If the Council considers that the risk of default on an investment has increased significantly since the investment was initially recognised it will measure the loss allowance at an amount equal to the total lifetime credit losses expected from a default event.

The Council adopts the simplified approach of measuring the loss allowance for debtors at an amount equal to the total lifetime credit losses expected from a default event, from the time a debtor is initially recognised.

No loss allowance is recognised for expected credit losses where the debtor or investment issuer is central government or another local authority for which relevant statutory provisions prevent default.

Loss allowances are offset against the debtor or investment amount shown as an asset. The movement in the allowance is charged to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement.

TREASURY MANAGEMENT

1.41. **Definition of Treasury Management Activities**

The Council has adopted the following definition of Treasury Management activities:

The management of the Council's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the Council.

The Council acknowledges that effective treasury management will provide support towards the achievement of its service objectives. It is therefore committed to the principles of achieving best value in treasury management, and to employing suitable performance measurement techniques, within the context of effective risk management.

1.42. **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 the value.

1.43. **Financial Liabilities**

Financial liabilities are initially measured at fair value and carried at their amortised cost.

Annual charges to the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable plus any interest accrued to 31 March and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year in the loan agreement.

Any premiums or discounts, incurred on the early repayment of loan debt, arising from 1 April 2007 are taken immediately to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement in the year of repayment. However, the amount is then credited or debited to the General Reserve and transferred to the Financial Instruments Adjustment Account via the Movement in Reserves Statement as required by statute.

The regulations allow that the premium or discount is amortised over periods specified in the statutory guidance. In accordance with the guidance the Council has a policy of spreading the premium or discount over the remaining term of the original loan, or a minimum of 10 years in the case of discounts. This amortisation is managed by a transfer from the Financial Instruments Adjustment Account to the General Reserve via the Movement in Reserves Statement.

Where a loan has been restructured, by a modification to the terms of the existing loan or by an exchange of debt instruments with the existing lender, and the terms are substantially different, the original financial liability is extinguished and a new financial liability is recognised. The difference between the carrying amount of the new and extinguished liability and any consideration transferred is recognised in Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement.

Where the terms of a loan debt exchange or the modification to the terms of an existing loan are not substantial, the carrying amount of the liability is adjusted to the value of the remaining cash flows required by the new terms, including any premiums or discounts paid/received, discounted to present value at the original loan's effective interest rate. Any gain or loss on modification is credited and debited to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement.

A modification of terms is deemed to be substantially different if the present value of the cash flows under the new terms, including any premiums or discounts paid/received, is at least 10% different from the present value of the cash flows under the old terms. In both cases the present value is calculated by reference to original loan's effective interest rate.

1.44. **Financial Assets**

Financial assets are classified into three types according to the Council's business model for managing those assets and the characteristics of the cash flows of the asset:

1) **Financial Assets Measured at Amortised Cost** – assets where it is the Council's intention to hold the asset to collect the contractual cash flows and those cash flows consist solely of payments of principal and interest which arise on specified dates

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to 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 that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable plus any interest accrued to 31 March and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement. However, the Council could make loans to organisations at less than market rates (soft loans).

When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Reserves is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Reserves is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Comprehensive Income and Expenditure Statement. Any gains and losses that arise on the derecognition of the asset are credited/debited to the Comprehensive Income and Expenditure Statement.

Investments are represented on the balance sheet depending on their remaining life at the Balance Sheet date:

- Investments entered into for 90 days or less - debited to the cash balance as cash equivalents and represented within the cash flow statement.
- Investments entered into for more than 90, with less than 365 days until maturity – debited to current asset investments
- Investments due to expire in more than 365 days – debited to non-current asset investments

2) **Financial Assets Measured at Fair Value Through Other Comprehensive Income** – assets where it is the Council's intention to hold the asset both to sell the asset and to collect the contractual cash flows and those cash flows consist solely of payments of principal and interest which arise on specified dates, or assets which are equity instruments which it is the Council's intention to hold for

more than 12 months and which the Council has irrevocably elected to present changes to their fair value in Other Comprehensive Income and Expenditure

These assets are initially measured and carried at fair value. Where the asset has determinable payments of dividends or interest, these are credited to the Comprehensive Income and Expenditure Statement. Interest receivable is based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Dividends are recognised when the Council's right to receive the payment has been established and the amount can be measured reliably.

Values are based on the following principles:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis

Changes in fair value are balanced by an entry in the Financial Instrument Revaluation Reserve and the gain/loss is recognised in Other Comprehensive Income and Expenditure and the Movement in Reserves Statement. Impairment of these assets, due to expected credit losses, is charged to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement and credited to a loss allowance account which reduces the carrying value of the financial asset. Any gains and losses that arise on de-recognition of the asset are credited/debited to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement, along with any accumulated gains/losses. Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

3) **Financial Assets Measured at Fair Value Through Profit or Loss** – assets which are neither measured at amortised cost nor where changes to fair value are presented in Other Comprehensive Income and Expenditure

These assets are initially measured and carried at fair value. Where the asset has determinable payments of dividends or interest, these are credited to the Comprehensive Income and Expenditure Statement. Interest receivable is based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Dividends are recognised when the Council's right to receive the payment has been established and the amount can be measured reliably.

Values are based on the following principles:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis

Changes in fair value are balanced by an entry in Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement.

1.45. **Interests in Companies and Other Entities**

Where the Council has material interests in companies and other entities that have the nature of subsidiaries, associates and joint ventures, it is required to prepare group accounts. In the Council’s own single-entity accounts, the interests in companies and other entities are recorded as investments, i.e. at cost, less any provision for losses.

AA rated corporate bonds

Financial indicator of very good quality, low risk debt securities. These are assigned by credit rating agencies such as Moody's, Standard & Poor's and Fitch Ratings to have letter designations (such as AAA, B, CC).

Account

A group of expenditure items or balances with similar qualities will be summated into an ‘account’ balance such as an individual reserve account, or revenue expenditure account.

Accounting Policies

The Councils document outlining how it will account for all of its operations.

Accounting Principles

Commonly accepted set of concepts or assumptions that have to be followed when producing financial statements.

Accounting Standard

Statutory guidelines which explain how to treat financial activities in the financial statements. See International Financial Reporting Standards (IFRS).

Accrual

The accruals concept requires that the cost or benefit of a transaction is shown in the period to which the goods or services are received or provided, rather than when the cash is paid or received.

Accruals Concept

Requires operations of the Council to be reported in the financial statements at the point which they took place, rather than when the cash was paid or received.

Accumulating Absences

Types of leave which employees are entitled to each year; which if untaken in one financial year will be added to the entitlement for the following year.

Acquired / Acquisition

Operations or assets which have become the responsibility of the Council, such as through purchase, a Government reorganisation, donation or merger.

Actuarial

The estimation technique applied when estimating the liabilities to be recognised for defined benefit pension schemes in the financial statements of an organisation.

Actuaries

An actuary is a professional who deals with the financial impact of risk and uncertainty. Actuaries provide assessments of financial systems and balances.

Amortisation

The term used to describe the charge made for the cost of using intangible fixed assets. The charge for the year will represent the amount of economic benefits consumed for example wear and tear.

Amortised Cost – Financial Instruments

The valuation of a financial asset or liability based on repayments of principal, interest accrued at a constant rate and the difference between the initial amount recognised and the maturity amount. For financial assets this is adjusted by any loss allowance.

Amortised Cost – Other Non-Current Assets
The cost of intangible assets reduced by the amount of amortisation charged to date.

Annual Leave
Yearly entitlement of paid time off for Council staff.

Asset Register
Listing of all property (for example land, buildings, furniture, infrastructure, software) owned by the Council. The register holds all financial information relating to the asset.

Assets
Right or other access to future economic benefits.

Assets Held For Sale
Non-Current Assets which meet the relevant criteria to be classified as held for sale.

Assets Under Construction
Assets which are in the process of being constructed and are not yet operational.

Associates
An entity (including partnerships) which is not a subsidiary or joint venture, where the Council has significant influence.

Authorised For Issue
The date which the financial statements have been certified by External Audit and signed the relevant Officers and Members of the Council.

Balance Sheet
Shows all balances including reserves, long-term debt, fixed and net current assets, together with summarised information on the fixed assets held.

Balance Sheet Date
The date at which the Council reports its financial statements. For Derbyshire County Council, this date is the 31 March.

Bias
Influence or direction.

Billing Authorities
Councils who are responsible for issuing Council Tax Invoices and collection of income from local residents. The relevant share of that income is then transferred to the Council.

Borrowing Requirement
The amount required to be loaned from Money Markets or other financial institutions or Councils in order to support capital expenditure.

Business Rates
Local property taxation issued to businesses, similar to Council Tax on residential properties. Also known as National Non Domestic Rates (NNDR).

Cabinet
Sub-committee of elected Councillors representing the functions and portfolios of the Council.

Capital
Assets which have a long term value (more than one year) to the Council such as Buildings.

Capital Adjustment Account
Capital reserve largely comprising of resource applied to capital financing and is not available to the Council to support new investment.

Capital Appreciation
Increase in the worth of assets over time due to changes in market conditions or enhancements to the asset.

Capital Costs
Reflects the element of annual payment for PFI or Leased assets which is in relation to the reduction in the long term debt associated with the asset.

Capital Expenditure
Expenditure on the acquisition of, or enhancement to fixed assets. This cannot be merely to maintain the value of an existing asset.

Capital Financing Requirement
The Capital Financing Requirement measures the amount of capital spending that has not yet been financed by capital receipts, capital grants or contributions from revenue income. It is a measure of the underlying need to borrow for a capital purpose.

Capital Grant
Grant which is intended to fund capital expenditure.

Capital Grants Unapplied Reserve
Balance of capital grants received which is available to finance future capital expenditure.

Capital Receipts
Income received from the sale or utilisation of property, such as sale proceeds or rental income on finance leases.

Capital Reserves
Reserve balances held for capital purposes.

Carrying Value
The amount at which an asset is recognised after deducting any accumulated depreciation and impairment losses.

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

Cash Flows
Monies received or paid either as cash or bank transactions. Cash inflow denotes money received, cash outflow denotes money paid.

Chartered Institute of Public Finance And Accountancy (CIPFA)
The main authority on accountancy and financial management for the public services in the UK.

CIPFA Code
A publication produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) that provides comprehensive guidance on the content of a Council's Statement of Accounts

Collection Fund
The fund maintained by authorities who have responsibility to bill Council Tax and Non-Domestic Rate payers (billing authorities).

Collection Fund Adjustment Account
Revenue reserve to represent the difference between the income received by a local authority in Council Tax and the amount attributable to them.

Collection Fund Statements
The statutory financial statements produced as part of the Statement of Accounts by authorities who have responsibility to bill Council Tax and Non-Domestic Rate payers (billing authorities).

Community Assets
Assets which are held for the benefit of the community where there is no determinable useful life.

Comparative Year
The previous year to that which is being reported.

Component Accounting
The concept that individual parts of an asset (such as land, building, roof, sheds) should be treated differently in the financial statements dependent on the expected useful life or value of those individual parts. The concept expects that some parts of an asset require repair or replacement sooner than others.

Comprehensive Income And Expenditure Statement
Financial Statement detailing the revenue operations of the Council. This represents the private sector equivalent of a Profit and Loss Statement.

Condition
A requirement which must be met for an asset or liability to be recognised by the Council. For example, a donation which can only be spent within a specific service area such as museums or to support children.

Contingent Assets And Liabilities
A possible asset or obligation that arises from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Council.

Contract Asset
The Council's right to receive consideration in exchange for goods or services that it has transferred to a service recipient where that right is conditional on something other than the passage of time (such as the Council's future performance).

Contract Liability
The Council's obligation to deliver goods or services to a service recipient for which it has already received consideration.

Contributions
Income received by the council which is not a grant, donation, fine, or in direct exchange for goods or services.

Core Service Areas
The services provided by the Council externally, such as education, highway maintenance and adult social care.

Corporate And Democratic Core
Costs associated with maintaining a democratic representation and management within the Council. For example Members Allowances and administrative costs associated with supporting elected Members.

Council

The Council comprises all of the democratically elected Councillors who represent the various electoral divisions.

Council Tax

Council Tax is a local taxation that is levied on dwellings within the local Council area, and funds all Council services.

Credit

A credit represents income to a revenue account.

Credit Loss

The difference between contractual amounts due to the Council and the amounts it expects to receive.

Creditor

Represents the amount that the Council owes other parties.

Current Service Cost

The current service cost is the increase in the value of the pension schemes future pension liabilities arising from the employees on-going membership of the pension scheme.

Current Value

IFRS13 introduces the concept of current value and defines it as the measurements that reflect the economic environment prevailing for a service or function the asset is supporting at the reporting date. Current value can be fair value, existing use value, existing use value – Social Housing and depreciable replacement cost.

Current Year Entry

A transaction which has occurred in the financial year being reported.

Curtailments

Materially reducing the expected years of future services of current employees or eliminating for a significant number of employees the accrual of defined benefits for some or all of their future services.

Debit

A debit represents expenditure against a revenue account.

Debt Outstanding

The remaining principal balance owed on a loans or investments.

Debtors

Represents the amounts owed to the Council.

Equity Instrument

A contract which evidences a residual interest in the assets of another entity after deducting all of its liabilities. Examples include shares and derivatives that give the Council the right to receive a fixed number of shares for a fixed amount of cash (or another financial asset) in an exchange which is expected to be favourable to the Council.

Defined Benefit Scheme

Also known as a Final Salary Scheme. Pension scheme arrangement where the benefits payable to the members are determined by the scheme rules. In most cases there is a compulsory members’ contribution but over and above this all costs of meeting the quoted benefits are the responsibility of the employer.

Defined Contribution Scheme
Also known as a Money Purchase Scheme. Pension scheme arrangement where the employer's liability is restricted to the amount that they contribute. Benefits payable to the members depend on the performance of the invested contributions of the members and the employer, the level of contributions invested, the charges deducted by the product provider and the annuity rate at retirement.

De-Minimis
Minimum level required. For example expenditure below the capital de-minimis is below the minimum level required to be treated as a capital expenditure item.

Department For Education
Central Government Department, responsible for education and children's services in England.

Depreciable Replacement Cost (DRC)
DRC is a method of valuation that provides the current cost of replacing an asset with its Modern Equivalent Asset less deductions for all physical deterioration and all relevant forms of obsolescence and optimisation.

Depreciation
The term used to describe the charge made for the cost of using tangible fixed assets. The charge for the year will represent the amount of economic benefits consumed by, for example, wear and tear.

Derecognition
The process whereby a component is replaced to avoid double counting when no future economic benefits or service potential are expected from its use or upon disposal.

Discount
An allowance received through the early repayment of debt.

Discounted
Reflecting the equivalent value today of a payment or income made or due in the past or future.

Discounted Cash Flow
A method of analysing future cash flows, by removing the impact time has on the value of money, and producing an equivalent current value (present value).

Discretionary Benefits
Benefits given to employees which are not statutorily obliged.

Disposal
Operations or assets which have left the responsibility of the Council, such as through sale, a Government reorganisation, donation or merger

Donated Assets
Assets which have been acquired at below market cost.

Dowry
One off payment made as donation, contribution or pre-payment of an obligation.

Earmarked Reserves
Reserve balances which have been set aside for future spending in a specific area.

Economic Life
The number of years the Council is expected to receive economic benefits to deliver services.

Effective Rate
The interest rate embedded within a contract or lease, allowing for regular annual payments and the time value of money.

Employee
A person who holds an office within the Council, but does not include a person who is an elected Councillor.

Employee Benefits
Monetary or other awards to employees of the Council in exchange for services provided. For example, pay, holidays, and pensions.

Employee Costs
The costs directly associated with employees, including but not exhaustively salaries and wages, National Insurance contributions and pension’s costs.

Employer Contributions
The payments made to an employee’s pension scheme by the Council.

Enhancement Expenditure
Expenditure which increases the value of an asset.

Entity
Something with a legal status such as the Council, a company, or an individual.

Events After The Balance Sheet Date
An event which occurs between 31 March and the date that the accounts are signed which would alter the conclusion reached by any reader of the accounts.

Exceptional Items
Material items that result from the ordinary activities of the Council, but to a value so significantly abnormal that is not expected to recur at that level.

Existing Use Value (EUV)
The value of an asset based on what it is currently being used for. For example, two identical buildings in construction and design may have different values where one is used as a school and another is used as offices.

Exit Packages
The payment made to an employee upon leaving the Council.

Expenditure
Payments made of goods or services.

Fair Value
The income that would be received on sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair Value Through Other Comprehensive Income (FVOCI)
Measurement of a financial asset at fair value where any gain or loss on revaluation is recognised in other comprehensive income and expenditure and taken to the Financial Instrument Revaluation Reserve.

Fair Value Through Profit or Loss
Measurement of a financial asset at fair value where any gain or loss on revaluation is recognised as a credit or charge to Surplus or Deficit on Provision of Services within the CIES.

Finance Income
Interest receipts.

Finance Lease
A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.

Financial Assets
A type of financial instrument which gives the Council the right to receive future economic benefits.

Financial Instruments
An umbrella term to describe all financial services and trading with which the Council may operate, including loans, borrowings, bank accounts and debtors.

Financial Instruments Adjustment Account
Revenue reserve which records the timing differences between the rate at which gains and losses are recognised and the rate at which debits and credits are required to be made against Council tax.

Financial Instruments Revaluation Reserve
This reserve contains the cumulative gains and losses relating to the valuation of financial assets held at fair value through other comprehensive income. When the underlying financial assets are de-recognised any gains or losses held in this reserve are credited or expensed to the Surplus or Deficit on Provision of Services.

Financial Liabilities
A type of financial instrument that confers an obligation on the Council to transfer economic benefits under its control.

Financial Statements
Published document, consisting of the Balance Sheet, Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Cash Flow Statement and Notes to the Accounts.

Financial Year
The current year being reported upon running from 1 April to 31 March.

Five Year Financial Plan
The Councils Medium Term Financial Plan, setting out the financial projection for the Council over the coming 5 years.

Fixed Assets
See Non-Current Assets.

Flexi-Time
Time owed to employees who have worked above the contracted hours.

Gain
Where income exceeds expenditure.

General Provisions
Money set aside in the Balance Sheet where its future use is not known.

General Reserve
The reserve held by the County Council for general purposes, i.e. against which there are no specific commitments.

General Revenue Government Grants
Grant income received from Central Government (or Government Department) which is not restricted in its use.

Going Concern
The going concern accounting concept assumes that the organisation will not significantly curtail the scale of its operation in the foreseeable future.

Goods Or Services
Supplies required by the Council to perform its operations. Examples of goods; paper, bricks or light bulbs, and services; electricity, petrol or agency staff.

Grants
Payment towards the cost of local authority services. These are either for particular purposes or services (specific grants) or in aid of local services generally (formula grant).

Group Accounts
Where a Council has a controlling interest in another organisation, group accounts have to be produced. These accounts report the financial position of all of the group entities.

Hire Purchase
A contract for the provision of an asset which becomes the property of the lessee at the end of the contract period.

Historic Cost
The cash paid in obtaining an asset in its current form. Inclusive of purchase price and enhancement expenditure.

HM Revenue & Customs
Her Majesty's Revenue and Customs is a non-ministerial department of the UK Government responsible for the collection of taxes, the payment of some forms of state support, and the administration of other regulatory regimes including the national minimum wage.

HM Treasury
Her Majesty's Treasury, sometimes referred to as the Exchequer, or more informally the Treasury, is the United Kingdom government department responsible for developing and executing the British government's public finance policy and economic policy.

IFRIC
International Financial Reporting Interpretation Committee.

Immateriality
Immateriality is an expression of the relative insignificance or unimportance of a particular matter in the context of the financial statements as a whole.

Impairment
Impairment is the amount by which the carrying amount of an asset exceeds its recoverable amount.

Inception
The point in time which something began such as a project, contract or lease.

Income

Cash flows into the Council.

Income From Service Recipients

Consideration a party, that has contracted with the Council, has given in exchange for goods or services that are the output of the Council's normal operating activites. Such a contract may be in writing, orally or in accordance with customary business practices.

Income In Advance

Income received before the point at which an obligation to receive it has occurred.

Infrastructure

A network and grouping of inalienable components, expenditure on which is only recoverable by continued use of the asset created i.e. there is no prospect of sale or alternative use. The inalienable components include carriageways, footways, cycle tracks, structures, street furniture, street lighting, traffic management systems and land.

Intangible Asset

Non-current assets which do not have physical form such as software.

Interest Accrued

Accrued interest is the interest on a bond or loan that has accumulated since the principal investment or since the previous coupon payment if there has been one already.

Interest Payable

The amount of interest due for payment within a financial year.

Interest Rate

The rate at which interest is calculated on a loan or investment.

Interest Receivable

The amount of interest due for receipt within a financial year.

International Accounting Standards (IAS)

Regulations outlining the method of accounting for activities, IAS's are currently being replaced with International Financial Reporting Standards (IFRS's) issued by the International Accounting Standards Board.

International Financial Reporting Standards (IFRS)

Regulations outlining the method of accounting for activities, issued by the International Accounting Standards Board.

International Public Sector Accounting Standards (IPSAS)

Public Sector regulations outlining the method of accounting for activities.

Inventories

Goods purchased in advance of their use which are held in store.

Investment Property

Assets held solely for the purposes of rental generation or for increasing the value pre-sale (capital appreciation) or both.

Joint Venture

An organisation which the Council has partial control and ownership, but decisions require the consent of all participants.

Lease

Financial contract for the continuing use of an asset.

Lease Interest
The interest rate inherent within a lease allowing for regular rental payments and an adjustment for the time value of money.
Lease Payments
Regular payment made in exchange for the use of an asset.
Leases
A method of funding expenditure by payment over a defined period of time.
Lessee
The person or organisation that is using or occupying an asset under lease (tenant).
Lessor
The person or organisation that owns an asset under lease (landlord).
Liabilities
An obligation to transfer economic benefits. Current liabilities are payable within one year.
Loans And Receivables
Financial assets which are not quoted in an active market and have either a fixed or determinable payment.
Loan Modification
A change to the terms of an existing loan. Changes may include a reduction in the interest rate, an extension of the loan term, or a reduction in the principal balance.
Loan Modification Gain/Loss
An amount arising from adjusting the carrying value of a loan to reflect the cash flows under the renegotiated terms of the loan, but accruing interest at the rate specified in the original loan terms.
Long Term Debtor
Income due in more than 365 days of the balance sheet date.
Long Term Liability
Payment due in more than 365 days of the balance sheet date.
Loss
Where expenditure exceeds income.
Loss Allowance
A reduction to the value of financial assets for the expected credit losses relating to those assets.
Materiality / Material
Materiality is an expression of the relative significance or importance of a particular matter in the context of the financial statements as a whole.
Maternity Leave
Statutory time off due to pregnant women and new mothers.
Members
Elected Councillors responsible for the democratic leadership of the Council.
Members Allowances
Allowances paid to members in association with their roles and responsibilities.

Minimum Lease Payments

The minimum which will be paid or received over the life of a lease agreement.

Minimum Revenue Provision (MRP)

A prudent amount of revenue set aside to contribute towards capital expenditure which has been financed by borrowing or credit arrangements.

Misstatement

An error whereby something was included in the accounts wrongly.

Modern Equivalent Asset (MEA)

The MEA should give the same service and performance as the existing asset, but should use modern materials and technology.

Movement In Reserves Statement (MiRS)

The statement detailing the movement in the reserves of the Council.

Net Cost Of Services

The direct cost of delivering the Councils services after allowing for specific income received by those services.

Net Operating Expenditure

The cost of operational items which are not direct services, such as disposing of the Councils assets, after allowing for specific income received.

Net Realisable Value

The estimated selling price of an asset in the ordinary course of operations less any completion costs and costs to make the sale, exchange or distribution.

Non Distributed Costs

The value of revenue operating expenditure that is not able to be apportioned to one of the authorities core service areas.

Non-Accumulating Absences

Types of leave an employee may take in a financial year, which if are not taken do not get added to the following year's entitlement. For example Sick Leave.

Non-Current Assets

Assets that yield benefits to the Council for a period of more than one year, examples include land, buildings and vehicles.

Non-Vesting

An obligation which cannot be settled by a monetary payment.

Notes To The Accounts

A set of supplementary comments, tables and information which further explains the main Financial Statements.

Obligation

The requirement to transfer economic benefits.

Operating Lease

A lease where an asset is used only for a small proportion of its economic life.

Operational

The normal activities of the Council.

Past Service Cost

Past service cost is the change in the present value of defined benefit obligations caused by employee service in prior periods.

Payment In Advance

A payment made which is before the point of any obligation.

Pension Liabilities
The cost, calculated by an Actuary, of providing the current members of a pension scheme with retirement benefits as set out in the pension scheme rules.

Pensions Costs
The benefits paid by the Council which are accrued during the period of employment and paid to ex-employees after retirement.

PFI
See Private Finance Initiative.

PFI Credits
The financial support provided to Local Authorities to part fund PFI capital projects.

Pooled Investment Funds Adjustment Account
This reserve contains the cumulative gains and losses related to pooled investment funds measured at FVPL as required by the statutory override effective for financial years 2018-19 to 2022-23.

Premium
A payment made in association with the early repayment of debt.

Pre-Payments
See payment in advance.

Present Value
See Discounted.

Previous Year Adjustments
These are material adjustments relating to prior year accounts that are reported in subsequent years and arise from changes in accounting policies or from the correction of fundamental errors.

Principal
The amount of repayment to a lender which relates to the reduction in the loan, rather than the interest paid on the loan.

Private Finance Initiative (PFI)
A Government initiative that enables, through the provision of financial support, Authorities to carry out capital projects through partnership with the private sector.

Projected Unit Method
This is a common actuarial funding method to value pension scheme liabilities.

Property, Plant And Equipment Assets (PPE)
Assets with a long Term value and physical substance such as buildings, land, IT equipment or vehicles.

Provisions
Potential costs that the Council may incur in the future because of something that happened in the past, which are likely or certain to be incurred and a reliable estimate can be made to the costs.

Prudent
A cautious approach to present the Financial Statements without significant risk of failure to achieve the assets presented.

Quoted Market Prices
A method of determining the fair value of financial assets via prices quoted on an active market.
Recognition
The process upon which assets are deemed to belong to the Council ether by purchase, construction or other form of acquisition.
Receivable
The Council’s unconditional right to receive consideration in exchange for goods or services that it has transferred to a service recipient.
Residual
The remaining value in an asset at the end of a contract or lease.
Retirement Benefits
Remuneration package received by employees after their retirement from the Council.
Retrospectively
Changes made to previous years accounts to alter the treatment which has previously been reported.
Revaluation Gain
The increase to the fair value of an asset following a valuation.
Revaluation Reserve
This reserve contains revaluation gains on assets recognised since 1 April 2007 only, the date of its formal implementation.
Revenue
The cost associated with providing Council services.
Revenue Expenditure
Expenditure which is not capital.
Revenue Expenditure Funded From Capital Under Statute (REFCUS)
This is expenditure that is classified as capital although it does not result in the creation of a fixed asset.
Revenue Grant
Grant which is not capital.
Risk
The chance of an asset not coming to fruition or a liability being greater than anticipated.
Royal Institute Or Chartered Surveyors (RICS)
An international organisation who represent everything professional and ethical in land, property and construction.
Salaries And Wages
Payments made to employees in exchange for service worked at the Council.
Service Concession Arrangements
Arrangements which involve the supply and maintenance of assets and service delivery.
Service Costs
Reflects the element of annual payment for PFI or Leased assets which is in relation to services provided within the contract.

Service Expenditure Reporting Code of Practice (SERCOP)
CIPFA guidelines on reporting revenue expenditure.

Service Level Agreements
Contract of service.

Short Term
Less than 365 days from the balance sheet date.

Short Term Benefits
Employee benefits earned and consumed during employment.

Significant
A measure of materiality where the value is deemed to be almost all of the total value in question.

Soft Loans
Low interest rate loans.

Spot Yields
A calculation of the projected return on bonds if held to maturity.

Staff
See employee.

Statute
Set out in legislation.

Straight Line Basis
The method of calculation of depreciation to allocate an equal amount of depreciation each year over an asset's useful life.

Support Services
Indirect costs of providing Council services including HR, Finance, Legal and Property Maintenance.

Surplus
Arises when income exceeds expenditure or when expenditure is less than available budget.

Surplus Assets
Assets which are no longer in operation.

Tangible
Physical, can be touched.

Tenant
The person or organisation that is occupying an asset under lease.

Termination Benefits
Employee benefits paid upon termination of employment such as redundancy.

The Code
CIPFA guidelines on accounting within Local Government.

Transactions
Individual items of income or expenditure.

Treasury Management
Utilisation of cash flows through investments and loans.

Unidentified Income
Income received by the Council where the reason for the income is unknown.

Unusable

Balances which are not available to support future spending.

Usable

Balances which are available to support future spending.

Useful Life

The period with which an asset is expected to be useful to the Council in its current state.

Value Added Tax

National taxation charged on goods and services.

Vesting

Obligation due which can be paid in cash.

Work In Progress

The fair value of incomplete contracts for goods and services which are to be charged to external customers.

Public

Statement of Accounting Policies

For the Year Commencing 1 April 2020

Version History			
Version	**Date**	**Detail**	**Author**
0.01	18 02 2020	Latest Accounting Policies 2019-20. Reported to Audit Committee in March 2020 (Appendix One).	E Scriven
0.02	18 02 2020	Changes for IFRS 16 - Leases 1.14 Right of Use Assets Addition New paragraphs 1.18 to 1.26; 1.34 and 1.35	E Scriven/S Holmes
0.03	18.02.2020	Review by S151 Officer and Deputy S151 Officer	P Handford P Stone
0.04	25.02.2020	PHR Report	

This document has been prepared using the following ISO27001:2013 standard controls as reference:	
ISO Control	**Description**
A.8.2	Information classification
A.7.2.2	Information security awareness, education and training
A.18.1.1	Identification of applicable legislation and contractual requirements
A.18.1.3	Protection of records
A.18.1.4	Privacy and protection of personally identifiable information

ACCOUNTING POLICIES

INTRODUCTION

The Accounting Policies for Derbyshire County Council (the Council) have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code for Local Authority Accounting (the Code). Where there is no specific guidance in the Code, the Council has developed its own accounting policy which is aimed at creating information which is:

- Relevant to the decision making needs of users; and
- Reliable, in that the financial statements:
    - Represent fairly the financial position, financial performance and cash flows of the entity;
    - Reflect the economic substance of transactions, other events and conditions and not merely the legal form;
    - Are neutral i.e. free from bias;
    - Are prudent; and
    - Are complete in all material respects.

This document outlines how the Council will account for all income, expenditure, assets and liabilities held and incurred during the 2020-21 financial year.

The accounting policies of the Council are updated annually to reflect any changes in IFRS, including changes in International Public Sector Accounting Standards (IPSAS), HM Treasury guidance, CIPFA guidance or any other change in statute, guidance or framework impacting on the authority's accounts.

The Accounting Policies of the Council as far as possible have been developed to ensure that the accounts of the Council are understandable, relevant, free from material error or misstatement, reliable and comparable. A Glossary of Terms can be found at the end of this document.

The document has been divided into four distinct categories which are Accounting Principles, Capital Accounting, Revenue Accounting and Treasury Management, with each policy being assigned a policy number.

ACCOUNTING PRINCIPLES

1.1. Going Concern

The Council prepares its accounts on the basis that it remains a going concern; that is that there is the assumption that the functions of the Council will continue in operational existence. In the case of a pending local government reorganisation, where assets and liabilities are due to be redistributed, the Council would still account on the basis of going concern as the provision of services would continue in another Council.

1.2. Accruals Concept

The Council accounts for income and expenditure in the period in which the provision of goods or service has taken place, rather than when cash payments are received or made.

Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Equally, where cash has been received or paid which is not yet recognised as income or expenditure, a creditor (income in advance) or debtor (payment in advance) is recorded in the Balance Sheet.

1.3. Cost of Services

Internal support service costs (e.g. Human Resources) are apportioned across the core service areas to represent the total cost of delivering that service to the public, in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2020-21 (SerCOP).

Where possible the full cost of support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on non-operational properties, or any other operational cost that cannot be reasonably attributed to a specific service.

1.4. Value Added Tax

Income and expenditure treated as either capital or revenue, excludes any amounts related to VAT. All VAT collected is payable to HM Revenue & Customs and all VAT paid is recoverable from the same. Any amounts outstanding (payment or receipt) at the year-end date is held as a creditor or debtor after netting off the amounts either due or owed.

1.5. Changes in Accounting Policy

Where there is a known future change in accounting policy required by the CIPFA Code, the Council will disclose the following in the notes to the accounts:

- The nature of the change in accounting policy;

- The reasons why applying the new accounting policy provides reliable and more relevant information;
- For both the current reporting period, and the previous year comparatives reported, the extent to which the change in accounting policy would have impacted on the financial statements if it had been adopted in that year;
- The amount of adjustment relating to years previous to those reported in the set of financial statements, had the proposed policy been adopted retrospectively;
- If retrospective application is impracticable for a particular period, the circumstances that led to the existence of that condition and a description of how and from when the change in accounting policy has been applied.

The Council will also disclose information relating to an accounting standard which has been issued but not yet adopted.

1.6. Prior Year Adjustments

These typically arise from omissions and misstatements in the Council's financial statements for one or more prior periods. For the error to be a prior year adjustment, it would need to have arisen from a failure to use or misuse, reliable information that:

a) Was available when financial statements for those periods were authorised for issue; and
b) Could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

Such errors include the effects of mathematical mistakes, misunderstanding in applying accounting policies, oversights or misinterpretations of facts, and fraud.

They may also arise for reasons such as changes in Accounting Standards, which are required to be applied retrospectively.

Where required changes are thought to be significant, an adjustment will be entered into the financial statement's comparative year balances, and the columns headed 'restated'. In addition full disclosure as to the nature, circumstance and value of the adjustment will be disclosed in the notes to the accounts.

Errors which are found and are not significant will not result in a prior year adjustment and will be corrected as a current year entry. In addition, errors as a result of information which was not known to the Council, or could not have reasonably been obtained by the Council when the accounts were authorised for issue will also be treated as an in year adjustment.

1.7. Unidentified Income

All unidentified income received is initially coded to an income suspense account. Individual amounts below £10 are written off due to immateriality. Weekly updates of the content of the suspense accounts are circulated to finance departments, to ensure the balances are cleared quickly. Any items of income below £10,000 which remain unidentified for six months will be written off. Items above £10,000 will be written off after 12 months.

1.8. Events after the Balance Sheet Date

Where there is a material post balance sheet event before the date the accounts are authorised for issue, a disclosure in the notes to the accounts will be included. If this event provides additional evidence of conditions that existed at the Balance Sheet date, and materially affects the amounts to be included in the accounts; adjusting items will be shown in the accounts.

1.9. Exceptional Items

Exceptional items will have been disclosed separately on the face of the Comprehensive Income and Expenditure Statement and details will be disclosed in the notes to the accounts.

1.10. Contingent Assets and 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 control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. They are not recognised in the Balance Sheet but disclosed in a note to the accounts.

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

CAPITAL ACCOUNTING

1.11. Recognition of Capital Expenditure (de-minimis Policy)

In accordance with International Accounting Standard 16 (IAS 16), the Council recognises non-current assets as:

- Assets where it is expected that future economic benefit or service potential will flow to the Council.
- Assets where the cost can be measured reliably.

and defines them as :-

- Assets held for use in the production or supply of goods or services, rental to others, or for administrative purposes.
- Assets expected to be used for more than one financial period.

The initial measurement of an asset is recognised to be:

- Purchase price, construction cost, minimum lease payments or equivalent including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates.

- Costs associated with bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.
- Initial estimate of the costs of dismantling and removing the asset and restoring the site on which it is located, the obligation for which the Council incurred either when the asset was acquired or as a consequence of having used the asset during a particular period for purposes other than producing inventories during that period.

Subsequent expenditure are costs incurred to add to, replace part of, or service the asset, but do not include day-to-day repairs and maintenance and are treated as capital when

- The expenditure will substantially increase the market value of the asset.
- The expenditure will substantially increase the extent to which the Council can use the asset for the purpose, or in conjunction with the functions of the Council.

Where a component is replaced, the carrying amount of the old component shall be derecognised to avoid double counting and the new component reflected in the carrying amount, subject to the recognition principles as set out above.

The Council has two levels of de-minimis for recognition of capital expenditure, £10,000 and £500,000:

- £10,000 and below – all expenditure at this level is deemed to be non-enhancing unless funded by a Capital grant, and therefore is charged to revenue as it is incurred. This includes initial recognition of assets and subsequent asset expenditure.
- Above £500,000 - expenditure meeting the definitions above will be treated as capital expenditure, either as initial recognition or as an enhancement. However, in order to ensure that the subsequent asset expenditure is enhancing the value of the asset, the Council will instruct a valuation of the asset by a Royal Institute of Chartered Surveyors (RICS) qualified valuer, and any impairment or additional enhancement recognised as necessary.
- Any expenditure above £10,000 and below £500,000 will be treated as capital expenditure as the amount is significant enough to increase the useful life of an asset, however is not material enough to warrant individual impairment review, until the time the asset would normally be valued.

Capital Assets are held on the balance sheet as non-current assets, unless otherwise stated.

The Council has assessed whether Voluntary Aided, Voluntary Controlled and Foundation Schools should be included within the balance sheet, based upon an assessment of ownership and control of the assets. Maintained schools are already held on the balance sheet as the Council controls these entities and therefore all transactions relating to maintained schools are recognised in these accounts. Other types of schools such as Voluntary Aided, Voluntary Controlled and Foundation schools are subject to a test of ownership. The Council recognises a school's assets on its balance sheet where it directly owns them and/or the Council retains substantive rights over the assets and the future economic benefits/service potential of school assets flow to the Council or rights to use the assets have been transferred from another entity.

1.12. **Donated Assets**

These are acquired at less than fair value or transferred for nil consideration. When the Council receives a donated non-current asset, the initial recognition of the asset will be at fair value.

Once any condition attached to the donation has been satisfied, the credit which is the difference between any cash payment and fair value will be treated as income in the Taxation and Non-Specific Grant Income and Expenditure line in the Comprehensive Income and Expenditure Statement. To ensure there is no impact on Council Tax this will then be reversed in the Movement in Reserves Statement and credited to the Capital Adjustment Account.

Until the condition has been satisfied the credit will be recognised in the Donated Assets account. If there is no condition, the recognition of the credit in the Comprehensive Income and Expenditure Statement will occur upon acquisition of the asset.

The fair value of an asset will be assessed upon acquisition; this will be provided by a RICS qualified valuer for property assets and another relevant valuation specialist for other types of asset. After initial recognition, donated assets are treated in the same way as similar owned assets.

1.13. **Non-Current Asset Classification**

The Council manages its assets in the following categories:

- **Intangible Assets**
  In line with International Accounting Standard 38 (IAS 38), the Council recognises intangible assets as non-monetary assets without physical substance, where that asset meets the capital expenditure criteria set out in Accounting Policy 1.11.

- **Property, Plant and Equipment Assets**
  Property Plant and Equipment Assets are subcategorised into Operational Land & Buildings, Community Assets, Vehicles Plant Furniture & Equipment, Infrastructure Assets, Non-Operational Assets, these being Surplus Assets and Assets under Construction.
  - Land and/or Buildings Assets.
    These assets are recorded, valued and accounted for based on their significant components in line with IAS 16. The Council recognises a significant asset to be 25% of the total asset base within an asset class. A component would be recognised if its expenditure in a given financial year exceeds 25% of the total value of the significant asset and has a substantially different life to the overall asset:

- Combined Group containing Flat Roof & Mechanical Engineering (Internal Works i.e. boiler system)
- Land
- Temporary Buildings (sheds / portacabins)
- Combined group containing permanent structure, external works (i.e. car park), pitched roof and components of less than 25% of the overall structure value
- Other unique features (e.g. a swimming pool)

- Community Assets

  These are assets that the Authority intends to hold in perpetuity, that have no determinable useful life and which may, in addition, have restrictions on their disposal. There is little prospect for sale or change of use.

  If the asset is used for a specific operational purpose, it does not qualify as a community asset and should be valued accordingly.

- Infrastructure Assets

  These include all tangible (physical) assets required within the Council's road networks. There is no prospect for sale or alternative use of infrastructure assets; expenditure is only recoverable through continued use of the asset.

- Vehicles, Plant Furniture and Equipment Assets and Assets Under Construction

  These assets are also classified as Property Plant and Equipment where they do not meet the criteria for Investment Property Assets or Assets Held for Sale.

- Non-Operational (Surplus) Assets

  Surplus assets are assets that are not being used to deliver services, and do not meet the criteria to be classified as either investment properties or held for sale. All surplus assets under IFRS13 which came into effect and were adopted by the Council from 1 April 2015 are to be valued at Fair Value and depreciated accordingly.

➢ **Investment Property Assets**

These are items of land and / or buildings held by the Council solely for the purpose of rental income generation or capital appreciation or both.

As such where there is a service of the Council being delivered from the property, this is not classified as Investment Property Assets. This includes where the intention of the asset is to generate economic growth to an area such as below market value rental.

Investment property that subsequently meets the criteria within the Code to be classified as held for sale shall continue to be accounted for as an investment property, but may be reported separately as investment property held for sale.

Some Assets Under Construction may also be classified as Investment Properties where the intended eventual use is rental income generation or capital appreciation.

- **Heritage Assets**

  Assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations are classified as Heritage Assets.

- **Assets Held for Sale**

  The Council will classify assets as held for sale where all of the following criteria have been met:
  - The asset must be available for immediate sale in its present condition. However, if a sale is dependent on planning permission being obtained, reclassification is suspended until that permission has been given.
  - The asset's sale is highly probable.
  - The asset must be actively marketed for sale.
  - The completion of the sale is expected within 12 months from the date of classification.

In situations where it is not necessary to carry out active marketing, for example the Council is able to identify prospective purchases willing to pay a reasonable price without marketing or because the buyer initiates the transaction (such as a right-to-buy-sale) the actively marketed test is treated as 'not applicable', rather than failed.

Assets which become non-operational which do not meet all of the criteria set out as assets Held for Sale will be classified as surplus. If at a later point in time the asset no longer meets the criteria of Held for Sale, it is restored to its previous classification and all transactions which would have occurred shall be retrospectively applied as though the asset had never been held for sale.

Assets meeting the criteria as Held for Sale are held as current assets on the balance sheet as income is expected within 12 months.

It is possible that assets meeting the criteria to be Held for Sale; may undergo a change in circumstance beyond the control of the Council resulting in the sale being delayed beyond 12 months. In these instances the Council follows the policies outlined for assets held for sale; however disclosure of the value for these assets is within non-current assets. Due to the circumstances around the definition, it is expected that this will occur very rarely.

1.14. **Non-Current Asset Valuation Methodology**

The various classifications of assets as outlined in Accounting Policy 1.13 are valued on a differing base. Where not explicitly stated otherwise, property revaluations are completed by a RICS qualified valuer (who is internal to the Council), over a 'short period', interpreted to mean on a five year rolling programme for each class of asset i.e. 20% of the Council's assets are revalued at the 1 April for the financial year. However an impairment review to consider if any material degradation or other impairment has occurred during the financial year is then completed at the Balance Sheet date.

Where there is an upward revaluation, the carrying value is increased and the associated credit charged directly to the Revaluation Reserve. This is then reflected in the Comprehensive Income and Expenditure Statement as a revaluation gain. Where there is a revaluation resulting in a lower than carrying amount valuation, this is treated in line with Accounting Policy 1.15 – impairment of Non-Current Assets.

The Council, as per the reporting standard, values its assets and liabilities in accordance with section 2.10 of the Code of Practice on Local Authority Accounting in the United Kingdom to reflect the adoption of IFRS13 Fair Value Measurement at each reporting date except where adaptations to fit the public sector are detailed in the Code. However, Section 4.1 of the Code adapts IAS 16 to require that items of Property, Plant and Equipment that are operational and therefore providing a service potential for the authority are measured for their service potential at existing use value, existing use value – social housing, (depreciated) historic cost or depreciated replacement cost and not at fair value. Surplus assets are measured at fair value. 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 and the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability
- In the absence of a principal market, in the most advantageous market for the asset or liability.

Fair value of an asset or liability is measured using the assumptions that 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 Council takes into account a market participants 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.

IFRS 13 requires all assets to be measured at Current Value and the basis of valuation will be determined using the following criteria:

- Depreciated replacement cost – specialised assets
- Existing use value – non-specialised assets
- Existing use value – social housing

Fair value for the following assets:

- Investment assets
- Surplus assets
- Assets Held for Sale

The Council uses valuation techniques, as required by IFRS13, which maximise the use of relevant observable inputs and minimise the use of unobservable inputs and that are appropriate in the circumstances and for which sufficient data is available.

Observable inputs are inputs that are developed using market data, such as publically available information about actual events or transactions, and that reflect the assumptions that market participants would use when pricing the asset or liability.

Unobservable inputs are inputs for which market data is not available and that are developed using the best information available about the assumptions that market participants would use when pricing the asset or liability.

The Council follows the fair value hierarchy which categorises inputs to the valuation techniques in respect of assets and liabilities into three levels for which fair value is measured or disclosed in the Council's financial statements, these include:

- Level 1 inputs – unadjusted quoted prices in active markets for identical assets or liabilities
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 inputs – unobservable inputs for the asset or liability

Highest priority is given to Level 1 inputs (unadjusted) in active markets and lowest priority to Level 3.

Upon the revaluation of a Surplus Asset at the 31st March of the financial year, based on the inputs available at the date of valuation the valuer will establish the IFRS 13 Valuation Input Level for the valuation and will compare this with the IFRS 13 Valuation Input Level for the previous valuation. Where the Input Level is different from that of the previous valuation this will be specifically reported with the valuation together with a narrative description of the reasons and differing circumstances that have resulted in the change.

Valuations are completed under IFRS 13 as follows:

- **Intangible Assets –** the Council recognises Intangible Assets at cost. The Council will only revalue intangible assets annually where there is a determinable market value for the asset.

- **Property Plant and Equipment (PPE) –** Property Assets are held at current value which is the amount that would be paid for the asset in its existing use. This requirement is met by providing a valuation on the basis of Existing Use Value (EUV) in accordance with United Kingdom Practice Statement (UKPS) 1.3 of the RICS Valuation Standards. Where no other valuation method can be used because of the specialist nature of the asset, current value is estimated using a Depreciated Replacement Cost (DRC) approach. Vehicles, Plant, Furniture and Equipment, IT Hardware, and Assets Under Construction within PPE are held at historic cost (not valued).

- **Infrastructure Assets –** the Council recognises Infrastructure Assets at Depreciated Historical Cost.

- **Investment Property Assets –** Investment Properties are annually revalued at fair value which is interpreted as the amount that would be paid for the asset in its highest and best use, i.e. market value. An investment property under construction is measured at cost until such time as its fair value can be determined reliably or its construction us complete, whichever comes first. The fair value of Investment Property held under a lease is the lease interest.

- **Community Assets –** the Council recognises Community Assets at historic cost.

- **Heritage Assets –** where it is possible to determine a valuation for Heritage Assets, then the Council will recognise the asset in the Balance Sheet at that valuation. However, where it is not practicable to obtain a valuation the asset will be carried at historic cost. Where information on cost or value is not available all Heritage Assets will be disclosed in the notes to the accounts, even where they are not recognised in the Balance Sheet. Where there is evidence of impairment to Heritage Assets e.g. where an item has suffered a physical deterioration or breakage or new doubts arise as to its authenticity, any impairment is recognised and measured in accordance with the Council's general policies on impairment.

- **Assets Held for Sale –** Assets held for sale are, at initial classification and at the end of each reporting year, valued at the lower of carrying amount and fair value less costs to sell and depreciation on these assets should cease.

- **Surplus Assets** - Surplus assets from 1 April 2015 are to be valued at Fair Value in accordance with section 2.10 IFRS 13.

- **Right-of-Use Assets –** Where the underlying asset is land or buildings, the Council values Right-of-Use Assets at the market rent discounted by the market rate of interest for the residual lease term. Other Right-of-Use Assets are held at cost (not valued).

1.15. **Impairment of Non-Current Assets**

This accounting policy has been created in accordance with IAS 36.
Impairment is the amount to which the carrying value of an asset exceeds the recoverable amount.

At the end of each reporting period the Council assesses whether there is any indication that an asset may be impaired.

The Council recognises impairment as:

- A significant decline (i.e. more than expected as a result of the passage of time or normal use) in an asset's carrying amount during the period that is specific to the asset;
- Evidence of obsolescence or physical damage of an asset;
- A commitment by the Council to undertake a significant reorganisation; and
- A significant adverse change in the statutory or other regulatory environment in which the Council operates.

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). Any further impairment or if there has been no previous revaluation, the impairment is charged to revenue. This is then reversed through the Movement in Reserves Statement and charged to the Capital Adjustment Account.

1.16. **Disposal of Non-Current Assets**

When an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet is written off to the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals are credited to the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Sale proceeds in excess of £10,000 are categorised as Capital Receipts. Receipts are credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the Capital Financing Requirement). Receipts are transferred to the Reserve from the movement in reserves statement. The value of the asset is transferred to the Capital Adjustment Account via the Movement in Reserves Statement.
Sale proceeds of £10,000 and below are credited straight to the Comprehensive Income and Expenditure Statement.

1.17. **Depreciation / Amortisation Methodology**

In order to recognise the total cost of using fixed assets, the Council has a policy to depreciate assets on a straight line basis over their useful economic life, reducing the value of the asset, and charging the relevant revenue service expenditure. However, under statute, depreciation is not chargeable to the tax payer, the Council removes this charge through the Movement in Reserves Statement and charges it to the Capital Adjustment Account.

The Council charges depreciation on a pro-rata basis during the year i.e. from the month of acquisition to the month of disposal.

The economic lives of assets are:

- **Intangible Assets –** 5 years.

- **Property Plant and Equipment**
    - Combined Group for Flat Roof and Mechanical Engineering – 20 years
    - Land – not depreciated
    - Temporary Buildings – 15 years
    - Modular Buildings – 25 years
    - Combined group for structure, external works, pitched roof and components of less than 25% of the overall structure value – 40 years
    - Other unique features (i.e. a swimming pool) – as required
    - Fixtures and Fittings – 10 years
    - IT Hardware – 5 years
    - Vehicles – 3 to 10 years

- **Infrastructure Assets**
    - Carriage ways – 40 years
    - Footways and cycle tracks – 40 years
    - Structures – 40 years
    - Lighting – 25 years
    - Traffic management – 25 years
    - Street furniture – 25 years

- **Investment Property Assets –** not depreciated

- **Community Assets –** Community Assets are assets that an authority intends to hold to perpetuity which have no determinable useful lives and as such are not depreciated.

- **Assets Held for Sale –** are not depreciated

1.18. **Leases**

In line with IFRS 16, the Council recognises a lease to be any contract which conveys the right to use a specifically identifiable asset for a period of time.

A contract is any arrangement between two or more parties that creates enforceable rights and obligations.

The Council will only apply lease accounting to tangible assets.

1.19. **Lease Term**

The lease term is the period for which a lessee reasonably expects to have a right to use the underlying asset.

The Council assumes that this will be the contractual term including any periods covered by options to terminate the lease, unless there is evidence to suggest that options to extend the lease or terminate it early are reasonably likely to be exercised, in which case the term will be extended or reduced as appropriate.

Where the lessee is retaining use of an asset after the contractual period has ended a ‘holding over’ lease is created. The Council deems the term of such a lease to be based on management’s reasonable expectation of how long it will continue to use the asset, or 5 years in the event that management are not able to provide such an assessment.

1.20. **Short Term Lease**

A short term lease is a lease, which does not have a purchase option, with a term of 12 months or less at the commencement date.

1.21. **Low Value Assets**

The Council deems the following to be low value assets:

- Personal computers and tablets
- Printers and photocopiers
- Telephones
- Other small office equipment
- Desks, chairs and cabinets
- Other small office furniture
- Sanitary units and equipment

Land, buildings and vehicles are never deemed to be low value.

Any other asset is classified as low value if its cost, when purchased new, would be £10,000 or less.

1.22. **Lessee Accounting**

Except for short term leases or where a lease is for a low value asset, the Council will recognise an asset which represents its right to use an underlying asset for the lease term. The initial recognition of the right-of-use asset is comprised of:

- The initial measurement of the lease liability or, where the underlying asset is land or buildings, the leasehold value of the underlying asset as assessed by a RICS qualified valuer.
- Any lease payments made at the commencement date, less any incentives received.
- Any direct costs incurred.

- The initial estimate of any provision to remove, dismantle or restore the underlying asset or the site on which it is located to the condition required by the terms and conditions in the lease.

At the commencement date, the Council will recognise a lease liability at the present value of the lease payments to be made. The lease payments will be discounted at the interest rate offered for an annuity loan by the Public Works Loan Board (PWLB) at the date nearest to the commencement of the lease for a term corresponding to the length of the lease. Over the term of the lease the liability is increased by interest charges and reduced by the lease payments made.

On initial recognition, any difference between the leasehold value of the underlying asset and the lease liability will be treated as income in Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement. To ensure there is no impact on Council Tax this will then be reversed in the Movement in Reserves Statement and credited to the Capital Adjustment Account.

1.23. **Defining a Finance Lease**

The Council as lessor will classify a lease as a finance lease where substantially all of the risks and rewards relating to ownership of an underlying asset transfer to the lessee.

Tests to give an indication of the transfer of risk and reward are:

- If the lessee will gain ownership of the asset at the end of the lease term (e.g. hire purchase).
- If the lessee has an option to purchase the asset at a sufficiently favourable price that it is reasonably certain, at the inception of the lease, that it will be exercised.
- If the lease term is for the major part of the economic life of the asset even if the title is not transferred. Measures to identify this are:
    - The economic life of the asset is deemed to be that which is consistent with the class of asset in the depreciation policy.
    - The Council recognises ‘major part’ to be 75% of the life of the asset, unless on an individual case basis this would not give a true representation of the substance of the transaction.
- At the inception of the lease, the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset. Measures to identify this are:
    - Fair value of the leased asset is assessed by a RICS qualified valuer.
    - The present value of the minimum lease payments is calculated by discounting at the rate inherent in the lease.
    - If this rate cannot be determined the incremental borrowing rate applicable for that year is used.
    - The Council recognises ‘substantially all’ to be 75% of the value of the asset, unless on an individual case basis this would not give a true representation of the substance of the transaction.

- The leased assets are of such a specialised nature that only the lessee can use them without major modifications.
- If the lessee cancels the lease, the losses of the lessor, associated with the cancellation are borne by the lessee.
- Gains or losses from the fluctuation in the fair value of the residual accrue to the lessee (e.g. in the form of a rent rebate equalling most of the sales proceeds at the end of the lease).
- The lessee has the ability to continue the lease for a secondary period at a rent that is substantially lower than market rent.

If the Council is subletting an underlying asset it will perform these tests with reference to the right-of-use asset created by the head lease rather than the underlying asset.

A suitably experienced accountant, with assistance from qualified valuers, will make a judgement based on the level of risk and reward held by the Council as to whether a lease is operating or finance.

1.24. **Defining an Operating Lease**

The Council as lessor will classify a lease as an operating lease if it does not transfer substantially all of the risks and rewards relating to ownership of an underlying asset to the lessee.

If a head lease is accounted for as a short-term lease, the sublease will be classified as an operating lease.

1.25. **Lessor Accounting for a Finance Lease**

Where the Council is the lessor for a finance lease, the asset is not recognised in the asset register; however a long term debtor at the present value of minimum lease payments is recognised. Income received is split between capital - credited against the debtor, and finance income – credited to the Comprehensive Income and Expenditure Statement as interest receivable.

1.26. **Lessor Accounting for an Operating Lease**

Where the Council is the lessor for an operating lease, it will retain the property as either an item of Property Plant and Equipment or as an Investment Property on the Balance Sheet. Any rental income is credited to the relevant service income.

1.27. **Service Concession Agreements (Private Finance Initiative (PFI) and other similar contracts)**

PFI contracts are agreements to receive services, where the responsibility for making available the fixed assets needed to provide the services passes to the PFI contractor. PFI and similar contracts are assessed against criteria within IFRIC 12 Service Concession Arrangements to determine whether the risks and rewards incidental to ownership lie with the Council or the contractor.

Those which lie with the contractor – payments made during the life of the contract are chargeable to revenue as incurred.

Those which lie with the Council – are recognised as an asset in the Balance Sheet for the construction costs of the asset. Once recognised this asset is treated in line with all capital assets. A corresponding long term liability is also recognised at the construction value. Payments made during the life of the contract are split into finance costs, capital costs and service costs. Determining the split of payments is calculated at the inception of the contract and is based on the inherent interest rate within the original agreement. Finance costs are chargeable to the Comprehensive Income and Expenditure Statement as Interest payable. Capital Costs reduce the level of liability in the Balance Sheet. Service costs are chargeable to the relevant revenue service expenditure. Pre-payments or Dowry payments reduce the level of liability at the start of the contract.

PFI Credits are treated as general revenue government grants.

1.28. **Capital Grants and Contributions**

The Council recognises capital grants and contributions as being related to capital assets and uses them to fund capital expenditure on those assets. Grants, contributions and donations are recognised as income at the date that the Council has satisfied the conditions of entitlement, and there is reasonable assurance that the monies will be received.

Any grant received before these recognition criteria were satisfied would be held as a creditor. Any grant which had met the recognition criteria but had not been received would be shown as a debtor. This is in line with the Accruals Concept Policy.

Once the recognition criteria above have been satisfied, capital grants are recognised as income in the Comprehensive Income and Expenditure Statement.

In order to not impact on the level of Council Tax, the Council removes the credit from the General Reserves through the Movement in Reserves Statement, and makes a credit to the Capital Grants Unapplied Reserve.

Once expenditure has been incurred on the related asset, the credit is removed from the Capital Grants Unapplied Reserve and credited to the Capital Adjustment Account.

1.29. **Revenue Expenditure Funded from Capital Under Statute (REFCUS)**

Expenditure incurred that either may be capitalised under statutory provisions or is capital in nature but does not result in the creation of a fixed asset that is owned by the Council. REFCUS is charged as expenditure to the Comprehensive Income and Expenditure Statement in the year, however is financed from existing capital resources or by borrowing. A transfer between the Capital Adjustment Account and the Movement in Reserves Statement then reverses out the impact on the general fund balance.

1.30. **Minimum Revenue Provision (MRP)**

The Council is not required to raise Council Tax to cover depreciation, impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement.

The Council will provide for 2.5% of debt outstanding on all debt as at 31 March 2008. On any new debt since this date the Council will provide 2.5% of the balance on all borrowing, unless any unsupported borrowing relates to any significant assets with a life of less than 20 years. In this case an annual amount based on the expected useful life of the individual assets is used and where those assets are vehicles then an average life of five years is used.

The Council has adopted the policy of charging MRP for PFI and Leased Assets at the value of the associated loan liability repayment each year, thus mitigating the impact to the General Reserve.

1.31. **Capital Reserves**

The Council holds Capital Reserves for the purpose of financing capital expenditure. Reserves will be disclosed as either usable (available to fund capital expenditure) or unusable (reserves held as a result of timing differences associated with recognition of capital expenditure and related financing).

Movements in capital reserves are accounted through the Movement in Reserves Statement.

REVENUE ACCOUNTING

1.32. **Recognition of Revenue Expenditure**

The Council recognises revenue expenditure as expenditure which is not capital.

1.33. **Employee Costs**

In accordance with IAS 19, the Council accounts for the total benefit earned by employees during the financial year.

Employee Costs are split into 3 categories; short term benefits, termination benefits and pensions costs.

Short Term Employee Benefits

- **Salaries and Wages –** The total salary and wages earned by employees during the financial year are charged to the Comprehensive Income and Expenditure Statement. Where the amount accrued exceeds the amount paid at the 31 March, a creditor will be reflected in the accounts.

- **Leave Owed, Accumulating Absences –** The Council allows employees to earn time off in one period with the resulting cost to the Council in a later period when that time is either taken off or paid to the employee. Examples of this accumulating leave are annual leave, flexi-time and time off in lieu.

If an employee were to leave the Council, cash payment would be made for entitlements such as annual leave; this leave is termed vesting. Where no cash payment would be due, the leave is termed non-vesting.

In order to correctly reflect the cost of time owed to staff, a charge has been made to the Comprehensive Income and Expenditure Statement and a creditor accrual has been reflected in the Balance Sheet. This charge is reflective of the estimated time cost value of all accumulating leave owed to employees. Vesting leave will be charged in full; however non-vesting leave has been adjusted to reflect the turnover of staff.

- **Easter Bank Holiday –** When Good Friday and/or Easter Monday fall in April, the preceding financial year only accounts for 6 or 7 bank holidays rather than the statutory 8. When this occurs a charge is made to the Comprehensive Income and Expenditure Statement and a creditor accrual is reflected in the Balance Sheet.

- **Non-accumulating Absences –** are periods of leave that cannot be carried forward for use in future periods. Examples include Maternity Leave, Special Leave, Sick Leave and Jury Service. The Council does not recognise non-accumulating compensated absences until the time that the absence occurs.

- **Non-monetary Benefits –** Where employees have non-monetary benefits (e.g. retirement benefits or life insurance), the associated cost of providing that benefit has been charged to the Comprehensive Income and Expenditure Statement.

Termination Benefits

- **Redundancy Costs –** The obligation to pay redundancy costs occurs when there is a formal plan to create redundancies. The plan would include the location, function and approximate number of employees affected; the termination benefits offered; and the time of implementation. When these recognition criteria have been met the Council recognises the costs associated with this in the service revenue expenditure and creates a creditor in the Balance Sheet. Where the payable amount is due in more than 12 months from the year end date, the costs are discounted at the rate determined by reference to market yields. In the case of an offer to encourage voluntary redundancy, the Council has recognised the estimated cost based on the expected number of employees taking the offer.

The Council will disclose details of exit packages within the notes to the accounts.

Pensions Costs

- **Teachers' Pension Scheme –** is a defined benefit scheme administered by the Department for Education. The assets and liabilities of the Teachers' Pension

Scheme are not attributable to the Council, therefore the Council accounts for the scheme as if it were a defined contribution scheme. This means that the Children and Education Services line in the Comprehensive Income and Expenditure Statement will only include the Council's contributions payable to the scheme.

- **Local Government Pension Scheme –** is a defined benefit scheme. The liabilities of the scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit 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 such as mortality rates and employee turnover rates, and projections of earnings for current employees.

  Pension liabilities are measured using the projected unit method, discounted using the rate on high quality corporate bonds of equivalent term to the liabilities. The discount rate is the weighted average of "spot yields" on AA rated corporate bonds.

The change in the net pension liability is analysed into seven components:

- 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 within the relevant service area dependant on staff employed at the Council. The current service cost includes an allowance for administration expenses
- Past Service Cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- Gains/Losses on Settlements and Curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited to the Net Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- Interest Cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to Net Operating Expenditure in the Comprehensive Income and Expenditure Statement
- Interest Income on Plan Assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to Net Operating Expenditure in the Comprehensive Income and Expenditure Statement
- 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 – debited to the Movement in Reserves Statement.
- Employer Contributions – cash paid by the Council to the Pension Fund.

In relation to retirement benefits, statutory provisions require the General Reserve to be charged with the amount payable by the Council to the Pension Fund in the year, not the amount calculated according to the relevant accounting standards. Adjustments are therefore made in the Movement in Reserves Statement.

- **Early Retirement, Discretionary Payments –** the Council has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies which are applied to the Local Government Pension Scheme.

1.34. **Lessee Accounting for a Short Term Lease**

Costs associated with short term leases where the Council is the lessee are charged to the Comprehensive Income and Expenditure Statement within the Net Cost of Services on an accruals basis over the lease term.

1.35. **Lessee Accounting for Leases of Low Value Assets**

Costs associated with the lease of low value assets where the Council is the lessee are charged to the Comprehensive Income and Expenditure Statement within the Net Cost of Services on an accruals basis over the lease term.

1.36. **Revenue Grants and Contributions**

Grants, contributions and donations (referred to as grants for the purposes of this policy) are recognised as income at the date that the Council has satisfied the conditions of entitlement, and there is reasonable assurance that the monies will be received. Any grant received before these recognition criteria were satisfied would be held as a creditor (income in advance). Any grant which had met the recognition criteria but had not been received would be shown as a debtor.

Revenue grants will either be received to be used only for a specific purpose, or can be used for general purpose. Those for a specific purpose are recognised in the Comprehensive Income and Expenditure Statement within the Net Cost of Services. Those which are for general purpose are shown within Other Operating (Income) and Expenditure in the Comprehensive Expenditure and Income Statement.

1.37. **Income from Service Recipients**

Income from service recipients is defined as consideration that a party, which has contracted with the Council, has given in exchange for goods or services that are the output of the Council's normal operating activities. Such a contract may be in writing, orally or in accordance with customary business practices. These may include:

- Charges for service provided by the Council.
- Sale of goods provided by the Council.
- Fees and charges for services under statutory requirements where there is an exchange of assets or services, such as the issuing of a licence or processing of an application.

In such cases the Council recognises income when it has satisfied the performance obligation by transferring the promised goods or services to the service recipient. The point of transfer is when the service recipient takes control of the goods or benefits from the service.

The Council deems performance obligations to be satisfied over time, rather than at a point in time if any of the following criteria are met:

- The service recipient simultaneously receives and consumes the benefits of a service.
- The Council's performance enhances an asset that the service recipient controls.
- The Council has an enforceable right to payment for performance completed to date and that performance does not create an asset for which it has an alternative use.

Such income is recognised in the Comprehensive Income and Expenditure Statement within the Net Cost of Services.

1.38. **Provisions**

Provisions are made where an event has taken place that gives the Council an obligation that probably requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain.
Provisions are charged to the appropriate service revenue account in the year that the Council recognises an obligation, based on the best estimate of the likely settlement. When payments are eventually made, it is charged to the provision. Where payment is not expected for more than 365 days after the balance sheet date, the provision has been discounted using the rate of a high quality corporate bond.

Estimated settlements are reviewed at the end of each financial year and adjustments with the Comprehensive Income and Expenditure Statement are made as required.

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

The Council does not hold any general provisions.

1.39. **Revenue Reserves**

The Council holds usable revenue reserves for the purpose of funding future expenditure. The General Reserve represents the balance of reserves to meet short term, unforeseeable expenditure and to enable significant changes in resources or expenditure to be properly managed over the period of the Five Year Financial Plan. Earmarked Reserves represent balances where approval has been received to use the reserve for a specific purpose.

Unusable revenue reserves represent timing differences such as those associated with the recognition of retirement benefits, Council tax income and financial instruments.

Movement in reserves are accounted through the Movement in Reserves Statement.

The Council publishes a separate Reserves Policy document, which is reviewed by Cabinet at least annually.

1.40. **Research Costs**

Research costs should be treated as revenue expenditure at the point in which they are incurred, and charged to the Comprehensive Income and Expenditure Statement.

1.41. **Members' Allowances**

The Council in exercise of the powers and duties conferred by the Local Authorities (Members' Allowances) (England) Regulations 2003, has established a Members Allowance Scheme, outlining the allowances payable to Members of the Council.
Members are reminded of the need to keep detailed supporting information, such as a diary, about every attendance for which they claim. This information should be available for scrutiny by the Council's Auditors or other relevant persons as and when required. The scheme is updated annually, and full details are available on the Council's website.

The total amount paid in terms of Members Allowances is disclosed in the notes to the accounts.

1.42. **Council Tax and Business Rates Recognition**

Council Tax and Business Rates income included in the Comprehensive Income and Expenditure Statement includes the Council's share of accrued income recognised by billing authorities in the production of the Collection Fund Statements.

The difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Reserve is taken to the Collection Fund Adjustment Account and reported in the Movement in Reserves Statement.

1.43. **Inventories and Work in Progress**

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. Inventory is recorded in terms of average cost, with the exception of fleet parts where the cost is recorded on a first in, first out basis.

Work in progress is subject to an interim valuation at the year-end and recorded in the Balance Sheet at cost plus any profit reasonably attributable to the works.

1.44. **Loss Allowance for Expected Credit Losses**

The Council maintains a loss allowance for any amounts it is due to receive from its debtors or investments which might become uncollectable.

At each Balance Sheet date the Council makes a two-stage assessment as to whether impairment losses need to be recognised:

- Firstly, whether there is evidence of impairment for individual debtor or investment that are significant, and
- Secondly, whether there is evidence of impairment for groups of similar debtors or investments.

Assessment is made based on the risk of a debtor's or an investment issuer's ability to pay future cash flows due under the contractual terms. This risk is estimated where possible based on historical loss experience, the debtor's or investment issuer's credit rating and other impacting factors including forward-looking information.

The loss allowance for an investment is initially measured at an amount equal to the portion of the lifetime credit losses which might be expected from a default event within 12 months of the balance sheet date. If the Council considers that the risk of default on an investment has increased significantly since the investment was initially recognised it will measure the loss allowance at an amount equal to the total lifetime credit losses expected from a default event.

The Council adopts the simplified approach of measuring the loss allowance for debtors at an amount equal to the total lifetime credit losses expected from a default event, from the time a debtor is initially recognised.

No loss allowance is recognised for expected credit losses where the debtor or investment issuer is central government or another local authority for which relevant statutory provisions prevent default.

Loss allowances are offset against the debtor or investment amount shown as an asset. The movement in the allowance is charged to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement.

TREASURY MANAGEMENT

1.45. **Definition of Treasury Management Activities**

The Council has adopted the following definition of Treasury Management activities:

The management of the Council's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the Council.

The Council acknowledges that effective treasury management will provide support towards the achievement of its service objectives. It is therefore committed to the principles of achieving best value in treasury management, and to employing suitable performance measurement techniques, within the context of effective risk management.

1.46. **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 the value.

1.47. **Financial Liabilities**

Financial liabilities are initially measured at fair value and carried at their amortised cost.

Annual charges to the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable plus any interest accrued to 31 March and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year in the loan agreement.

Any premiums or discounts, incurred on the early repayment of loan debt, arising from 1 April 2007 are taken immediately to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement in the year of repayment. However, the amount is then credited or debited to the General Reserve and transferred to the Financial Instruments Adjustment Account via the Movement in Reserves Statement as required by statute.

The regulations allow that the premium or discount is amortised over periods specified in the statutory guidance. In accordance with the guidance the Council has a policy of spreading the premium or discount over the remaining term of the original loan, or a minimum of 10 years in the case of discounts. This amortisation is managed by a transfer from the Financial Instruments Adjustment Account to the General Reserve via the Movement in Reserves Statement.

Where a loan has been restructured, by a modification to the terms of the existing loan or by an exchange of debt instruments with the existing lender, and the terms are substantially different, the original financial liability is extinguished and a new financial liability is recognised. The difference between the carrying amount of the new and extinguished liability and any consideration transferred is recognised in Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement.

Where the terms of a loan debt exchange or the modification to the terms of an existing loan are not substantial, the carrying amount of the liability is adjusted to the value of the remaining cash flows required by the new terms, including any premiums or discounts paid/received, discounted to present value at the original loan's effective interest rate. Any gain or loss on modification is credited and debited to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement.

A modification of terms is deemed to be substantially different if the present value of the cash flows under the new terms, including any premiums or discounts paid/received, is at least 10% different from the present value of the cash flows under the old terms. In both cases the present value is calculated by reference to original loan's effective interest rate.

1.48. **Financial Assets**

Financial assets are classified into three types according to the Council's business model for managing those assets and the characteristics of the cash flows of the asset:

1) **Financial Assets Measured at Amortised Cost** – assets where it is the Council's intention to hold the asset to collect the contractual cash flows and those cash flows consist solely of payments of principal and interest which arise on specified dates

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to 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 that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable plus any interest accrued to 31 March and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement. However, the Council could make loans to organisations at less than market rates (soft loans).

When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Reserves is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Reserves is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Comprehensive Income and Expenditure Statement. Any gains and losses that arise on the derecognition of the asset are credited/debited to the Comprehensive Income and Expenditure Statement.

Investments are represented on the balance sheet depending on their remaining life at the Balance Sheet date:

- Investments entered into for 90 days or less - debited to the cash balance as cash equivalents and represented within the cash flow statement.
- Investments entered into for more than 90, with less than 365 days until maturity – debited to current asset investments
- Investments due to expire in more than 365 days – debited to non-current asset investments

2) **Financial Assets Measured at Fair Value Through Other Comprehensive Income** – assets where it is the Council's intention to hold the asset both to sell the asset and to collect the contractual cash flows and those cash flows consist solely of payments of principal and interest which arise on specified dates, or assets which are equity instruments which it is the Council's intention to hold for more than 12 months and which the Council has irrevocably elected to present changes to their fair value in Other Comprehensive Income and Expenditure

These assets are initially measured and carried at fair value. Where the asset has determinable payments of dividends or interest, these are credited to the Comprehensive Income and Expenditure Statement. Interest receivable is based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Dividends are recognised when the Council's right to receive the payment has been established and the amount can be measured reliably.

Values are based on the following principles:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis

Changes in fair value are balanced by an entry in the Financial Instrument Revaluation Reserve and the gain/loss is recognised in Other Comprehensive Income and Expenditure and the Movement in Reserves Statement. Impairment of these assets, due to expected credit losses, is charged to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement and credited to a loss allowance account which reduces the carrying value of the financial asset. Any gains and losses that arise on de-recognition of the asset are credited/debited to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement, along with any accumulated gains/losses. Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

3) **Financial Assets Measured at Fair Value Through Profit or Loss** – assets which are neither measured at amortised cost nor where changes to fair value are presented in Other Comprehensive Income and Expenditure

These assets are initially measured and carried at fair value. Where the asset has determinable payments of dividends or interest, these are credited to the Comprehensive Income and Expenditure Statement. Interest receivable is based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Dividends are recognised when the Council's right to receive the payment has been established and the amount can be measured reliably.

Values are based on the following principles:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis

Changes in fair value are balanced by an entry in Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement.

1.49. Interests in Companies and Other Entities

Where the Council has material interests in companies and other entities that have the nature of subsidiaries, associates and joint ventures, it is required to prepare group accounts. In the Council's own single-entity accounts, the interests in companies and other entities are recorded as investments, i.e. at cost, less any provision for losses.

AA rated corporate bonds

Financial indicator of very good quality, low risk debt securities. These are assigned by credit rating agencies such as Moody's, Standard & Poor's and Fitch Ratings to have letter designations (such as AAA, B, CC).

Account

A group of expenditure items or balances with similar qualities will be summated into an ‘account’ balance such as an individual reserve account, or revenue expenditure account.

Accounting Policies

The Councils document outlining how it will account for all of its operations.

Accounting Principles

Commonly accepted set of concepts or assumptions that have to be followed when producing financial statements.

Accounting Standard

Statutory guidelines which explain how to treat financial activities in the financial statements. See International Financial Reporting Standards (IFRS).

Accrual

The accruals concept requires that the cost or benefit of a transaction is shown in the period to which the goods or services are received or provided, rather than when the cash is paid or received.

Accruals Concept

Requires operations of the Council to be reported in the financial statements at the point which they took place, rather than when the cash was paid or received.

Accumulating Absences

Types of leave which employees are entitled to each year; which if untaken in one financial year will be added to the entitlement for the following year.

Acquired / Acquisition

Operations or assets which have become the responsibility of the Council, such as through purchase, a Government reorganisation, donation or merger.

Actuarial

The estimation technique applied when estimating the liabilities to be recognised for defined benefit pension schemes in the financial statements of an organisation.

Actuaries

An actuary is a professional who deals with the financial impact of risk and uncertainty. Actuaries provide assessments of financial systems and balances.

Amortisation

The term used to describe the charge made for the cost of using intangible fixed assets. The charge for the year will represent the amount of economic benefits consumed for example wear and tear.

Amortised Cost – Financial Instruments

The valuation of a financial asset or liability based on repayments of principal, interest accrued at a constant rate and the difference between the initial amount recognised and the maturity amount. For financial assets this is adjusted by any loss allowance.

Amortised Cost – Other Non-Current Assets
The cost of intangible assets reduced by the amount of amortisation charged to date.

Annual Leave
Yearly entitlement of paid time off for Council staff.

Asset Register
Listing of all property (for example land, buildings, furniture, infrastructure, software) owned by the Council. The register holds all financial information relating to the asset.

Assets
Right or other access to future economic benefits.

Assets Held For Sale
Non-Current Assets which meet the relevant criteria to be classified as held for sale.

Assets Under Construction
Assets which are in the process of being constructed and are not yet operational.

Associates
An entity (including partnerships) which is not a subsidiary or joint venture, where the Council has significant influence.

Authorised For Issue
The date which the financial statements have been certified by External Audit and signed the relevant Officers and Members of the Council.

Balance Sheet
Shows all balances including reserves, long-term debt, fixed and net current assets, together with summarised information on the fixed assets held.

Balance Sheet Date
The date at which the Council reports its financial statements. For Derbyshire County Council, this date is the 31 March.

Bias
Influence or direction.

Billing Authorities
Councils who are responsible for issuing Council Tax Invoices and collection of income from local residents. The relevant share of that income is then transferred to the Council.

Borrowing Requirement
The amount required to be loaned from Money Markets or other financial institutions or Councils in order to support capital expenditure.

Business Rates
Local property taxation issued to businesses, similar to Council Tax on residential properties. Also known as National Non Domestic Rates (NNDR).

Cabinet
Sub-committee of elected Councillors representing the functions and portfolios of the Council.

Capital
Assets which have a long term value (more than one year) to the Council such as Buildings.

Capital Adjustment Account
Capital reserve largely comprising of resource applied to capital financing and is not available to the Council to support new investment.

Capital Appreciation
Increase in the worth of assets over time due to changes in market conditions or enhancements to the asset.

Capital Costs
Reflects the element of annual payment for PFI or Leased assets which is in relation to the reduction in the long term debt associated with the asset.

Capital Expenditure
Expenditure on the acquisition of, or enhancement to fixed assets. This cannot be merely to maintain the value of an existing asset.

Capital Financing Requirement
The Capital Financing Requirement measures the amount of capital spending that has not yet been financed by capital receipts, capital grants or contributions from revenue income. It is a measure of the underlying need to borrow for a capital purpose.

Capital Grant
Grant which is intended to fund capital expenditure.

Capital Grants Unapplied Reserve
Balance of capital grants received which is available to finance future capital expenditure.

Capital Receipts
Income received from the sale or utilisation of property, such as sale proceeds or rental income on finance leases.

Capital Reserves
Reserve balances held for capital purposes.

Carrying Value
The amount at which an asset is recognised after deducting any accumulated depreciation and impairment losses.

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

Cash Flows
Monies received or paid either as cash or bank transactions. Cash inflow denotes money received, cash outflow denotes money paid.

Chartered Institute of Public Finance And Accountancy (CIPFA)
The main authority on accountancy and financial management for the public services in the UK.

CIPFA Code
A publication produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) that provides comprehensive guidance on the content of a Council's Statement of Accounts

Collection Fund
The fund maintained by authorities who have responsibility to bill Council Tax and Non-Domestic Rate payers (billing authorities).

Collection Fund Adjustment Account
Revenue reserve to represent the difference between the income received by a local authority in Council Tax and the amount attributable to them.

Collection Fund Statements
The statutory financial statements produced as part of the Statement of Accounts by authorities who have responsibility to bill Council Tax and Non-Domestic Rate payers (billing authorities).

Community Assets
Assets which are held for the benefit of the community where there is no determinable useful life.

Comparative Year
The previous year to that which is being reported.

Component Accounting
The concept that individual parts of an asset (such as land, building, roof, sheds) should be treated differently in the financial statements dependent on the expected useful life or value of those individual parts. The concept expects that some parts of an asset require repair or replacement sooner than others.

Comprehensive Income And Expenditure Statement
Financial Statement detailing the revenue operations of the Council. This represents the private sector equivalent of a Profit and Loss Statement.

Condition
A requirement which must be met for an asset or liability to be recognised by the Council. For example, a donation which can only be spent within a specific service area such as museums or to support children.

Contingent Assets And Liabilities
A possible asset or obligation that arises from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Council.

Contract Asset
The Council's right to receive consideration in exchange for goods or services that it has transferred to a service recipient where that right is conditional on something other than the passage of time (such as the Council's future performance).

Contract Liability
The Council's obligation to deliver goods or services to a service recipient for which it has already received consideration.

Contributions
Income received by the council which is not a grant, donation, fine, or in direct exchange for goods or services.

Core Service Areas
The services provided by the Council externally, such as education, highway maintenance and adult social care.

Corporate And Democratic Core
Costs associated with maintaining a democratic representation and management within the Council. For example Members Allowances and administrative costs associated with supporting elected Members.

Council
The Council comprises all of the democratically elected Councillors who represent the various electoral divisions.
Council Tax
Council Tax is a local taxation that is levied on dwellings within the local Council area, and funds all Council services.
Credit
A credit represents income to a revenue account.
Credit Loss
The difference between contractual amounts due to the Council and the amounts it expects to receive.
Creditor
Represents the amount that the Council owes other parties.
Current Service Cost
The current service cost is the increase in the value of the pension schemes future pension liabilities arising from the employees on-going membership of the pension scheme.
Current Value
IFRS13 introduces the concept of current value and defines it as the measurements that reflect the economic environment prevailing for a service or function the asset is supporting at the reporting date. Current value can be fair value, existing use value, existing use value – Social Housing and depreciable replacement cost.
Current Year Entry
A transaction which has occurred in the financial year being reported.
Curtailments
Materially reducing the expected years of future services of current employees or eliminating for a significant number of employees the accrual of defined benefits for some or all of their future services.
Debit
A debit represents expenditure against a revenue account.
Debt Outstanding
The remaining principal balance owed on a loans or investments.
Debtors
Represents the amounts owed to the Council.
Equity Instrument
A contract which evidences a residual interest in the assets of another entity after deducting all of its liabilities. Examples include shares and derivatives that give the Council the right to receive a fixed number of shares for a fixed amount of cash (or another financial asset) in an exchange which is expected to be favourable to the Council.
Defined Benefit Scheme
Also known as a Final Salary Scheme. Pension scheme arrangement where the benefits payable to the members are determined by the scheme rules. In most cases there is a compulsory members' contribution but over and above this all costs of meeting the quoted benefits are the responsibility of the employer.

Defined Contribution Scheme
Also known as a Money Purchase Scheme. Pension scheme arrangement where the employer's liability is restricted to the amount that they contribute. Benefits payable to the members depend on the performance of the invested contributions of the members and the employer, the level of contributions invested, the charges deducted by the product provider and the annuity rate at retirement.

De-Minimis
Minimum level required. For example expenditure below the capital de-minimis is below the minimum level required to be treated as a capital expenditure item.

Department For Education
Central Government Department, responsible for education and children's services in England.

Depreciable Replacement Cost (DRC)
DRC is a method of valuation that provides the current cost of replacing an asset with its Modern Equivalent Asset less deductions for all physical deterioration and all relevant forms of obsolescence and optimisation.

Depreciation
The term used to describe the charge made for the cost of using tangible fixed assets. The charge for the year will represent the amount of economic benefits consumed by, for example, wear and tear.

Derecognition
The process whereby a component is replaced to avoid double counting when no future economic benefits or service potential are expected from its use or upon disposal.

Discount
An allowance received through the early repayment of debt.

Discounted
Reflecting the equivalent value today of a payment or income made or due in the past or future.

Discounted Cash Flow
A method of analysing future cash flows, by removing the impact time has on the value of money, and producing an equivalent current value (present value).

Discretionary Benefits
Benefits given to employees which are not statutorily obliged.

Disposal
Operations or assets which have left the responsibility of the Council, such as through sale, a Government reorganisation, donation or merger

Donated Assets
Assets which have been acquired at below market cost.

Dowry
One off payment made as donation, contribution or pre-payment of an obligation.

Earmarked Reserves
Reserve balances which have been set aside for future spending in a specific area.

Economic Life
The number of years the Council is expected to receive economic benefits to deliver services.

Effective Rate
The interest rate embedded within a contract or lease, allowing for regular annual payments and the time value of money.

Employee
A person who holds an office within the Council, but does not include a person who is an elected Councillor.

Employee Benefits
Monetary or other awards to employees of the Council in exchange for services provided. For example, pay, holidays, and pensions.

Employee Costs
The costs directly associated with employees, including but not exhaustively salaries and wages, National Insurance contributions and pension's costs.

Employer Contributions
The payments made to an employee's pension scheme by the Council.

Enhancement Expenditure
Expenditure which increases the value of an asset.

Entity
Something with a legal status such as the Council, a company, or an individual.

Events After The Balance Sheet Date
An event which occurs between 31 March and the date that the accounts are signed which would alter the conclusion reached by any reader of the accounts.

Exceptional Items
Material items that result from the ordinary activities of the Council, but to a value so significantly abnormal that is not expected to recur at that level.

Existing Use Value (EUV)
The value of an asset based on what it is currently being used for. For example, two identical buildings in construction and design may have different values where one is used as a school and another is used as offices.

Exit Packages
The payment made to an employee upon leaving the Council.

Expenditure
Payments made of goods or services.

Fair Value
The income that would be received on sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair Value Through Other Comprehensive Income (FVOCI)
Measurement of a financial asset at fair value where any gain or loss on revaluation is recognised in other comprehensive income and expenditure and taken to the Financial Instrument Revaluation Reserve.

Fair Value Through Profit or Loss
Measurement of a financial asset at fair value where any gain or loss on revaluation is recognised as a credit or charge to Surplus or Deficit on Provision of Services within the CIES.

Finance Income
Interest receipts.

Finance Lease
A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.

Financial Assets
A type of financial instrument which gives the Council the right to receive future economic benefits.

Financial Instruments
An umbrella term to describe all financial services and trading with which the Council may operate, including loans, borrowings, bank accounts and debtors.

Financial Instruments Adjustment Account
Revenue reserve which records the timing differences between the rate at which gains and losses are recognised and the rate at which debits and credits are required to be made against Council tax.

Financial Instruments Revaluation Reserve
This reserve contains the cumulative gains and losses relating to the valuation of financial assets held at fair value through other comprehensive income. When the underlying financial assets are de-recognised any gains or losses held in this reserve are credited or expensed to the Surplus or Deficit on Provision of Services.

Financial Liabilities
A type of financial instrument that confers an obligation on the Council to transfer economic benefits under its control.

Financial Statements
Published document, consisting of the Balance Sheet, Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Cash Flow Statement and Notes to the Accounts.

Financial Year
The current year being reported upon running from 1 April to 31 March.

Five Year Financial Plan
The Councils Medium Term Financial Plan, setting out the financial projection for the Council over the coming 5 years.

Fixed Assets
See Non-Current Assets.

Flexi-Time
Time owed to employees who have worked above the contracted hours.

Gain
Where income exceeds expenditure.

General Provisions
Money set aside in the Balance Sheet where its future use is not known.

General Reserve
The reserve held by the County Council for general purposes, i.e. against which there are no specific commitments.

General Revenue Government Grants
Grant income received from Central Government (or Government Department) which is not restricted in its use.

Going Concern
The going concern accounting concept assumes that the organisation will not significantly curtail the scale of its operation in the foreseeable future.

Goods Or Services
Supplies required by the Council to perform its operations. Examples of goods; paper, bricks or light bulbs, and services; electricity, petrol or agency staff.

Grants
Payment towards the cost of local authority services. These are either for particular purposes or services (specific grants) or in aid of local services generally (formula grant).

Group Accounts
Where a Council has a controlling interest in another organisation, group accounts have to be produced. These accounts report the financial position of all of the group entities.

Hire Purchase
A contract for the provision of an asset which becomes the property of the lessee at the end of the contract period.

Historic Cost
The cash paid in obtaining an asset in its current form. Inclusive of purchase price and enhancement expenditure.

HM Revenue & Customs
Her Majesty's Revenue and Customs is a non-ministerial department of the UK Government responsible for the collection of taxes, the payment of some forms of state support, and the administration of other regulatory regimes including the national minimum wage.

HM Treasury
Her Majesty's Treasury, sometimes referred to as the Exchequer, or more informally the Treasury, is the United Kingdom government department responsible for developing and executing the British government's public finance policy and economic policy.

IFRIC
International Financial Reporting Interpretation Committee.

Immateriality
Immateriality is an expression of the relative insignificance or unimportance of a particular matter in the context of the financial statements as a whole.

Impairment
Impairment is the amount by which the carrying amount of an asset exceeds its recoverable amount.

Inception
The point in time which something began such as a project, contract or lease.

Income

Cash flows into the Council.

Income From Service Recipients

Consideration a party, that has contracted with the Council, has given in exchange for goods or services that are the output of the Council's normal operating activites. Such a contract may be in writing, orally or in accordance with customary business practices.

Income In Advance

Income received before the point at which an obligation to receive it has occurred.

Infrastructure

A network and grouping of inalienable components, expenditure on which is only recoverable by continued use of the asset created i.e. there is no prospect of sale or alternative use. The inalienable components include carriageways, footways, cycle tracks, structures, street furniture, street lighting, traffic management systems and land.

Intangible Asset

Non-current assets which do not have physical form such as software.

Interest Accrued

Accrued interest is the interest on a bond or loan that has accumulated since the principal investment or since the previous coupon payment if there has been one already.

Interest Payable

The amount of interest due for payment within a financial year.

Interest Rate

The rate at which interest is calculated on a loan or investment.

Interest Receivable

The amount of interest due for receipt within a financial year.

International Accounting Standards (IAS)

Regulations outlining the method of accounting for activities, IAS's are currently being replaced with International Financial Reporting Standards (IFRS's) issued by the International Accounting Standards Board.

International Financial Reporting Standards (IFRS)

Regulations outlining the method of accounting for activities, issued by the International Accounting Standards Board.

International Public Sector Accounting Standards (IPSAS)

Public Sector regulations outlining the method of accounting for activities.

Inventories

Goods purchased in advance of their use which are held in store.

Investment Property

Assets held solely for the purposes of rental generation or for increasing the value pre-sale (capital appreciation) or both.

Joint Venture

An organisation which the Council has partial control and ownership, but decisions require the consent of all participants.

Lease

Financial contract for the continuing use of an asset.

Lease Interest
The interest rate inherent within a lease allowing for regular rental payments and an adjustment for the time value of money.

Lease Payments
Regular payment made in exchange for the use of an asset.

Leases
A method of funding expenditure by payment over a defined period of time.

Lessee
The person or organisation that is using or occupying an asset under lease (tenant).

Lessor
The person or organisation that owns an asset under lease (landlord).

Liabilities
An obligation to transfer economic benefits. Current liabilities are payable within one year.

Loans And Receivables
Financial assets which are not quoted in an active market and have either a fixed or determinable payment.

Loan Modification
A change to the terms of an existing loan. Changes may include a reduction in the interest rate, an extension of the loan term, or a reduction in the principal balance.

Loan Modification Gain/Loss
An amount arising from adjusting the carrying value of a loan to reflect the cash flows under the renegotiated terms of the loan, but accruing interest at the rate specified in the original loan terms.

Long Term Debtor
Income due in more than 365 days of the balance sheet date.

Long Term Liability
Payment due in more than 365 days of the balance sheet date.

Loss
Where expenditure exceeds income.

Loss Allowance
A reduction to the value of financial assets for the expected credit losses relating to those assets.

Materiality / Material
Materiality is an expression of the relative significance or importance of a particular matter in the context of the financial statements as a whole.

Maternity Leave
Statutory time off due to pregnant women and new mothers.

Members
Elected Councillors responsible for the democratic leadership of the Council.

Members Allowances
Allowances paid to members in association with their roles and responsibilities.

Minimum Lease Payments
The minimum which will be paid or received over the life of a lease agreement.

Minimum Revenue Provision (MRP)
A prudent amount of revenue set aside to contribute towards capital expenditure which has been financed by borrowing or credit arrangements.

Misstatement
An error whereby something was included in the accounts wrongly.

Modern Equivalent Asset (MEA)
The MEA should give the same service and performance as the existing asset, but should use modern materials and technology.

Movement In Reserves Statement (MiRS)
The statement detailing the movement in the reserves of the Council.

Net Cost Of Services
The direct cost of delivering the Councils services after allowing for specific income received by those services.

Net Operating Expenditure
The cost of operational items which are not direct services, such as disposing of the Councils assets, after allowing for specific income received.

Net Realisable Value
The estimated selling price of an asset in the ordinary course of operations less any completion costs and costs to make the sale, exchange or distribution.

Non Distributed Costs
The value of revenue operating expenditure that is not able to be apportioned to one of the authorities core service areas.

Non-Accumulating Absences
Types of leave an employee may take in a financial year, which if are not taken do not get added to the following year’s entitlement. For example Sick Leave.

Non-Current Assets
Assets that yield benefits to the Council for a period of more than one year, examples include land, buildings and vehicles.

Non-Vesting
An obligation which cannot be settled by a monetary payment.

Notes To The Accounts
A set of supplementary comments, tables and information which further explains the main Financial Statements.

Obligation
The requirement to transfer economic benefits.

Operating Lease
A lease where an asset is used only for a small proportion of its economic life.

Operational
The normal activities of the Council.

Past Service Cost
Past service cost is the change in the present value of defined benefit obligations caused by employee service in prior periods.

Payment In Advance
A payment made which is before the point of any obligation.

Pension Liabilities

The cost, calculated by an Actuary, of providing the current members of a pension scheme with retirement benefits as set out in the pension scheme rules.

Pensions Costs

The benefits paid by the Council which are accrued during the period of employment and paid to ex-employees after retirement.

PFI

See Private Finance Initiative.

PFI Credits

The financial support provided to Local Authorities to part fund PFI capital projects.

Pooled Investment Funds Adjustment Account

This reserve contains the cumulative gains and losses related to pooled investment funds measured at FVPL as required by the statutory override effective for financial years 2018-19 to 2022-23.

Premium

A payment made in association with the early repayment of debt.

Pre-Payments

See payment in advance.

Present Value

See Discounted.

Previous Year Adjustments

These are material adjustments relating to prior year accounts that are reported in subsequent years and arise from changes in accounting policies or from the correction of fundamental errors.

Principal

The amount of repayment to a lender which relates to the reduction in the loan, rather than the interest paid on the loan.

Private Finance Initiative (PFI)

A Government initiative that enables, through the provision of financial support, Authorities to carry out capital projects through partnership with the private sector.

Projected Unit Method

This is a common actuarial funding method to value pension scheme liabilities.

Property, Plant And Equipment Assets (PPE)

Assets with a long Term value and physical substance such as buildings, land, IT equipment or vehicles.

Provisions

Potential costs that the Council may incur in the future because of something that happened in the past, which are likely or certain to be incurred and a reliable estimate can be made to the costs.

Prudent

A cautious approach to present the Financial Statements without significant risk of failure to achieve the assets presented.

Quoted Market Prices
A method of determining the fair value of financial assets via prices quoted on an active market.

Recognition
The process upon which assets are deemed to belong to the Council ether by purchase, construction or other form of acquisition.

Receivable
The Council's unconditional right to receive consideration in exchange for goods or services that it has transferred to a service recipient.

Residual
The remaining value in an asset at the end of a contract or lease.

Retirement Benefits
Remuneration package received by employees after their retirement from the Council.

Retrospectively
Changes made to previous years accounts to alter the treatment which has previously been reported.

Revaluation Gain
The increase to the fair value of an asset following a valuation.

Revaluation Reserve
This reserve contains revaluation gains on assets recognised since 1 April 2007 only, the date of its formal implementation.

Revenue
The cost associated with providing Council services.

Revenue Expenditure
Expenditure which is not capital.

Revenue Expenditure Funded From Capital Under Statute (REFCUS)
This is expenditure that is classified as capital although it does not result in the creation of a fixed asset.

Revenue Grant
Grant which is not capital.

Risk
The chance of an asset not coming to fruition or a liability being greater than anticipated.

Royal Institute Or Chartered Surveyors (RICS)
An international organisation who represent everything professional and ethical in land, property and construction.

Salaries And Wages
Payments made to employees in exchange for service worked at the Council.

Service Concession Arrangements
Arrangements which involve the supply and maintenance of assets and service delivery.

Service Costs
Reflects the element of annual payment for PFI or Leased assets which is in relation to services provided within the contract.

Service Expenditure Reporting Code of Practice (SERCOP)
CIPFA guidelines on reporting revenue expenditure.
Service Level Agreements
Contract of service.
Short Term
Less than 365 days from the balance sheet date.
Short Term Benefits
Employee benefits earned and consumed during employment.
Significant
A measure of materiality where the value is deemed to be almost all of the total value in question.
Soft Loans
Low interest rate loans.
Spot Yields
A calculation of the projected return on bonds if held to maturity.
Staff
See employee.
Statute
Set out in legislation.
Straight Line Basis
The method of calculation of depreciation to allocate an equal amount of depreciation each year over an asset's useful life.
Support Services
Indirect costs of providing Council services including HR, Finance, Legal and Property Maintenance.
Surplus
Arises when income exceeds expenditure or when expenditure is less than available budget.
Surplus Assets
Assets which are no longer in operation.
Tangible
Physical, can be touched.
Tenant
The person or organisation that is occupying an asset under lease.
Termination Benefits
Employee benefits paid upon termination of employment such as redundancy.
The Code
CIPFA guidelines on accounting within Local Government.
Transactions
Individual items of income or expenditure.
Treasury Management
Utilisation of cash flows through investments and loans.
Unidentified Income
Income received by the Council where the reason for the income is unknown.

Unusable

Balances which are not available to support future spending.

Usable

Balances which are available to support future spending.

Useful Life

The period with which an asset is expected to be useful to the Council in its current state.

Value Added Tax

National taxation charged on goods and services.

Vesting

Obligation due which can be paid in cash.

Work In Progress

The fair value of incomplete contracts for goods and services which are to be charged to external customers.

Agenda Item No 4(d)

DERBYSHIRE COUNTY COUNCIL

AUDIT COMMITTEE

24 March 2020

Report of the Director of Finance & ICT

EXTERNAL AUDIT - UPDATE ON 2018-19 RECOMMENDATIONS

1 Purpose of the Report

This report provides Members with an update of the actions taken in response to the recommendations outlined in the external auditor's Audit Completion Reports and Annual Audit Letters for 2018-19.

2 Information and Analysis

The external auditor presented its 2018-19 Audit Completion Reports at the Audit Committee meeting on 23 July 2019 and its 2018-19 Annual Audit Letters at the Audit Committee meeting on 24 September 2019.

Three recommendations were raised in respect of the Council Accounts. Below is a summary and progress update:

- Valuation process controls – there were a number of issues with land and buildings valuations; a misclassification of agricultural land as residential land, the omission of a school building and an inconsistent approach to the valuation of homes for older people. No material errors were identified. Steps have been taken to correct and address these matters, together with the control weaknesses identified in 2017-18; a valuation manual has been introduced to improve the accuracy and consistency of the valuation work undertaken. The valuation manual is a living document utilised by the asset valuation team to ensure effective valuation delivery. It is fully embedded and a constant reference, informing process in the production, timely checking and completion of valuations. The manual is in the process of being reviewed in preparation for the next valuation period 2020-21, to ensure continued accuracy.

- Contracts of employment controls – two contracts of employment could not be located. The Shared Services Centre (SSC) did not hold the full employee file for two school employees, as this was the schools' responsibility, as a “traded services client”. Procedures have been reviewed and a change is being introduced from 20 April 2020 whereby HR Shared Services will no longer retain the signed acceptance for traded services clients. These will be returned directly to the school/external client, as it is the responsibility of the school/employer to retain. HR Shared Services is the service provider/payroll provider and therefore will only keep information relating to contract or payroll requests for a period of six years plus the current financial year. Information will be stored in month order and financial year and sent off-site as appropriate.

- Completeness of related party transactions controls – three Members had not declared their membership of another public sector body on their declaration forms. No inherent conflicts of interest were involved. The importance of full disclosures will form part of forthcoming training of Members and Officers. The session dates will be confirmed in the near future.

One recommendation was raised in respect of the Derbyshire Pension Fund Accounts. Below is a summary and progress update:

- Pension payroll to general ledger reconciliations – during the audit a pension payroll to general ledger reconciliation was provided to the external auditor but this took more time than anticipated. The Council has developed and implemented a reconciliation process during 2019-20.

A detailed update on the actions being taken in response to the 2018-19 control recommendations is attached at Appendix One.

The external auditor also revisited recommendations from 2017-18, when two recommendations were raised:

- Council and Pension Fund Accounts – whilst the position has improved with regard to controls over privileged access users of the Council’s SAP financial system, with any changes to the status of users with this access being actively managed by senior finance staff, the Council has additionally drafted and shared with the external auditors a documented incident management policy, which covers user access issues.

- Pension Fund Accounts – recommendations around pension records were to be taken forward with a new Pension Fund Administration System. The new system went live on 4 March 2019. Virtually all of the outstanding system implementation issues have been resolved and responsibility moved from the Pension Project Team to the “Business as Usual” Pension Technical Team on 3 February 2020.

A detailed update on the action being taken in respect of the external auditor’s revisit of 2017-18 recommendations is attached at Appendix Two.

3 Considerations

In preparing this report the relevance of the following factors has been considered:- financial, human resources, legal and human rights, equality of opportunity, health, environmental, transport, property, crime and disorder and social value considerations.

4 Background Papers

Copies of the approved Statement of Accounts are held in Technical Section, Corporate Finance & ICT.

5 Officer's Recommendation

That Audit Committee notes the actions being taken in response to the recommendations outlined in the external auditor’s Audit Completion Reports and Annual Audit Letters for 2018-19.

PETER HANDFORD

Director of Finance & ICT

2018-19 Recommendations

Recommendation	Management Response	Responsible Officer	Update
Derbyshire County Council **Controls in place in regard to the valuation process** The Council has taken steps to address the deficiencies identified in relation to the valuation of land and buildings, however it should now embed the processes set out in its valuation manual to ensure that valuation work is appropriately completed and checked on a timely basis to enable accurate entries to be made in the pre-audit statement of accounts.	Agreed. The valuation manual is a living document utilised by the asset valuation team to ensure effective valuation delivery. The team will focus on fully embedding the processes set out in the manual.	Dave Massingham	The valuation manual is fully embedded and a constant reference. The valuation manual informs process in the production, timely checking and completion of valuations. The manual is in the process of being reviewed in preparation for the next valuation period 2020-21, to ensure continued accuracy.

2018-19 Recommendations

Recommendation	Management Response	Responsible Officer	Update
Derbyshire County Council **Controls in place in regard to contracts of employment** The Council should ensure that contracts of employment are held and are accessible in relation to all members of staff.	Management accepts the recommendation and acknowledges the importance of contractual documentation. The two cases identified related to employees who work and are employed by Schools and therefore the Shared Services Centre do not hold the full employee file for the employee as this is the responsibility of the School to retain. Procedures for logging and sending paper documentation for employees within Schools who purchase the traded services package offsite will be reviewed in line with the HR retention schedule to ensure that an accurate record is maintained within the Shared Services Centre for all future documentation generated.	Pete Buckley / Lee Gregory (from 30 March 2020)	A change is being introduced from 20 April 2020 whereby HR Shared Services will no longer retain the signed acceptance for “traded services clients”. These will be returned directly to the school/external client, as it is the responsibility of the school/employer to retain. HR Shared Services is the service provider/payroll provider and therefore will only keep information relating to contract or payroll requests for a period of six years plus the current financial year. Information will be stored in month order and financial year and sent off-site as appropriate.

2018-19 Recommendations

Recommendation	Management Response	Responsible Officer	Update
Derbyshire County Council **Controls in place in regard to the completeness of related party declarations** The Council should ensure that full disclosures are made and should emphasise the importance of full disclosures during the training sessions associated with the implementation of the Council's new constitution.	Agreed. The Council's new constitution came into effect on 15 May 2019 and the importance of full disclosures will form part of the training sessions associated with the new constitution.	Simon Hobbs	It has been agreed that these matters will be included in forthcoming training of Members and Officers. The session dates will be confirmed in the near future.
Derbyshire Pension Fund **Controls in place with regard to pensions payroll to general ledger reconciliations** Whilst acknowledging that management has taken steps to address this issue for 2018-19 we recommend that pensions payroll to general ledger reconciliations are undertaken, reviewed and authorised on an ongoing basis.	Agreed. The Pension Fund will review, develop and implement a reconciliation process during 2019-20.	Dawn Kinley	A reconciliation process between the payroll system and the general ledger has been developed for both the County and Pension Funds. This has been undertaken successfully for postings in 2019-20 from Periods 1 to 9. This reconciliation process will be undertaken during the year, based on postings for Periods 1 to 3 and Periods 1 to 9. The reconciliation will also be undertaken based on Periods 1 to 12, which will be provided to External Audit.

2017-18 Recommendations – Update

Recommendation	Management Response	Responsible Officer	Update
Controls in place in relation to SAP users with privileged access Our 2018-19 testing noted that whilst the position had improved there was not a documented incident management policy which included user access issues in the organisation. We are therefore recommending that further work takes place to put such a policy in place.	Management agrees with this recommendation and is currently undertaking work to put such a policy in place.	Wayne Sutton/ Neil Worthy	ICT Services has drafted a policy, which is in the process of being finalised. A draft of the policy has been supplied to the external auditors in response to an audit request in respect of the 2019-20 audit.
Derbyshire Pension Fund **Implementation of Pensions Administration System** The new Altair Pensions Administration System successfully went live on 4 March 2019. As with many major new systems, there have been a number of initial issues for the Pension Fund Team and the supplier to work through. Whilst good progress has been made further work is required to fully embed the operation of the new Altair Pensions Administration System. We recommend the Pension Fund continues to progress this matter with the supplier and report to the Audit Committee on this issue.	Discussions are ongoing with the supplier of the new pension administration system regarding the resolution of a diminishing number of outstanding implementation issues. An update report will be taken to the Audit Committee in December 2019.	Dawn Kinley/ Nigel Dowey	The Pension Fund and the supplier of the Altair system have now resolved virtually all of the outstanding system implementation issues, with just a small number of scripts currently being finalised by both parties. Responsibility for Altair 'Business As Usual' moved from the Pension Project Team to the Pension Technical Team on 3 February 2020.

Agenda Item No 4(e)

DERBYSHIRE COUNTY COUNCIL

AUDIT COMMITTEE

24 March 2020

Report of the Director of Finance & ICT

BUDGET MONITORING ARRANGEMENTS

1 Purpose of the Report

To provide Members with details of the latest budget monitoring arrangements.

2 Information and Analysis

Details of the Council's budget monitoring protocols and developments have previously been reported to Audit Committee.

Departments are required to meet monthly with the Director of Finance & ICT and provide details of their latest budget monitoring position. The information is generally presented in a consistent format by all departments, showing the year to date position and the projected outturn for the year, together with a brief summary of the major variances.

To ensure that the arrangements remain robust, reporting requirements and timescales are set out in the Budget Monitoring Policy, a copy of which is attached at Appendix One. The Policy is widely distributed to departmental Finance Managers.

The Accountancy and Budgetary Control audit undertaken by Audit Services earlier this year concluded that Budget Monitoring arrangements are embedded and generally operating effectively.

Following review of the Policy in March 2020, the following changes have been made:

- The schedule of meeting dates between the departmental Finance Manager and the Director of Finance & ICT has been updated.
- The timetable for reporting the monitoring position to Cabinet and Cabinet Member portfolios has been updated.

- Full in-year revenue monitoring reports submitted to Cabinet Member and the summarised in-year Council revenue monitoring report submitted to Cabinet has been reduced from four to three times a year.
- The report periods have been updated to June (Period 3), September (Period 6) and December (Period 9) in order that they can be aligned with wider performance reporting.
- An explicit requirement to report savings initiatives that started in a previous year, but are ongoing in the current year, has been added.
- An explanation that savings targets brought forward from previous years should include both reductions allocated to service budgets but not yet achieved and reductions not yet allocated to a service has been added.
- An explanation that the shortfall in the achievement of a portfolio's savings target stated in the outturn report is expected to reconcile to the budget reductions brought forwards, reported in the following year's monitoring reports, has been added.
- A requirement to detail, for each growth and one-off item, how much has been spent to date and what impact the additional funding has had on the variance between forecast actual and budgeted expenditure.

The inclusion of performance information in the monitoring report is also being considered.

3 Considerations

In preparing this report the relevance of the following factors has been considered: financial, legal, prevention of crime and disorder, equality and diversity, human resources, environmental, health, property, transport and social value considerations.

4 Background Papers

Papers held in Technical Section, Finance & ICT, Room 137, County Hall.

5 Officer's Recommendation

To note the details of current budget monitoring arrangements.

PETER HANDFORD

Director of Finance & ICT

Appendix 1

Budget Monitoring Policy 2020-21

DERBYSHIRE County Council

March 2020

Objectives and Importance of Budget Monitoring

The Director of Finance & ICT is responsible for providing appropriate financial information to enable budgets to be monitored effectively by budget holders and to report to Cabinet and Council on variances.

It is the responsibility of the Director of Finance & ICT to ensure that each Executive Director is given timely information on each budget heading for which they are responsible, to enable them to fulfil their budgetary responsibilities and manage expenditure/income. Budget Monitoring ensures that relevant managers are made accountable for their elements of the overall budget and resources are used for their intended and agreed purpose.

It is the responsibility of each Executive Director to keep within their overall budget; it is the responsibility of finance staff under the direction (either directly or indirectly) of the Director of Finance & ICT to monitor these budgets and to supply this information to departmental senior officers, to assist in the management of their budget.

It is important that variances against budgetary targets are identified and explained. The Council can then identify changes in trends and resource requirements.

Budget monitoring is a means of identifying and managing possible over and underspends and will include a forecast for the year. This will enable corrective action to be taken for any problem areas during the year.

Frequency of Budget Monitoring

This note sets out the procedure for the monitoring process. Monitoring ideally should be done monthly, the first one being at period 3 (June).

At the very least, significant or problem areas within each department must be monitored, with a revised forecast provided, or assurance should be provided that the forecast remains the same as previously reported.

A departmental monitoring statement should be completed after each period end, after “actual to plan” and “plan to plan” have been copied over to the new period. A series of meetings has been arranged, with the Director of Finance & ICT, to briefly discuss the latest budget monitoring position following each period end. A report should be drafted outlining the controllable departmental budget position, together with brief details of the main variances. A copy of the report should be forwarded to the Director of Finance & ICT (copy to Finance Manager, Technical), prior to the meeting. The following table gives guidance as to when these meetings should take place.

Monitoring Period		Meetings with Director of Finance & ICT
P3	Jun 2020	w/c 27 July 2020
P4	Jul 2020	w/c 24 Aug 2020
P5	Aug 2020	w/c 21 Sep 2020
P6	Sep 2020	w/c 26 Oct 2020
P7	Oct 2020	w/c 23 Nov 2020
P8	Nov 2020	w/c 28 Dec 2020
P9	Dec 2020	w/c 25 Jan 2021
P10	Jan 2021	Not required
P11	Dec 2021	Not required
Outturn	Mar 2021	TBC

The Executive Director for each department also has a regular 'One to One' bi-monthly meeting with the Director of Finance & ICT to discuss variances, with particular reference to proposed budget reductions. If a department's budget position is giving cause for concern, or there are there are any other concerns, the meetings will be more frequent.

Meetings have not been arranged with the Director of Finance & ICT for periods 10 and 11 as the position is unlikely to have moved significantly from that reported at period 9, however, if there has been a significant movement in the forecast position from period 9, a meeting with the Director of Finance & ICT should be arranged. Portfolio monitoring statements are expected to be reported regularly to the appropriate Cabinet Member after consultation with the relevant budget holders at periods 3, 6 and 9.

Monitoring should be based on controllable budgets using the controllable cost element hierarchy (ZRCON). It should be agreed and balanced to the controllable budget on the ledger (plan version 'C').

A full summarised Council revenue monitoring report will be submitted to Cabinet. This will occur 3 times a year and will normally report at periods 3, 6 and 9, in addition to the year-end outturn. The timetable for this is as follows:

Monitoring Period	Complete By	Report to Cabinet Member	Summarised Report to Cabinet
3 - June 2020	End July 2020	Within August 2020	10 September 2020
6 - September 2020	End October 2020	Within November 2020	10 December 2020

Monitoring Period	Complete By	Report to Cabinet Member	Summarised Report to Cabinet
9 - December 2020	End January 2021	Within February 2021	11 March 2021
12 + Special Periods Outturn	May 2021	Within June 2021	Within July 2021

All reports to the Cabinet Member will be in the format set out in Appendix A.

Including the formal monitoring process outlined above, as a minimum, the following should be undertaken:

Periods 3,6,9	• Detailed monitoring including a statement of over/underspend • A reconciliation of budget to plan version 'C' • Controllable totals agreed to ledger • All budget virements included to agree plan version 'C' with Council budget • All significant variances identified and explained • Significant use of earmarked reserves to support general spending must be clearly identified • Significant items of one-off income identified • Report to Cabinet Member, including a statement on the current debt position
Periods 4,5,7,8,10,11	• Summary of monitoring e.g. problem areas • Statement of assurance that there is no deviation from the previously reported forecast
Period 12	• Outturn report based on Period 14, including a statement on the current debt position

Budget Savings

The Council is required by the Local Government Finance Act, 1992, to set a balanced budget. In the circumstance where funding is forecast to be insufficient to meet current levels of expenditure with the addition of cost pressures, savings will be required in order that expenditure does not exceed income.

When the annual revenue budget is set, this results in the establishment of a savings target for the Council as a whole. This target is allocated as a budget reduction between the Council's departments and subsequently between Cabinet Member portfolios.

Savings initiatives are planned programmes, activities and services reductions designed to reduce net expenditure over an implementation period. The expected value of these reductions and the profile should have been identified for every savings initiative.

The value of savings forecast to be delivered within the year should be reported in the monitoring reports and the savings actually delivered should be measured and reported within outturn reports. Savings are not made by merely allocating a reduction in budget to a service. For this purpose, the value of savings achieved is defined to be the actual reduction in net expenditure in the current financial year, compared to the previous financial year, resulting from planned programme actions taken in respect of the service(s) affected by the initiative. If a saving has been achieved based on this definition, but a service still overspends in another area, then it is possible to both achieve a saving and overspend overall on a service. This measurement should be adjusted for the effect of one-off items of funding and/or ongoing allocations of budget for cost pressures.

The complete delivery of a saving initiative may span more than one year. An initiative which was planned to start in a previous year but had not been fully delivered at the start of the current year must continue to be reported; the achievement of these initiatives should be measured against the total budget reduction forecast for that initiative, less the value of savings achieved in previous years.

Where the value of savings achieved is less than the portfolio's savings target, this will result in a shortfall in the savings achieved. This shortfall will be rolled forwards and added to the savings targets allocated to that portfolio in future years. Any shortfalls rolled forwards from previous years must be clearly identified and reported. These shortfalls will comprise of both a portfolio's savings targets which had not been allocated to a service and that portion of a savings target which had been allocated to a service, but had not yet been achieved, at the start of the year.

A shortfall in the savings achieved, compared to the total savings target, reported within the outturn report for a portfolio will be the value of budget reductions brought forward from previous years which is reported the following year in that portfolio's monitoring report.

Debt Position

The current debt position will also be disclosed within the monitoring report. As information on debts owed to the Council is collected on a departmental rather than portfolio basis, the whole department's debt position will be reported to the most significant portfolio, in terms of income, which that department reports to. These will be as follows:

- Adult Care's debt position will be reported to the Adult Care portfolio.
- Children's Services' debt position will be reported to the Young People portfolio.
- Economy, Transport and Environment's debt position will be reported to the Highways, Transport and Infrastructure portfolio.
- Commissioning, Communities and Policy's debt position will be reported to the Council Services portfolio.

It is expected that Exchequer Services will provide this data to departmental finance teams for inclusion in their monitoring reports, upon request. This will ensure consistency in the production of this information.

APPENDIX A

Agenda Item xx

DERBYSHIRE COUNTY COUNCIL

CABINET MEMBER

(Date)

**Joint Report of the Executive Director of <Department>
and the Director of Finance & ICT**

BUDGET MONITORING 20Y1-Y2 – PERIOD X (as at 31 Month 20Y1) (<PORTFOLIO>)

1 Purpose of the Report

To provide the Cabinet Member with an update of the Revenue Budget position of the <name> portfolio for 20Y1-Y2 up to the end of <Date> (Period X).

2 Information and Analysis

2.1 Forecast Summary

The net controllable budget for the <Name> portfolio is £X.XXXm.

The Revenue Budget Monitoring Statement prepared at period X indicates that there is a projected year-end overspend of £X.XXXm.

This overspend will be supported by the use of £X.XXXm of earmarked reserves. After the use of these reserves the forecast position is an overspend of £X.XXXm.

In addition to any use of earmarked reserves, the forecast outturn position includes the following significant items of one-off income:
- £X.XXXm – One-Off Income Item 1 Description
- £X.XXXm – One-Off Income Item 2 Description

APPENDIX A

The significant areas which make up this projection are shown in the table below:

	Controllable Budget £m	**Projected Actuals £m**	**Forecast Over/(Under) Spend £m**
Item 1 Description	X.XXX	X.XXX	X.XXX
Item 2 Description	X.XXX	X.XXX	X.XXX
Other minor balances	X.XXX	X.XXX	X.XXX
Total	**X.XXX**	**X.XXX**	**X.XXX**
Use of Reserve 1 Description	(X.XXX)	0.000	(X.XXX)
Use of Reserve 2 Description	(X.XXX)	0.000	(X.XXX)
Total After Use of Reserves	**X.XXX**	**X.XXX**	**X.XXX**

2.2 Key Variances

2.2.1 Item 1 Description, over/underspend £X.XXXm
<Explanation of reason for item 1 variance>

2.2.2 Item 2 Description, over/underspend £X.XXXm
<Explanation of reason for item 2 variance>

2.3 Budget Savings

Budget reductions totalling £X.XXXm were allocated for the year. Further reductions allocated in prior years, totalling £X.XXXm, had not been achieved and were brought forward to the current year. This has resulted in total reductions to be achieved of £X.XXXm at the start of the year.

The value of the savings initiatives which have been identified for implementation in the current year is £X.XXXm. In addition, there are £X.XXXm of savings initiatives identified in previous years which had not been achieved at the start of the year, but that are still expected to be achieved within the year.

The shortfall between the total reductions expected to be achieved and the identified savings initiatives at the start of the year is £X.XXXm.

It is forecast that £X.XXXm of savings will have been achieved by the year-end. The table below shows performance against the target.

Identified Savings Initiatives	**Budget Reduction Amount £m**	**Forecast to be Achieved by the end of 20Y1-Y2 £m**	**(Shortfall)/ Additional Savings Achieved £m**
Initiative 1 Description	X.XXX	X.XXX	X.XXX
Initiative 2 Description	X.XXX	X.XXX	X.XXX
Total of Identified Savings Initiatives	**X.XXX**	**X.XXX**	**X.XXX**
Shortfall/(Surplus) of Identified Savings	X.XXX/ (X.XXX)		
Total Savings Target	**X.XXX**	**X.XXX**	**X.XXX**

Budget Reductions	**£m**
Prior Year B/f	X.XXX
Current Year	X.XXX
Total Savings Target	**X.XXX**

2.4 Growth Items and One-Off Funding

The portfolio received the following additional budget allocations in 20Y1-Y2:

2.4.1 Item 1 Description - £X.XXXm ongoing, plus £X.XXXm one-off

<Explanation of how additional budget for Item 1 is being used>

<Detail of what has been spent on item 1 to date and the impact that the additional funding has had on the variance between forecast actual and budgeted expenditure on this item>

2.4.2 Item 2 Description - £X.XXXm ongoing, plus £X.XXXm one-off

<Explanation of how additional budget for Item 2 is being used>

<Detail of what has been spent on item 2 to date and the impact that the additional funding has had on the variance between forecast actual and budgeted expenditure on this item>

2.5 Risks

There is a risk that the following issues could negatively impact on the portfolio's forecast outturn position reported in the Forecast Summary above:

Service	**Risk**	**Sensitivity* £m**	**Likelihood 1 = Low, 5 = High**
Service 1 Description	Explanation of what the risk is	X.XXX	X
Service 2 Description	Explanation of what the risk is	X.XXX	X
Service 3 Description	Explanation of what the risk is	X.XXX	X

*Sensitivity represents the potential negative impact on the outturn position should the event occur.

2.6 Earmarked Reserves

Earmarked reserves totalling £X.XXXm are currently held to support future expenditure. Details of these reserves are as follows:

APPENDIX A

Reserve Description	**Amount £m**
Reserve Name 1	X.XXX
Reserve Name 2	X.XXX
Total Earmarked Reserves	**X.XXX**

2.7 Debt Position

The profile of the debt raised, relating to income receivable by services within the <name> department, is as follows:

0 - 30 Days £m	**31 - 365 Days £m**	**1 - 2 Years £m**	**2 - 3 Years £m**	**3 - 4 Years £m**	**Over 4 Years £m**	**Total £m**
X.XXX	X.XXX	X.XXX	X.XXX	X.XXX	X.XXX	**X.XXX**
X.X%	X.X%	X.X%	X.X%	X.X%	X.X%	**100.0%**

In the year up to the end of <Date> the value of debt that has been written off totals £X.XXXm.

3 Financial Considerations

As detailed in the report.

4 Other Considerations

In preparing this report the relevance of the following factors has been considered: financial, legal, prevention of crime and disorder, equality of opportunity; and environmental, health, human resources, property, social value and transport considerations.

5 Key Decision

No.

6 Call-In

APPENDIX A

Is it required that call-in be waived in respect of the decisions proposed in the report? No.

7 Background Papers

Held on file within the <name> Department. Officer contact details – <name>, extension 3XXXX.

8 Officer Recommendations

That the Cabinet Member notes the report.

<Name>
Executive Director
<Department>

Peter Handford
Director of Finance
& ICT

This page is intentionally left blank

Agenda Item No 4(f)

DERBYSHIRE COUNTY COUNCIL

AUDIT COMMITTEE

24 March 2020

Report of the Director of Finance & ICT

REVISED FINANCIAL REGULATIONS

1 Purpose of the Report

To consider the proposed amendments to the Council's Financial Regulations and comment approval of these amendments to Cabinet and Council.

2 Information and Analysis

A detailed revision of the Council's Financial Regulations took place in 2014 and 2017 with a further review during the latter part of 2018.

It is good financial management practice to review the Regulations and Standing Orders on a regular basis to ensure that they are fit for purpose and accord with the Council's Constitution.

Many of the titles and references to policies referred to the in the current regulations have changed and these have been updated where appropriate.

These changes will be underpinned by revised schemes of Departmental financial delegations which will set out the requirements required to ensure compliance with the revised Financial Regulations and Standing Orders relating to Contracts.

The revised Financial Regulations are appended to this report.

The key areas that are being recommended for change are:

- Requirement for all Council staff to furnish information to the Chief Financial Officer with information required for the financial administration of the Council's affairs.
- Addition of the role and responsibilities of the Deputy s.151 Officer in the Statutory Officers section.

- Recognition that financial management standards should be in accordance with the principles of The CIPFA Financial Management Code.
- Clarity on where and whom to submit a Declaration of Interest
- Running costs of surplus assets to remain the responsibility of the transferee for a period of 18 months or until the asset is either sold or brought into new usage. After such time the running costs become the responsibility of Property Services.
- Authorisation of write offs reflect the latest OJEU thresholds.
- Clarification that requests for payment in advance should be made to the Chief Financial Officer.
- A requirement to review the Council's Tax Strategy at least annually.

The Standing Orders Relating to Contracts is also being reviewed and any amendments will be reported to Cabinet and Council for approval. Audit Committee will receive a subsequent report with details of the changes.

3 Considerations

In preparing this report the relevance of the following factors has been considered: financial, legal, prevention of crime and disorder, equality and diversity, human resources, environmental, health, property, transport and social value considerations.

4 Background Papers

Papers are available from the Technical and Procurement Sections, Finance & ICT Division.

5 Officer's Recommendation

That Audit Committee commends the approval of the proposed amendments to the Financial Regulations to Cabinet and Council.

PETER HANDFORD

Director of Finance & ICT

APPENDIX

Derbyshire County Council

FINANCIAL REGULATIONS

To: All Members and Employees

The Chief Financial Officer has legal responsibilities for the financial administration of the Council's affairs and for determining the procedures and systems (whether electronic or not) to achieve this.

The Director of Legal Services as Monitoring Officer has responsibilities for legal compliance/probity.

Financial Regulations and Procedures apply to all Members and employees and to all transactions.

There are separate regulations under the Derbyshire Scheme for Financing Schools.

Where supplementary rules are made subsequent to these Regulations, these will be published. It has not been possible to foresee every eventuality so, should any doubt arise, you should consult the Chief Financial Officer. The Council Tax payers and citizens will expect everyone involved with the Council's affairs to treat the Council's resources with care and seek to obtain value for money - economy, efficiency and effectiveness - at all times.

The Regulations deal with the control of resources by Executive Directors in their Departments. The responsibilities of other officers are separately listed throughout the document and supplemented by Scheme of Delegations.

It is important that all employees are familiar with the detail that applies to their daily role. The regulations relating to procurement matters have been amended including changes in thresholds, evaluating for risk, increased requirement for transparency and the use of frameworks. These changes will allow increased flexibility for officers whilst maintaining the focus on delivery of value for money and accountability.

Barry Lewis
Leader of the Council

Simon Spencer
Deputy Leader of the Council

Peter Handford
Director of Finance & ICT
(Chief Financial Officer)

CONTENTS (to be updated upon agreement of regulations)

A INTRODUCTION

FINANCIAL REGULATIONS

1 To conduct its business efficiently a local authority needs to ensure that it has sound financial management policies in place and that they are strictly adhered to. Part of this process is the establishment of financial regulations, which set out the financial policies of the Council.

2 The County Council has produced this updated set of financial regulations, which reflects best practice and provides a practical source of advice to assist the Council to deliver its services.

3 The financial regulations provide clarity about the accountabilities of individuals - Cabinet Members and officers including the Monitoring Officer, the Chief Financial Officer and Executive Directors. Each of the financial regulations sets out the overarching financial responsibilities.

4 Departments should link the financial regulations with other internal regulatory frameworks which form part of the Council's constitution - for example - contract standing orders, schemes of delegation, the role of both Audit and Improvement and Scrutiny Committees and Employee Codes of Conduct, which include specific issues such as hospitality and gifts. Departments may also wish to supplement this handbook with their own more detailed financial procedures, guidance and instructions. Each of these additional publications must be approved by the Chief Financial Officer.

There is a separate version of financial regulations for Schools which is approved by Audit Committee.

5 Derbyshire County Council is one of the largest local authorities in England. It serves a population of 764,000 and an area of 255,071 hectares. It provides a diverse range of services to its residents. It works in partnership with 8 district councils, parish and town councils and a number of other organisations.

The Council provides the following services:

- learning and development
- social care
- strategic planning
- economic development
- roads and highways
- cultural and community including libraries, museums & archives
- public transport facilities
- public health
- public protection
- countryside services
- environmental management
- registration of births, deaths and marriages
- coroners
- emergency planning
- asset management

6 The Council's governance structure is laid down in its Constitution. This document contains the:

- Articles of the Constitution

- Responsibility for Functions
- Rules of Procedure
- Codes and Protocols
- Members' Allowances Scheme
- Management Structure

FINANCIAL PROCEDURES

7 Each section of the financial procedures follows the format set out below;

- why is this important?

  - this sets the context for the financial procedures.

- key controls

  - this explains the key internal controls which set the framework for ensuring financial regulations are operating effectively.

- responsibilities of the Chief Financial Officer and Monitoring Officer.

- responsibilities of Executive Directors.

  - these last two sections clarify the responsibilities of operational managers in relation to financial management. This is distinct from the role of finance employees. Executive Directors are, of course, free to delegate functions within their Departments as set out in their Scheme of Delegation, in which case the responsibilities as stated apply to their managers.

B STATUS OF FINANCIAL REGULATIONS

1 Financial regulations provide the framework for managing the Council's financial affairs. They apply to every Member and Officer of the Council and anyone acting on behalf of the Council. As Financial Regulations are part of the constitution any change must be agreed by Council after being reported to Audit Committee.

2 The regulations identify the financial responsibilities of the Council, Cabinet, Audit Committee, Improvement and Scrutiny Committees, the Monitoring Officer, the Chief Financial Officer and Executive Directors. Cabinet Members and Executive Directors should maintain a written record where these responsibilities have been delegated to their employees including devolved employees. Where responsibilities have been delegated or devolved to other responsible officers, such as governors, references to the Strategic Director in the regulations should be read as referring to them.

3 All Members and Officers have a general responsibility for taking reasonable action to provide for the security of the assets under their control, and for ensuring that the use of all Council resources is legal, properly authorised and provides Value for Money (VfM).

4 The Council's Audit Committee is responsible for ensuring a continuous review of the financial regulations and for advising the Cabinet and Council of any additions or changes necessary. The Chief Financial Officer is responsible for reporting, where appropriate, any breaches of the financial regulations to the Council and/or to the Cabinet Members.

5 The Council's detailed financial procedures setting out how the regulations will be implemented are contained in the Annexes to the Financial Regulations.

6 Executive Directors are responsible for ensuring that all employees in their Departments are aware of their responsibilities according to the financial regulations and other internal regulatory documents and comply with them.

7 The Chief Financial Officer is responsible for issuing advice and guidance to underpin the financial regulations which Members, Officers and others acting on behalf of the Council are required to follow.

8 Throughout this document all references to authorisation/signatories apply to both hardcopy and electronic records. A digital signature/authorisation carries no less weight and imposes no less responsibility on the authorising officer than a handwritten signature. Designated authorising officers must ensure that they maintain the security of their personal user identity and password details as these identifiers will be taken as the equivalent of a personal, handwritten signature for the purposes of authorisation.

9 Employees are reminded that, under the Code of Conduct for Employees, orders and contracts must be awarded on merit and in accordance with Financial Regulations and Standing Orders in relation to contracts. Breaches of these requirements must be reported to the Assistant Director of Finance

(Audit), and may result in action being taken under the Council's disciplinary procedures.

C FINANCIAL REGULATIONS FOR DERBYSHIRE COUNTY COUNCIL

C(1) FINANCIAL REGULATION 1 - FINANCIAL MANAGEMENT & CONTROL

Overview of financial accountabilities in relation to:

The Council

1 The Council is responsible for adopting the Council's Constitution and Code of Conduct for Employees and for determining the budget and policy framework within which the Cabinet operates. It is also responsible for setting and monitoring compliance with the Council's overall framework of accountability and control. The framework is set out in a written Constitution. Together with the Cabinet, the Council is responsible for monitoring compliance with policies and Cabinet decisions.

The Cabinet

2 The Cabinet is responsible for proposing to the Council the policy framework and budget, for delivering services and discharging functions in accordance with the policy framework and budget.

3 The extent to which decisions of the Cabinet can be delegated is set out within the body of these regulations. Joint Committees or responsible Cabinet Members have authority to decide certain matters.

4 Together with the Council, the Cabinet is responsible for monitoring compliance with policies, Cabinet decisions and the framework of accountability and control.

Committees

Improvement and Scrutiny Committees

5 The Council has Improvement and Scrutiny Committees whose role is to scrutinise Cabinet or individual decisions before or after they have been implemented. These Committees are also responsible for making recommendations on future policy options and reviewing the general policy and service delivery of the Council.

6 The Improvement and Scrutiny Committees have a right to be involved in the budgetary process of the Council.

Audit Committee

7 The Council has an Audit Committee, part of whose role is to independently contribute to the Council's overall process for ensuring that effective internal control systems are adequately maintained.

Audit Matters

8 The Council's Auditors, both Internal and External act in an independent advisory capacity and report to the Audit Committee, Cabinet and Council. The Audit Committee have rights of access to obtain all the information they consider necessary and to consult directly with internal and external auditors. The Audit Committee is responsible for reviewing the external auditor's statutory report and the Assistant Director of Finance (Audit)'s annual report.

Standards Committee

9 The Standards Committee is responsible for promoting and maintaining high standards of conduct amongst Councillors. In particular, it has responsibility for advising on the adoption of the Code of Conduct for Employees, for its operation and its updating.

Other Committees

10 Regulatory functions such as planning and licensing together with the administration of the County Council's Pensions Fund are not the responsibility of the Cabinet and are exercised through committees which report to the Council.

Officers

11 It is the duty of all Officers of the Council to serve all Members of the Council equally.

The Statutory Officers

Head of Paid Service

12 The Head of Paid Service is responsible for:-

(a) The manner in which the discharge by the authority of their different functions is co-ordinated;
(b) The number and grades of staff required by the authority for the discharge of their functions;
(c) The organisation of the authority's staff; and
(d) The appointment and proper management of the authority's staff

Monitoring Officer

13 The Director of Legal Services, in the capacity of Monitoring Officer, is responsible for promoting and maintaining high standards of conduct and therefore provides support to the Standards Committee. The Monitoring Officer is also responsible for reporting any breaches of the law to the Council and the Cabinet.

Scrutiny Officer

14 The Scrutiny Officer is responsible for administering the Council's Improvement and Scrutiny Committees and providing support to these Committees and the Members of them. In addition, the Scrutiny Officer provides support and guidance to:

(a) Members of the Council,
(b) Members of the Executive of the Council, and
(c) Officers of the Council,

in relation to the functions of the Council's Improvement and Scrutiny Committees.

The Director of Finance & ICT

15 The Director of Finance & ICT is the Chief Financial Officer of the Council, and has statutory duties in relation to the financial administration and stewardship of the Council. This statutory responsibility cannot be overridden. The statutory duties arise from the:

- **Local Government Act 1972 - Section 115 Accountability of Officers**

Every officer employed by a local authority, whether under this Act or any other enactment, shall at such times during the continuance of his office or within three months after ceasing to hold it, and in such a manner as the local authority direct, make out and deliver to the Council, or in accordance with their directions, a true account in writing of all money and property committed to his charge, and of his receipts and payments, with vouchers and other documents and records supporting the entries therein, and a list of persons from whom or to whom money is due in connection with this office, showing the amount due from or to each.

Every such officer shall pay all money due from him to the proper officer of the local authority or in accordance with their directions.

- **Local Government Finance Act 1988 - Section 114 - Functions of Responsible Officers as regards reports**

The Chief Financial Officer is also the responsible officer under Section 114 of the Local Government Finance Act 1988 for reporting to Council if the Council: -

(a) has made or is about to make a decision which involves or would involve the Council incurring expenditure which is unlawful;

(b) has taken or is about to take a course of action which, if pursued to its conclusion, would be unlawful and likely to cause a loss or deficiency on the part of the Council, or

(c) is about to enter an item of account the entry of which is unlawful.

In addition, the Chief Financial Officer is under a duty to report to Council if it appears to him that the expenditure of the Council incurred (including expenditure it proposes to incur) in a financial year is likely to exceed the resources (including sums borrowed) available to it to meet that expenditure.

- **Local Government Act 1972 - Section 117 Disclosure by Officers of Interest in Contracts**

Employees should be aware of the provisions of Section 117(1) of the Local Government Act 1972, which provides that "if it comes to the knowledge of an officer employed whether under this Act or any other enactment by a local authority that a contract in which he/she has any pecuniary interest whether direct or indirect (not being a contract to which he is himself is a party), has been or is proposed to be entered into by the authority or any committee thereof, he/she shall as soon as practicable give notice in writing to the authority of the fact that is interested therein."

An indirect pecuniary interest for these purposes is as follows: -

(a) if the officer or any nominee of the officer is a member of a Company or other body with which the contract was or is proposed to be made,

(b) if the officer is a partner or is in the employment of a person with whom the contract is or is proposed to be made,

(c) in the case of married persons living together the interest of one spouse, if known to the other, is deemed to be the interest of the other spouse.

Section 117(2) states that "an officer of a local authority shall not, under colour of his office or employment, accept any fee or reward whatsoever other than his proper remuneration".

Any officer who has direct or indirect interest in any contract, or who is offered any fee or reward shall write to the Monitoring Officer immediately. Any person who fails to comply with Section 117(1) and/or (2) may render themselves liable to a fine of £1,000**.**

- **Local Government Act 1972 - Section 151**

Under Section 151 "Every local authority shall make arrangements for the proper administration of their financial affairs, and shall secure that one of their officers has responsibility for the administration of those affairs".

The County Council have appointed the Chief Financial Officer as the responsible officer.

No item having financial consequences shall be placed on a Council meeting agenda without obtaining the Chief Financial Officer's financial assessment. Any report containing new proposals shall include an independent financial assessment by the Chief Financial Officer.

- **Local Government Act 2003**

The Local Government Act 2003 requires that the Chief Financial Officer has:

(a) a statutory duty to advise the Council on Cabinet proposals in accordance with their responsibilities under Section 151 of the Local Government Act 1972 and the Local Government Act 2003;

(b) responsibilities in relation to the level of the Council's reserves and protocols for their use;

(c) responsibilities to take into account matters as specified in CIPFA's Prudential Code for Capital Finance in Local Authorities (2003);

(d) robustness of estimates included in the budget and the adequacy of the reserves for which the budget provides.

The annual investment strategy is an annual statement prepared in accordance with the Local Government Act 2003. Section 15(1), states that all Authorities must "have regard to guidance on investments issued by the Secretary of State", when investing surplus cash.

16 The Chief Financial Officer will support these financial regulations by the issue of more detailed instructions to Executive Directors from time to time.

All Council staff shall furnish the Chief Finance Officer with such information as he/she may from time to time require for financial administration of the Council's affairs. In the case of any dispute or difference of opinion on whether provision of information is necessary, the decision of the Chief Finance Officer will be final.

Deputy s.151 Officer

This role is currently held by the Assistant Director of Finance (Financial Management) and deputises for the Chief Financial Officer in relation to the statutory requirements of Section 151 of the Local Government Act 1972 (as set out above).

Responsibilities of Executive Directors

17 All Executive Directors shall be responsible for ensuring that all employees of their Departments comply with financial regulations and any other financial instructions the Chief Financial Officer may issue from time to time. They also have delegated powers to take such actions deemed necessary and expedient in matters requiring urgent consideration and because of the timescale involved, or the need to safeguard the interests of the Council, cannot be dealt with by submission to the next Council or Cabinet Member Meeting.

18 They shall also ensure that:

(a) existing and new employees are informed of their responsibilities under financial regulations and are familiar with these documents,

(b) all financial regulations or contracts and award procedures are followed by officers in their Department,

(c) relevant records are maintained and retained,

(d) particular care is necessary to ensure that Officers whose responsibilities extend to routine aspects of budgeting, record keeping, ordering, income and payments are fully aware of the detailed requirements of the relevant Appendices to these regulations.

19 To consult the Chief Financial Officer on any matter which is liable to materially affect the finances of the Council before any provisional or other commitment is incurred.

20 To be responsible for securing VfM in relation to their activities and for achieving financial performance targets.

The Decision Making Process

21 The Cabinet is responsible for establishing protocols to ensure that individual Cabinet Members consult with relevant Officers before taking a decision within his/her delegated authority. In doing so he/she must take account of advice as to legal and financial liabilities and risk management issues which may arise from the decision.

22 The Monitoring Officer must ensure that Cabinet decisions and the reasons for them are made public. He/she must also ensure that Council Members are aware of decisions made by the Cabinet and of relevant decisions made by Officers under the terms of any specifically delegated Cabinet responsibility.

23 The Monitoring Officer is responsible for advising the Council, Cabinet and Officers regarding who has authority within the Council to take a particular decision.

Key Decisions

These decisions are subject to the access to information requirements for open government. A key decision is defined as a decision that affects two or more electoral wards or saves/costs more than £500,000.

24 The Monitoring Officer and Chief Financial Officer, in consultation with the Head of Paid Service, are responsible for advising the Cabinet or Council whether a decision is likely to be considered contrary to, or not wholly in accordance with, the policy framework or budget. In this context "contrary to the budget" may be as a result of:

(a) initiating a new policy,

(b) committing expenditure in future years to above the budget level.

25 It is ultimately the responsibility of Executive Directors to consult with the Chief Financial Officer on any matter which is liable to materially affect the Council's finances before any commitments are incurred. The Chief Financial Officer has a legal duty to provide financial advice to the Council. Executive Directors should not, therefore, appoint financial consultants or outside advisers without consulting the Chief Financial Officer.

Virement

26 The Council is responsible for agreeing procedures for virements (transfer of funds between budgets).

27 Executive Directors are responsible for agreeing in-year virements within delegated limits, as set out in Annex1, paragraph 2(b).

Treatment of year-end balances

28 Cabinet is responsible for agreeing procedures for carrying forward under or overspendings on budget headings.

C(2) FINANCIAL REGULATION 2 - FINANCIAL PLANNING

Introduction

1 The Council is responsible for approving the following, which will be proposed by the Cabinet:

- the policy framework,
- the Council Plan,
- the Revenue Budget and Five Year Financial Plan,
- the Capital Programme and Treasury Management Strategy.

The Council is also responsible for approving procedures for agreeing variations to approved budgets, plans and strategies.

3 The Council is also responsible for determining when a decision will be deemed contrary to the budget and should therefore be referred to the Council by the Chief Financial Officer and/or Monitoring Officer.

4 The Cabinet is responsible for taking in year decisions on resources and priorities in order to deliver the budget within the financial limits set by the Council.

Preparation of the Council Plan

5 The Corporate Management Team, is responsible for proposing the Council Plan to the Cabinet for consideration before its submission to Council for approval.

BUDGETING

Budget guidelines

6 The Chief Financial Officer will issue guidelines on budget preparations to Members and Executive Directors in accordance with Council and Cabinet requirements. The guidelines will take account of:

- legal and consultation requirements,
- medium term planning prospects,
- available resources,
- spending pressures,
- relevant government guidelines,
- cross-cutting issues (where relevant).

Budget preparation

7 The Chief Financial Officer is responsible for ensuring that a revenue budget is prepared on an annual basis for consideration by the Cabinet before 8 February, and subsequent submission to the Council. The Council may amend the budget, or ask the Cabinet to reconsider it before approving it. The budget must, however, be approved and precepts notified to billing authorities prior to 1 March in accordance with the Local Government Act 1992.

8 The Chief Financial Officer is responsible for preparing a report in accordance with the Local Government Act 2003 which the Council must consider when it is making its statutory calculations required to determine its precept. The report must deal with the robustness of the estimates included in the budget and the adequacy of reserves for which the budget provides. The Ministry of Housing, Communities and Local Government advises that the professional advice of the Chief Finance Officer is required on these two questions, and that they are connected with matters of risk and uncertainty.

9 The Cabinet is responsible for issuing guidance on cash limits and the general content of the budget in consultation with the Chief Financial Officer as soon as possible following approval by the Council.

10 It is the responsibility of Executive Directors to ensure that annual revenue estimates reflecting agreed service plans and including all necessary resource plans and financial estimates are prepared in consultation with the Chief Financial Officer and are reported to the Cabinet.

Preparation of the Capital Programme and Treasury Management Strategy

11 The Chief Financial Officer, in consultation with the Corporate Management Team, is responsible for ensuring that a capital programme is prepared on an annual basis in accordance with the requirements of CIPFA’s Prudential Code for Capital Finance in Local Authorities (2017) for consideration by the Cabinet, before submission to the Council.

C(3) FINANCIAL REGULATION 3 - CONTROL OF RESOURCES INCLUDING EMPLOYEES

Internal control

1 Internal control refers to the system of controls devised by management to help ensure the Council's objectives are achieved in a manner which promotes effective, efficient and economical use of resources and that the Council's assets and interests are safeguarded.

2 The Audit Committee is responsible for reporting to Cabinet and Council on matters arising from its review of internal control and governance and the Annual Governance Statement.

3 It is the responsibility of the Executive Directors to establish sound arrangements for planning, appraising, authorising and controlling their operations in order to achieve effectiveness, efficiency and economy and for achieving their financial performance targets.

Employees

4 The Head of Paid Service is responsible for providing overall management of employees. He/she is also responsible for ensuring that there is proper use of the job evaluation or other agreed systems for determining the grade and remuneration of a job.

5 Executive Directors are responsible for controlling total employee numbers by:

- adjusting the employee numbers to that which can be funded within approved budget provision, varying the provision as necessary within that constraint in order to meet changing operational needs and in line with the Council's HR Strategy.

- the proper use of appointment procedures as defined in the Recruitment and Selection Guidelines.

Budget monitoring

6 The Chief Financial Officer is responsible for providing appropriate financial information to enable budgets to be monitored effectively. He/she must monitor the control of income and expenditure against budget allocation and report to the Cabinet on variances in line with the requirements of the budget monitoring policy.

7 It is the responsibility of Executive Directors to control income and expenditure within their area and to monitor performance and provide information to the Chief Financial Officer to ensure reporting is in line with the Budget Monitoring Policy. They should also take any action necessary to avoid exceeding their financial allocation.

8 Meetings between the Chief Financial Officer and Executive Directors are held monthly, to discuss the projected outturn, in accordance with the Budget Monitoring Policy.

Register of Members' interests

9 The Monitoring Officer is responsible for ensuring that the procedures agreed by Council for the registration of Members' interests comply with statutory requirements.

Risk Management - Code of Audit Practice Requirements

10 The Cabinet is jointly responsible for approving the Council's Risk Management Policy Statement (after receiving a report from the Audit Committee on risk management, internal control and governance and the Annual Governance Statement) and for effecting proper insurance.

11 The Council's Audit Committee considers, at each meeting, a report on the Council's Risk Register and is charged to consider any significant changes in risk and with monitoring the effectiveness with which key risks identified are managed.

12 The Chief Financial Officer is responsible for preparing the Council's Risk Management Policy Statement, promoting it throughout the Council and for advising the Cabinet on proper insurance cover.

13 The Chief Financial Officer shall be responsible for effecting all necessary insurance within the policy determined from time to time by the Council. Executive Directors will be responsible for notifying to him/her changes in any insurable risks and will submit claims in accordance with the approved arrangements.

14 Executive Directors shall consult the Chief Financial Officer and Director of Legal Services before giving any indemnity on behalf of the Council.

15 Executive Directors shall notify the Chief Financial Officer immediately of any loss, liability or damage, which may lead to a claim against the Council.

Security

16 Executive Directors should ensure that appropriate records, whether held in a manual or electronic format, are properly maintained and securely held. They are also responsible for ensuring that all business critical systems are identified, that systems so identified are adequately documented and that sound arrangements for the security and continuity of service in the event of disaster are in place and have been tested in advance where practicable.

C(4) FINANCIAL REGULATION 4 – SYSTEMS AND PROCEDURES

Decision making procedures

1 The Council is responsible for approving procedures for reporting its decision-making processes and the financial information associated with them. The Director of Legal Services should provide a system for the recording of the Council's decisions and for the secure storage of media used to record those decisions.

Income and expenditure

2 It is the responsibility of Executive Directors to ensure that a proper scheme of delegation has been established within their Departments, operating effectively and reviewed and updated annually to a standard determined by the Chief Financial Officer. It should identify employees authorised to act on behalf of the Cabinet, Cabinet Member or the Executive Director, in respect of payments, income collection, for placing orders and the award of contracts, together with the limits of their authority. The Council is responsible for approving procedures for writing off debts as part of its overall control framework of accountability and control.

Financial systems and procedures

3 The Chief Financial Officer is responsible for the operation of the Council's accounting systems, the form of accounts and the supporting financial records. Any proposed changes by Executive Directors to existing financial and/or control systems or the establishment of new systems must be reported to and considered by the Assistant Director of Finance (Audit) who will consider the potential impact on the Internal Control framework and report to the Chief Financial Officer, raising any concerns as appropriate. The Chief Financial Officer will then formally consider the proposed changes. No changes may be actioned without the formal approval of the Chief Financial Officer.

4 Executive Directors are responsible for the proper and effective operation of financial processes and control systems within their own Departments.

5 Any changes to financial instructions and procedure notes by Executive Directors, to meet their own specific service needs, should be agreed by the Chief Financial Officer who will seek Cabinet approval where appropriate.

6 Executive Directors must ensure that they have sufficient, appropriately qualified employees and other resources to meet their responsibilities and must consult the Chief Financial Officer to ensure that such employees have received appropriate financial training.

Data protection

7 Executive Directors should ensure that, where appropriate, classes of information held on computer and other systems are notified to the Information Commissioner in accordance with Data Protection legislation and that employees are aware of their responsibilities under this legislation and the

Freedom of Information Act 2000 and The Environmental Information Regulations 2004.

C(5) FINANCIAL REGULATION 5 – EXTERNAL ARRANGEMENTS

1 The Council provides a distinctive leadership role for the community and brings together the contributions of the various stakeholders.

2 The Cabinet is responsible for approving delegations, including frameworks for partnerships. The Cabinet is the focus for forming partnerships with other local public, private, voluntary and community sector organisations to address local needs. It is responsible for ensuring that the contractual arrangements for any work for third parties or external bodies comply with Corporate Strategy.

3 The Council/Cabinet Members will decide on Member representation and the Corporate Management Team will decide on Officer representation of the Council on partnership and external bodies, as required by statute or the Council.

4 The Monitoring Officer is responsible for promoting and maintaining the same high standards of conduct with regard to financial affairs and governance in partnerships that apply throughout the Council.

5 The Chief Financial Officer must specify the accounting and auditing arrangements to be adopted relating to partnerships and joint ventures and trading relationships and consider the overall corporate governance arrangements when arranging contracts with external bodies. Auditing arrangements should include, as a minimum, guaranteed rights of access for the Council's auditors at all times to all documents, records, employees and premises which relate to, or are provided by, the Council's contributions to the partnership, joint venture or trading relationship. He/she must ensure that the risks have been fully appraised before agreements are entered into with external bodies.

6 Executive Directors are responsible for:

- ensuring that appropriate approvals are obtained before any negotiations are concluded in relation to work with external bodies and third parties,

- maintaining a register of all contracts/partnership agreements entered into with external bodies in accordance with procedures approved by the Director of Legal Services which must include details of :

  - the aims and objectives of the contract/partnership;

  - its approved duration;

  - the Council's commitment in terms of finance and other resources;

  - the framework by which the performance of the contract/partnership is to be monitored;

- exit strategy on completion or termination of the contract/partnership ensuring that before entering into agreement with external bodies, a risk management appraisal has been prepared;

- ensuring that such agreements and arrangements do not impact adversely upon the services provided for the Council;

- ensuring that all agreements and arrangements are properly documented;

- providing appropriate information to the Chief Financial Officer to enable a note to be entered into the Council's Statement of Accounts;

- ensuring that all Council employees designated/seconded to work on the contract/partnership are aware that, throughout such work, they continue to be bound by the policies, contractual requirements and financial regulations of the Council and remain accountable to the Council for their actions.

ANNEX 1: FINANCIAL MANAGEMENT AND CONTROL

1 Financial management standards

2 Managing and controlling spending

(a) revenue budget
(b) scheme of virement
(c) treatment of year end balances

3 Accounting policies

4 Accounting records and returns

5 Format of the accounts

1 FINANCIAL MANAGEMENT STANDARDS

Objectives

1 All Members and Officers have a duty to abide by the highest standards of probity in dealing with financial issues. This is achieved by ensuring everyone is clear about the standards to which they are working, and the controls that are in place to ensure that these standards are met.

Responsibilities of Chief Financial Officer

2 To ensure the proper administration of the Council's financial affairs.

3 To set financial standards in accordance with The CIPFA Financial Management Code, and to monitor their compliance.

4 To ensure proper professional practices are adhered to, and to act as head of profession in relation to the standards, performance and development of employees engaged in financial work throughout the Council.

5 To advise on the key strategic controls necessary to secure sound financial management.

6 To ensure that financial information is available to enable accurate and timely reporting of comparisons of national and local financial performance indicators.

Responsibilities of Executive Directors

7 To promote and ensure adherence to the financial management standards set by the Chief Financial Officer in their Departments.

8 To promote and ensure adherence to proper financial practices in relation to the standards, performance and development of employees in their Departments.

2 MANAGING AND CONTROLLING INCOME AND EXPENDITURE

A Revenue Budget

Objectives

a.1 Budget management ensures that resources allocated by Members are used for their intended purposes and that these resources are properly accounted for. Budgetary control is a continuous process enabling the Council to review and adjust its budget targets during the financial year. It also provides the mechanism to call to account managers responsible for defined elements of the budget.

a.2 By identifying and explaining variances against budgetary targets, the Council can identify changes in trends and resource requirements at the earliest opportunity. The Council itself operates within an annual cash limit, approved in setting the overall budget. To ensure that the Council in total does not overspend, each service is required to manage its own income and expenditure within the cash limited budget allocated to it.

Key controls

a.3 The key controls for managing and controlling the revenue budget are:

(i) budget holders will be responsible for the income and expenditure on budget heads for which they have been assigned responsibility;

(ii) all budgeted income and expenditure is allocated to a named budget manager;

(iii) budget managers accept accountability for their budgets and the level of service to be delivered;

(iv) budget managers follow an approved authorisation process for all expenditure;

(v) income and expenditure is properly recorded and accounted for;

(vi) performance levels/levels of service are monitored in conjunction with the budget and necessary action taken to align service outputs and the budget.

Responsibilities of Chief Financial Officer

a.4 To establish an appropriate framework of budgetary management and control which ensures that:

(i) budget management is exercised within annual cash limits unless the Council agrees otherwise;

(ii) each Executive Director has available timely information on income and expenditure on each budget heading, to enable managers to fulfil their budgetary responsibilities;

(iii) all officers responsible for committing expenditure and generating or collecting income must comply with corporate guidance and financial regulations and standing orders;

(iv) each budget head has a single named manager, determined by the Executive Director. Budget responsibility should be aligned as closely as possible to the decision-making which commits expenditure;

(v) significant variances from approved budgets are promptly investigated and the reasons for such variances are pursued with the responsible managers.

a.5 To administer and ensure adherence to the Council's scheme of virement.

a.6 To submit reports to the Cabinet and to Council, in consultation with the Executive Director, where a Executive Director is unable to balance expenditure and resources within existing approved budgets under his or her control.

a.7 To prepare and submit reports on the Council's projected income and expenditure compared with the budget.

Responsibilities of Executive Directors

a.8 To maintain budgetary control within the Department, in adherence to the principles in 2a.4 and to ensure that all income and expenditure is promptly and properly recorded and accounted for.

a.9 To ensure that a single accountable budget officer is identified for each item of income and expenditure under the control of the Executive Director.

a.10 To ensure that spending remains within the service overall cash limit, and is not overspent, by monitoring the budget.

a.11 To ensure that a monitoring process is in place to review performance levels/levels of service in conjunction with the service plan and that any necessary action is taken.

a.12 To prepare and submit to the Cabinet or Cabinet Member, where required, reports on the service's projected income and expenditure compared with its budget, in consultation with the Chief Financial Officer in accordance with the schedule in the Council's Budget Monitoring Policy a.13 To ensure prior approval by the Council for new proposals* not included in the agreed budget or service plan, which:

(i) create material financial commitments in future years,

(ii) initiate new policy or cease existing policies,

(iii) materially extend or reduce the Council's services,

(iv) create or identify material new sources of income,

(v) where services are to be financed from government grant, sales of goods and services, or other external services, which are time limited, the proposal must contain an exit strategy that does not rely on future finance from Council Tax.

a.14 To ensure compliance with the Council's scheme of virement.

a.15 To consult with the relevant Executive Director where it appears that a budget proposal, including a virement proposal may impact materially on another service or Executive Director's level of activity.

a.16 To ensure that the departmental forward procurement plan, detailing all procurement requirements above £50,000 for the forthcoming 24 months is included as part of the departmental service plan and; where such requirements cannot be identified in the service plan, to seek approval of Cabinet or Cabinet Member (as appropriate) prior to commencing the procurement process.

---

* A report on new proposals should explain the full financial implications, after consultation with the Chief Financial Officer. Unless the Council has agreed otherwise, Executive Directors must plan to contain the financial implications of such proposals within their cash limit. The proposal must be in line with the requirements issued by the Chief Financial Officer.

2 MANAGING AND CONTROLLING INCOME AND EXPENDITURE

B Scheme of Virement

b.1 The Council's scheme of virement is monitored by the Chief Financial Officer to ensure compliance with guidelines set by Council. Any variation from this scheme requires the approval of Council.

b.2 The Council approves annual budgets for each Department and Executive Directors and the budget holders are therefore authorised to incur expenditure in accordance with those estimates. The rules below cover virement, which is switching income and expenditure between Departments.

b.3 The scheme of virement is intended to enable Executive Directors and their employees to manage budgets with a degree of flexibility within the overall policy framework determined by the Council and, therefore, to optimise the use of resources. Executive Directors are expected to exercise their discretion in managing their budgets responsibly and prudently. In particular, they should aim to avoid supporting recurring expenditure from one-off sources of savings or additional income, or creating future commitments, including full-year effects of decisions made part way through a year, for which they have not identified future resources. Executive Directors must plan to fund such commitments from within their own budgets.

Responsibilities of Chief Financial Officer

b.4 To prepare a joint report, with relevant Executive Directors, to the Cabinet where any virements greater than £100,000 per annum are proposed between Departments.

Responsibilities of Executive Directors

An ExecutiveDirector may exercise virements on budgets under his/her control within their Department. Executive Directors are able to carry out virements within their own budgets as long as it does not involve the following:

(i) a new policy or policy change;

(ii) does not result in an increase in commitment in future years which cannot be met from within existing budgets;

(iii) does not compromise the policy/service objectives in the approved strategic plan (and related service plans).

Any virements not meeting these criteria shall be subject to approval by Cabinet.

b.6 Amounts greater than £100,000 per annum resulting in a virement of funds between Departments requires the approval of the Cabinet, following a joint report of the Chief Financial Officer and the Executive Director which must specify the proposed expenditure, the source of funding and must explain the implications in the current and future financial years.

b.7 No virement relating to a specific financial year should be made after accounting period 14 of that year.

b.8 Where an approved budget heading is designated by the Chief Financial Officer as a lump sum budget or contingency intended for allocation during the year, its allocation will not be treated as a virement, provided that the amount is used in accordance with the purposes for which it has been established.

b.9 Executive Directors must report all interdepartmental virements to the Chief Financial Officer as part of the period end assurance framework.

2 MANAGING AND CONTROLLING INCOME AND EXPENDITURE

C Treatment of end of year balances

Objectives

c.1 The Chief Financial Officer makes proposals to Cabinet on the treatment of balances.

c.2 The rules below cover arrangements for the transfer of resources between accounting years, i.e. a 'carry forward'.

Key controls

c.3 Appropriate accounting procedures are in place to ensure that carried forward totals are correct.

Responsibilities of Chief Financial Officer

c.4 To administer the scheme of 'carry forward' within accounting policies and any other guidelines set by the Council.

c.5 To report the extent of overspends and underspends on service estimates carried forward to the Cabinet.

Responsibilities of Executive Directors

c.6 The Departmental outturn position will be reported to Cabinet after the end of the financial year along with the variances on the budgets that are deemed to be controllable. The Chief Financial Officer will determine which budgets are classed as controllable and non-controllable.

Over/underspends against controllable budgets can only be carried forward with the approval of Cabinet. Requests to carry forward and/or utilise previous years' underspends will normally be through the annual outturn report.

c.7 Each school's surplus shall be carried forward to support the future expenditure of the school concerned. Any deficit will also be carried forward for the individual school to recover, if necessary, via a licensed deficit. Full details of the arrangements are contained within the Derbyshire Scheme for Financing Schools.

3 ACCOUNTING POLICIES

Objectives

1 The Chief Financial Officer is responsible for the preparation of the Council's Statement of Accounts, in the format required by the CIPFA Code of Practice on Local Authority Accounting in the UK, for the financial year ending 31 March. The Audit Committee is responsible for reporting to Cabinet and Council on matters arising from its review of the accounting policies and Annual Accounts of the Council, and will play a pro-active role in promoting discussion on both the content of the Statement of Accounts and ongoing financial statements.

Key controls

2 The key controls for accounting policies are:

(a) suitable accounting policies are selected and applied consistently;

(b) judgements are made and estimates prepared which are reasonable and prudent;

(c) statutory and other professional requirements are observed to maintain proper accounting records;

(d) all reasonable steps have been taken for the prevention and detection of fraud and other irregularities.

Responsibilities of Chief Financial Officer

3 To select suitable accounting policies and to ensure that they are applied consistently. The accounting policies will be set out in the Statement of Accounts which is prepared at 31 March each year, and will cover such items as:

(a) the basis on which debtors and creditors at year end are included in the accounts,
(b) details on substantial provisions and reserves, and contingent liabilities,
(c) fixed assets,
(d) depreciation,
(e) capital charges,
(f) debt redemption,
(g) work in progress,
(h) stocks and stores,
(i) deferred charges,
(j) government grants,
(k) leasing,
(l) pensions,
(m) allocation of central support services.
(n) capital receipts.

4 To identify any significant changes in accounting policies, and to ensure that they are reported to, and approved by, the Audit Committee.

Responsibilities of Executive Directors

5 To adhere to the accounting policies approved by the Chief Financial Officer.

4 ACCOUNTING RECORDS AND RETURNS

Objectives

1 Proper accounting records are one of the ways in which the Council discharges its responsibility for stewardship of public resources. The Council has a statutory responsibility to prepare its Statement of Accounts to present fairly its operations during the year. These are subject to external audit. This provides assurance that the accounts are properly prepared and proper accounting practices have been followed.

Key controls

2 The key controls for accounting records and returns are:

(a) all Cabinet Members, finance employees and budget managers operate within the required accounting standards of the Council;

(b) all the Council's transactions, material commitments, and contracts and other essential accounting information have been recorded completely, accurately and on a timely basis;

(c) procedures are in place to enable accounting records to be reconstituted in the event of failure;

(d) balances and reconciliation procedures are carried out to ensure transactions are correct;

(e) the duty imposed on the Council by the Accounts and Audit Regulations to maintain an adequate and effective audit of its accounting records and its system of internal control.

Responsibilities of Chief Financial Officer

3 To determine all accounting procedures and the form of financial records for the Council.

4 To compile all accounts and accounting records, or ensure that they are compiled under his/her direction.

5 To comply with the following principles when allocating accounting duties:

(a) separating the duties of providing information about sums due to or from the Council and calculating, checking and recording these sums from the duty of collecting or disbursing them;

(b) employees with the duty of examining or checking the accounts of cash transactions shall not themselves be engaged in these transactions.

6 To prepare, certify and publish the pre-audit statement of accounts of the Council for each financial year, in accordance with the statutory timetable, to make any necessary changes as a result of the external audit and for the Audit

Committee to then approve the post-audit Statement of Accounts before the statutory deadline.

7 To ensure that retention periods for financial records are specified and promulgated throughout the Council. The periods for which documents are to be retained are separately specified.

Responsibilities of Executive Directors

8 To consult with and obtain the approval of the Chief Financial Officer before making any changes to the format of the accounting records and procedures.

9 To comply with the principles outlined in paragraph 5 when allocating accounting duties.

10 To maintain adequate records to provide an audit trail leading from the source of income/expenditure through to the accounting statements.

11 To supply the information required to enable the Statement of Accounts to be completed, in accordance with guidelines issued by the Chief Financial Officer.

5 FORMAT OF THE ACCOUNTS

Objectives

1 The format of the budget will determine the level of detail on which financial control and management will be exercised.

Key controls

2 The key controls for the budget format are:

(a) the format complies with all legal requirements;

(b) the format complies with CIPFA's Service Reporting Code of Practice.

Responsibilities of Chief Financial Officer

3 To advise the Audit Committee on the format of the budget.

Responsibilities of Executive Directors

4 To comply with accounting guidance provided by the Chief Financial Officer.

ANNEX 2: FINANCIAL PLANNING

1 Financial Strategy

2 Budgeting

- (a) resource allocation
- (b) capital programmes
- (c) preparing revenue budgets in accordance with the Council's financial strategy

3 Use of reserves

1 FINANCIAL STRATEGY

Objectives

1 The aim of the Financial Strategy is to set out the framework for the financial operation of the Council in support of its strategic and policy objectives as set out in the Council Plan. The Financial Strategy serves to drive (in conjunction with the Council Plan and Service Plans) the Five Year Financial Plan, Capital Strategy, Capital Programme and Annual Revenue Budget. The aim of the Financial Strategy is to maximise, within existing policies, the resources available to the Council and to assist in the continuous improvement of the provision of cost effective and affordable service delivery.

Key Controls

2 The key controls for the Financial Strategy are:

(a) to ensure it is driven by the Council Plan;

(b) to ensure it is reviewed annually;

(c) to ensure the Financial Strategy drives the Five Year Financial Plan, Capital Programme and Annual Revenue Budget.

Responsibilities of Chief Financial Officer

(a) to produce and update annually the Financial Strategy for approval by Cabinet;

(b) to ensure Financial Regulations, the Five Year Financial Plan, Capital Programme and Annual Revenue Budget together with any other financial policies, plans and guidance are consistent with the Financial Strategy.

Responsibilities of Executive Directors

(a) to contribute to the development of the Financial Strategy;

(b) to ensure all financial policies, plans and guidance within Departments are consistent with the Financial Strategy.

2 BUDGETING

A Resource allocation

Objectives

a.1 A mismatch often exists between those resources available and those required. A common scenario is that the available resources are not adequate to fulfil needs/desires. It is, therefore, imperative that resource allocation is carefully prioritised and the resources available are fairly allocated in order to fulfil all legal responsibilities. Resources will include employees, money, equipment (including ICT facilities, vehicles and plant) goods, materials, land and accommodation.

Key controls

a.2 The key controls for resource allocation are:

(a) resources are acquired using an approved authorisation process;

(b) resources are only used for the purpose intended by the Council, to achieve the approved policies and objectives, and are properly accounted for;

(c) resources are secured for use when required;

(d) resources are used with the minimum level of waste, inefficiency or loss for other reasons.

Responsibilities of Chief Financial Officer

a.3 To advise on methods available for the funding of expenditure, such as grants from central government and other income and borrowing requirements.

a.4 To assist in the allocation of income and expenditure to managers.

Responsibilities of Executive Directors

a.5 To work within budget limits and to utilise resources allocated and further allocate resources in the most effective, efficient and economical way.

a.6 To identify opportunities to minimise or eliminate resource requirement or consumption without a detrimental effect on service delivery, such as efficiencies, partnerships and collaborations, applying fees and charges or other commercial arrangements.

BUDGETING

B Capital programmes

Objectives

b.1 Capital expenditure involves acquiring or enhancing assets with a long term value, such as land, buildings and major items of plant and equipment or vehicles. Capital assets shape the way services are delivered for the long term and create financial commitments for the future in the form of financing costs and revenue running costs.

b.2 The Government places controls on the financing capacity of the Council. This means that capital expenditure should form part of a programme, should be carefully prioritised in order to comply with the Council Plan, maximise the benefit of scarce resources and comply with CIPFA's Prudential Code for Capital Finance in Local Authorities (2017).

Key controls

b.3 The key controls for capital programmes are:

(a) specific approval by the Council of its Capital Strategy and Infrastructure Plan;

(b) the preparation of a project and estimates, including associated revenue expenditure, for appraisal and recommendation by the Capital Strategy Group and approval by the Cabinet;

(c) proposals for the purchase, lease of, or improvements and alterations to buildings must be approved by the Director of Property.

Responsibilities of Chief Financial Officer

b.4 To prepare the Capital Strategy jointly with Corporate Management Team who will report the Strategy to the Cabinet for approval. The Cabinet will make recommendations on the capital estimates and on any associated financing requirements to the Council.

The Chief Financial Officer, in conjunction with Executive Directors, will compile the annual Capital Programme. This will contain schemes* (which are designed to meet a particular need or issue) and individual projects. The programme will be approved by Council in February each year. For the purposes of these regulations an individual scheme will be classed as a single project.

b.5 To prepare and submit reports to Cabinet/Council on the projected expenditure and resources compared with the approved estimates on a regular basis.

b.6 To issue guidance concerning capital schemes and controls for example on project appraisal techniques e.g. the Council's project appraisal and management toolkit. The definition of 'capital' will be determined by the Chief

Financial Officer, having regard to Government regulations and accounting requirements.

Responsibilities of Executive Directors

b.7 To comply with guidance concerning capital schemes and projects and controls issued by the Chief Financial Officer.

b.8 To ensure that all capital proposals have undergone a project appraisal in accordance with guidance issued by the Chief Financial Officer currently contained in the Council's project appraisal and management toolkit.

For schemes, an initial report will be taken to Cabinet to commit the scheme budget. Any balance remaining to be allocated at a later date will be dealt with under b.10.

Overspends

b.9 Where there are overspends on a project, virement can take place utilising the capital resources under the control of the Executive Director as follows:

- up to £250,000 by the Executive Director
- from £250,000 to £500,000 to be approved by Cabinet Member
- over £500,000, to be approved by Cabinet.

Where there may be the need to vire from a project that is funded by borrowing, this must be agreed with the Chief Financial Officer.

Any overspend that needs to be funded from an increase in borrowing will require the approval of Cabinet.

New Projects not already approved in the Capital Programme

b.10 Any subsequent projects can be approved as follows:

- up to £250,000 by the Executive Director
- from £250,000 to £500,000 to be approved by Cabinet Member
- over £500,000, to be approved by Cabinet.

Cabinet approval is required for any new Project to be funded from borrowing.

Corporate Contingency Funds

b.11 The corporate contingency budget is funded by borrowing and is under the control of the Chief Financial Officer

The Chief Financial Officer will authorise the use of contingency funds up to £250,000. Over £250,000 will require Cabinet approval.

b.12 The use of capital receipts can only be used with the approval of the Chief Financial Officer.

b.13 To nominate an officer who will act as sponsor for the project and an officer who will be responsible for the financial management of the project.

Where a department requests a feasibility study, then the cost of this will initially be borne by the department. If this then becomes a capital project, then the costs of the feasibility can be charged to the project

b.14 To assist in the preparation of regular reports of the estimated final cost of schemes in line with the timetable set out by the Chief Financial Officer.

b.15 To ensure that adequate records are maintained in respect of all capital contracts.

b.16 To ensure that they do not enter into credit arrangements, such as borrowing or leasing arrangements, without the prior approval of the Chief Financial Officer and, if applicable, approval of the scheme through the Capital Programme.

* Examples of a scheme are Basic Need, Local Transport Plan, Schools Access initiative, Disabled Adaptations.
The Chief Financial Officer will determine which funding streams can be considered to be classed as a scheme for the purposes of these regulations.

2 BUDGETING

C Preparing revenue budgets in accordance with the Council's Financial Strategy

Objectives

c.1 The Council is a complex organisation responsible for delivering a wide variety of services. It needs to plan effectively and to develop systems to enable scarce resources to be allocated in accordance with carefully weighed priorities. The budget is the financial expression of the Council's plans and policies.

c.2 The revenue budget must be constructed so as to ensure that resource allocation properly reflects the spending plans and priorities of the Council. Budgets (spending plans) are needed so that the Council can plan, authorise, monitor and control the way money is allocated and spent.

c.3 Medium term planning (or a 3 to 5 year planning system) involves a rolling planning cycle in which the Council develops its plans. As each year passes another future year will be added to the Five Year Financial Plan. Medium term planning involves a minimum 5 year rolling planning cycle which ensures that the Council is always preparing for events in advance.

Key controls

c.4 The key controls for budget preparations are:

(a) specific budget approval for all expenditure;

(b) budget managers accept accountability within delegations set by the Cabinet for their budgets and the level of service to be delivered;

(c) a monitoring process is in place to review regularly the effectiveness and operation of budget preparation and that any corrective action is taken.

Responsibilities of Chief Financial Officer

c.5 To prepare and submit reports on budget prospects for the Cabinet, including resource constraints set by the Government. Reports should take account of medium term prospects, where appropriate.

c.6 To determine the detailed form of revenue estimates, consistent with the general directions of the Council, and after consultation with the Cabinet and Executive Directors.

c.7 To prepare and submit reports to the Cabinet on the aggregate spending plans of Departments and on the resources available to fund them; identifying, where appropriate, the implications for the level of Council Tax to be levied.

c.8 To advise on the medium term implications of spending decisions.

c.9 To encourage best use of resources and VfM by working with Executive Directors to identify opportunities to improve effectiveness, efficiency and economy, and by encouraging good practice in conducting financial appraisals of development or savings options, and in developing financial aspects of service planning.

c.10 To advise the Council on Cabinet proposals in accordance with his responsibilities under Section 151 of the Local Government Act 1972.

Responsibilities of Executive Directors

c.11 To prepare estimates of income and expenditure, in consultation with the Chief Financial Officer, to be submitted to the Cabinet for approval.

c.12 To prepare budgets which are consistent with any relevant cash limits, the Council's annual budget cycle and guidelines issued by the Cabinet. The Chief Financial Officer shall prescribe the format in accordance with the Council's general directions.

c.13 To integrate financial and budget plans into service plans, so that budget plans can be supported by financial and non-financial performance measures.

c.14 To consult with Cabinet Members and relevant Executive Directors, where it appears that a budget proposal is likely to impact on another service or level of service activity.

c.15 In consultation with the Chief Financial Officer and in accordance with the agreed guidance and timetable to prepare detailed draft revenue and capital budgets for consideration by the Cabinet and Council.

c.16 To have regard to:

- spending patterns and pressures revealed through the budget monitoring process;
- legal requirements;
- policy requirements as defined by the Council;
- initiatives already underway.

3 USE OF RESERVES

Objective

1 Reserves are maintained as a matter of prudence.

Key controls

2 To maintain reserves in accordance with the CIPFA Code of Practice on Local Authority Accounting in the UK, the Council's Reserve Policy and agreed accounting policies.

Responsibilities of Chief Financial Officer

3 To advise on prudent levels of reserves for the Council and to consider the advice of external audit in this matter.

4 To ensure that the nature and purpose of all reserves is clearly identified and that they conform to accepted accounting practice.

5 To ensure all movements to and from reserves receive the appropriate level of authorisation.

6 That the Council's Reserve Policy is reviewed on an annual basis.

7 Where Cabinet/Cabinet Member has approved the budget for a scheme to spend resources in-year and there are commitments against the scheme at year-end, an earmarked reserve should be created for use by the Department in accordance with the Council's Reserves Policy.

8 Other reserves will be created by the Chief Financial Officer in line with accounting policies where necessary.

ANNEX 3: CONTROL OF RESOURCES INCLUDING EMPLOYEES

1 Internal controls

2 Audit requirements

a) internal audit
b) external audit
c) preventing financial irregularities
d) hospitality and gifts

3 Resources: Land, buildings, fixed plant and machinery

a) security
b) inventories
c) stocks and stores
d) intellectual property
e) private use of County Council facilities
f) asset disposal

4 Risk management and insurance

5 Treasury management

a) treasury management and banking
b) investments and borrowing
c) trust funds and funds held for third parties
d) imprest accounts
e) Money Laundering Regulations and Proceeds of Crime Act

6 Employees

1 INTERNAL CONTROLS

Objectives

1 The Council is complex and beyond the direct control of any one individual. It therefore requires internal controls to manage and monitor progress towards strategic objectives.

2 The Council has statutory obligations to meet and, therefore, requires internal controls to identify, meet and monitor compliance with these obligations.

3 The Council faces a wide range of financial, administrative and commercial risks, both from internal and external factors, which threaten the achievement of its objectives. Internal controls are necessary to identify, evaluate and control these risks.

4 The system of internal controls is established in order to provide measurable assurance of:

- efficient and effective operations;
- reliable financial information and reporting;
- compliance with laws and regulations.

Key controls

5 Effective review on a regular basis.

6 Managerial control systems including defining policies, setting objectives and plans, monitoring financial and other performance and taking appropriate anticipatory and remedial action. The key objectives of these systems are to promote ownership of the control environment by defining roles and responsibilities.

7 Financial and operational control systems and procedures, which include physical safeguards for assets, segregation of duties, authorisation and approval procedures and information systems.

8 An effective internal audit function which operates in compliance with the principles embodied in the Accounts and Audit Regulations 2015 (Regulations 3 and 5), the Public Sector Internal Audit Standards and with any other statutory obligations, regulations and professional Best Practice.

Responsibilities of the Chief Financial Officer

9 To assist the Council to put in place an appropriate control environment and effective internal controls which provide reasonable assurance of effective and efficient operations, internal financial controls and compliance with laws and regulations.

10 To ensure that the Council puts in place effective internal financial controls covering codified guidance, budgetary systems, supervision, management

review and monitoring, physical safeguards, segregation of duties, accounting procedures, information systems and authorisation and approval processes.

Responsibilities of Executive Directors

11 To manage processes so as to ensure that established controls are being adhered to, and to evaluate their effectiveness, in order to be confident in the proper use of resources.

12 To update existing controls and establish and implement new ones following consultation with the Assistant Director of Finance (Audit) who will consider the potential impact on the Internal Control Framework, and report to the Chief Financial Officer, raising any concerns as appropriate. The Chief Financial Officer will then formally consider the proposed changes. No changes may be actioned without the formal approval of the Chief Financial Officer.

13 To ensure employees have a clear understanding of the consequences of a lack of proper internal control frameworks or the deliberate breach or circumvention of such frameworks.

2 AUDIT REQUIREMENTS

A INTERNAL AUDIT

Objective

a.1 The Chief Financial Officer has a statutory responsibility for the overall financial administration of the Council's affairs. Under the requirements of the Accounts and Audit Regulations 2015 (Regulation 5) the Council is responsible for maintaining an adequate and effective internal audit.

a.2 Internal Audit is an independent, objective assurance and consulting activity established by the Council designed to add value and improve the Council's operations. It assists the Council accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Key controls

a.3 The key controls for internal audit are:

(i) that it remains independent in its planning and operation,

(ii) the Assistant Director of Finance (Audit) has direct access to the Audit Committee, Cabinet, Council and Executive Directors.

(iii) Internal Audit officers comply with the requirements of the Accounts and Audit Regulations 2015 (Regulations 3 and 5), the Public Sector Internal Audit Standards and professional Best Practice.

Responsibilities of Chief Financial Officer

a.4 In accordance with Regulation 5 of the Accounts and Audit Regulations 2015, the Council is required to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account Public Sector Internal Audit Standards or guidance.

Responsibilities of Assistant Director of Finance (Audit)

a.5 The Assistant Director of Finance (Audit) or his/her authorised representative, shall have a right of access at all times to such records and documents, including computer data, and premises (in accordance with the protocol approved by Cabinet) of the Council as appear to him/her to be necessary for the purposes of the audit and shall be entitled to require from any Officer or Member of the Council such information and explanation as he/she thinks necessary for that purpose. The Assistant Director of Finance (Audit) shall provide relevant reports and advice to the officers concerned.

a.6 The Assistant Director of Finance (Audit) is authorised to appraise the adequacy of procedures employed by Executive Directors to secure effectiveness, efficiency and economy in the use of resources.

a.7 All cases of suspected fraud, misappropriation or misuse of money, materials or equipment, or any mismanagement of money or other assets, or any other irregularities, must be reported immediately to the Assistant Director of Finance (Audit) who will investigate all cases of suspected fraud and other irregularities. He/she will, on conclusion of the audit investigation, report to the appropriate Executive Director who will consider any legal proceedings and/or disciplinary action in consultation with the appropriate Executive Director(s), Director of Legal Services, Chief Financial Officer and Assistant Director of Finance (Audit).

a.8 The Assistant Director of Finance (Audit) must maintain Strategic and Annual Audit Plans which take account of the characteristics and relative risks of the activities involved which he/she will report to the Audit Committee annually for approval. He/she should liaise with Executive Directors on the audit strategy and cover required. In addition to the statutory requirement this takes account of the need to seek added value, effective use of resources, improved performance and cost effective controls.

a.9 Where an appropriate response to audit recommendations has not been made within a reasonable period, the Assistant Director of Finance (Audit) shall refer the matter to the appropriate Executive Director for resolution. Where resolution cannot be reached, the matter shall be referred to the Chair of the Audit Committee, as specified in that Committee's Terms of Reference.

a.10 The Assistant Director of Finance (Audit) shall produce an annual report giving his/her opinion on the Council's framework of internal controls to the Audit Committee in accordance with the requirements of the Public Sector Internal Audit Standards.

a.11 The Assistant Director of Finance (Audit) is responsible for the consideration and formal approval of any changes that are proposed to existing financial, control and IT systems or the implementation of new systems. He/she will consider the potential impact on the Internal Control Framework and report to the Chief Financial Officer, raising any concerns as appropriate. The Chief Financial Officer will then formally consider the proposed changes. No changes may be actioned without the formal approval of the Chief Financial Officer.

Responsibilities of Executive Directors

a.12 To ensure that internal and external auditors are given unrestricted access to all records, personnel, assets and premises (in accordance with the protocol agreed by Cabinet) as necessary for the purpose of their work.

a.13 To ensure that auditors are provided with any information and explanations which they seek in the course of their work.

a.14 To consider and respond within 28 working days to recommendations in audit memoranda and reports.

a.15 To ensure that any agreed actions arising from audit recommendations are carried out in a timely and effective fashion.

a.16 To notify the Assistant Director of Finance (Audit) immediately of any suspected fraud, misappropriation or misuse of money, materials or equipment, or any mismanagement of money or other assets, or any other irregularities. Pending investigation and reporting, the Executive Director should in liaison with the Assistant Director of Finance (Audit) take all necessary steps to prevent further loss and to secure the integrity of records and documentation against removal, alteration or destruction.

a.17 To ensure that new systems for maintaining financial records, or records of assets, or changes to such systems, are discussed with the Council's Assistant Director of Finance (Audit), prior to implementation. This regulation shall also apply to computer systems. The Assistant Director of Finance (Audit) will consider the potential impact on the Internal Control Framework and report to the Chief Financial Officer, raising any concerns as appropriate. The Chief Financial Officer will then formally consider the proposed changes. No changes may be actioned without the formal approval of the Chief Financial Officer.

2 AUDIT REQUIREMENTS

B EXTERNAL AUDIT

Objectives

b.1 The Council has opted to use Public Sector Audit Appointments as part of a national joint procurement exercise to determine the Council's external auditor over the medium term.

b.2 The Chief Financial Officer is responsible for working with the external auditor and for advising the Audit Committee, Cabinet, Council and Executive Directors on their responsibilities in relation to external audit. The external auditor has the same rights of access as the internal auditor to all documents that are necessary for audit purposes.

b.3 The Act requires the Comptroller and Auditor General (C&AG) to prepare one or more codes of audit practice prescribing the way local auditors are to carry out their functions. This responsibility is important both nationally and locally in supporting auditors and underpinning a consistent, high-quality approach to the audit of local public bodies. The C&AG has taken the opportunity to prepare a single code covering the audit of different types of local public body. This reflects the fact that the core statutory responsibilities placed on the auditors of the different types of local public body covered by the Code are essentially the same.

b.4 The basic duties of the external auditor are governed by Section 20 of the Act, under which auditors need to satisfy themselves that:

- the accounts comply with the requirements of the enactments that apply to them;
- proper practices have been observed in the preparation of the statement of accounts and that the statement presents a true and fair view;
- the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

b.5 The Council's accounts are scrutinised by external auditors who must be satisfied that the Statement of Accounts 'presents fairly' the financial position of the Council and its income and expenditure for the year in question and complies with the legal requirements.

Key controls

b.6 The C&AG provides a code of audit practice which prescribes how the external auditors carry out their functions.

Responsibilities of Chief Financial Officer

b.7 To draw up the timetable for final accounts purposes and to advise staff and external auditors accordingly.

b.8 To ensure that external auditors are given access to those premises, employees, documents and assets which the external auditors consider necessary for the purposes of their work.

Responsibilities of Executive Directors

b.9 To ensure that external auditors are given access to those premises, employees, documents and assets which the external auditors consider necessary for the purposes of their work.

b.10 To ensure that all paperwork and systems are up to date and available for inspection.

2 AUDIT REQUIREMENTS

C PREVENTING FINANCIAL IRREGULARITIES

Objectives

c.1 The Council's Policy for the prevention of financial irregularities is set out in full in its Anti Fraud and Anti Corruption Strategy Policy and Fraud Response Plan - which are issued to all Members and Officers of the Council.

c.2 The Council will not tolerate fraud and corruption in the administration of its responsibilities whether from inside or outside the Council.

c.3 The Council's expectation of propriety and accountability is that Members and Officers at all levels will lead by example in ensuring adherence to legal requirements, rules, procedures and practices.

c.4 The Council also expects that individuals and organisations (e.g. suppliers, contractors, partner bodies and service providers) that it comes into contact with, will act towards the Council with integrity and without thought or actions involving fraud and corruption.

c.5 The Audit Committee is charged with conducting an annual review and re-affirmation of the Council's Anti Fraud and Anti Corruption Strategy and the Fraud Response Plan. It will also review and approve the Council's strategy to ensure the adequate on-going training and awareness of all employees regarding anti fraud and corruption measures.

c.6 The Council has in place an approved Whistleblowing The Confidential Reporting Code which applies to all employees, contractors working for the Council on Council premises, suppliers, those providing services to the Council in their own premises and members of the public. This Code provides a procedure for making confidential disclosures about suspected wrongdoing, irregularity or a failure of standards within the Council.

c.7 The Audit Committee is charged with providing an annual report to Cabinet and Council on the continued adequacy and effectiveness of the Whistleblowing The Confidential Reporting Code, its publication and the strategy to ensure that both Members and Officers remain aware of, and comply with, its requirements.

Key controls

c.8 The key controls regarding the prevention of financial irregularities are that:-

(a) the culture and tone of the Council is one of honesty and opposition to fraud and corruption;

(b) all Members and Officers act with integrity and lead by example;

(c) all individuals and organisations associated in any way with the Council will act with integrity;

(d) senior managers are required to deal swiftly and firmly with those who defraud the Council or who are corrupt;

(e) all employees should ensure that they remain aware of, and use, when appropriate, the Whistleblowing The Confidential Reporting Code.

Responsibilities of Chief Financial Officer

c.9 To maintain adequate and effective audit arrangements for the Council.

Responsibilities of Assistant Director of Finance (Audit)

c.10 To ensure that the outcome of investigations into potential fraud/irregularity are reported to the appropriate Executive Director(s) in accordance with the Council's agreed procedure.

Responsibilities of Executive Directors

c.11 To notify the Assistant Director of Finance (Audit) immediately of any suspected fraud, misappropriation or misuse of money, materials or equipment, or any mismanagement of money or other assets, or any other irregularities. Pending investigation and reporting, the Executive Director should in liaison with the Assistant Director of Finance (Audit) take all necessary steps to prevent further loss and to secure the integrity of records and documentation against removal, alteration or destruction.

c.12 To instigate the Council's disciplinary procedures where the outcome of an Audit investigation indicates improper behaviour.

D SECONDARY EMPLOYMENT GIFTS AND HOSPITALITY

(See the requirements of the Council's Code of Conduct for Employees and Members)

Secondary Employment

d.1 The Council recognises that employees may undertake secondary employment (either within or outside of the council). A second job for the purpose of this advice is any job, paid or unpaid, with any employer and/or any type of self-employment. The carrying out of public duties does not count as a second job.

d.2 Any secondary employment you undertake must not, nor have the potential to:

- Create a conflict of interest, for example, working for a company that either supplies or buys from the Council, or is in competition with the Council;
- Overlap with official duties;
- Make use of Council resources (including knowledge, property or equipment);
- Weaken public confidence in the Council;
- Bring the Council into disrepute, for example by undertaking an activity that could be deemed to be incompatible with your role;
- Affect your performance or duties whilst at work.

Any secondary employment you undertake must:

- Be undertaken outside of your working hours with the Council;
- Be undertaken away from your place of work.

d.3 If undertaking secondary employment outside the Council, you must complete a Decalaration of Interest and submit it to to your Director/Executive Director and agree that it be recorded on any register of secondary employment maintained by your Department.

You will be expected to inform your manager of:

- The name of your second employer;
- The type of business in which the second employer is involved;
- The type of work involved;
- The proposed hours of work.

d.4 When considering accepting secondary employment, either within or external to the Council, you must consider the implications of the working time directive which stipulates the maximum hours you should work in a week and required rest breaks. In particular, if you will be working over 48 hours per week in your combined roles, you must inform your manager, as this is in contravention of the Working Time Regulations, and you may be required to sign an opt out agreement.

d.5 If any conflict between your roles is identified, you must resolve the conflict in favour of your role and duties with the Council.

EGIFTS

d.6 You may accept ‘token’ gifts from customers, contractors or service users up to the value of £50. Acceptable examples are calendars, diaries, pens or chocolates. All gifts should be reported to your manager.

You must not accept gifts worth more than £50 and you must report such offers to your Executive Director.

You must refuse any offer of a gift where you suspect that an improper motive may exist – i.e. the giver is seeking to influence your decisions or actions and you must report such offers to your Executive Director. This is the case regardless of the monetary value of the offer.

In no circumstances should you accept a monetary gift (including gift vouchers) and again, you must report such offers to your Executive Director.

Hospitality

d.7 You should only accept hospitality (meals/refreshments) if there is a genuine need to impart information or to represent the Council. You should also ensure that accepting the hospitality does not create a conflict of interest and is not likely to cause embarrassment to the Council.

You should report the offer of hospitality, whether accepted or not, to your line manager, and should ensure that all such offers are recorded in the appropriate hospitality register.

Responsibilities of Executive Directors

d.8 To maintain an appropriate register detailing secondary employment for staff within the Department and ensure that this register is subject to periodic review.

d.9 To maintain an appropriate register of gifts and hospitality including details of any offers which have been declined and ensure that this register is subject to periodic review.

3 RESOURCES: Land, buildings, fixed plant and machinery

A SECURITY

Objectives

a.1 The Council holds assets in the form of property, vehicles, equipment, furniture and other items worth many millions of pounds. It is important that assets should be safeguarded and used efficiently in the delivery of services, and that there should be arrangements for the security of both assets and service operations.

Key controls

a.2 The key controls for the security of resources such as land, buildings, fixed plant and machinery are:-

(a) resources are acquired using an approved authorisation process;

(b) resources are used only for the purposes of the Council and properly accounted for;

(c) resources are secured to be available for use when required;

(d) resources no longer required are promptly disposed of in accordance with the law and the regulations of the Council so as to maximise benefits.

Responsibilities of Chief Financial Officer

a.3 To ensure that an asset register is maintained in accordance with good practice which records plant and machinery and all moveable assets of a material value currently owned, or used, by the Council.

a.4 To receive that information from each Executive Director required for accounting, costing and financial records.

Responsibilities of Director of Property

a.5 The Director of Property shall act in the capacity of corporate landlord for any property owned or leased by the Council.

a.6 The Director of Property shall maintain a property database, for all land and properties currently owned or used by the Council.

a.7 To ensure the ongoing provision of effective security arrangements for the Council's buildings and other assets.

a.8 To record all disposals of assets, which shall be in accordance with the Council's agreed procedure.

Responsibilities of Executive Directors

a.9 To formally notify the Chief Financial Officer/Director of Property at the earliest opportunity of the requirement to purchase, take possession of or dispose of any material asset so that the Chief Financial Officer/Director of Property can arrange to process the transaction.

a.10 Where there is no contractual obligation, expenditure on rented property shall be subject to consultation with the Director of Property.

a.11 Any use of property by a Department or establishment other than for service delivery should be supported by documentation identifying terms, responsibilities and duration of the use.

a.12 To ensure that lessees and other prospective occupiers of Council land and/or premises are not allowed to take possession or enter the land and/or premises until a lease or agreement, in a form approved by the Director of Property/Director of Legal Services has been established as appropriate.

a.13 Where land or buildings are surplus to the requirements, they must be passed to the Director of Property for re-use or disposal. Running costs of the building remain the responsibility of the transferee for a period of 18 months or until the asset is either sold or brought into new usage . If the asset is not sold or brought into new usage after a period of 18 months, the running costs become the responsibility of Property Services.

a.14 To pass title deeds to the Director of Legal Services who is responsible for custody of all title deeds.

a.15 To ensure that no Council asset is subject to personal use by an employee without proper authority.

a.16 To ensure the safe custody of vehicles, equipment, furniture, stocks, stores and other property belonging to the Council.

a.17 To ensure that the Department maintains an up-to-date register of all plant machinery and moveable assets in accordance with arrangements defined by the Chief Financial Officer.

a.18 To ensure assets are identified, their location recorded and that they are appropriately marked and insured.

a.19 To consult the Chief Financial Officer and Director of Property in any case where security is thought to be defective or where it is considered that special security arrangements may be needed.

a.20 To ensure cash holdings on premises are kept to a minimum.

a.21 To ensure that keys to safes and similar receptacles are carried on the person responsible at all times; loss of any such keys must be reported to the Chief Financial Officer as soon as possible.

a.22 To ensure the valuation of assets for accounting purposes meets the requirements specified by the Chief Financial Officer.

a.23 To ensure that all their employees are aware that they have a personal responsibility with regard to the protection and confidentiality of information, whether held in manual or computerised records. Information may be sensitive or privileged, or may possess some intrinsic value and its disclosure or loss could result in a cost to the Council in some way. Employees are governed by the requirements of the Data Protection and Computer Misuse Acts and should comply with the guidance provided by the Information Security Policy. Measures to protect the Council's resources include maintaining the confidentiality of passwords and ensuring that manual and electronic data is held in secure locations.

3 RESOURCES: Land, buildings, fixed plant and machinery

B INVENTORIES

Responsibilities of Executive Directors

b.1 To maintain inventories, and to record an adequate description of the items they contain (including ICT equipment). All items with a purchase price where known or estimated purchase cost greater than £250 should be recorded.

b.2 To carry out an annual check of all items on the inventory in order to take action in relation to surpluses or deficiencies, annotating the inventory accordingly. Attractive and portable items such as computers, cameras and dvd players whose purchase price may not exceed £250 should prudently be both recorded on the inventory and identified with security marking as belonging to the Council.

b.3 To ensure that property is only used in the course of the Council's business.

b.4 Any proposals for the maintenance of inventory records involving electronic media or computerised systems must be reported to and considered by the Assistant Director of Finance (Audit) who will consider the potential impact on the Internal Control Framework and report to the Chief Financial Officer raising any concerns prior to implementation as many of the propriety software packages on the market do not contain adequate security features or audit trails. The Chief Financial Officer will then formally consider the proposed changes. No changes may be actioned without the formal approval of the Chief Financial Officer.

3. RESOURCES: Land, buildings, fixed plant and machinery

C STOCKS AND STORES

Joint responsibilities of Executive Directors and Chief Financial Officer

c.1 To make arrangements for the care and custody of stocks and stores in the Department.

c.2 To ensure stocks are maintained at reasonable levels and subject to a regular independent physical check. All discrepancies should be recorded, investigated and pursued to a satisfactory conclusion.

c.3 To write-off discrepancies and obtain appropriate approval in accordance with the table below:

Written off by	**Discrepancy Amount**
Executive Director/Chief Financial Officer	£0 - £189,330 (OJEU)
Cabinet Member	£189,330-£500,000
Cabinet	£500,000+

c.4 To authorise or write-off disposal of redundant stocks and equipment. Procedures for disposal of such stocks and equipment should be by competitive quotations or auction unless following consultation with the Chief Financial Officer, the Cabinet decides otherwise in a particular case.

c.5 To write-off redundant stocks and equipment and obtain appropriate approval in accordance with the table below:

Written off by	**Redundant Stocks/Equipment Amount**
ExecutiveDirector/Chief Financial Officer	£0 - £189,330 (OJEU)
Cabinet Member	£189,330-£500,000
Cabinet	£500,000+

c.6 All discrepancies on stocks and stores should be taken seriously. Where there is any suspicion that the discrepancy is a result of theft or fraudulent activity, this must be reported to the Assistant Director of Finance (Audit) immediately.

c.7 Where concerns relate to the operation and management of the store, the discrepancy should be investigated by relevant Departmental staff. However, if concerns arise during this review that there may be potential dishonesty/fraudulent activity, the matter must be reported to the Assistant Director of Finance (Audit) immediately.

c.8 Any stocks and stores discrepancies may only be written-off after the discrepancy has been investigated.

c.9 Accounting policies require the Chief Financial Officer to reflect the true value of Stocks and Stores at the financial year end. This may require amounts to be written off before approval is obtained. When this occurs, retrospective approval should be sought.

D INTELLECTUAL PROPERTY

(see the requirements of the Council's Code of Conduct for Employees)

Objectives

d.1 Intellectual property is a generic term that includes inventions, computer programs and writings. If the employee during the course of employment creates these, then as a general rule they belong to the employer, not the employee. Various Acts of Parliament cover different types of intellectual property.

d.2 Certain activities undertaken within the Council may give rise to items which may be patentable. These are collectively known as intellectual property.

Key Controls

d.3 In the event that the Council decides to become involved in the commercial exploitation of inventions, the matter should only proceed following consultations with, and taking advice from, the Director of Legal Services on a case by case basis.

Responsibilities of Executive Directors

d.4 To ensure that employees are aware that they should not make use of the County Council's intellectual property to conduct private work.

3 RESOURCES: Land, buildings, fixed plant and machinery

E PRIVATE USAGE OF COUNTY COUNCIL FACILITIES

(See the requirements of the Council's Codes of Conduct for Employees and Members)

e.1 Employees are reminded that equipment or facilities of the Council may not be used for personal purposes. Where an explicit policy has been approved by Cabinet to provide for limited, personal use within a regulated framework, employees are reminded that the Council may legitimately monitor such private use to ensure compliance with that framework. Employees may not conduct outside work on the Council's premises or use its facilities or equipment for such purposes.

County Council facilities include, but are not limited to:

- Property
- Vehicles
- Telecommunications equipment
- Photocopiers/printers
- Computer hardware
- Software.

3 RESOURCES: Land, buildings, fixed plant and machinery

F ASSET DISPOSAL

Objective

f.1 It would be unsatisfactory and inefficient for the cost of assets to outweigh their benefits. Obsolete, non-repairable or unnecessary resources should be disposed of in accordance with the law and regulations of the Council.

Key Controls

f.2 Assets are disposed of at the most appropriate time and only when it is in the best interests of the Council and that the best price is obtained. For items of significant value, disposal should be by competitive tender or public auction. Waste electrical and electronic equipment should be disposed of in compliance with the Waste Electrical and Electronic Equipment Regulations 2006.

Responsibilities of Chief Financial Officer

f.3 To advise on best practice for disposal of assets.

f.4 To ensure appropriate accounting entries are made.

Responsibilities of Executive Directors

f.5 To seek advice from the Chief Financial Officer on the disposal of surplus or obsolete materials, stores or equipment.

f.6 To ensure that income received for disposal of an asset is properly banked and coded.

4 RISK MANAGEMENT AND INSURANCE

Objectives

1 All organisations, whether they are in the private or public sectors, face risks to people, property and continued operations, which can affect delivery of services and achievement of the Council's objectives. Risk is defined as the chance or possibility of loss, damage or injury caused by an unwanted or uncertain action or event. Risk Management is the planned and systematic approach to the identification, evaluation and control of risk.

2 Insurance has been the traditional means of protecting against loss but this cannot be seen as the complete answer. By reducing, or even preventing, the incidence of losses (whether they result from crime or accident) the Council will improve service delivery and the effective use of resources, reduce stress and anxiety for service users and employees and benefit from reduced costs of providing insurance cover. It will also avoid the disruption and wasted time caused by losses and insurance claims.

3 It is the overall responsibility of Cabinet to approve the Council's Risk Management Strategy and to promote a culture of risk management awareness throughout the County.

Key Controls

4 The key controls for risk management and insurance are:

- procedures are in place to identify, assess, prevent or mitigate material risks and these procedures are embedded within the culture of the Council;
- acceptable levels of risk are determined and insured against where appropriate;
- managers are made aware of the spectrum of risks for which they are responsible and are provided with relevant information on risk management initiatives;
- provision is made for losses which may result from the risks that remain;
- procedures are in place to investigate insurance claims within required timescales;
- a monitoring process is in place which ensures the regular review of the effectiveness of risk reduction strategies and the operation of these controls. The risk management process should be conducted on a continuing basis;
- the Council's Audit Committee will receive a report, at each meeting, on the Council's Risk Register and will consider any significant changes and monitor the effectiveness of the management of the key risks identified.

Responsibilities of Chief Financial Officer

5 To prepare and promote the Council's Risk Management Policy Statement.

6 To develop risk management strategies in conjunction with Executive Directors.

7 To effect corporate insurance cover, through external insurance and internal funding, and negotiate all claims in consultation with other officers where necessary.

8 To include all appropriate employees of the County Council in a suitable fidelity guarantee insurance.

9 To offer insurance cover to schools in accordance with Fair Funding arrangements.

10 Claims against the County Council by its employees where there is no legal liability may be settled by the Director of Legal Services up to a limit of £300 in any case, in respect of damage to or loss of personal property occurring in the course of their duties. Provided that there is no contributory negligence, the settlement to be on the following basis: -

(a) for repairs to clothing or other property - full cost;

(b) for replacement of clothing or other property (where repair was impracticable) - three quarters of reasonable replacement cost.

Responsibilities of Executive Directors

11 To notify the Chief Financial Officer immediately of any loss, liability or damage which may lead to a claim against the Council, together with any information or explanation required by the Chief Financial Officer or the Council's insurers. These should be reported irrespective of the application of any insurance excess.

12 To notify the Chief Financial Officer promptly of all new risks, properties, vehicles, plant or equipment, which require insurance, and of any alterations affecting existing insurances.

13 To consult the Chief Financial Officer and the Director of Legal Services on the terms of any indemnity that the Council is requested to give.

14 To ensure that Council employees, or anyone covered by the Council's insurances, do not admit liability or make any offer to pay compensation which may prejudice the assessment of liability in respect of any insurance claim.

15 To take responsibility for risk management having regard to advice from the Chief Financial Officer, the Corporate Risk Management Policy & Strategy and other specialist officers (eg Risk Management, Emergency Planning, Crime Prevention, Fire Prevention, Health and Safety).

16 To ensure that there are regular reviews of risk within their Departments in accordance with the Council's Corporate Risk Management Policy & Strategy.

5 TREASURY MANAGEMENT

Objectives

1 The County Council is responsible for the in-house management and investment of many hundreds of millions of pounds in respect of both itself and the Derbyshire Pension Fund. Codes of Practice aim to provide assurances that the Council's money is properly managed in a way which balances risk with return.

A Treasury Management and Banking

Responsibilities of Chief Financial Officer

a.1 To arrange the borrowing and investments of the Council in such a manner as to comply with the CIPFA Code of Practice on Treasury Management and the Council's Treasury Management Policy Statement.

a.2 To report at least twice a year to the Audit Committee/Cabinet on treasury management activities.

a.3 To operate bank accounts as are considered necessary within the terms of the banking arrangement. Opening or closing any bank account shall require the prior approval of the Chief Financial Officer.

Responsibilities of Executive Directors

a.4 To ensure that the Council's Treasury Management Practices as set out in the Treasury Management Manual are followed and regularly reviewed.

B Investments and Borrowing

Responsibilities of Chief Financial Officer

b.1 To ensure that all investments of money are made in the name of the Council, or school in the case of a school operating an approved bank account, or in the name of nominees approved by the Council.

b.2 To ensure that:-

- all negotiable instruments which are the property of the Council or its nominees are securely held by the Council's External Custodian;
- the title deeds of all property and land in the Council's ownership are passed to the Director of Legal Services who will maintain their safe custody;
- other share certificates relating to investments in Unquoted Companies, which are the property of the Council or its nominees, are securely held by the Chief Financial Officer; and
- all investments on behalf of the Council in Strategic Pooled Funds are independently validated by the Council's appointed external audit provider.

b.3 To effect all borrowings in the name of the Council.

b.4 To act as the Council's registrar of stocks, bonds, and mortgages, and to maintain records of all borrowing of money by the Council.

Responsibilities of Executive Directors

b.5 To ensure that no loans are made to third parties and no interests are acquired in companies, joint ventures, or other enterprises without the approval of the Council, following consultation with the Chief Financial Officer.

C Trust Funds and Funds held for Third Parties

Responsibilities of Executive Directors

c.1 To arrange that all trust funds are in the name of the Council. Trust funds should not be held in the name of individual officers. All officers acting as trustees by virtue of their official position shall deposit securities etc. relating to the trust with the Chief Financial Officer/Director of Legal Services unless the deed otherwise provides.

c.2 To arrange, where funds are held on behalf of third parties, for their secure administration, approved by the Chief Financial Officer and maintain written records of all transactions.

c.3 To ensure that trust funds are operated within any relevant legislation and the specific requirements for each trust, and to contact the Director of Legal Services as appropriate.

D Imprest Accounts

Responsibilities of Chief Financial Officer

d.1 To provide employees of the Council with cash or bank imprest accounts to meet minor expenditure and low value procurement spend on behalf of the Council and to prescribe rules for operating these accounts.

d.2 To maintain a record of all petty cash advances made and periodically review the arrangements for the safe custody and control of these advances.

d.3 To record and maintain the issue of debit cards held against imprest accounts, and in conjunction with Executive Directors ensure the cards are used in accordance with the Corporate Debit Card Policy

d.4 To reimburse imprest holders as often as necessary to restore the imprest balance in accordance with the Imprest Management Programme guidance.

Responsibilities of Executive Directors

d.5 To ensure that employees operating an imprest account:

(a) Operate the account in accordance with the Imprest Management Program Guidance and comply with the Corporate Debit Card Policy ensuring that the Chief Financial Officer is informed of any debit holders no longer authorised to hold cards and that they have been securely destroyed

(b) obtain and retain vouchers and receipts to support each payment from the imprest account. Where appropriate an official receipted VAT invoice must be obtained;

(c) make adequate arrangements in their office for the safe custody of the account;

(d) produce upon demand by the Chief Financial Officer, cash and all vouchers to the total value of the imprest amount;

(e) record transactions promptly;

(f) reconcile and balance the account at least monthly; reconciliation to be recorded within the Council's Imprest Management Programme;

(g) do not overdraw the imprest bank account,

(h) ensure that the imprest is never used to cash personal cheques or to make personal loans and that the only payments into the account are the reimbursement of any surplus monies remaining from purchases which have been funded by an advance;

(i) operate in accordance with Section 115 of the Local Government Act 1972 whereby any officer employed by the Council shall at such times during the continuance of his/her office or within three months of ceasing to hold it and, in such a manner as the Council may direct, make out and deliver to the Council a true account in writing of all money and property committed to his/her charge, and of his/her receipts and payments with vouchers and other documents and records supporting the entries contained, and a list of persons from whom or to whom money is due in connection with this office, showing the amount due from or to each;

(j) do not purchase goods on behalf of the Council using a personal store/loyalty card;

(k) no payment is made from an imprest account to fund the purchase of foreign currency for the purposes of defraying expenditure in connection with authorised overseas visits. However, the use of debit cards abroad held against imprest accounts is permitted if operated in accordance with the Corporate Debit Card Policy. Any foreign currency requirements should be processed by the Corporate Resources General Office who will obtain the appropriate currency;

(l) all discrepancies on imprest accounts should be taken seriously. Where there is any suspicion that the discrepancy is a result of theft or fraudulent activity, this must be reported to the Assistant Director of Finance (Audit) immediately;

(m) where concerns relate to the operation and management of the account, the discrepancy should be investigated by relevant Departmental finance staff. However, if concerns arise during this review, that there may be potential dishonesty/fraudulent activity, the matter must be reported to the Assistant Director of Finance (Audit) immediately;

(n) any imprest account imbalances may only be written-off by the Executive Director after the discrepancy has been investigated;

(o) approval must be sought by the Chief Financial Officer or their delegated officer to use imprest accounts for other income and expenditure streams that cannot be processed via the main council accounts.

E Money Laundering Regulations and Proceeds of Crime Act

e.1 Money laundering is a term used for a number of offences involving the proceeds of crime or terrorist funds. It also includes the processing, or in any way dealing with, or concealing, the proceeds of crime.

e.2 The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 place specific obligations on employees responsible for handling and processing cash transactions.

Key controls

e.3 It is Council policy not to accept individual cash payments of more than £10,000.

e.4 For amounts between £2,500 and £10,000, confirmation must be sought from the payee that the funds were not generated under circumstances that would leave the County Council in jeopardy. The Council's anti-money laundering officer will make the relevant decisions.

e.5 Where the transaction is under £2,500 and there are reasonable grounds to suspect money laundering activities, proceeds of crime or it is suspicious, the matter must be reported to the Council's nominated anti-money laundering officer.

Responsibilities of Chief Financial Officer

e.6 The Chief Financial Officer should ensure that appropriate arrangements are in place to inform and provide training to all relevant Officers in respect of the requirements placed upon them by this legislation. He/she will also determine and maintain appropriate internal reporting procedures including the nomination of an Officer whose job is to receive disclosures from anyone in the organisation who is suspicious of money laundering and report this to the National CrimeAgency.

Responsibilities of Executive Directors

e.7 Executive Directors should ensure that all employees are made aware of the Anti-Money Laundering Policy and receive appropriate training on their obligations under the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017and the duty to notify the Chief Financial Officer of any known or suspected money laundering activities.

6 EMPLOYEES

Objectives

1 In order to provide the highest level of service, it is essential that the Council recruits and retains high calibre, knowledgeable employees, qualified to an appropriate level. An appropriate Human Resources Strategy and policies should exist, in which HR requirements and budget allocation should be matched.

Key controls

2 The key controls for human resources are:

(a) that workforce planning is in place for forecasting HR requirements and cost;

(b) that procedures are in place for monitoring employee expenditure against budget;

(c) that controls are implemented which ensure that employee time is used efficiently and benefits the Council.

Responsibilities of the Director of Organisation Development and Policy

3 To act as an advisor to Executive Directors on areas such as PAYE, National Insurance and pension contributions as appropriate.

Responsibilities of Executive Directors

4 To monitor employee activity to ensure the maintenance of adequate control over such costs as sickness, overtime, training and temporary employment costs.

5 To ensure that effective management and supervision protocols exist to validate the accuracy and integrity of working times recorded and expenses claimed.

6 To ensure that the requirements of the Recruitment and Selection Policy in respect of the validation of qualifications claimed and references regarding previous employment are followed. Similarly that for all posts requiring Disclosure and Barring Service checks, these checks are completed prior to the employee taking up appointment and appropriate evidence retained.

ANNEX 4: SYSTEMS AND PROCEDURES

1 General

2 Income

3 Payments to Members and employees

4 Ordering and paying for work, goods and services

5 Taxation

1 GENERAL

Objectives

1 Executive Directors operate many systems and procedures relating to the control of the Council's assets, including purchasing, costing and management systems. Departments are reliant on IT for their financial management information. The information must therefore be accurate and the systems and procedures sound and well administered. They should contain controls to ensure that transactions are properly processed and errors detected promptly.

2 The Chief Financial Officer has a professional responsibility to ensure that the Council's financial and control systems are sound and therefore the Assistant Director of Finance (Audit) must be consulted on any new developments or proposed changes, and will assess the potential impact of such changes on the Internal Control Framework and report to the Chief Financial Officer, raising any concerns as appropriate. The Chief Financial Officer will then formally consider the proposed changes. No changes may be actioned without the formal approval of the Chief Financial Officer.

Key Controls

(a) Basic data exists to enable the Council's objectives, targets, budgets and plans to be formulated;

(b) performance is communicated to the appropriate managers on an accurate, complete and timely basis;

(c) early warning is provided of deviations from target, plans and budgets that require management attention;

(d) operating systems and procedures are secure;

(e) an ongoing audit of the Council's activities and control systems both financial and operational is maintained.

Responsibilities of Chief Financial Officer/Assistant Director of Finance (Audit)

3 To make arrangements for the proper administration of the Council's financial affairs, including to:

(a) issue advice, guidance and procedures for the Council's Members, Officers and others acting on its behalf (Chief Financial Officer);

(b) determine the accounting systems, form of accounts and supporting financial records (Chief Financial Officer);

(c) review any proposed changes to existing financial and/or control systems or the establishment of new systems and consider the potential impact on the Internal Control Framework and report to the Chief Financial Officer raising any concerns (Assistant Director of Finance

(Audit)). The Chief Financial Officer will then formally consider the proposed changes. No changes may be actioned without the formal approval of the Chief Financial Officer;

(d) agree the Departmental Scheme of Financial Delegation proposed by Executive Directors annually (Chief Financial Officer).

Responsibilities of Executive Directors

4 To ensure that accounting records are properly maintained and held securely.

5 To ensure that vouchers and documents with financial implications are retained in accordance with arrangements approved by the Chief Financial Officer.

6 To ensure that a complete audit trail, allowing financial transactions to be traced from the original document to the accounting records and vice versa, is maintained.

7 To incorporate appropriate controls to ensure that:

(a) all input is genuine, complete, accurate, timely and not previously processed;

(b) all processing is carried out in an accurate, complete and timely manner;

(c) output from the system is complete, accurate and timely.

8 To ensure that the organisational structure provides an appropriate segregation of duties to provide adequate internal controls and minimise the risk of fraud or other malpractice.

9 To ensure there is a documented and tested disaster recovery plan to allow information system processing to resume quickly in the event of an interruption.

10 To ensure that all business critical systems are identified, documented and appropriate officers trained in their operation.

11 To consult with the Assistant Director of Finance (Audit) before changing any existing system or introducing new systems.

12 To establish a scheme of delegation identifying officers authorised to act upon the Executive Director's behalf in respect of payments, income collection, imprest accounts and placing orders, including variations and determining the limits of their authority. The scheme of delegation should be reviewed and updated annually and agreed with the Chief Financial Officer.

13 To supply lists of authorised officers, with specimen signatures and delegated limits, to the Chief Financial Officer, together with any subsequent variations.

14 To ensure that effective contingency arrangements, including back up procedures, exist for computer systems. Wherever possible, back up

information should be securely retained in a fireproof location, preferably off site, or in an alternative location within the building.

15 To ensure that, where appropriate, all systems containing personal data are identified and registered in accordance with the Data Protection legislation and that staff are aware of their responsibilities under the legislation.

16 To ensure that relevant standards and guidelines for computer systems issued by the Director of Finance & ICT are observed.

17 To ensure that computer equipment and software are protected from loss and damage through theft, vandalism etc.

18 To comply with the Copyright, Designs and Patents Act 1988 and in particular, ensure that:

(a) only software legally acquired and installed by the Council is used on its computers and appropriate licences are retained;

(b) staff are aware of legislative provisions;

(c) in developing systems, due regard is given to the issue of intellectual property rights.

19 To ensure that employees are aware of their obligations to comply with and observe electronic access controls, maintain security and confidentiality of electronic identifiers and passwords and their duty to comply with the requirements of the Computer Misuse Act 1990.

2 INCOME

Objectives

1 Income can be a vulnerable asset and effective income collection systems are necessary to ensure that all of the income due is identified, collected, receipted and banked promptly and properly.

Key Controls

2 The key controls for income are:

(a) all income due to the Council is identified and charged correctly;

(b) all income is collected from the correct person, at the right time using the correct procedures and the approved recording systems;

(c) all money received by an employee on behalf of the Council is paid intact and without delay to the Chief Financial Officer or as he/she directs, to the Council's bank, and properly recorded;

(d) effective action is taken to pursue non-payment within defined timescales;

(e) the County Council does not accept individual cash payments with a value in excess of £10,000;

(f) The Chief Financial Officer or the Director of Legal Services, in conjunction with the Executive Director, will have the authority to write off any debt where all reasonable measures have been taken to recover the debt. Budget Monitoring reports to both management and Members will include an analysis of the latest departmental / portfolio debt recovery positions.

(g) appropriate write off action is taken within defined timescales;

(h) appropriate financial provisions are made for bad or doubtful debts;

(i) appropriate accounting adjustments are made following write off action;

(j) all appropriate income documents are retained and stored for the defined period in accordance with the "Guidelines on the Retention of Financial Records".

Responsibilities of Chief Financial Officer

3 To agree arrangements for the collection of all income due to the Council and approve the procedures, systems and documentation for its collection.

4 To approve all receipt forms, books or tickets and similar items and satisfy him/herself regarding the adequacy of the arrangements for their control and safe storage, including electronic storage media.

5 To establish and initiate appropriate recovery procedures, including legal action where necessary, for debts which are not paid promptly.

6 Under section 151 of the 1972 Local Government Act and in accordance with accounting policies the Chief Financial Officer has responsibility for the administration of financial affairs and as such must ensure that debt is reflected accurately and promptly within the financial accounts, and so will have the ability to apply financial postings as he deems appropriate.

7 Once the Chief Financial Officer and the Director of Legal Services establish that a debt is irrecoverable due to bankruptcy or insolvency the write off will be processed promptly and where necessary reported retrospectively.

8 The Chief Financial Officer and the Director of Legal Services will ensure that an annual review of historic debt takes place to ensure that debt is proactively managed.

9 The Chief Financial Officer will each year prepare a summary report of debt write offs charged to Departmental budgets and circulate to Executive Directors.

Responsibilities of Executive Directors

10 To establish a schedule of fees and charges for the supply of goods and services etc, including the appropriate charging of VAT and review it at least annually, within corporate policies.

11 To separate the responsibility for identifying amounts due and the responsibility for collection, as far as is practicable.

12 To establish and initiate appropriate recovery procedures, including legal action where necessary, for non-invoiced debts which are not paid promptly.

13 To ensure that invoices are accurate and issued promptly within a target maximum of 21 days from provision of service. Executive Directors have a responsibility to collect debts and to provide any information requested by the Chief Financial Officer/Director of Legal Services to enable debts to be pursued effectively on the Council's behalf.

14 To officially record income collected using the approved system(s).

15 At all points where it is reasonable to expect that postal remittances may be received to ensure that at least two employees are present when post is opened so that money received by post is properly identified and recorded.

16 To hold securely receipts, tickets and other records of income, for six years plus the current accounting year in line with statutory requirements and retention schedules.

17 To process and maintain debit/credit card details in accordance with approved procedures and ensuring compliance with the Payment Card Industry (PCI) Security Standards.

18 To ensure all income collected is held securely in locked storage to safeguard against loss or theft and to ensure the security of cash handling. Access to such locked storage should be minimised.

19 To ensure that income is paid intact and promptly into the appropriate Council bank account in the form in which it is received. The processing of cash should be reduced as far as is practicably possible. Appropriate details should be recorded on paying in slips to provide an audit trail.

20 To ensure income is not used to cash personal cheques or other payments.

21 To keep a record of every transfer of official money between employees of the Council. The receiving officer must sign for the transfer and the transferor must retain a copy.

22 As per the Departments scheme of delegation, authorise write off debts up to the OJEU limit, and to keep a record of all sums so written off. In no case will the officer raising the debt be empowered to authorise its writing off. Once raised, no bona fide debt can be cancelled except by payment in full, its formal writing off or in the form of a reversal or reduction adjustment under procedures agreed with the Chief Financial Officer.

23 Ensure write off action is done promptly and that appropriate financial provisions are made for bad or doubtful debts.

24 To notify the Chief Financial Officer of outstanding income relating to the previous financial year as soon as possible after 31 March in line with the timetable determined by him.

25 To minimise administration costs by limiting the issue of an invoice to sums of £25 and above unless a lower limit is agreed with the Chief Financial Officer. Sums due below this level should be collected prior to service delivery in accordance with procedures agreed with the Chief Financial Officer. Pensioner debt invoices should not be ordinarily raised for sums under £100 and should be adjusted accordingly within the Finance and HR systems.

3 PAYMENTS TO MEMBERS AND EMPLOYEES

Objectives

1 Employee costs are the largest item of expenditure for most Council services. It is, therefore, important that there are effective controls in place to ensure that payments are made only where they are due for services to the Council and that payments accord with individual’s conditions of employment.

Key Controls

2 The key controls for payments to Members and employees are:

(a) proper authorisation procedures and adherence to corporate timetables for:

- Starters,
- Leavers,
- Variations,
- Enhancements;

(b) frequent reconciliation of payroll expenditure against approved budget;

(c) all appropriate payroll documents are retained and stored for the defined period in accordance with the “Guidelines on the Retention of Financial Records”.

Responsibilities of the Director of Organisation Development and Policy

3 To arrange and control secure and reliable payment of salaries, wages, compensation or other emoluments to existing and former employees in accordance with procedures prescribed by him/her, on the due date.

4 To ensure these entries are entered into the accounting systems in a form prescribed by the Chief Financial Officer.

5 To record and monitor tax, pension and other deductions.

6 To make arrangements for payment of all travel and subsistence claims to Officers.

7 To make arrangements for payment of all travel and subsistence claims to Members after receipt of the duly authorised form from the Chief Financial Officer.

8 To provide advice and encouragement to secure payment of salaries and wages by most economical means.

9 Recovery of overpayments of salary for employees and pensioners.

Responsibilities of Chief Financial Officer

10 To make arrangements for paying Members travel or other allowances upon receiving the prescribed form duly completed and authorised.

11 To reconcile all payroll entries into the accounting system on a monthly basis.

12 To determine the form which entries from the payroll system should take when posted into the accounting system.

Responsibilities of Executive Directors

13 To ensure appointments are made in accordance with the regulations of the Council and approved establishments, grades, scale of pay and that adequate budget provision is available.

14 To notify the Director of Organisation Development and Policy of all appointments, terminations, or variations which may affect the pay or pension of an employee or former employee, in the form and to the timescale required by theDirector of Organisation Development and Policy.

15 To ensure that adequate and effective systems and procedures are operated for HR and payroll aspects, so that:

(a) payments are only authorised to bona fide employees;
(b) payments are only made where there is a valid entitlement;
(c) conditions and contracts of employment are correctly applied;
(d) employees' names listed on the payroll are checked at regular intervals to verify accuracy, completeness and continued employment;
(e) there is an effective system of checking and certifying payroll forms.

16 To maintain up to date lists of the names of officers authorised to sign records, a copy of which should be forwarded to theDirector of Organisation Development and Policy, together with specimen signatures.

17 To ensure that payroll transactions are processed only through the payroll system. Executive Directors should seek advice from the Director of Organisation Development and Policy in respect of the employment status of individuals employed on a "self-employed or sub contract" basis. HM Revenue & Customs applies a tight definition for employee status and in cases of doubt, advice should be sought from the Director of Organisation Development and Policy/Director of Legal Services.

18 To certify travel and subsistence claims and other allowances. Certification is taken to mean that journeys were pre-authorised, related to official business and expenses actually, properly and necessarily incurred and that allowances are properly payable by the Council, ensuring that cost-effective use of travel arrangements is achieved. Due consideration should be given to tax implications and the Director of Organisation Development and Policy is informed where appropriate. Full details on the claiming of expenses by employees will be issued from time to time by the Director of Organisation Development and Policy.

19 To ensure that the details of any employee benefits in kind are notified to the Director of Organisation Development and Policy to enable full and complete reporting within the Income Tax Self-Assessment system.

20 To ensure that all appropriate payroll documents are retained and stored for the defined period in accordance with the "Guidelines on the Retention of Financial Records".

Responsibilities of Members

21 To submit claims for Members' travel, subsistence and dependant carers' allowances on a monthly basis and in any event, within one month of the financial year end.

4 ORDERING AND PAYING FOR WORK, GOODS AND SERVICES

Objectives

1 Public money should be spent with demonstrable probity and in accordance with the Council's policies. The Council's procedures should help to ensure that services receive VfM in their purchasing arrangements. These procedures should be read in conjunction with the Council's Standing Orders Relating to Contracts and the Derbyshire Codes of Conduct.

General

2 Every member and officer of the Council has a responsibility to declare, by completing the Council's Declaration of Interest form, any links or personal interests which they may have with purchasers or suppliers and/or contractors if they are engaged in contractual or purchasing decisions on behalf of the Council.

3 Official orders, whether electronic or paper based, must be in a form approved by the Chief Financial Officer. Official orders must be issued for all work, goods or services to be supplied to the Council except for supplies of utilities, debit card transactions, periodic payments such as rent or rates, petty cash purchases or other exceptions specified by the Chief Financial Officer.

4 Each order must conform to the directions of the Council on procurement and the standardisation of supplies and materials. Standard terms and conditions must not be varied without the prior approval of the Chief Financial Officer.

5 Apart from petty cash and schools' own bank accounts the normal method of payment of money due from the Council shall be by BACS transfer. Payments can be made by cheque or other instrument but this will be a small proportion of total payments. The use of direct debit and other forms of payment methods shall require the individual, prior agreement of the Chief Financial Officer.

6 Official orders must not be raised for any personal or private purchases, nor should personal or private use be made of Council contracts.

Key controls

7 The key controls for ordering and paying for work, goods and services are:

(a) all goods and services are ordered only by appropriate persons using approved electronic ordering systems. In emergencies, manual orders can be used;

(b) all goods and services shall be ordered in accordance with the Council's Standing Orders Relating to Contracts/Procurement Strategy;

(c) goods and services received are checked on receipt to ensure they are in accordance with the order and receipted wherever the electronic system used for ordering allows;

(d) payments are authorised by officers who can certify that goods received conform to price, quantity and quality;

(e) in normal circumstances the process of ordering, receipt of goods/services and authorisation of payment will be carried out by separate officers to maintain adequate separation of duties;

(f) all payments are made to the correct person, for the correct amount and are properly recorded, regardless of the payment method;

(g) all appropriate payment documents are retained and stored for the defined periods in accordance with the Council's 'Guidelines on the Retention of Financial Records';

(h) all expenditure, including VAT, is accurately recorded against the appropriate budget head and any exceptions corrected;

(i) all references in this section of the regulations should be taken to include, and apply equally to e-commerce transactions. The advent of this element of the Council's operations requires that processes are in place to maintain the security and integrity of data for transacting business electronically; and

(j) during an emergency or business continuity event it may become necessary to procure supplies at short notice or to place orders with suppliers who are not already approved by the Council. Further details on these arrangements can be found in the Council's Corporate Business Continuity Plan.

Responsibilities of Chief Financial Officer/Assistant Director of Finance (Audit)

8 To ensure that all of the Council's financial systems and procedures are sound and well administered.

9 The Assistant Director of Finance (Audit) will review any proposed changes to existing financial and/or control systems or the establishment of new systems and consider the potential impact on the Internal Control Framework and report to the Chief Financial Officer raising any concerns. The Chief Financial Officer will then formally consider the proposed changes. No changes may be actioned without the formal approval of the Chief Financial Officer.

10 To approve the form of official orders, and associated terms and conditions (Chief Financial Officer).

11 To make payments, whether or not provision exists within the estimates, where the payment is specifically required by statute or is made under a court order (Chief Financial Officer).

12 To make payments to contractors on the certificate of the appropriate Executive Director, which must include details of the value of work, retention money,

amounts previously certified and amounts now certified (Chief Financial Officer). The Chief Financial Officer can set tolerances which will be monitored.

13 To provide advice and support on making payments by the most economical means (Chief Financial Officer).

Responsibilities of Executive Directors

14 To ensure that all contracts have been awarded and expenditure has been approved in accordance with the Procurement and Award Procedures set out in Annex A of these Regulations.

15 To ensure that employees comply with these Procurement requirements and are aware of their responsibilities under the Council's Code of Conduct for Employees.

16 Official orders shall be in a form approved by the Chief Financial Officer and shall be signed personally either manually or by secure electronic protocols by the Executive Director or by officers authorised by him/her. Responsibility for orders lies with the Executive Director.

17 To ensure that uniquely numbered orders are used for all goods and services.

18 To ensure that all orders are placed using properly approved systems and to refer any proposed changes to existing financial systems or the implementation of new systems to the Assistant Director of Finance (Audit) before they are introduced. Where orders are produced in a printed format they are controlled stationery and should be retained securely when not in use.

19 To ensure that where credit procurement and debit cards are available to employees they are controlled, used and maintained in accordance with procedures that have been agreed by the Chief Financial Officer.

20 To ensure that orders are only used for goods and services provided to the County Council. Individuals must not use official orders to obtain goods or services for their private use.

21 To ensure that only those employees authorised by the Executive Director sign orders and to maintain an up-to-date list of such authorised employees:

- including specimen signatures where paper based systems are used, or
- reports of access privileges for all users of electronic systems identifying in each case the limits of their authority.

22 The signatory of the order should be satisfied that the goods and services ordered are appropriate and needed, that there is adequate budgetary provision and that quotations or tenders have been obtained as required by standing orders and good procurement practice. VfM should always be taken into consideration.

23 To ensure that a budgetary control system is established which enables commitments incurred by placing orders to be shown against the appropriate budget allocation so that it can be taken into account in budget monitoring reports.

24 To ensure that goods and services are checked on receipt to validate that they are in accordance with the order, and that the order whether paper or electronic is endorsed ‘goods received’ and dated. A different officer from the person who signed the order should carry out this check. Appropriate entries will then be made in inventories or stores records.

25 To ensure that payment is not made unless a proper invoice has been received, checked, coded and certified for payment and the order endorsed ‘passed for payment’ and dated to confirm:

(a) receipt of goods or services (payment should not be made in advance of goods being received unless specific prior approval is given by the Chief Financial Officer);

(b) that the invoice has not previously been paid;

(c) that expenditure has been properly incurred and is within budget provision;

(d) that prices are correct and accord with quotations, tenders, contracts or catalogue prices;

(e) that the invoice is arithmetically correct;

(f) the correct accounting treatment of any relevant tax;

(g) the invoice is correctly coded;

(h) discounts have been taken where available; and

(i) that appropriate entries will be made in accounting records.

26 To ensure that an authorised employee who should be a different officer from the person who authorised the order, and in every case a different officer from the person certifying that the checks detailed at 26 above have been completed, authorises invoices.

27 To ensure that the Department maintains and reviews periodically a list of staff approved to certify and authorise invoices. Names of authorising officers together with specimen signatures (or lists of access privileges) and details of the limits of their authority shall be forwarded to the Chief Financial Officer.

28 Payment should not routinely be made on a photocopied or faxed invoice, statement or other document other than the formal invoice unless specific prior approval has been obtained. Any instances of these being rendered should be reported to the Assistant Director of Finance (Audit).

29 To encourage suppliers of goods and services to receive payment by the most efficient means for the Council. Payments should, however, not be made by direct debit unless essential and with the prior approval of the Chief Financial Officer.

30 To ensure that the Department obtains best VfM from purchases by utilising the Council's approved procurement procedure taking, where appropriate, steps to obtain competitive prices for goods and services of the appropriate quality, with regard to the guidelines and best practices issued by the Chief Financial Officer.

31 To operate within the County Council's approved Procurement Strategy and procedures ensuring that for appropriate purchases competitive quotations or tenders are sought. These will comply with Standing Orders in Relation to Contracts, which covers:

(a) authorised officers and the extent of their authority;

(b) advertisement for competitive tenders or seeking quotations through the Source Derbyshire website and in additional publications when appropriate;

(c) selection of tenderers;

(d) compliance with UK and EU legislation and regulations;

(e) procedures for the submission, receipt, opening and recording of tenders;

(f) the circumstances where financial or technical evaluation is necessary;

(g) procedures for negotiation;

(h) acceptance of tenders;

(i) the form of contract documentation;

(j) cancellation clauses in the event of corruption or bribery; and

(k) contract records.

32 To ensure that all employees are aware of the Council's Code of Conduct.

33 All acquisitions and disposals of land and/or buildings (whether by leasing, rental or any other means) shall be negotiated and agreed by the Director of Property and Director of Legal Services.

34 To ensure that no loan, leasing or rental arrangements are entered into without prior agreement from the Chief Financial Officer. This is because of the potential impact on the Council's borrowing powers, to protect the Council against entering into unapproved credit arrangements and to ensure VfM is being obtained.

35 To notify the Chief Financial Officer of outstanding expenditure relating to the previous financial year as soon as possible after 31 March in line with the timetable determined by him/her and in all cases by no later than 30 April.

36 With regard to contracts for construction and alterations to buildings and for civil engineering works, to document and agree with the Chief Financial Officer, the systems and procedures to be adopted in relation to financial aspects, including certification of interim and final payments, checking, recording and authorising payments, the system for monitoring and controlling capital schemes and the procedures for validation of sub contractors' tax status.

37 To notify the Chief Financial Officer immediately of any expenditure to be incurred as a result of statute/court order where there is no budgetary provision.

38 To ensure that all appropriate payment records are retained and stored for the defined periods in accordance with the "Guidelines on the Retention of Financial Records."

39 Other than for the use of refuelling a vehicle provided under the County Council's car hire scheme, which has been pre-authorised by a line manager, employees should not make official purchases using personal credit/debit cards for which they subsequently seek reimbursement from the County Council as this circumvents the requirement for pre-authorisation by an independent party and negates the requirement to demonstrate best value in relation to these purchases. Similarly personal store account cards/loyalty cards held in the name of private individuals should not be used in connection with County Council purchases.

5 TAXATION

Objectives

1 Like all organisations, the Council is responsible for ensuring its tax affairs are in order. Tax issues are often very complex and the penalties for incorrectly accounting for tax are severe. It is therefore very important for all officers to be aware of their role.

Key controls

2 The key controls on taxation are:

(a) budget managers are provided with relevant information and kept up to date on tax issues;

(b) budget managers are instructed on required record keeping;

(c) all taxable transactions are identified, properly carried out and accounted for within stipulated timescales;

(d) records are maintained in accordance with instructions;

(e) returns are made to the appropriate authorities within the stipulated time scale.

Responsibilities of Chief Financial Officer

3 To complete a monthly return of VAT input and outputs to HM Revenue & Customs.

4 To provide monthly and annual returns to HM Revenue & Customs regarding the Construction Industry Tax Deduction Scheme:

5 To maintain up to date guidance for Council employees on taxation issues in the VAT Manual.

6 To ensure the Council’s Tax Strategy is reviewed at least annually.

7 To account for tax in connection with pension fund investments, including overseas tax.

Responsibilities of Director of Organisation Development and Policy

7 To complete all HM Revenue & Customs returns regarding PAYE.

Responsibilities of Executive Directors

8 To ensure that the correct VAT liability is attached to all income and that all VAT recoverable on purchases complies with HM Revenue & Customs Regulations.

9 All new proposals to generate income must be notified to the Technical Section, Corporate Finance to ensure that the VAT implications are evaluated and addressed.

10 All coding slips on creditor invoices, bank paying in slips and debtor accounts must be completed in accordance with instructions.

11 VAT on expenditure from imprest accounts can only be recovered if VAT receipts are obtained and included with reimbursement claims.

12 To ensure that, where construction and maintenance works are undertaken, the contractor fulfils the necessary Construction Industry Tax Deduction requirements.

13 To ensure that all persons employed by the Council are added to the Council's payroll and tax deducted from any payments, except where the individuals are bona-fide self-employed or are employed by a recognised employment agency. All payments to employees must be made through the payroll system, except with the explicit approval of the Chief Financial Officer.

14 To follow the guidance on taxation issued by the Chief Financial Officer in the VAT Manual. The VAT Manual is widely distributed and advice on any matter can be obtained from the Chief Financial Officer.

ANNEX 5: EXTERNAL ARRANGEMENTS

1 PARTNERSHIPS

Objectives

1 Local Authorities work in partnership with the wider public and voluntary sectors and private providers.

PARTNERSHIPS - GENERAL

2 A partnership is "an agreement between two or more independent bodies working collectively to achieve an objective", as a joint arrangement not as a single entity.

3 The main reasons for entering into a partnership are to achieve the aims and objectives of the Council by the most effective means. This will include:

(a) improving service delivery by maximising and sharing the use of resources;

(b) fulfil the Council's role as a community lead;

(c) meet the Council's statutory requirements;

(d) the desire to find new ways to share risk;

(e) the ability to access new resources;

(f) to forge new relationships.

4 A partner is defined as either:

(a) an organisation (private, voluntary or public) undertaking, part funding or participating as a beneficiary in a project, or

(b) a body whose nature or status give it a right or obligation to support the project.

5 Partners participate in projects by:

(a) acting as a project deliverer or sponsor, solely or in concert with others;

(b) acting as a project funder or part funder in the provision of financial or other resources;

(c) being the beneficiary group of the activity undertaken in a project.

6 Partners have common responsibilities:

(a) to be willing to take on a role in the broader programme appropriate to the skills and resources of the partner organisation;

(b) to act in good faith at all times and in the best interests of the partnership's aims and objectives;

(c) to be open about any conflict of interests which might arise;

(d) to encourage joint working between themselves, promote the sharing of information, resources and skills between public, voluntary, private and community sectors;

(e) to maintain the confidentiality of information received as a result of partnership activities or duties, and to recognise that such information may be of a personal/commercially sensitive nature;

(f) to act wherever possible as ambassadors for the project;

(g) to act at all times in accordance with the terms and conditions of the partnership agreement and within the broader requirements of demonstrable probity both in terms of personal conduct and stewardship of public funds.

Key controls

7 The key controls for Council partnerships are:

(a) each proposed partnership should be subject to a risk assessment and allocated a risk ranking;

(b) where the partnership has been given a risk ranking of High or Medium this must be justified by a formal business case and be subject to a formal legal arrangement;

(c) to be aware of the nature of the partnership, and, for individual officers to be aware of their personal responsibilities and delegated authority as regards the partnership, under the Council's Financial Regulations and Standing Orders in Relation to Contracts;

(d) to agree and formally document the roles and responsibilities of each of the partners involved in the project before its commencement;

(e) all partnerships should be formed in accordance with agreed criteria and after proper legal consultation and should accord with guidance stipulated in the Council's Partnership Development Toolkit;

(f) a formal register should be maintained which details, in respect of all partnerships in which the Council participates:

- its aims and objectives,
- its approved duration,
- the Council's commitment in terms of finance and other resources,
- the accountable organisation for the partnership,

- the framework by which the performance of the partnership is to be monitored,
- the Council's exit strategy on completion or termination of the partnership;

(g) Auditing arrangements must include, as a minimum, guaranteed rights of access for the County Council's auditors at all times to all documents, records, premises and those employees who relate to, or are provided by, the Council's contributions to the partnership.

Responsibilities of Chief Financial Officer

8 To advise on the effectiveness of the proposed framework of controls and responsibilities within the operation of the partnership.

9 To advise on the key elements of funding a project:

(a) risk assessment and scheme appraisal for financial viability;

(b) accounting and audit requirements.

10 Arrange for internal or external audit scrutiny as appropriate.

Responsibilities of Director of Legal Services

11 The Director of Legal Services must:

(a) establish, maintain and review the legal framework for the County Council's participation in partnership working;

(b) ensure that all proposed partnership arrangements are:

- within the County Council's powers,
- the subject of a legal agreement in an approved form,
- adequately defined by the agreement's terms and conditions,
- subject to adequate insurance cover for any liability of the proposed partnership which may rest with the County Council,
- financially viable,
- open and promote active decision-making;

(c) a constitution exists which clarifies:

- the aims and objectives of the partnership,
- each partner's responsibility in terms of financial liability,
- asset ownership issues resulting from the partnership,
- each partner's responsibilities in respect of any employees employed for the purpose of the partnership,
- security and confidentiality of information and the extent of any data sharing including requirements under the Freedom of Information Act,
- the roles and responsibilities of individual partner bodies,

- the regulatory framework for the partnership,
- the exit strategy on cessation of the partnership including any liabilities then arising,
- arbitration/conciliation arrangements in the event of dispute.

Responsibilities of Executive Directors

12 To ensure that the approval of the Cabinet is obtained before any negotiations are entered into with regard to proposed partnership arrangements and that a risk assessment of the proposed partnership has been undertaken.

13 To maintain the central register of all partnership arrangements entered into in accordance with procedures specified by the Chief Financial Officer and which contains as a minimum the details specified at paragraph 7(f) above.

14 To ensure that accountability frameworks are specified within a written agreement with all partners. This will include agreements regarding prevention and addressing of overspendings; covering inflation; managing efficiency savings; and other resource or financial issues.

15 To account for any contributions to pooled budgets and where the Council is the Budget Holder, maintain accounts in accordance with the agreed budget arrangements, the Council's accounting policies and procedures and the requirements of these regulations.

16 To ensure that all partnership agreements include adequate provision for internal and external financial monitoring of their operation, and that these provisions meet internal and external needs.

17 To ensure that all financial records relating to the Council's participation in the partnership are retained as required by the Council's Document Retention requirements.

18 To ensure that the Director of Legal Services has been consulted on and given approval to the proposed contractual arrangements for the partnership before any legal commitment is signed.

19 To ensure that there are sufficient, available levels of expertise, employees and resources to meet the obligations imposed by the partnership agreement.

20 To ensure compliance with the required control frameworks including these regulations with regard to any partnership initiatives.

21 To ensure that the performance of the partnership against its key aims and objectives, as identified in the partnership register, is regularly monitored and reported.

22 To ensure that an exit strategy is in place, to safeguard the County Council on completion or termination of the contract/partnership.

2 EXTERNAL FUNDING

Objectives

1 As local authorities are encouraged to provide ‘seamless’ service delivery through working closely with other agencies, voluntary organisations and private sector providers, the scope for external funding has increased. However, such funding is often linked to specific objectives which may not be sufficiently flexible to link with the Council’s overall plan. Therefore funding conditions need to be carefully considered to ensure that they are compatible with the aims and objectives of the Council.

Key controls

2 The key controls for external funding are:

(a) To ensure that key conditions of funding and any statutory requirements are complied with and that the responsibilities of the accountable body are clearly understood;

(b) To ensure that funds are acquired only to meet priorities in the policy framework approved by the Council;

(c) To ensure that any matched funding requirements are given due consideration and approval prior to entering into long-term agreements and that future revenue budgets reflect these requirements.

Responsibilities of Director of Legal Services

3 To provide guidance on potential grant funded activities, ensure that they support priorities identified by Council and are within the legal powers of the Council.

Responsibilities of Chief Financial Officer

4 (a) To maintain a record of expected grants to be received showing the amount of grant, receipt date(s) and designated responsible officer in consultation with Executive Directors;

(b) To ensure that all funding notified by external bodies is received and properly recorded in the Council’s accounts;

(c) To ensure that Executive Directors make grant claims by the due date;

(d) To identify the long-term implications of funding arrangements and ensure that these are considered prior to entering into any agreements;

(e) To investigate ways of maximising grant income;

(f)To ensure that the requirements of these Regulations including audit arrangements are met.

Responsibilities of Executive Directors

5 To provide plans which demonstrate how the grant funds will be used to support service plan objectives and any conditions attached to that funding.

6 To ensure that all expenditure is properly incurred and recorded, that income is received at the appropriate time, returns are made by the specified dates, and in liaison with the Assistant Director of Finance (Audit) that the audit requirements of the funding body can be met.

7 To ensure compliance with Financial Regulation 2.a13(v) (Revenue Budget) which requires that an exit strategy is in place and is implemented on the cessation of external funding.

8 To ensure that all required approvals are obtained before external funding agreements are entered into.

9 To maintain an up-to-date Departmental record of all external funding sources.

10 Where the Council receives additional funding for activities outlined in the Service Plan, this can be approved by the Executive Director.

11 Where the Council receives additional funding above £500,000 not outlined in the Service Plan, this should be approved by Cabinet.

3 WORK FOR THIRD PARTIES

Objectives

1 Current legislation enables the Council to provide a range of services to certain other bodies. Such work may enable the Council to maintain economies of scale and retain existing expertise. Arrangements should be in place to ensure that any risks associated with this work are minimised.

Key controls

2 To ensure that proposals are properly costed, self-financing and are not at variance with the Council's Plans or Policies. The service receiving income from third parties must reimburse all costs including development costs incurred by other council services in respect of traded income.

3 To ensure that contracts are drawn up using guidance provided by the Director of Legal Services and that the formal approvals process is adhered to. Where appropriate the Council should be protected against potential losses/claims by an appropriate level of professional indemnity insurance in line with the service to be provided.

Responsibilities of Chief Financial Officer

4 (a) To maintain a record of expected income to be received from third parties including the amount of income against associated expenditure, receipt date(s) and designated responsible officer in consultation with Executive Directors;

(b) To ensure that all income generated from work for third parties is received and properly recorded in the Council's accounts;

(c) To ensure that Executive Directors are able to demonstrate effective contract performance;

(d) To identify the long-term implications of income arrangements and ensure that these are considered prior to entering into any agreements;

(e) To investigate ways of maximising income from working for third parties;

(f) To ensure that the requirements of these Regulations including audit arrangements are met.

Responsibilities of Executive Directors

5 Executive Directors may undertake work for third parties including traded activity as follows:

- Up to £50,000 per annum to be approved by the Executive Director
- From £50,000 to £250,000 per annum, approved by the ExecutiveDirector, in consultation with the Chief Financial Officer

- £250,000 to £500,000 per annum with formal approval of the Cabinet Member
- Over £500,000 per annum with the approval of Cabinet

6 For contracts (including traded activity) over £50,000 per annum a business case must be provided to the Chief Financial Officer setting out how the contract or traded arrangement will recover costs which adheres to the rules set out by the Chief Financial Officer.

7 To ensure that the Department has all necessary skills and expertise to discharge the requirements placed upon it by the contract or traded arrangement.

8 To ensure that all contracts or traded arrangements are properly executed and that all appropriate documentation exists.

9 To maintain a register of all contracts or traded arrangements entered into with third parties in accordance with procedures specified by the Director of Legal Services.

10 To ensure that appropriate insurance cover is effected.

11 To ensure that adequate arrangements are in place for prompt and accurate billing of any service provided.

12 To ensure that the Council is not put at risk from any bad debts. Service providers must also be prepared to review or withdraw services if substantial debts remain outstanding.

13 To ensure that such contracts or traded arrangements are not subsidised by the Council.

14 To ensure that such contracts or traded arrangements do not impact adversely upon the services provided for the Council.

15 To provide all appropriate information to the Chief Financial Officer to enable a note to be entered into the Statement of Accounts.

4 GRANTS TO EXTERNAL ORGANISATIONS

Objectives

1 The Council provides grants to external organisations

Key controls

2 Cabinet Members will approve grants to external organisations up to £100,000. Any grants over £100,000 require Cabinet authorisation.

Responsibilities of Executive Directors

3 To ensure that Officers have satisfied themselves that organisations to be grant-aided are financially viable for the duration of the appropriate project or activity. They must also provide adequate notice of any grant they propose to make or withdraw.

4 To ensure that the purpose of the grant is communicated to the external organisation.

5 To maintain a register of all grants provided to external organisations in line with the Transparency Code to demonstrate political transparency and that there is no favouritism. The register should record the details of the grant including, date, amount, payee and objectives/purpose of the grant.

Agenda Item No 4(f)

DERBYSHIRE COUNTY COUNCIL

AUDIT COMMITTEE

25 March 2020

Report of the Director of Finance and ICT

ANNUAL STRATEGIC RISK REGISTER REVIEW

1 Purpose of the Report

To advise Members of the outcome of the Strategic Risk Register review and the updated 2020-21 Risk Strategy together with the implementation plan.

2 Information and Analysis

Strategic Risk Register
The Council undertakes regular reviews of risks and the latest detailed assessment of the highest ranking risks forms the Council's Strategic Risk Register.

The Risk Register is a means by which the Council identifies, monitors and manages risks, and it is also used to inform the budget process. Risk mitigation measures do not always involve a financial requirement, but many do, and budgetary provision, financial reserves and provisions are made accordingly, taking account of Council priorities and available funding.

The Risk Register is designed to capture strategic risk which by its nature has a long time span.

The Risk and Insurance Manager undertook a wholesale review into the Strategic Risk Register with regards to appearance and content with the Strategic Risk Management Group on 30 January 2020.

It was agreed that some of the content needed to be reviewed to align with the current Council Plan and that the format could be improved to provide greater ease of understanding of the mitigations that the Council is undertaking. This work is currently ongoing.

The Coronavirus has widespread implications across Derbyshire and will affect the ability to provide services to our citizens. Detailed actions with regards to Covid-19 is encompassed within the section on Business Continuity risk mitigations.

A new format was suggested which is attached in Appendix A for the Audit Committee's consideration and agreement. The register has been updated and reflects current strategic risks. The risks noted require a further workshop to identify the mitigations and owner of each risk. This work will be carried out in the coming few months by the new Senior Risk Officer following appointment to that post.

The register highlights the Council's ongoing business continuity arrangements in responding to the Coronavirus outbreak.

Appendix B shows the Strategic Risk Register in its previous format but is provided as a reference point to demonstrate the mitigations that are in place for the risks identified in Appendix A. A summary of changes is shown at Appendix D.

Subject to agreement of the revised format by Audit Committee, the updated format will be presented to the next meeting, together with completed mitigations for each of the identified Strategic Risks.

Risk Management Strategy

The Risk and Insurance Manager has updated the Risk Strategy and implementation plan which was approved by Cabinet on 16 March 2020.

The Strategy has been comprehensively reviewed to ensure that the Risk Strategy supports the aims of the Council and provides a framework for departments to produce considered decisions that are based upon awareness of the risks involved rather than being risk adverse.

The Strategy will assist the Council in practising good corporate governance by reducing risk, stimulating performance throughout the Council, enhancing services, Value for Money and improving leadership, transparency and social accountability.

How successful the Council is in dealing with the risks it faces can have a major impact on the achievement of our key objectives and service delivery to the community. This Strategy will help support the corporate agenda and underpin the key Council Plan objectives.

The Risk Strategy has undergone a significant overhaul to enable Derbyshire's transition to an enterprising model. As risk changes through the evolution of the Council Plan, it is vital to ensure that the risk model is fit for purpose and in line with these altering opportunities and hazards. This will enable the Council to be aware of the risks and opportunities that are presented within a clear framework of assessment and identification.

As the Council is committed to adopting best practice in its management of risk, the Strategy is designed to ensure risk is of an acceptable and tolerable level in order to maximise opportunities. The Strategy will also assist the Council to demonstrate it has full consideration of the implications of risk and the mitigations required to ensure the delivery and achievement of the Council's outcomes, strategic aims and priorities.

The Council will adopt an open approach to risk and strive to be risk aware. This entails being prepared to accept risk at a tolerable level that can be managed and mitigated whilst ensuring that the most vulnerable are protected and there is increased collaboration with our partners, communities and residents.

The implementation plan sitting behind the strategy is ambitious and seeks to raise the Council's CIPFA benchmarking ranking from mainly at Level 1 "Engaging" to Level 4, "Embedded and Working" by 2022 which is detailed over pages 20 and 21 or the report.

The 2020-21 Risk Strategy is attached in Appendix C for information.

3 Considerations

In preparing this report the relevance of the following factors has been considered: financial, legal, prevention of crime and disorder, equality and diversity, human resources, environmental, health, property, transport and social value considerations.

4 Officer's Recommendation

That Audit Committee:

i) notes the updated Strategic Risk Register and approve the revised format;
ii) notes the details of the revised Risk Management Strategy.

PETER HANDFORD

Director of Finance & ICT

APPENDIX A

Strategic Risk Movement Report:

Report Date: 27/02/2020 Date of Previous Risk Score: September 2019

Notes: References highlighted **Purple** have been added since the previous report.
Old Category is shown when there has been a change of category.
Previous Risk Score shows rating, probability and impact prior to the Current Risk Score

No Change Downwards movement Upwards movement

Risk Ref: ***2011/1*** **Category: Strategic**	**Risk Owner**	**Progress Update**	**Previous Risk Score**	**Movement Direction**	**Current Risk Score**	**Target Risk Score**
Risk Description ***Impact of a prolonged recovery and a funding gap*** In the event that the Authority does not develop sufficient and timely proposals to deal with the ongoing or further reductions in funding/resources, there is a risk that the need to close the funding gap may result in identifying measures for unplanned reductions in service spend leading to deterioration or interruption of front line service delivery.	**Paul Stone** Assistant Director of Finance (Financial Management)	The Council has updated its Five Year Financial Plan alongside the setting of the Revenue Budget 2020/21 in February 2020. The update reflects the outcomes of the Spending Round 2019 and the Local Government Finance Settlement 2020/21. The continuation of mainstream funding for local authorities at 2019/20 levels is welcome, together with the additional funding for social care including the implementation of the Adult Social Care precept. This additional funding has allowed the Council to invest in critical services, such as adults and children's' social care. However, savings of £65m+ are still required over the medium in order to maintain a balanced annual budget.	**EXTREME** **25** **Probability** Almost Certain 5 **Impact** Very High 5		**EXTREME** **25** **Probability** Almost Certain 5 **Impact** Very High 5	**HIGH** **12** **Probability** Probable 4 **Impact** Medium 3

APPENDIX A

Controls:	REF:	Control Description	Status	Owner
	2011/1 FIN001	Five Year Financial Plan is updated at least annually and following key Government announcements e.g. Spending Rounds.	In Place/Embedded	E Scriven
	2011/1 FIN002	Departmental budget reductions programme developed together with a plan of lead-in times for consultation, where appropriate and the identification of workforce reductions.	In Place/Embedded	P Handford
	2011/1 FIN003	Budget Management Strategy Group established to ensure a cohesive approach to the monitoring of departmental budget saving targets, associated consultation activity and budget setting procedures. Departmental representatives following agreed terms of reference are meeting at least monthly with an expectation that the frequency of meetings will be more regular during the budget setting period.	In Place/Embedded	P Handford
	2011/1 FIN004	Budget Monitoring Policy ensures that there is regular reporting to SMTs and Members. The Director of Finance meets with Executive Directors and Cabinet Members to discuss the latest monitoring position. The position is reported to Cabinet and Council on a quarterly basis (effective from 1/4/2020).	In Place/Embedded	E Scriven
	2011/1 FIN005	The Reserves Policy stipulates that the Council's level of reserves will be reviewed at least annually. This includes a projection of the General Reserve balance to ensure that is maintained at an adequate risk assessed level.	In Place/Embedded	E Scriven
	2011/1 FIN006	Positive use of Better Care Fund and alignment of health and social care priorities for integrated working.	In progress/Taking effect	H Jones
			In progress/Taking effect	P Handford

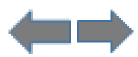
APPENDIX A

	2011/1 FIN007 ***2011/1*** FIN008	Lobby Government in ensuring fair funding for Derbyshire. The Council responds to all key Government consultations in respect of the Funding Review which is currently ongoing. Monitor the impact of the National Funding Formula for schools and closely monitor the implications of the High Needs Block level of funding ensuring compliance with the revised Government regulations.	In progress/Taking effect	C Allcock

Risk Ref: *2011/05* Category: Strategic	**Risk Owner**	**Progress Update**	**Previous Risk Score**	**Movement Direction**	**Current Risk Score**	**Target Risk Score**
Risk Description ***Failure to have adequate business continuity plans in place*** The Council's ability to respond to a major incident, such as severe weather (eg. climate change based flooding), fire damage, loss of power or pandemics, and to maintain its critical services to the public. The emerging risk environment, the number and type of emergency and the interdependencies of services is increasingly making continuity or "resilience" a significant focus for the Council. Budget cuts and rationalisation (including resourcing reductions) also challenge the Council in its ability to fulfil its Category 1 Responder statutory duty.	**Mike Ashworth** **Executive Director Environment, Transport and Economy**	Following the outbreak of the Corona Virus, the Council has engaged in significant scenario planning across all departments to ensure that the Council is equipped to respond to ensure continuity of services on a priority basis	**High** **10** **Probability** Unlikely 2 **Impact** Very High 5		**EXTREME** **25** **Probability** Almost Certain 5 **Impact** Very High 5	**High** **10** **Probability** Unlikely 2 **Impact** Very High 5

APPENDIX A

Controls:	**REF**	**Control Description**	**Status**	**Owner**
	2011/05 ETE001	Corporate Business Continuity Plans updated and tested on an annual basis. Plan is held on an external system to which key staff have access to in the event of an emergency.	In Place/Embedded	**E Partington**
	2011/05 ETE002	In the event of an emergency, key corporate staff will meet at appropriate intervals, escalating in frequency as required in order to co-ordinate the response.	In Place/Embedded	**E Crapper**
	2011/05 ETE001	Departments hold in-depth reviews of their continuity arrangements to ensure key services can continue.	In progress/Taking effect	**M Ashworth**
	2011/05 ETE001	ICT and procurement to work with departments to ensure systems procured provide resilience.	In progress/Taking effect	**T Gerrard**
	2011/05 ETE001	Cross departmental working in place to support key areas. Skills and training identified.	In progress/Taking effect	**E Crapper**

Risk Ref: 2020/01 **Category: Strategic**	**Risk Owner**	**Progress Update**	**Previous Risk Score**	**Movement Direction**	**Current Risk Score**	**Target Risk Score**
Risk Description ***Increase in Demand on Council Services*** As demand for services changes, the Council may need to adapt the services it currently offers in order to provide the new or additional services. Failing to manage the	**TBC**	A new risk owner needs to be identified to ensure that the Council has robust plans to manage increased demands across all departments. The mitigations need to be aligned across all departments.	**EXTREME** **20** **Probability** Probable		**EXTREME** **20** **Probability** Probable	**High** **12** **Probability** Probable

APPENDIX A

changes could lead to core services being reduced leading to significant impact upon stakeholders and partnerships; potential litigation; fines; risk of injury or death.		Refer to Appendix C	4 **Impact** Very High 5		4 **Impact** Very High 5	4 **Impact** Medium 3
	<u>Ref:</u>	**<u>Control Description</u>**		**<u>Status</u>**		**<u>Owner</u>**
	Refer to Appendix B					
Risk Ref: 2011/19 **Category: Strategic**	**Risk Owner**	**Progress Update**	**Previous Risk Score**	**Movement Direction**	**Current Risk Score**	**Target Risk Score**
Risk Description ***Effective Change Management*** The Council is undergoing significant organisational change which will create significant workforce issues around having the right skills, productivity and capacity, each of which may adversely impact upon service delivery if not managed. The effect of reducing the Council workforce and pressure for increased productivity without effective change management and	**TBC**	A new risk owner needs to be identified to ensure that the Council has robust plans to manage effective change management across all departments. The mitigations need to be aligned across all departments. Refer to Appendix C	EXTREME 20 **Probability** Probable 4 **Impact** Very High 5		EXTREME 20 **Probability** Probable 4 **Impact** Very High 5	High 12 **Probability** Probable 4 **Impact** Medium 3

APPENDIX A

employee engagement also carries health and attendance risks. The lack of effective change management can lead to significant impact upon stakeholders and partnerships; potential litigation; fines; risk of injury or death and unplanned spending increases.						
	Ref:	**Control Description**		**Status**		**Owner**
	Refer to Appendix B					
Risk Ref: 2011/20 **Category: Strategic**	**Risk Owner**	**Progress Update**	**Previous Risk Score**	**Movement Direction**	**Current Risk Score**	**Target Risk Score**
Risk Description ***Supply Chain Failure*** Failure to manage outsourced contracts could lead to unforeseen increased costs; risk of contracts collapsing; increased carbon footprint.	**TBC**	A new risk owner needs to be identified to ensure that the Council has robust plans to manage effective change management across all departments. The mitigations need to be aligned across all departments. Refer to Appendix C	**EXTREME** **25** **Probability** Almost Certain 5 **Impact** Very High 5		**EXTREME** **25** **Probability** Almost Certain 5 **Impact** Very High 5	**MODERATE** **6** **Probability** Unlikely 2 **Impact** Medium 3

APPENDIX A

	Ref:	Control Description	Status	Owner
	Refer to Appendix B			

Risk Ref: 2011/2 Category: Strategic	Risk Owner	Progress Update	Previous Risk Score	Movement Direction	Current Risk Score	Target Risk Score
Risk Description ***Failure to meet waste management targets*** The Council is faced with challenges of presenting alternatives to landfill whilst considering environmental impact, increasing financial costs and reputational impacts arising from decisions over types of waste management employed.	**Claire Brailsford** **Assistant Director of Environment**	Refer to Appendix C	**EXTREME** **20** **Probability** Probable 4 **Impact** Very High 5	↑	**EXTREME** **20** **Probability** Almost Certain 5 **Impact** Very High 5	**MODERATE** **6** **Probability** Unlikely 2 **Impact** Possible 3

	Ref:	Control Description	Status	Owner
	Refer to Appendix B			

APPENDIX A

Risk Ref: 2020/02 Category: Strategic	Risk Owner	Progress Update	Previous Risk Score	Movement Direction	Current Risk Score	Target Risk Score
Risk Description ***Failure to comply with GDPR and Cyber resilience*** The Council manages a significant amount of personal data and information in relation to service users and employees in the delivery of services using a range of systems and mediums. With data held in a vast array of places and in varying formats, it becomes susceptible to loss, protection, availability, misuse and privacy risks particularly with increased use of electronic transfer, and management (including use of the Government Public Sharing Network). The Council is exposed to financial penalties and reputational impact.	**Peter Handford** **Director of Finance and ICT**	**TBC** Refer to Appendix C	EXTREME 15 **Probability** Possible 3 **Impact** Very High 5	⇧	EXTREME 20 **Probability** Probable 4 **Impact** Very High 5	EXTREME 15 **Probability** Possible 3 **Impact** Very High 5

	Ref:	**Control Description**	**Status**	**Owner**
	Refer to Appendix B			

APPENDIX A

Risk Ref: Category: Strategic	Risk Owner	Progress Update	Previous Risk Score	Movement Direction	Current Risk Score	Target Risk Score
Risk Description ***Adapting to Climate Change*** The Council faces a challenge in relation to an increase in inclement weather patterns (flood, heat waves, drought, windstorm, increased snow fall) building the right infrastructure and new statutory flood and water risk management duties. Having sufficient financial resources and flexibility to address these challenges may become increasingly difficult.	**Geoff Pickford** **Service Director, Highways**	**TBC** Refer Appendix B	**MODERATE** **8** **Probability** Unlikely 2 **Impact** High 4		**High** **12** **Probability** Possible 3 **Impact** High 4	**MODERATE** **6** **Probability** Possible 2 **Impact** Medium 3
	Ref:	**Control Description**			**Status**	**Owner**
	Refer to Appendix B					

Risk Ref: 2011/9 Category: Strategic	Risk Owner	Progress Update	Previous Risk Score	Movement Direction	Current Risk Score	Target Risk Score
Risk Description ***Protection of Children and Vulnerable Adults*** Failure to protect the most vulnerable in our society could lead to significant fines; special	**Helen Jones Strategic Director Adult Social Care and Health** **Jane Parfrement**	**TBC** Refer to Appendix B	**EXTREME** **15**		**EXTREME** **15**	**HIGH** **10**

APPENDIX A

measures; litigation; decreased staff morale; reputational damage	**Director or Children's Services**		**Probability** Possible 3 **Impact** Very High 5		**Probability** Possible 3 **Impact** Very High 5	**Probability** Unlikely 2 **Impact** Very High 5
	Ref:	**Control Description**			**Status**	**Owner**
	Refer to Appendix B					
Risk Ref: **Category:**	**Risk Owner**	**Progress Update**	**Previous Risk Score**	**Movement Direction**	**Current Risk Score**	**Target Risk Score**
Risk Description ***Maintenance of Assets*** Failure to maintain our assets could lead to significant fines; significant litigation; decreased staff morale; reputational damage; HSE investigation	**Dave Massingham Director of Property** **Geoff Pickford Service Director - Highways**	**TBC** Refer to Appendix B	**EXTREME** **15** **Probability** Almost Certain 5 **Impact** Medium 3		**EXTREME** **15** **Probability** Almost Certain 5 **Impact** Medium 3	**MODERATE** **6** **Probability** Unlikely 2 **Impact** Medium 3
	Ref:	**Control Description**			**Status**	**Owner**
	Refer to Appendix B					

APPENDIX A

Risk Ref: 2018/5 Category	Risk Owner	Progress Update	Previous Risk Score	Movement Direction	Current Risk Score	Target Risk Score
Risk Description ***Failing to comply with Statutory Duties*** Lack of knowledge and understanding of Departmental Legislative duties meaning the Council is at increased risk of special measures, HSE investigation, Corporate manslaughter charges, personal prosecution and Insurers refusing to provide indemnity on property or liability claims.	**TBC**	**TBC**	**EXTREME 25** **Probability** Almost Certain 5 **Impact** Very High 5		**EXTREME 25** **Probability** Almost Certain 5 **Impact** Very High 5	**MODERATE 10** **Probability** Unlikely 2 **Impact** Very High 5
	Ref:	**Control Description**			**Status**	**Owner**

Risk Ref: 2018/4 Category: Strategic	Risk Owner	Progress Update	Previous Risk Score	Movement Direction	Current Risk Score	Target Risk Score
Risk Description ***Ineffective workforce planning*** A failure to recruit and retain experienced staff; a lack of succession planning in order to ensure effective continuity of key skills and knowledge at all levels	**Emma Crapper**	**`TBC**	**EXTREME 25** **Probability** Almost Certain		**EXTREME 25** **Probability** Almost Certain	**EXTREME 25** **Probability** X

APPENDIX A

including leadership skills. Resulting in unfilled posts, accepting a lower calibre of staff, increasing training requirement to upskill new staff, vital knowledge lost leading to service delivery issues			5 **Impact** High 4		5 **Impact** High 4	X **Impact** X X

	Ref:	**Control Description**	**Status**	**Owner**
	TBC			

APPENDIX B
CONTROLLED

Page 274

				New Score			Previous Score						
Category	**Risk Identifier No**	**Risk Description**	**Dept**	**Impact**	**Likelihood**	**Previous Score**	**Impact**	**Likelihood2**	**Current Score**	**Change**	**Mitigation - Current Comments**	**Link to Council Plan**	**Risk Owner**
Financial	2011/1	UPDATED **Impact of a prolonged recovery and a funding gap** A prolonged, slow recovery to the economy is likely. The Authority is faced with rising demand for its services countered by a dramatic fall in funding and income - creating a potentially significant "funding gap". This mismatch between service demand and budget availability could lead to an increase in financial instability. Pressure is also present between "demand-led services" (eg social care) and other priorities.	ALL	5	5	25	5	3	15	DOWN	• Five year plan (2016/7 to 2020/21) in place and reflects planned use of General Reserves to support demographic needs (Adult Care) in the medium term. • Departmental budget reductions programme developed together with a plan of lead-in times for consultation, where appropriate, and the identification of workforce reductions. • General/Earmarked Reserve positions risk assessed, regularly monitored, and reported to Cabinet. • Priority based budgeting model in place. with development of departmental financial modelling systems. • Budget monitoring processes and procedure embedded (including planned "budget holder monitoring" roll-out. • Regular reporting to Members and briefing about potential implications of non-achievement of cuts. • 'Lean thinking' review of Council wide processes including service redesigns. • Improved models of work across organisations to reduce duplication. • Engagement and communication with key stakeholders and Local Area Committees. • Property rationalisation – including work with district and health colleagues • Positive use of Better Care Fund and alignment of health and social care priorities for integrated working. • Established "Fairer Deal for Derbyshire" campaign. • Active in all public consultations and continued Government lobbying. • Maximising alternative funding streams (ie. Combined Authority). • Utilise asset based approaches to develop social capital, helping to build natural communities of interest away from services. • Four year funding offer from Government to be considered to help support the development of a robust medium term financial plan • Additional budget of approximately £5m per annum for Adult Care from the Adult Social Care Precept • Prioritisation process plus underspends on Public Health contracted activity in 2015-16 have resulted in non-recurrent reserves of approximately £2.6m for investment in prevention interventions. Allocation of prevention funding to be agreed via panel process May 2016. • Spending review 2019 has given indication of significant additional funding alongside a clear indication of revised saving plans as part of the latest Five Year aplan indicators.	Value for money	ALL
Financial	2011/18	~~DELETED~~ ~~**Provision of services to schools**~~ All services fully trading or partly trading with schools are under pressure to continue to achieve reductions in costs as well maintain or increase income. The reduction in resource could lead to impaired service delivery. Customer expectations of price/quality/responsiveness are raised and this will place services under more pressure. There is increasing competition from the private sector which could result in a loss of income. As more schools convert to academies there will be a loss of grant and a potential loss of income. If schools budgets are flat or decrease this will have an impact on their ability to buy council services	ALL	4	3	12	4	4	16	UP	• Schools funding consultations have awareness of implications for trading. • Assistant Director, Traded Services & co-ordinating team in post to provide capacity & oversight. • Raised profile of schools trading through CMT and elected members. • Schools Trading Governance including Cabinet /CMT /Departmental leads in place. • Ongoing review of council systems to support schools trading including infrastructure. • Sales platform in place to ensure better promotion of council services. • Effective live & annual feedback systems in place for customers. • Customer relationship management in place through networks and communication although needs improving. • Systems to capture customer data and information to support sales strategies are being developed. • Development of links with other councils to seek regional responses to MAT's. • Monitoring of sales performance of school services is being developed	High performing council services	Angela Beighton
Financial	2011/10	TO BE AMALGAMATED **Looked after Children** An increase in Looked After Children (LAC) numbers and therefore costs - due to increasing demand pressures mirroring national trends, UASC, reductions in Early Help Services and rising placement costs. A reduced capacity to identify and address emerging needs early on runs the risk that vulnerable children's issues will escalate with potentially an increased number being admitted into our care. Currently Derbyshire has 40 50 LAC per 10,000 children which is very low compared with 55.5 for our statistical neighbours	CS	5	4	20	5	4	20	–	• Continue to highlight pressures and risks to central Government via ADCS. • Growth funding identified to increase social work capacity to strengthen ongoing work with families to avoid situations escalating for some children who might otherwise come into care. • Delivery of LAC sufficiency project to increase placement availability and reduce costs. • Ongoing recruitment and support to foster carers. • Project with Dartington Social Research to increase the number of children who can be safely reunified with family. • Closely monitor impact of Early Help services especially where services have reduced. • To strenghen practice on reunification i.e. encouraging young people in care to return home to family • Mitigate impact from Early Help review via 3 year transition team to support partners in developing their Early Help practice	A focus on prevention and early intervention	Alison Noble

				New Score			Previous Score						
Category	Risk Identifier No	Risk Description	Dept	Impact	Likelihood	Previous Score	Impact	Likelihood2	Current Score	Change	Mitigation - Current Comments	Link to Council Plan	Risk Owner
Financial	2011/12	**TO BE AMALGAMATED** **Continuing Healthcare** Tighter interpretation of eligibility to NHS funded Continuing Care (and changes in NHS at national/local level) resulting in some people with complex additional care needs, including challenging behaviour, becoming Council's funding responsibility.	AC	5	4	20	5	4	20	—	• DCC Senior Management representation established on Board of 4 out of 5 Clinical Commissioning Groups covering Derbyshire. • Escalate Continuing Healthcare discussions • Establish joint funding and lead commissioning priorities • Agree with CCGs how to review clients affected. • On-going work to establish joint solutions approach across agencies. • Contributing to ADASS/LGA/NHS review of process to establish shared tools • Social Work teams enhanced to establish 7 day working capability via Care Act Grant monies • Increased frequency of escalaiton discussions • Improve flow across all services • Explore development of joint commissioning strategy and ppoled budget for Learning Disability Services to minimise focus on co-ordination to ensure better value for money	Value for money	Roger Miller
Government Modernisation Agenda	2011/19	**Effective Change Management** The Council is undergoing significant organisational change which will create significant workforce issues around having the right skills, productivity and capacity, each of which may adversely impact upon service delivery if not managed. The effect of reducing the Council workforce and pressure for increased productivity without effective change management and employee engagement also carries health and attendance risks.	ALL	4	5	20	4	5	20	—	• As part of service planning, build a definitive workforce reduction plan to achieve the budget reductions • Ensure that any Employee Communication Strategy is able to support the workforce reduction programme, maintaining and improving levels of engagement • Ensure HR resources are effectively deployed to support the change programme • Put in place a workforce development plan which includes plans to : 1. Develop management capacity and capability through a Leadership Development programme (Derbyshire Manager) 2. Ensure that My Plan is effective so that employees' objectives support changing service needs and that skills development plans are in place to support new ways of working 3. Improve provision of L&D processes (L&D Review) and ensure an effective programme of reskilling is in place to support workforce realignment • Put in place an HR/OD Strategy which includes plans to 1. Mitigate compulsory redundancies, improve redeployment and talent management through the timely development of an Internal Jobs Market 2. Enable increased flexibility and support remodelling of the workforce by implementing remaining job families and contracting employees with the Council rather than departments 3. Use the Organisational Design principles effectively in developing new structures 4. Review employment policies and market positioning • Ensure that appropriate Counselling Service capacity is in place to support possible increased demand. • Review cross council processes to ensure they are lean and effective • IIP acreditation and action plan implementation. • Ensure Enterprising Council priorities are at the heart of change management activity • Looking at how consistent change management is applied across the Council	High performing council services	ALL
Government Modernisation Agenda	2011/22	**TO BE AMALGAMATED** **Central Government Reforms** Demand on the integration and alignment agenda and increased expectation of partnership working combined with continued organisational change. Potential funding dependent upon performance targets being met. Examples include NHS reform and the establishment of Better Care Fund to advance integrated reform of health and social care. Opportunities are presented by working in Combined Authority and LEP structures.	ALL	5	5	25	5	5	25	—	• Corporate Partnership Protocols. • Continued dialogue with all partners to ensure a collaborative approach to improving outcomes for all young or looked after individuals. Agreed (Adult Care) each organisation will monitor the schemes they are leading on. • Alignment of Adult Care and Health & Wellbeing Boards. Governance structure being established to report to Health and Wellbeing Board. • Continuing engagement with developing Clinical Commissioning Groups • Commissioning of Children and Adolescents Mental Health Service is being rolled out. • Engagement of all stakeholders in the process. Stakeholder and Provider Engagement Forums established. • Joint agreement on plans to deliver BCF outcomes. • Joint Health and Wellbeing Strategy refreshed in 2014. • Escalated joint working with acute hospitals and CCGs. Incorporate service added targets. • Joint commissioning priorities refreshed for 2014/15. • Whole system dialogue and contribution to Better Care Fund development. • Incorporate of service targets into CCG performance targets. • Escalate CHC discussions to Assistant Director level when necessary. • Combined Authority working represents opportunities for freedoms and flexibilities in relation to securing the prosperity of the area and to be involved in devolution discussions. • Working with the Local Enterprise Partnership, for which DCC is the Accountable Body, will ensure we are in a position to take advantage of funding streams that are distributed via the LEP, particularly in relation to transport, infrastructure and economic growth.	Value for money	Roger Miller, Linda Dale

Category	Risk Identifier No	Risk Description	Dept	New Score Impact	New Score Likelihood	New Score Previous Score	Previous Score Impact	Previous Score Likelihood2	Previous Score Current Score	Change	Mitigation - Current Comments	Link to Council Plan	Risk Owner
Regulatory & Legislative Failures	2011/21	**Collective Challenge under Judicial Review** The Council is exposed to possible challenges over decisions on continuation of some services in the face of budgetary restrictions if it fails to incorporate key considerations.	ALL	4	3	12	4	3	12	—	• Projections in Joint Strategic Needs Assessment helps providers plan for the future. • Equality Impact Assessments supporting decision making process. • Appropriate relevant consultation. • Stakeholder consultations • Compliance with good project management guidance	Value for money	ALL
Emergency Response & Service Continuity	2011/20	UPDATED **Supply Chain Failure** In a prolonged recession and slow recovery, supplier instability in particular, is certain to increase and the new Care Act increases responsibility to monitor supplier resilience. The Council may also be faced with the failure of suppliers to meet expectations. Private sector arrangements may be challenged by a tension between the profit motive and the public service ethos. The potential implications of a disorderly Brexit could also affect the supply chain.	ALL	5	5	25	5	5	25	—	• Development of joint commissioning arrangements. • Enhance contractual negotiations with expectation of business continuity plans in place. • Further development of risk based contractual negotiations. • Strengthening of commissioning processes. Maintain Associate Commissioner status with Clinical Commissioning Groups for 2015/2016 contracts. • Regular monitoring meetings with Derbyshire Community Health Services. • Use of regulatory data and market analysis information. • Transparency about placement information helps providers plan for the future. • Plans to develop sector wide approaches and innovative approaches to delivering health support in care homes - locally and at county level. • Identifying ownership of all providers in Derbyshire to better understand financial positions. • Joint strategic work with councils • Include governance standards into contract specifications. • Communicate with market about gaps by developig a full range of market position statements. • Promoting use of direct payments and direct care to support areas of deficiency. • Broaden provider range. • Develop responses with health commissioners to maintain capacity • Consolidate specialist social worker input to compliance team to supplement and improve effectiveness of social worker contributions to reducing safeguarding concerning the adult social care sector. • Brexit mitigation is being co-ordinated within the Council	High performing council services	ALL

Page 276

Category	Risk Identifier No	Risk Description	Dept	New Score Impact	New Score Likelihood	Previous Score	Previous Score Impact	Previous Score Likelihood2	Current Score	Change	Mitigation - Current Comments	Link to Council Plan	Risk Owner
Government Modernisation Agenda	2011/8	TO BE AMALGAMATED **Implementation of Self Directed Support in line with the Personalised Care Agenda** The Council is required to ensure people have real control over the resources used to secure their care and support. The Council faces challenges including in (a) meeting Direct Payment targets, (b) people not choosing our "in-house" services and (c) new responsibilities for prisoners.	AC	4	4	16	4	4	16	—	• Continue Self Directed Support as the main delivery approach within Adult Care. • Continue Self Directed Support training programmes. • Trusted Befriending Scheme is established • Adopt a personalised care approach within all Council departments. • Develop self-directed care strategy and robust preparation • Trusted PA Reigster in place. • Implications of increased complexity of casework being handled and the specific requirements of the Mental Capacity Act 2005 , Deprivation of Liberty Safeguard regulations and recent legal judgements has resulted in increase in probability score. • Established Direct payments performance and standards group. • Assessment and decision making tools reviewed and updated continuously. • Projections of potential demand fr self-funded carers, assessments in prison and advocacy. • Review Assessment Pathway under continuous review • Investment in social work training. • Specific investment to create specialist response to prisoners.	Empowered and self-sufficient	Roger Miller
Regulatory & Legislative Failures	2011/2	UPDATED **Failure to Meet Waste Management Targets** The Council is faced with challenges of presenting alternatives to landfill whilst considering environmental impact, increasing financial costs and reputational impacts arising from decisions over types of waste management employed.	ETE	4	3	20	4	3	25	UP	Derbyshire County Council and Derby City Council jointly let a long term waste contract with Resource Recovery Solutions (Derbyshire) Ltd (RRS), to manage residual waste and Household Waste Recycling Centres in Derbyshire and Derby. The contract commenced in 2010. As a part of this contract a waste treatment facility was proposed in Sinfin, Derby City. After a protracted planning process, financial close was finally achieved in August 2014. Construction commenced in September 2014 and is now complete. Following delays in construction the long stop date of the contract elapsed on 30 September 2018. The Councils served a Funders' Direct Agreement (FDA) Notice on the Contractor on 10 April 2019 requiring the Funders to step in to the project. This was the first in a series of steps which could potentially lead to termination of the Project Agreement. The funders subsequently issued a legal notice – called a "No Liquid Market" notice – the councils did not dispute the notice and consequently the contract was terminated 14 days after being served on 2 August 2019. Contingency measures have been put in place to make sure waste continues to be dealt with, and that recycling centres and waste transfer stations continue to operate. These services are being provided by waste management company Renew under a new two-year contract. This contract includes work on the waste treatment facility. Work is underway to determine the facility's condition and capability, this will ascertain what measures need to be in place for the facility to become fully operational. Officers are closely monitoring the Service Continuity Contract to ensure that day-to-day waste and recycling services continue and the waste treatment facility is being safely and securely managed and maintained. Work is progressing with the implementation of governance arrangements, systems and procedures for the new contract. The councils have now entered negotiations with the banks to agree an "estimated fair value" for the facility that will be worked up by an independent expert, taking into account all of the costs of rectifying ongoing issues at the facility, and the costs of providing the services to meet the agreed contract standards. Project planning is underway on services post 2021 when the Service Continuity Contract comes to an end. A Work Plan of key actions is being prepared, resources allocated and will be subject to regular review. Work towards the Council Climate and Carbon Reduction Manifesto pledges.	Value for money	Claire Brailsford
Regulatory & Legislative Failures	2012/1	TO BE AMALGAMATED **Information Governance, Cyber and Social Media** The Council manages a significant amount of personal data and information in relation to service users and employees in the delivery of services using a range of systems and mediums. With data held in a vast array of places and in varying formats, it becomes susceptible to loss, protection, availability, misuse and privacy risks particularly with increased use of electronic transfer, and management (including use of the Government Public Sharing Network). The Council is exposed to financial penalties and reputational impact.	ALL	5	3	15	5	3	15	—	• The Council has achieved its ISO 27001 status and work continues to maintain this accreditation. • Independent health checks and penetration tests. • The on-going programme of activities, such as training for employees who process personal data, regular communication and continual review and updating of security policies continues. A security breach reporting system is also in place. • Local and regional public health information governance groups established. • Public Health contracts to be negotiated with information access rights. • Consider co-locating of community teams to ensure access. • Protocols established with schools prescribing requirements for accessing Frameworki records. • Dialogue with partners about requirements. • Secure email account establish for each area in CAYA. • Ongoing work to secure effective information transfer. • Secure methods of communicating controlled and restricted data utilised as required (post, encrypted email, GCSx). • DCC has achieved PSN Code of Connection - the practices of using GCSx (via PSN) are enforced through protocols and policies. PSN certification is reassessed annually in September. • Memorandums of Understanding in operation to enforce/augment communication channels with external partners.	High performing council services	Jo White

Category	Risk Identifier No	Risk Description	Dept	New Score Impact	New Score Likelihood	New Score Previous Score	Previous Score Impact	Previous Score Likelihood2	Previous Score Current Score	Change	Mitigation - Current Comments	Link to Council Plan	Risk Owner
Organisational Change	2011/14	To be amalgamated **Residential Care** The Authority faces a challenge in maximising use/potential of planned Residential Community Care Centres and extra care developments as well as ensuring all residential care accommodation is maintained to a level in excess of legal expectations.	AC	4	3	12	4	5	20	—	• Tight budget management at corporate and responsibility care level and within programme board. • Monitoring of high level risk of individual projects at SMT level. • Positive use of Better Care Fund and alignment of health and social care priorities for integrated approaches to working. • Market management. Strategic Direction for DCC Direct Care Residential Services 2015/20 Plan developed and approved by Cabinet will; • seek to consult on the closure of 5 residential care homes which are unsustainable in the long term • ensure maximum use of Extra Care • minimise use of Residential placements • seek to drive down in house unit costs • maximise funding from NHS partners • Asset surveys regularly completed and maintenance programmes developed and subject to robuest business cases. Linked to risk 2012/2 Maintenance of Assets	High performing council services	Roger Miller
Emergency Response & Service Continuity	2011/6	**ICT Infrastructure & Systems** The procurement of new and replacement computer systems that meet organisation and departmental requirements. In particular; (a) The availability of systems capable of meeting complex business requirements (b) The costs associated with replacing, procuring and running systems (c) Resource capability for implementing new large scale ICT projects (d) The ability to provide technical support on what are now becoming increasingly complex systems. (e) Continuity of service during transfer to new systems. (f) The ability to satisfy internal/external security requirements (e.g. PSN / ISO 27001, CoCo etc). (g) Capacity of systems to cope with the level of demand.	ALL	4	4	16	4	4	16	—	• A new governance checklist has been developed to ensure that all the necessary approvals and funding is in place prior to project initiation. • A communications strategy is agreed at the start of each project to ensure that all stakeholders are appropriately engaged. • Procurements are supported by clear departmental requirements documentation. • Close liaison with suppliers and rigorous market testing including 'Supplier Discovery Days' are used where appropriate. • A formal project management approach with agreed roles, agreed documentation and rigorous controls. •Rigorous testing schedules and temporary parallel running of systems. •Project delivery process includes assessing training needs. • Senior departmental representation on project teams. • Replacement of strategic ICT systems incorporated in departmental planning processes. • Continued training for ICT staff on current technologies • Using lessons learned from past procurements to improve procurement process for other departments. • Close liaison with client department in system design. • Issues arising during implementation are resolved jointly with senior supplier representatives. • Toolkit is being revised to ensure that service requirements are fully taken into account. • Senior level discussions with suppliers to maintain dialogue and set expectations. • improved performance management of contract compliance in conjunction with stakeholders. • Personal email use-is not allowed. • Encryption on devices; antivirus and other security tools are kept under review • Looking at how to improve defences agains phishing.	High performing council services	Peter Handford
Emergency Response & Service Continuity	2011/11	**Adapting to Climate Change** The Council faces a challenge in relation to an increase in inclement weather patterns (flood, heat waves, drought, windstorm, increased snow fall) building the right infrastructure and new statutory flood and water risk management duties. Having sufficient financial resources and flexibility to address these challenges may become increasingly difficult.	ALL	4	2	8	4	2	8	—	• Local climate impact profile completed and Level 1 of indicator on target. • Completion of asset management inventory - in particular Road Gullies. • Flood data analysed to determine priority for further investigation. Database extended as a result of recent flood incidents. • Implemented recommendations of the Pitt Review. • Implemented new Flooding & Water Act 2010 responsibilities. • Link to partnership (DPF) priorities (Climate Change Performance measures). • Contribute to comprehensive risk assessment of the effect of projected future climatic changes. • Some exchange of data with engaged planning Authorities regarding flood risk posed by future development. • Technical Flood Risk Group comprising all Risk Management Authorities meet quarterly to resolve problems affecting residential properties, businesses or infrastructure. • Implementation of flood response protocol for Derbyshire including all Risk Management Authorities. • Consulting on a Local Flood Risk Strategy for Derbyshire, due to be published June 2015. • Review DEFRA proposals for SW drainage to be the responsibility of the Planning Authorities and Derbyshire's proposed role as Statutory Consultee. • Flood Warden schemes being developed in high flood risk areas. • Anticipated establishment of £2 million contingency fund. • DVMWHS Environmental research projects planned. My City, My River - Derby • Provision and maintenance of silt traps and fuel interceptors prposed. • Pursue likely contraventions of the Highways Act resulting in pollutants discharging onto the Highway. Derbyshire Flood Risk management Strategy, published December 2014, sets out the action plan to mitigate flood risk across the county. • Implementation of the climate change manifesto	High performing council services	Geoff Pickford

APPENDIX B
CONTROLLED

Category	Risk Identifier No	Risk Description	Dept	New Score Impact	New Score Likelihood	New Score Previous Score	Previous Score Impact	Previous Score Likelihood2	Previous Score Current Score	Change	Mitigation - Current Comments	Link to Council Plan	Risk Owner
Emergency Response & Service Continuity	2011/5	UPDATED **Adequacy of Business Continuity Planning** The Council's ability to respond to a major incident, such as severe weather (eg. climate change based flooding), loss of power or pandemics, and to maintain its critical services to the public. The emerging risk environment, the number and type of emergency and the interdependencies of services is increasingly making continuity or "resilience" a significant focus for the Council. Budget cuts and rationalisation (including resourcing reductions) also challenge the Council in its ability to fulfil its Category 1 Responder statutory duty.	ALL	5	2	10	5	2	10	—	On-going Mitigations; • Business Continuity Plan part of the "Council Capacity" section in the Council Plan. • Business Continuity Plan updated and tested regularly (plan reviewed annually, training and exercises held annually • Business Impact Analysis updated regularly Planned Mitigations; • A major upgrade to the Council's core data network is complete which has increased resilience. • Installation of virtual switching system has been completed with separate generator. • ICT resilience is designed into key services. • Increased ICT resilience is provided through the 2nd data centre which has been enhanced. • Critical Salvage Strategy, Document Management Strategy and Procurement Strategy incorporated into Corporate Business Continuity Plan 2014. • Corporate Business Continuity Plan reissued August 2015 Report to CMT September 2015. • New converged infrastructure to be installed in Data Centre leading to improved performance and resilience. • Auditing of Business Continuity Arrangements completed July 2015. • Adult Care undertaking joint procurement for case recording system with Children's Services • Risk Champions to undertake a full review of Business Continuity Plans in January 2019 with them considering the effectivemness and consistency of these plans prior to this date Training is to be delivered in the next quarter to all managers who will need to have input into writing a business continuiy plan. NB. This risk will remain on the Strategic Risk Register for monitoring purposes	High performing council services	Liz Partington

				New Score			Previous Score						
Category	**Risk Identifier No**	**Risk Description**	**Dept**	**Impact**	**Likelihood**	**Previous Score**	**Impact**	**Likelihood2**	**Current Score**	**Change**	**Mitigation - Current Comments**	**Link to Council Plan**	**Risk Owner**
Regulatory & Legislative Failures	2011/9	**Protection of Children and Vulnerable Adults** The Council has a statutory responsibility to protect children and vulnerable adults from harm.	AC/ CS	5	3	15	5	3	15	—	• Robust safeguarding procedures, including within Starting Point to embed multi-agency thresholds and pathways. • Independent chairing of Derbyshire Children's Safeguarding Board ensures robust challenge to all agencies informed by audit activity • Growth funding identified to reduce social worker caseloads to reduce levels of risk. • Review of supervision policy taking place for Early Help/Social Care. • Work to strengthen learning and development and performance/QA culture across the Department including learning from Serious Case Reviews • Effective risk management processes for outdoor services delivered by DCC and licences/qualifications to ensure best practice. • Promotion of culture of managing risk within each setting. • Continue to learn from National reports and implement any appropriate recommendations. • Continue with Safeguarding training across all staff groups. • Continue to invest in early intervention strategies. • Effective multi-agency working & information sharing protocols • Multi-agency safeguarding hub in police HQ. • Introduce social pedagogy to improve outcomes. • Independent Chair Adults and Childrens Safeguarding Boards appointed • Deprivation of liberty safeguards (DOLs) training and sustained additional capacity. • Guidance to providers and fieldwork staff about thresholds for DOLs in light of Supreme Court Judgements. • Safeguarding teams to be area based for improved service and efficiencies. • Action plan developed to support response to the lower threshold for deprivation. • Development of prevention strategy to provide extended options to meet needs. • Introduced direct care trading. • Policy and procedure review to ensure Care Act compliance. • Enhance quality monitoring measures	A focus on prevention and early intervention	Roger Miller / Jane Parfrement
Emergency Response & Service Continuity	2012/2	**Maintenance of Assets** The property rationalisation programme is currently under review which may delay further the provision of suitable accommodation and may not generate anticipated capital receipts. Combined with further cuts to maintenance and repair budgets services face maintenance challenges and a shortage of suitable accommodation until the programme is completed. Highway and Countryside Assets - risk of failure of assets, e.g. landslips, reservoirs, blocked gullies causing flooding, safety fencing, street lighting columns etc	CCP/ETE	3	5	15	3	5	15	—	• Asset Management Plan in place • Capital Programme in place • Joint working with other district councils/partners. • Location independent working initiated. • Regular Health and Safety inspections undertaken. • Annual premises reviews undertaken by Property Division to identify defects and remedial actions. • Defect reporting procedure in place. • Relevant testing schemes in place. • Staff access to building information. • Develop building facilitator course for staff with responsibility for buildings. • Customer Profiling intended to provide optimal solution on where presence should be focused. • Review property strategy.	Value for money	Dave Massingham / Geoff Pickford
		Maintenance of Assets Cont.				15			15	-	• Buy-in for IT infrastructure needed to support project. • Continue to develop Asset Management Strategy and associated policies and work on high risk locations • Accredited Highways and Structures Inspection Regime • Intelligent Gully Cleansing procedures being rolled out across all Boroughs and Districts to improve maintenance, resolve defects, and enhance history of actions • Continue to develop Asset Management of the structures stock, gather retaining walls data and assess associated risks • Manage large raised reservoirs on DCC property to comply with Floods and Water Act 2010 • Undertake routine inspection and maintenance on canal assets. Agree surveillance regime particularly following storm or high rainfall events. • Highway safety and service inspections in accordance with the CoP • Three year, £23.3m, investment into LED and dimming technology has been approved. This will include the replacement of 22,000 5 and 6m columns considered to have a higher risk of failure within the lifetime of the LED. Start date may be Q4 of 2016/17. • Columns above the 6m height will continue to be assessed and monitored and will be subject to future capital LTP replacement programmes • Annual inspection of "A" road network; "B" road network inspection every 2 years • Working towards a risk based approach to asset management in line with the recently released Code of Practice - "Well Maintained Transport Infrastructure". • Corporate Landlord Statutory Compliance Monitoring • Corporate Property Asset Management Strategy • New Adverse Weather Policy being developed during 2018	Value for money	Dave Massingham / Geoff Pickford

Category	Risk Identifier No	Risk Description	Dept	New Score: Impact	New Score: Likelihood	New Score: Previous Score	Previous Score: Impact	Previous Score: Likelihood2	Previous Score: Current Score	Change	Mitigation - Current Comments	Link to Council Plan	Risk Owner
Government Modernisation Agenda	2013/2	**Impact of welfare reform** Welfare reforms and widening gaps between richest and poorest residents may increase the number of service users in need/poverty which could create increased family referrals and pressure on adult, children service and public health resources.	AC/ CS/ HAC	4	5	20	3	5	15	-	• New arrangements for administration of self-funding. • Anti-poverty strategy implementation plan being developed by DCC. • Health and Wellbeing Strategy to be refreshed to increase economic wellbeing and poverty agenda. • Protection and enhancement of current welfare rights support service. • Media releases on Public Health issues. • Regular briefings for Health and Wellbeing Portfolio holder and board. • Services targeted at areas of greatest need. • Credit Union, Food Bank and Children's Centre initiatives in place. • Director of Health Annual Report recommends partner actions. • Payment of minimum wage for DCC employees. • Monitor commitment to implementation of DHAR recommendations.	A focus on prevention and early intervention	Roger Miller/Linda Dale/Anne Hayes
Financial	2015/03	UPDATED **D2N2** The Council is the Accountable Body to the Local Growth Fund from 1 April 2015 and will be responsible for the administration of the £170m+ funding. There is a possibility of grant clawback and the Council may be asked to take on that risk. There may be a possibility of grant funds being required to be underwritten if grants are paid in arrears i.e. impact on the cashflow position of the Council. Grantor's rules on disposal of assets and/or change use of assets to ensure that any receipt from the sale of he asset is reimbursed to the grant issuing body and that relevant negotiations take place to minimise the risk of clawback to the accountable body. The risk of grant clawback, particularly for capital expenditure, could be indefinite in some cases.	ETE/ CCP	4	3	12	4	2	8	DOWN	• Service Level Agreement is explicit in terms of risk of grant clawbacks. • Register of assets purchased with grant funds should be maintained and verified on a regular basis. • Ensure that expenditure is eligible under the grant terms and conditions and ensures compliance with the funding bodies rules and guidance, and to be aware of any changes to those rules or guidance. • CSR15 confirmed commitment of £12bn funding until 2020-21, confirming indicative allocations.	Value for money	Peter Handford
Financial	2018/03	UPDATED **GDPR** The Council has a responsibility to comply with GDPR legislation incorporated into the Data Protection Act 2018 to avoid potentially large fines by the Infformation Commissioner and increased potential of Civil Action. This risk is linked to risk 2012/1 Information Governance, Cyber and Social Media	All	4	4	16	4	3	12	-	• IGG has oversight. • Working group established Summer 2017 and action plan in place. • ICO audit in September 2017 found adequate arrangements in place. • Data Information audit completed and lawful basis for processing identified. • Privacy Impact Assessment process embedded in procurement and data sharing projects. Training of staff managing data undertaken. • Extensive GDPR training programme rolled out across the Council and within schools. • Significant progress has been made against the ICO Action plan • Emerging risk: some third party providers have refused to agree to amended contract conditions. Legal and procurement teams working togther to resolve and identify key risk contracts. • Emerging Risk: systems compliance. To be addressed by ICT Strategy. • Emerging risk - delayed Subject Access Request (SAR) responses are being actively montitored by the ICO. Additional staff being recruited to reduce backlog	High performing council services	Simon Hobbs

APPENDIX C

Derbyshire County Council

Risk Management Strategy & Implementation Plan

2020-2021

Version Control

Version	Date	Comments	Author
1.0	March 2018	Created initial Draft Document outline for review	Jane Morgan
1.1	August 2018	Review and amendments	Jane Morgan
1.2	September 2018	Review and amendments	Jane Morgan
1.3	October 2018	Review and amendments	Jane Morgan
1.4	October 2018	Review and amendments	Jane Morgan
1.5	December 2018	Review and amendments	Jane Morgan
1.6	December 2018	Review and amendments	Chris Woodhouse
1.7	January 2019	Review and amendments	Jane Morgan
1.8	February 2019	Review and amendments	Jane Morgan
1.9	February 2019	Review and amendments	Jane Morgan
2	February 2019	Strategy agreed at CMT 2019 02 19	Jane Morgan
2.1	July 2019	Review and amendments	Jane Morgan
2.2	July 2019	Review and amendments	Jane Morgan
2.3	August 2019	Review and amendments	Jane Morgan
2.4	October 2019	Minor amendments. Incorporated Implementation Plan	Jane Morgan
2.5	November 2019	Minor Amendments	Jane Morgan
2.5	19th November 2019	Strategy and Implementation plan agreed at CMT	Jane Morgan
2.6	January 2020	Minor amendments and inclusion of role of Governance Committee	Jane Morgan
2.7	February 2020	Final for Cabinet	Jane Morgan

Contents

1. Introduction

The Council Plan 2020-2021 is clear in its ambitions for Derbyshire County Council to be efficient and high performing, delivering value for money services as well as becoming an Enterprising Council transforming its traditional service delivery models.

Fundamental to the Strategy is the identification, evaluation and treatment of risk, which together with a framework for continuous improvement to enable the Council to transition to an Enterprising model.

New service models will necessitate closer working arrangements with new and existing partners including public and private sector organisations, the voluntary and community sector in providing cost effective public services.

As risk changes through the evolution of the Council Plan, it is vital to ensure that the risk model is fit for purpose and in line with these altering opportunities and hazards. Therefore, the Council will adopt the ISO 31000 2018 Enterprise Risk Management Principles which will allow the Council to develop as an Enterprising Council.

This Strategy will underpin the Councils objectives by assisting Departments and Councillors to identify existing and changing risks as well as opportunities presented to enable the Council to make sound business decisions based on a robust framework.

The right risk strategy will:

2. Purpose

As set out in the “Working for Derbyshire” Council Plan the Council has clear ambitions for an efficient high performing Enterprising Council delivering Value for Money (VfM) services. This will result in a challenging and ambitious programme of transformation and change over the medium term 2020-2021. Fundamental to delivering these ambitions is the way the Council implements sound management of risks and opportunities.

The Council is committed to adopting best practice in its management of risk to ensure risk is of an acceptable and tolerable level in order to maximise opportunities and demonstrate it has full consideration of the implications of risk to the delivery and achievement of the Council’s outcomes, strategic aims and priorities.

The Council is clear that the responsibility for managing risk belongs to everyone across the Council and that there needs to be a good understanding of the nature of risk by all stakeholders. This is fundamental in making informed decisions and is becoming increasingly important as the Council pursues innovative ways of working in carrying out its service delivery.

The Council will adopt an open approach to risk and strive to be risk aware - being prepared to accept risk at a tolerable level that can be managed and mitigated whilst ensuring that the most vulnerable are protected and there is increased collaboration with our partners, communities and residents.

This Strategy and its objectives are inherent to good governance practices and they have been endorsed by the Council’s Cabinet and Corporate Management Team (CMT). The content of this Strategy will be reviewed on an annual basis with any significant changes recommended to Cabinet for approval.

3. Risk Management Policy Statement

The Council is committed to a proactive approach to risk management which is integrated into the policy framework, planning and budgeting cycles.

The Council recognises the value of maintaining an effective risk management culture which will seek to identify, analyse, manage and control the risks it faces.

The Council acknowledges that risk cannot be totally eliminated and may sometimes need to be embraced as part of an innovative approach to problem solving.

The Council is, within the above context, committed to the management of risk in order to:

- Deliver the ambition of an Enterprising Council.
- Ensure that statutory obligations and policy objectives are met;
- Prioritise areas for improvement in service provision and encourage meeting or exceeding customer and stakeholder expectations;
- Safeguard its employees, clients or service users, members, pupils, tenants and all other stakeholders to whom the Council has a duty of care;
- Protect its property including buildings, equipment, vehicles, information and all other assets and resources;
- Identify and manage potential liabilities;
- Maintain effective control of public funds and efficient deployment and use of resources achieving VfM;
- Preserve and promote the reputation of the Council;
- Support the quality of the environment;
- Learn from previous threats, opportunities, successes and failures to inform future management of risks.

4. Risk Appetite Statement

This statement details the level of risk related to our corporate objectives and pledges that we are willing to accept within our capacity.

We are a risk aware Council which understands the importance of risk taking and accepts that there is an element of risk in most of the activities we undertake. The level of risk we are willing to take is intrinsically linked to each of our Council pledges and, for this reason, it has been accepted that our risk appetite should not be highly prescriptive.

Our risk appetite should depend on which of our corporate objectives would be affected by the risk and the impact the risk would have on that objective should it materialise. This flexible approach is seen as the best way to allow us to make informed decisions in respect of each risk situation.

To assist in the decision making process, and to help with prioritisation, we have agreed to apply a general level of risk retention (see below). However, this does not mean that in every case, risks falling below the line of retention require no action and vice versa.

5. Definition of Risk

Risk is the "effect of uncertainty on objectives" and an effect is a positive or negative deviation from what is expected.

Therefore, the Council defines risk as:

Any potential development or occurrence which, if it came to fruition, would jeopardise the Council's ability to:

• achieve its corporate improvement priorities
• provide services as planned
• fulfil its statutory duties, including the duty to make arrangements to secure continuous improvement and ensure financial stability.

6. ISO 31000 2018 Enterprise Risk Management Principles

The purpose of risk management is the creation and protection of value. It improves performance, encourages innovation and supports the achievement of objectives.

The factors underpinning ISO31000 2018 is that Risk Management should be:

- Integrated
- Structured and comprehensive
- Customised
- Inclusive
- Dynamic
- Based on the best available information
- Human and cultural factors
- Continual improvement

7. Strategy Objectives and Outcomes

Risk Management and Corporate Governance

Risk Management is an integral part of the Corporate Governance Framework at the Council.

The Risk Management Strategy will assist the Council in practising good corporate governance by reducing risk, stimulating performance throughout the Council, enhancing services, VfM and improving leadership, transparency and social accountability.

How successful the Council is in dealing with the risks it faces can have a major impact on the achievement of our key objectives and service delivery to the community. This Strategy will help support the corporate agenda and underpin the key Council Plan objectives.

Further information on the Council Plan can be found here.

Risk Management Objectives

The objectives of the Council's Risk Management Strategy are to:

- Integrate of Risk Management into the culture of the Council through regular reporting mechanisms to Audit Committee; CMT and Cabinet
- Adoption of the Principles of Enterprise Risk Management ISO31000:2018
- Introduce a robust framework and procedures for the identification, analysis, assessment and management of risk and the reporting and recording of events, based on best practice
- Incorporate a standard approach to the evaluation of risk into strategic and local partnership working; as well as corporate, service and business planning processes business plans; procurements; service re-design
- Provide key risk management performance information for management teams
- Provide a comprehensive Risk Management training and awareness programme
- Minimisation of injury, damage, loss and inconvenience to residents, staff, service users, assets etc. arising from or connected with the delivery of Council services
- Minimisation of the total cost of risk
- Ability to respond to emergency situations and manage business interruptions so as to minimise disruption of services aligning to the Council's Business Continuity Plan
- Ensure critical services are identified and prepared for all eventualities

Risk Management Aims

The aims of the Risk Management Strategy are to:

- Improve the quality and reliability of services, leading to more satisfied residents, fewer complaints and maintaining the reputation of the Council
- Support risk-informed decision making at all levels and encouraging innovation, whilst taking proper account of threats and opportunities
- Ensure management of risk is embedded as part of the Council's culture and the commitment communicated throughout the organisation
- Enable the Council to anticipate and respond to changing social, environmental, legislative, political, economic, technological, competitive and residents requirements, and manage change effectively
- Raise awareness of the need for the management of risks by all those connected with the delivery of services (including partners, delivery agents etc.)
- Provide and use a robust and systematic framework for identifying, managing, responding to and monitoring risk
- Provide assurance, through risk reporting, of a robust management system for responding to risk
- Manage risk in accordance with best practice and ensure compliance with statutory requirements

8. Risk Management Methodology

Risk Scoring

It is important that the Council as a whole uses the same methodology to calculate risk to ensure that Derbyshire County Council has an accurate and consistent overview of the risks that are posed.

The risks are scored using two criteria scales that are then multiplied together to produce a total score by which the risk is assessed as to the impact to the Department and then to the Council.

The two criteria used are the Likelihood of an event occurring and the Impact that event could have.

Likelihood Scale

The scale the Council will adopt for assessing likelihood is as follows:

Likelihood Assessment Criteria	
Scale	**Description**
5	ALMOST CERTAIN: The event is expected to occur or occurs regularly (monthly, quarterly or biannual)
4	PROBABLE: The event will probably occur (annually)
3	POSSIBLE: The event may occur (1 incident in 2 years)
2	UNLIKELY: The event could occur (1 incident in 5 years)
1	RARE: The event may occur in certain extreme circumstances (1 Incident in 10 years or above)

Impact Risk Scale

The Corporate scale for assessing risk is shown in the following page with an example description for each score for each area of risk from 1-5 with 1 being the least impact and 5 being the greatest to the Council.

When assessing each risk, the category that scores the highest impact should be used if a number of categories could be used.

Corporate Impact Assessment Criteria of Risk Category

Scale	Scale Description	Risk Categories								
		Financial	Reputational	Physical Injury/Health and Safety	Environmental Damage	Service/Operational Disruption/Key Targets/Objectives	Statutory Duties/ legal Implications	Partnership Implications	Information Governance	Stakeholder Implications
5	Very High	>£25,000,000	Lasting or permanent brand damage resulting from adverse comments in national press and media. Members/Officers forced to resign	Death or severe life-changing injuries	Major national or international	Severe disruption/loss of service more than 7 days	Multiple Litigation	Complete failure / breakdown of partnership	Significant breach, extensive national press, ICO fines, loss of ISO 27001 certification	Stakeholders would be unable to pursue their rights and entitlement and may face life threatening consequences
4	High	£10,000,000 to <£25,000,000	Temporary brand damage from coverage in national press/media	Extensive or multiple injuries/ Incidents reportable to HSE	Major local impact	Disruption/Loss of service less than 7 days	Litigation	Significant impact on partnership or most of expected benefits fail	Larger breach, no sensitive data loss local press coverage Or Minor breach, sensitive data loss local press coverage	Stakeholders would experience considerable difficulty in pursuing rights and entitlements
3	Medium	£5,000,000 to <£10,000,000	Extensive coverage in regional press/radio/TV/social media	Serious injuries/ incidents reportable to HSE	Moderate locally	Disruption/Loss of service less than 48 hours	Ombudsman	Adverse effect on partnering arrangements	Larger breach, no sensitive data loss and internally controlled Or Minor breach, sensitive data loss internally controlled	Some minor effects on the ability of stakeholders to pursue rights and entitlements, eg other sources or avenues would not be available to stakeholders
2	Low	£2,5000,000 to <£5,000,000	Minor adverse comments in regional press/social media	Minor (i.e. first aid treatment)/ No time lost from work	Minor locally	Internal disruption only, no loss of service	Individual Claims	Minimal Impact on Partnership	Individual breach no loss of sensitive data	Minimal impact without needing to look at other sources or avenues
1	Negligible	<£2,500,000	Minimal adverse comments with minimal press/social media	None	None/ Insignificant	No loss of service	No impact	No Impact	No impact	No impact

Risk Retention Threshold

The following information details how we will apply our risk appetite in practice. Below is the risk scoring matrix DCC will use to determine the risk score from project, operational and strategic risks one the Likelihood and Impact have been scored.

Risk Score Matrix (Impact x Likelihood)

Likelihood	5	5	10	15	20	25
	4	4	8	12	16	20
	3	3	6	9	12	15
	2	2	4	6	8	10
	1	1	2	3	4	5
		1	2	3	4	5
		Impact				

Identifying and ranking risks is important but the key element thereafter is to determine the strategy for managing them. The following tables provides guidance on the level of management intervention that is likely to be necessary or appropriate.

Colour	Score	Action	Risk Control
Green	Low	Review Periodically	Tolerate/Accept or Treat and Control
Yellow	Moderate	Mitigate, Control and Review Frequently	Tolerate/Accept or Treat and Control
Amber	High	Seek cost effective management action, control, evaluation or improvements with continued proactive monitoring	Treat, Tolerate or Transfer
Red	Extreme	Significant management action, control, evaluation or improvements with continued proactive monitoring	All options can and should be considered

It does not follow that a high scoring operational risk should be automatically included in the Departmental or Strategic Risk Register. A view should be taken as to whether the operational risk has a significant impact upon the strategic aims and objectives of the Council.

Strategic Risk Register Decision Matrix		
1 to 4	Green	No referral
5 to 9	Yellow	No referral
10 to 12	Amber	Referral to DRR for possible inclusion
15 to 25	Red	Referral to DRR/SRR for possible inclusion

Risk Control Definitions	
Take the Opportunity	Accept the risk and turn it into a positive opportunity or benefit
Treat/Control	Actions required to mitigate the likelihood and/or impact
Tolerate/Accept	No action - risk within tolerance or accept - Understand and live with the risk.
Terminate	Cease or avoid the risk
Transfer	Transfer to potential third party or bond or insurance etc

9. Risk Management Culture

In order to ensure that risk management is adopted throughout the Council to facilitate the enterprising approach that the Council wishes to take, there needs to be a strong risk management culture from the top to the bottom to drive this change.

The Role of the Leader and Members

To endorse Council's Risk Management Policy and Risk Management Framework.

Through the Audit Committee, the Council Leader and Members also have a responsibility to:

- Oversee the effective management of risk by officers.
- Monitor the Council's risk management strategy and performance.
- Review regular reports from the Strategic Risk Management Group (SRMG) on key issues affecting the Council.
- Review and approve the Annual Risk Management Report submitted by the SRMG.

The Role of Audit Committee

The Audit Committee has Governance of the risk management process. Their role is to:

- Approve the Framework for Risk Management
- Review Strategic Risks and check on the progress of risks
- Monitor adequacy of the risk management arrangements and directly raise queries with Strategic and Departmental risk owners
- Gain assurance of objectives being met

The Role of Governance Committee

The Governance Committee has oversight of the continuous improvement aspect of Risk Management. Their role is to:

- Review significant adverse risks and issues to ensure lessons are learnt and implemented across Departments
- Post-implementation review significant initiatives and service changes to ensure that both positive and adverse risks and issues arising are learnt from and implemented as best practice across Departments.

The Role of the CMT Risk Champion

Is to:

- Lead CMT on risk management to ensure that risk management principles are being adopted and adhered to throughout all Departments
  To have an overview of the Strategic Risk Register; ensuring Strategic risks are being appropriately managed and identified across all Departments

The Role of CMT

There will need to be a visible commitment from CMT by:

- Modelling their behaviors and working to deliver the attributes of level 5, “Driving” of the CIPFA benchmarking model
- Leading through actions. - embracing risk based decision making aligned with strategic objectives
- Having a clear understanding of the risks to the business and any implications on the success of the Council Plan
- Ensuring assurance on the status of key risks and controls sought and followed through on a strategic and directorate level
- Embedding of the policy and framework for managing risk

The Role of Strategic Risk Management Group (SRMG)

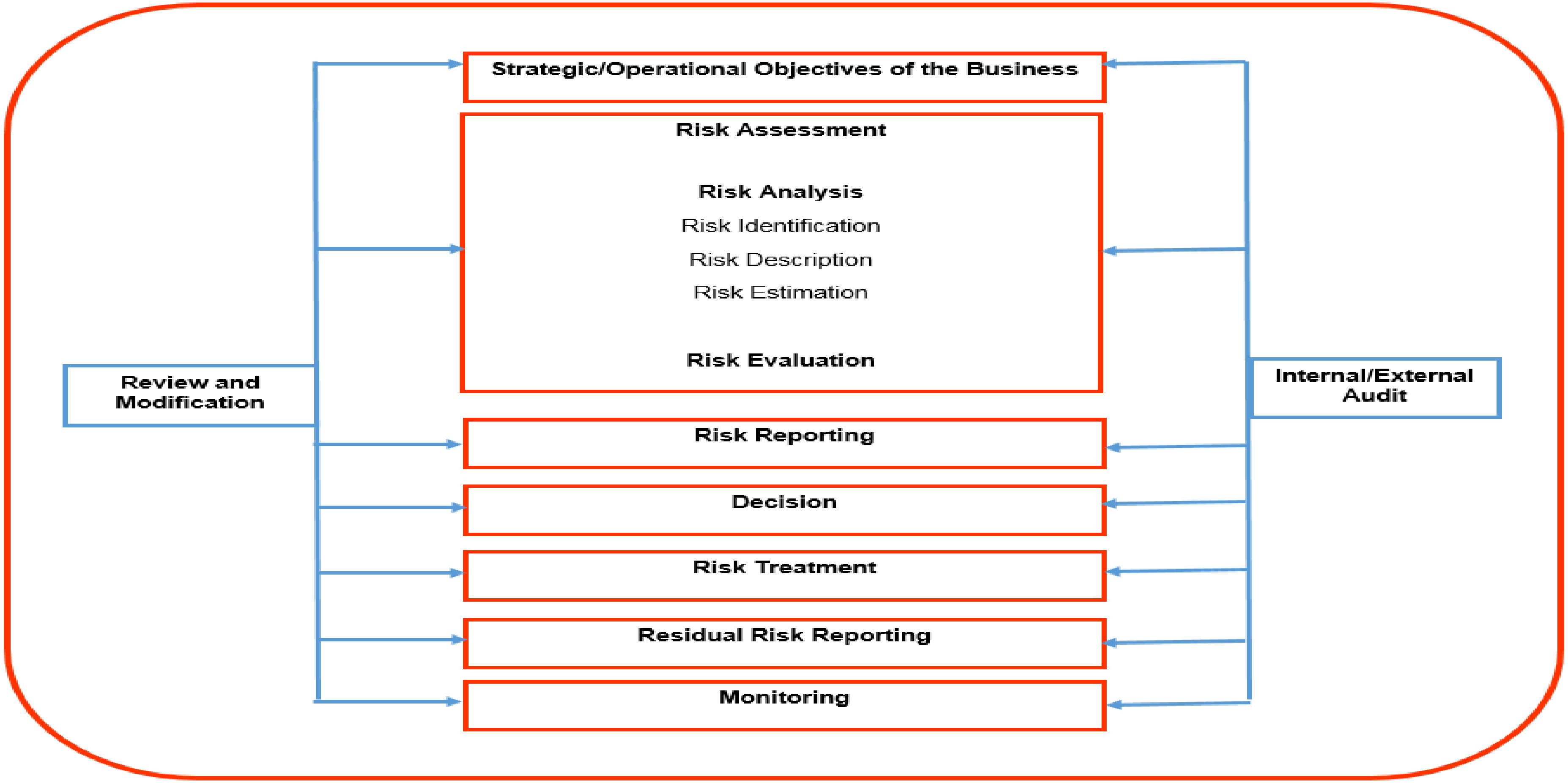
- Act as departmental risk ‘champions’, ensuring that risk management is given an appropriate profile and sufficient focus
- Be responsible for the completion, progressive action and monitoring of their Departmental Risk Register
- Meet regularly, and ensure that embedding risk management remains on the corporate agenda
- Play a lead role in the identification and monitoring of Strategic risk;
- Consider “very severe” and “serious” risks identified by projects, functional risk groups and department groups
- Escalate new and emerging risks that may have a strategic impact to the Risk Manager and participate in ad hoc meetings of the Group to discuss such risks as necessary
- Carry out duties as required by the Group’s terms of reference

All Employees

- To manage risk effectively in their job and report hazards, risks or opportunities to their Manager.

10. The Risk Management Framework

The Council has closely followed the ISO31000 Standard to tackle Risk management Procedures, framework, guiding controls and processes with Plan, Do, Check, Act, Review at the core.



Page 298

11. Roles and Responsibilities

The key roles and responsibilities for risk management are set out below:

Who	Key Roles & Responsibilities	Report Type	By Whom	Frequency
Council	Receive and act upon: • Reports from Cabinet, Audit Committee and Head of Paid Service. • Reports, recommendations and advice from Audit Committee.	• E.g. Annual Governance Statement, Policy, Strategy and Framework and other reports.	Cabinet & Audit Committee	Annually
Cabinet	• Agree the Risk Management Strategy (RMS) and receive reports on risk management. • Hold the political responsibility for the RMS with each individual portfolio. • Assign responsibility for risk to the Cabinet Member for Corporate Services	• Policy & Strategy and other relevant reports.	Audit Committee and Corporate Leadership Team	Annually or as required.
Audit Committee	• Oversee and challenge assurance and the RMS arrangements.	• Review of Policy, Strategy & Framework. • Receive updates on the Strategic/Corporate R&O's and action plans. • Receive assurance on effectiveness of ROM.	Director of Finance and ICT	• Annually • Bi Annual • Annually
Executive Management Team	• Strategic leadership Group for RMS. • Oversee the RMS Policy and Strategy. • Responsible for effectiveness of Risk & Opportunity (R&O) and assurance arrangements and any management or mitigation. • Quarterly monitoring of Strategic/Corporate R&Os and associated action plans. • Identify a lead on RMS who chairs the Strategic Risk Management Group	• Review of Policy & Strategy. • Reviews of Strategic/Corporate R&Os and action plans. • Review/Benchmarking of RMS.	Director of Finance and ICT	• Annually • Quarterly • Annually
Corporate Risk Management	• Establish the Risk and OM Policy, Strategy and Framework. • Stewardship of the Strategic/Corporate R&O Registers. • Review/Benchmarking of RMS. • Establish Service Level RMS. • Provide consultancy, advice and training on RMS.	• Review of RMS Policy, Strategy & Framework. • Reviews of Strategic/Corporate R&Os and action plans. • Review/Benchmarking of RMS. • Quarterly RM update to CMT • Quarterly RM update to Audit Committee • Report to Cabinet Members / Portfolio Holders on high level R&Os facing the Directorate or Council.	Risk and Insurance Manager	• Annually • Quarterly • Annually
Strategic Risk Management Group	• Identification and monitoring of Strategic/Corporate R&Os for the Directorate or Council. • Escalation as appropriate of Strategic/Corporate R&O's facing the directorate or Council (e.g. programme, partnership, project and service R&Os)	• Reviews of Strategic/Corporate R&Os and action plans to CMT.	Strategic Directors	Quarterly or as required.

Directors, Assistant Directors &/or Risk Champions	• Identification and monitoring of Strategic/Corporate and any other key R&Os facing the department. • Escalation as appropriate of Strategic/Corporate R&O's to SMT.	• Review of R&Os and R&O Registers as a standing agenda at SMT/DMT meetings. • SMT/DMT to receive and approve updates to Strategic/Corporate R&O's and action plans.	Directors, Assistant Directors &/or Risk Champions	Quarterly or as required by Director(s) or **SMT**
Managers & Risk Champions	• Identification, management and review of R&Os and R&O registers within their Service or area of responsibility. • Monitoring and escalation as appropriate of R&O's to either Director/Assistant Director or relevant SMT/DMT.	• Review & maintenance of R&Os and R&O registers as standing agenda item at **Service** meetings. • Review of **Service** R&O's and action plans to DMT and SMT as required. • Report to DMT on identified R&O's that require consideration for escalation to the Strategic/Corporate R&O Register.	Directors, Assistant Directors &/or Risk Champions	Quarterly or as required by Director(s) or **DMT/SMT**
Programme & Partnership Boards or Project Managers	• Responsible for the identification, management and monitoring of R&O within their given areas.	• Report on the management of R&Os and escalation of high level R&O's as required or necessary.	Programme Boards, Partnership Boards and Project Managers	Quarterly or as requested by Strategic Directors or Programme Boards/Leads
Employees	• To manage risk effectively in their job and report hazards, risks or opportunities to their Manager.	• Report incidents, risks and opportunities following the procedures laid down in corporate policies.	All Employees	As necessary or required.

12. Performance Management

Alignment to a risk maturity model

The Council will align itself to the recognised benchmarking model issued by CIPFA and ALARM (Association of Local Authority Risk Managers). The Benchmarking Club will be used to formally benchmark on a biennial basis against other Local Authorities. In the interim years the tool will be used on a self-assessment basis when no benchmarking membership will be sought.

Success Criteria

An acceptable level of success under the ALARM Benchmarking model would be the “Happening” Category and attainment of this level in each category will be seen as an absolute minimum. However, the Council will strive to achieve the ‘Embedded and Working’ rating for all areas in the ALARM/CIPFA Benchmarking Club which would place it in the top tier of Local Authorities in terms of Risk Management success.

CIPFA BENCHMARKING							
	Leadership & Management	**Strategy & Policy**	**People**	**Partnership, Shared Risk & Resources Processes**	**Processes**	**Risk Handling & Assurance**	**Outcomes & Delivery**
Level 5: Driving	Senior management uses consideration of risk to drive excellence through the business, with strong support and reward for well-managed risk-taking.	Risk management capability in policy and strategy making helps to drive organisational excellence.	All staff are empowered to be responsible for risk management. The organisation has a good record of innovation and well-managed risk-taking. Absence of a blame culture.	Clear evidence of improved partnership delivery through risk management and that key risks to the community are being effectively managed.	Management of risk and uncertainty is well-integrated with all key business processes and shown to be a key driver in business success.	Clear evidence that risks are being effectively managed throughout the organisation. Considered risk-taking part of the organisational culture.	Risk management arrangements clearly acting as a driver for change and linked to plans and planning cycles.
Level 4: Embedded & Working	Risk management is championed by the CEO. The Board and senior managers challenge the risks to the organisation and understand their risk appetite. Management leads risk management by example.	Risk handling is an inherent feature of policy and strategy making processes. Risk management system is benchmarked and best practices identified and shared across the organisation.	People are encouraged and supported to take managed risks through innovation. Regular training and clear communication of risk is in place.	Sound governance arrangements are established. Partners support one another's risk management capability and capacity.	A framework of risk management processes in place and used to support service delivery. Robust business continuity management system in place.	Evidence that risk management is being effective and useful for the organisation and producing clear benefits. Evidence of innovative risk-taking.	Very clear evidence of very significantly improved delivery of all relevant outcomes and showing positive and sustained improvement.
Level 3: Working	Senior managers take the lead to apply risk management thoroughly across the organisation. They own and manage a register of key strategic risks and set the risk appetite.	Risk management principles are reflected in the organisation's strategies and policies. Risk framework is reviewed, developed, refined and communicated.	A core group of people have the skills and knowledge to manage risk effectively and implement the risk management framework. Staff are aware of key risks and responsibilities.	Risk with partners and suppliers is well managed across organisational boundaries. Appropriate resources in place to manage risk.	Risk management processes used to support key business processes. Early warning indicators and lessons learned are reported. Critical services supported through continuity plans.	Clear evidence that risk management is being effective in all key areas. Capability assessed within a formal assurance framework and against best practice standards.	Clear evidence that risk management is supporting delivery of key outcomes in all relevant areas.

Level 2: Happening	Board/ Councillors and senior managers take the lead to ensure that approaches for addressing risk are being developed and implemented.	Risk management strategy and policies drawn up, communicated and being acted upon. Roles and responsibilities established, key stakeholders engaged.	Suitable guidance is available and a training programme has been implemented to develop risk capability.	Approaches for addressing risk with partners are being developed and implemented. Appropriate tools are developed and resources for risk identified.	Risk management processes are being implemented and reported upon in key areas. Service continuity arrangements are being developed in key service areas.	Some evidence that risk management is being effective. Performance monitoring and assurance reporting being developed.	Limited evidence that risk management is being effective in, at least, the most relevant areas.
Level 1: Engaging	Senior management are aware of the need to manage uncertainty and risk and have made resources available to improve.	The need for a risk strategy and risk-related policies has been identified and accepted. The risk management system may be undocumented with few formal processes present.	Key people are aware of the need to understand risk principles and increase capacity and competency in risk management techniques through appropriate training.	Key people are aware of areas of potential risk in partnerships and the need to allocate resources to manage risk.	Some stand-alone risk processes have been identified and are being developed. The need for service continuity arrangements has been identified.	No clear evidence that risk management is being effective.	No clear evidence of improved outcomes.

Risk Management Performance Indicators

1. The Council demonstrates good practice by working towards and achieving its target level of RM maturity “embedded and working”.
2. Robust risk and opportunity considerations are included in all reports to Cabinet and CMT
3. CMT reviews the Strategic Risk Register on at least a quarterly basis or as required.
4. Executive Directors attend Audit Committee to review their Departmental Risk Register at least once a year or as required.
5. Cabinet reviews and challenges the Strategic Risk Register on at least an annual basis or as required.
6. All Service Plans and business plans (at all levels) include a Risk Register, developed in accordance with the RM toolkit
7. All Senior Management Teams review their risk registers on a quarterly basis in conjunction with a member of the Risk Management team.
8. A Risk Management Framework, consistent with the guidance set out in the Partnership RM Toolkit (and including a current risk register), is in place for all significant partnerships
9. A Risk Management Framework is in place for all significant procurements or commissioning
10. Risk Management reports show a stable, or ideally downward trend, in reportable incidents (e.g. insurance claims, RIDDOR/Health & Safety incidents, information security incidents) and major business disruptions; subject to internal or external influences.
11. All Operational (Departmental) and Strategic risk registers to be on a ‘live’ risk management system.
12. All new recruits to take an online role relevant Risk Management Module as part of an induction programme. Developed in conjunction with departments and Learning and Development.
13. All employees to take a biennial online relevant Risk Management Module Developed in conjunction with departments and Learning and Development
14. Risk Management training to be incorporated into Member’s training programme
15. A Corporate wide framework for lessons learnt and best practice adopted

13. Implementation Plan

Objectives	Plan	Timescale
All Senior Management Teams review their risk registers on a quarterly basis in conjunction with a member of the Risk Management team.	The Risk Officer or Risk Manager to meet with SMT's on a quarterly basis to review their departmental risk register in depth	January 2020
Robust risk and opportunity considerations are included in all reports to Cabinet and CMT.	To agree a methodology to ensure all significant risks and opportunities are adequately appraised and defined to allow risk aware decision making	January 2020
CMT reviews the Strategic Risk Register on at least a quarterly basis or as required.	The Risk Manager to attend CMT on a regular quarterly basis in order to report on and review the Strategic Risk Register	April 2020
Cabinet reviews and challenges the Strategic Risk Register on at least an annual basis or as required.	The Risk Manager to attend Cabinet on an annual basis in order to report on and review the Strategic Risk Register	April 2020
Executive Directors attend Audit Committee to review their Departmental Risk Register at least once a year or as required.	Each Executive Director to attend one Audit Committee meetings agreed in advance per annum	April 2020
Risk Management reports show a stable, or ideally downward trend, in reportable incidents (eg insurance claims, RIDDOR/Health & Safety incidents, information security incidents) and major business disruptions; subject to internal or external influences.	Statistics to be reported on an annual basis to CMT and Cabinet	April 2020
All Operational (Departmental) and Strategic risk registers to be on a 'live' risk management system.	The Risk and Insurance Manager to devise or procure a system that will enable Strategic and Departmental risks to be recorded on a system that will provide up to date M.I. on the status of all risks and how they link with the Council Plan 2019-21	April 2020

All new recruits to take an online role relevant Risk Management Module as part of an induction programme. Developed in conjunction with departments and Learning and Development	The Risk and Insurance Manager to devise a relevant training module to be incorporated into the induction programme	May 2020
A Risk Management Framework, consistent with the guidance set out in the Partnership RM Toolkit (and including a current risk register), is in place for all significant partnerships.	The Risk and Insurance Manager to review the Partnership Risk Management Toolkit to ensure that it is fit for purpose and to roll it out for use with Partnerships.	June 2020
All employees to take a biennial online relevant Risk Management Module Developed in conjunction with departments and Learning and Development	The Risk and Insurance Manager to devise a relevant training module to be incorporated into the learning and development programme	From August 2020
A Risk Management Framework is in place for all significant procurements or commissioning	The Risk and Insurance Manager to work in conjunction with Procurement team to create a fit for purpose Risk Management Toolkit and to roll it out for use with all significant procurements or commissioning.	October 2020
Risk Management training to be incorporated into Member's training programme to ensure that all Members have the tools to evaluate risks that are presented in business cases and Service Plans	The Risk and Insurance Manager to devise a relevant training module to be incorporated into the Members suite of training	October 2020
Robust risk and opportunity considerations are included in all Service Plans.	To agree a methodology; template and training with Governance; Legal; Policy and Departments to ensure all significant risks and opportunities are adequately appraised and defined to allow risk aware decision making	April 2021
Framework for lessons learnt and good practice implemented	To agree a methodology with Governance to ensure the Council has a robust framework to identify and disseminate lessons learnt and opportunities.	September 2021

The Council demonstrates good practice by working towards and achieving its target level of RM maturity "embedded and working".	To take part in ALARM/CIPFA's benchmarking exercise on a biennial basis and for the results to show an upward trend	Achieve "embedded and working status" by 2022
The Council demonstrates good practice by working towards and achieving its target level of RM maturity "driving".	To take part in ALARM/CIPFA's benchmarking exercise on a biennial basis and for the results to show an upward trend	Achieve "driving" by 2024

14. Resources and funding

The Strategic Risk Register will inform the Annual Budget Setting Process and Long Term Financial Plan. Operational Risk Registers should also be considered as an integral part of the Operational financial and service planning process.

The Council will determine annually the budget to support risk management capital and revenue expenditure.

Requests from service departments and establishments, for financial support for risk management measures will be considered in accordance with Financial Regulations. Departments and establishments will be expected to evidence their commitment to the measures they are proposing through contributions from their individual capital and/or revenue budgets.

15. External Influences

A number of external influences may impact on this Strategy such as the Commissioning, ICT, Business Continuity, Health and Safety and Procurement Strategy. Once these have been corporately adopted, if any of these do impact on the Risk Management Strategy these will be taken into consideration as part of the annual strategy review process.

It is envisaged that The Risk Strategy will form the overarching corporate approach to risk and will reflect the input and engagement that the Risk Management and Insurance Team receives from departments.

16. Strategy Consultation

This strategy was developed through consultation with stakeholder groups across Council service areas together with market research and taking best practice from other Local Authorities.

17. Glossary

Term	Definition
Operational Risk	are major risks that affect an organization's ability to execute its strategic plan
CMT	Corporate Management Team
DRR	Departmental Risk Register
ISO 31000 2018	means a family of standards relating to risk management codified by the International Organization for Standardization.
Operational Risk	are major risks that affect an organization's ability to execute its strategic plan
RIDDOR	means the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013. These Regulations require employers, the self-employed and those in control of premises to report specified workplace incidents.
RM	Risk Management
RMS	Risk Management Strategy
R&O	Risks and Opportunities
SRR	Strategic Risk Register
SMT	Departmental Senior Management Team
Strategic Risk	are risks that affect or are created by an organization's business strategy and strategic objectives

APPENDIX D

Strategic Risk Register – Summary of Changes

The risk register has been updated to account for the new Council Plan priorities and values.

There are a number of risks that have been re-evaluated and amalgamated or moved to an overarching risk description.

Risk Identifier	Previous Description	New Description	Comments	Link to Council Plan
2011/10	Looked after Children	Increase in demand in Council Services	The Strategic Risk Group believes that there should be an overarching risk to enable the Council as a whole to respond and manage an increase in demand for services.	• High performing Council Services
2011/12	Continuing Healthcare	Increase in demand in Council Services	The Strategic Risk Group believes that there should be an overarching risk to enable the Council as a whole to respond and manage an increase in demand for services.	• High performing Council Services
2011/22	Central Government Reform	Influence of external political influences	The risk category was widened to enable the Council to plan and mitigate for external political and policy decisions that may impact upon our services.	• High performing Council Services

2011/8	Implementation of Self Directed Support in line with the Personalised Care Agenda	Increase in demand in Council Services	The Strategic Risk Group believes that there should be an overarching risk to enable the Council as a whole to respond and manage an increase in demand for services.	• High performing Council Services
2012/1	Information Governance, Cyber and Social Media	Failure to comply with GDPR regulations and ICT resilience	The risk was changed to encompass the whole risks surrounding information governance and cyber protection.	• High performing Council Services
2011/14	Residential Care	Increase in demand in Council Services	The Strategic Risk Group believes that there should be an overarching risk to enable the Council as a whole to respond and manage an increase in demand for services.	• High performing Council Services
2011/6	ICT Infrastructure & Systems	Failure to comply with GDPR regulations and ICT resilience	Risk incorporated with 2012/1 2018/03.	• High performing Council Services
2013/2	Impact of Welfare Reform	Increase in demand in Council Services	The Strategic Risk Group believes that there should be an overarching risk to enable the Council as a whole to respond and manage an increase in demand for services.	• High performing Council Services

2018/03	GDPR	Failure to comply with GDPR regulations and ICT resilience	Risk incorporated with 2012/1 and 2011/6.	• High performing Council Services
2019/01	Brexit Planning	Influence of external political influences	The risk category was widened to enable the Council to plan and mitigate for external political and policy decisions that may impact upon our services.	• High performing Council Services

Summary of Risks Which Will No Longer Appear on the Register

Risk Identifier	Description	Impact
2011/18	Provision of services to schools	This risk was reclassified as a Departmental risk
2011/21	Collective Challenge under Judicial	This risk was reclassified as a Departmental risk
2015/03	D2N2	This risk was reclassified as a Departmental risk

Departmental Risk Registers

New Risks on Departmental Registers scoring over 12

Dept	Dept Risk Identifier	Description	Impact	Score	Link to Strategic Risk	Impact on Council Plan
ASC&H	20	Shortfall in community transport to maintain services	Potential of increased injury to stakeholders through insufficiently trained staff/stakeholders unable to access services	**15**	2011/9 Protection of Children and Vulnerable Adults	• High quality personalised services
ASC&H	21	Increased financial liability for LA as a result of review of S117 of the MH Act		**12**		• Good use of public money
ASC&H	22	Expansion of non-regulated PA workforce increases exposure of service users to risk		**12**		• High quality personalised services
ASC&H	23	Failure to deliver the programme of work leading to increased cost, risk and insufficient capacity		**15**		• Good use of public money
ASC&H	24	Failure to learn from events where something went wrong resulting in loss of public trust on processes and political trust in ASC		**15**		• High quality personalised services

ASC&H	25	Failure to manage money effectively in Derbyshire Deputyship service		**15**		• Good use of public money
ASC&H	26	Failure to pursue making people safe where people appear to have capacity to choose not to engage		**15**		• High quality personalised services
ASC&H	27	Failure to respond to need in a timely way		**15**		• High quality personalised services
ASC&H	28	Failure to comply with all regulatory requirements		**20**		• High quality personalised services
ASC&H	29	Failure to enact good safe practice in P&P and safeguarding (audits and supervision)		**15**		• High quality personalised services
ASC&H	30	Failure to respond to carers needs		**12**		• High quality personalised services

Risks on Departmental Registers Increasing scoring above 12

Dept	Dep't Risk Identifier	Description	Impact	Old Score	New Score	Link to Strategic Risk	Impact on Council Plan
Public Health	PH8/18	Lack of signed contract with Northamptonshire County Council to provide Ocitgo IT solution. System will no longer be available after 31.03.19	DCC will not be indemnified in respect of a breach of data; system cannot be used for reporting.	**15**	**25**	2012/1 Information Governance, Cyber and Social Media	• High performing Council Services
Public Health	PH05/15	Difficulties in accessing NHS and public health information due to new organisational arrangements and information governance barriers	Potentially resulting in inappropriate resource allocation or commissioning decisions based on incomplete data.	**9**	**12**	2012/1 Information Governance, Cyber and Social Media	• High performing Council Services
ETE	2017/7	Failure to meet waste management targets following delays in completion of the Household Waste Recycling Centers in Derbyshire	Financial and potentially reputational should the centre fail to be commissioned	**12**	**25**	2011/2 Failure to meet waste management targets	• High performing Council Services.
CCP	01	Maintaining (including servicing) and providing property in safe, adequate and suitable condition.	Risk of breach of Duty of Care under the Health & Safety at Work Act 1974 leading to prosecution of Officers under the	**16**	**20**	2012/2 Maintenance of Assets	• High performing Council Services.

Page 315

			Corporate Manslaughter and Homicide Act 2007 to employees and others working for us, occupiers of premises owned by us and the wider public. High risk that damage to property or injury death to service users/public/staff will be uninsured.				
CCP	28	Traded Services non-Schools: All services fully or partly trading are under pressure to continue to achieve reductions in costs as well maintain or increase income	The reduction in resource will lead to impaired service delivery and a potential reduction in traded income.	**9**	**12**	2011/18 Provision of services to schools	• High performing Council Services

Agenda Item No.5 (a)

DERBYSHIRE COUNTY COUNCIL

AUDIT COMMITTEE MEETING

24 March 2020

Report of the Assistant Director of Finance (Audit)

INTERNAL AUDIT PLAN 2020-21

1. Purpose of Report

To present to Members for consideration and approval the proposed Audit Services Plan for 2020-21.

2. Information & Analysis

The Audit Services Plan is designed to provide assurance that the significant risks identified as part of the risk assessment process are being managed effectively and, where appropriate, to make recommendations for improvements in overall control, efficiency and effectiveness. As part of this process Audit Services will also examine risk management frameworks, control and governance arrangements.

The Audit Services Plan has been formulated in accordance with the Internal Audit Strategy and Audit Charter. This Plan is informed by our risk assessment drawn from a wide range of sources including:-

- Council Plan;
- Council's strategic risk register;
- Departmental risk registers;
- Service plans;
- meetings with Corporate Management Team, Executive Directors and Directors including the Head of Paid Service, Section 151 Officer and Monitoring Officer;
- Management requests for assistance;
- previous cyclical Audit work, knowledge of systems, controls and follow up;
- pro-active fraud work;
- external audit.

As part of this process Audit projects have been identified which will be developed specifically to address significant Corporate and Departmental risks and build on those areas where frauds/control weaknesses have previously been identified.

In common with previous years the Audit Services Plan will be continually reviewed to ensure that it remains aligned with significant risks whilst remaining responsive to changes in risk, operations, systems and controls. Any amendments will be identified through Audit Services' ongoing liaison and discussions with the Audit Committee, Corporate Management Team, Executive Directors, Directors and Senior Managers. Progress against the approved Audit Services Plan will be monitored and regularly reported to the Audit Committee.

The proposed Audit Services Plan for 2020-21 is based on a staffing structure which provides for the deployment of 2,884 days. Members are aware of the staffing challenges which Audit Services has faced during the current year and which still continue, although some progress has been made recently. Consequently resources available to deliver the Audit Services Plan for 2020-21 are forecast to exceed those deployed in the current year. Those projects which will not be completed during the current year have been considered for inclusion in the proposed Audit Services Plan for 2020-21 in accordance with the Internal Audit Strategy. Several assumptions have been made which have been incorporated into the estimate of resources available to deliver the proposed Audit Services Plan for 2020-21. The Unit is committed to providing a full range of Audit services using only in-house staff, including the specialist areas of investigative and IT Audit work.

Mazars LLP act as the Council's External Auditors and Audit Services will work with them in accordance with the agreed External and Internal Audit Protocol.

The Audit Services Plan is attached at Appendix 1 to this Report and details the Audit Services' coverage for all Departments and the Corporate Authority, it also identifies the perceived level of risk, the resource to be employed and the expected outcomes of Audit work. Timetabling of the individual projects will continue to be agreed with Executive Directors, Directors and Senior Management on an ongoing basis throughout the year, and this will be informed by the findings and emerging initiatives identified.

3. Legal Considerations

The Audit Services Unit discharges the Council's statutory responsibilities under Regulation 5 of the Accounts & Audit Regulations 2015 and significant aspects of the Director of Finance & ICT's statutory duties under Section 151, Local Government Act 1972.

The Public Sector Internal Audit Standards require that the Assistant Director of Finance (Audit), as Head of Internal Audit (HIA), 'must deliver an annual audit opinion and report that can be used' to inform the Council's Annual Governance Statement. This opinion must reflect the work done during the year and 'must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control'. In providing this opinion it is necessary to summarise the main findings and conclusions from Audit work together with any specific concerns the HIA has.

4. Other Considerations

In preparing this report the relevance of the following factors has been considered: financial, prevention of crime and disorder, equality and diversity, human resources, environmental, health, property and transport considerations.

5. Background Papers

A file held by the Assistant Director of Finance (Audit).

6. Officer's Recommendation

That the Audit Committee consider and approve the Audit Services Plan for 2020-21 details of which are attached at Appendix 1.

Carl Hardman
Assistant Director of Finance (Audit)

DERBYSHIRE COUNTY COUNCIL

AUDIT SERVICES PLAN

2020/21

CARL HARDMAN
Assistant Director of Finance (Audit)

Background

The Audit Services Unit discharges the Council's statutory responsibilities under Regulation 5 of the Accounts & Audit Regulations 2015 to *'undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes'*. In addition the Unit performs significant aspects of the Director of Finance & ICT's statutory duties under Section 151 of the Local Government Act 1972. The Unit also works with Mazars LLP, the Council's appointed external auditors.

The role and responsibilities of the Unit are further clarified and reinforced in the Council's Financial Regulations and Standing Orders Relating to Contracts, Audit Charter, Internal Audit Strategy, Anti-Fraud and Anti-Corruption Strategy, Fraud Response Plan and the requirements of Whistleblowing The Confidential Reporting Code.

Cabinet has approved the Audit Charter which draws together existing practice and formalizes procedures relating to Audit Services whose mission is to enhance and protect organisational value by providing risk based assurance, advice and insight.

The Public Sector Internal Audit Standards (PSIAS) are recognised under the Accounts and Audit Regulations as the relevant, best practice benchmark for the provision of an adequate and effective internal audit service. The PSIAS define internal auditing as *'an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.*'

The PSIAS also requires that the '*chief audit executive (Assistant Director of Finance (Audit)) must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals….*

The chief audit executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.

The annual audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.'

The Unit has been subject to an external assessment of its compliance with the requirements of the PSIAS by Cipfa C.Co who assessed that the Unit conforms overall and in each of the four areas of focus assessed.

Risk Assessment Process

The Audit Plan has been formulated in accordance with the Internal Audit Strategy and informed by our risk assessment drawn from a wide range of sources including:-

- Council Plan;
- Council's strategic risk register;
- Departmental risk registers;
- Service plans;
- meetings with Corporate Management Team, Executive Directors and Directors including the Head

of Paid Service, Section 151 Officer and Monitoring Officer;
- Management requests for assistance;
- previous cyclical Audit work, knowledge of systems, controls and follow up;
- pro-active fraud work;
- external audit.

The chart below identifies key factors which influence our risk assessment:-

As part of this process Audit projects have been identified which will be developed specifically to address key Corporate and Departmental risks and build on those areas where frauds/control weaknesses have previously been identified. The Council provides a wide range of diverse services in a dynamic environment with limited resources which are under increasing pressure.

The planning of Audit assignments is recorded in Project Briefs which are designed to inform the scope of the Audit, identify key risks, activities/controls to be tested, resource and reporting requirements.

Audit Plan

The Audit Plan is designed to provide assurance that the significant risks identified as part of the risk assessment process are being managed effectively and, where appropriate, to make recommendations for improvements in overall control, efficiency and effectiveness. As part of this process Audit Services will also examine risk management frameworks, control and governance arrangements.

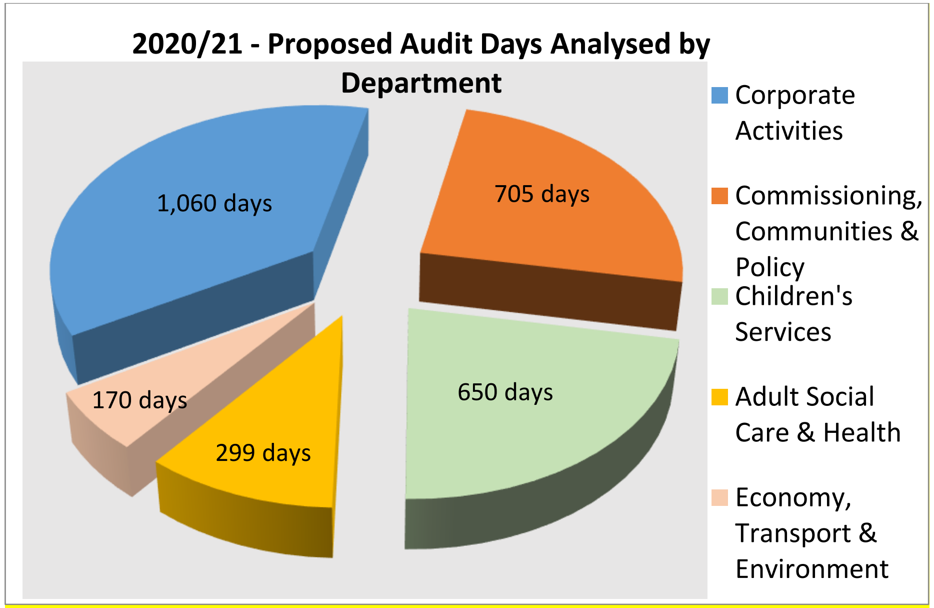
Audit Services also recognise the requirement to provide Members and Senior Management with assurance on the operation of core financial systems and will continue our programme of compliance and probity reviews of other services, systems and processes according to an assessment of risk and business need. This will include financial, administrative and operational systems and establishments including schools, residential homes and care centres. Our work will also include an assessment of new, revised and existing IT systems to verify their compliance with the Council's ISO27001 accreditation, General Data Protection Regulation (GDPR) requirements and Departmental service priorities.

Audit Services will seek to identify opportunities to improve value for money through its on-going programme of reviews and specific project work.

The Council takes a robust stance against fraud and corruption whether it is attempted on or from within the Council. The Audit Plan includes provision for this work based on previous experience; actual time spent will vary depending on the number and complexity of matters which require investigation. As part of this work referrals are made to the Police where potential criminal activity is detected and, where required, specific reports are produced to assist Management by recommending where control frameworks require strengthening.

Audits which make up the Audit Plan are assigned a priority ranking and resources are directed at those areas of highest risk. Should unforeseen events impact on the delivery of the Audit Plan then those areas considered to be of lower risk may not be completed.

The Audit Plan will, as in previous years, be continually reviewed to ensure that it remains aligned with significant risks whilst remaining responsive to changes in risk, operations, systems and controls. Any amendments will be identified through Audit Services' ongoing liaison and discussions with the Audit Committee, Corporate Management Team, Executive Directors, Directors and Senior Managers. Progress against the approved Audit Plan will be monitored and regularly reported to the Audit Committee.



Resources

Resource requirements are considered each year as part of the Audit planning process. The Council continues to operate under increasing financial pressures and the need to seek innovative working methods, generate income and cashable savings is essential in helping to protect vital services. Consequently the Authority has adopted an enterprising council approach which will bring further challenges and opportunities requiring Audit Services' input and support.

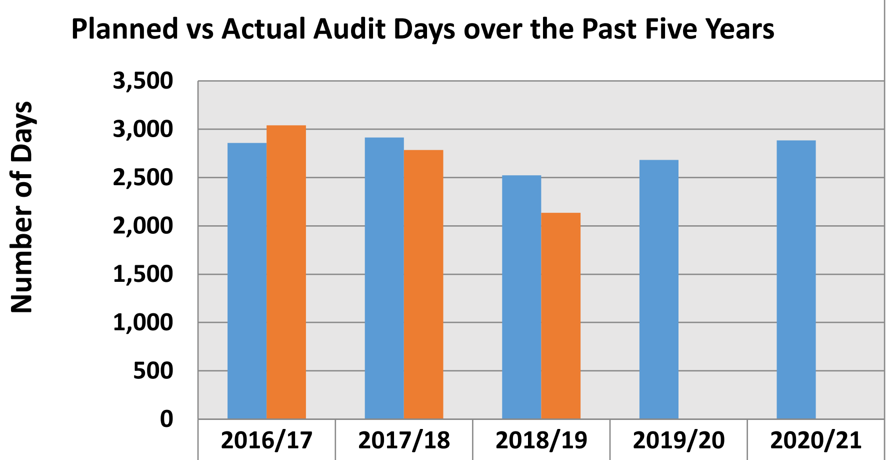
Although the Unit has an establishment of approximately 17 full time equivalents, during the past year it has faced significant, prolonged staffing challenges which have impacted on the days available to deliver the Audit Plan. The Unit currently has one vacancy at Senior Auditor level and during 2020-21 there will be a commitment to induct and train new staff.

The Audit Plan for 2020-21 requires the deployment of 2,884 Audit days which has been assessed based on known and estimated resources. I will continue to provide updates to Members on available resources as part of regular reporting on the achievement of the Audit Plan.

The Unit is committed to providing a full range of Audit services using only in-house staff, including the specialist areas of investigative and IT Audit work.

The detailed Audit Plan is shown on pages 7 to 18 and includes a contingency of 200 Audit days. This enables the Unit to be reactive and able to respond to emerging risks and unforeseen situations, which may arise throughout the year, which are not included in the Plan.

The following table analyses planned and actual Audit days delivered during recent years and highlights the effect of staffing shortages on the delivery of the approved Audit Plan:-



	2016/17	2017/18	2018/19	2019/20	2020/21
Planned Days	2,857	2,914	2,523	2,684	2,884
Actual Days	3,041	2,787	2,134		

During the year Audit Services will liaise with the Corporate Management Team, Executive Directors and Directors to provide updates on performance, significant findings from Audit work and identify any issues which affect the current and future Audit Plans.

Delivery of Audit Work

The scope and timing of Audit work will be discussed with Management and all Audit assignments will be reported to the appropriate levels of Management on completion. Audit staff will provide an opinion and a level of assurance which Management may draw from the adequacy and effectiveness of the overall control framework in operation in the area subject to Audit based on the results of our work.

Audit staff will continue to support Management by making prioritised recommendations based on our findings which will, if implemented, improve the effectiveness, efficiency and adequacy of governance, risk and internal control frameworks. These recommendations are incorporated into an Action Plan. Recommendations are classified as those which will result in improvements in governance and control and those which will result in improvements in efficiency and effectiveness.

To enable Audit Services to deliver the Audit Plan we will seek to foster collaborative working arrangements with Senior Management. This is essential to ensure that the scope of Audit work and its objectives are understood, key staff are available to assist Audit delivery, prompt reporting of actions and agreed recommendations are implemented in accordance with time scales.

Audit Services continues to develop opportunities to streamline service delivery through the use of IT and the remote capture of information to assist in maximising the effectiveness of Audit resources and reduce the impact of Audit visits on operational staff.

The Unit has a Quality Assurance and Improvement Programme, which is required by the PSIAS, that includes arrangements for the ongoing management, supervision, review and delivery of Audit work, facilitates feedback from clients and measurement of performance.

Annual Audit Report

The Audit Services' Annual Report draws together the results of the work undertaken against the approved Audit Plan and is a requirement of the PSIAS which states that the *'chief audit executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.'*

The Annual Report incorporates:

- the opinion;
- a summary of the work that supports the opinion; and
- a statement on conformance with the PSIAS and the results of the quality assurance and improvement programme.

External Audit

Mazars LLP acts as the Council's External Auditors and we will work with them in accordance with the agreed External and Internal Audit Protocol. The findings from work carried out by Audit Services is used by External Audit to inform their risk assessment and develop their programme of work. This in turn supports their assessment that the statement of accounts fairly presents the Council's financial position and the adequacy of arrangements for ensuring the Council's economic, efficient and effective use of resources. The findings of Audit Services' work is a key contributor to the Council's Annual Governance Statement.

DERBYSHIRE AUDIT SERVICES
INTERNAL AUDIT PLAN 2020/21

The information summarized below by Service Department identifies our work for the year totalling 2,884 days and the expected outcomes of that work for the Council.

Key to Level of Risk: H - High, M - Medium, L - Low

Corporate Activities

It is intended to spend 1,060 days on the Audit of Corporate Activities which will be allocated over the following areas:-

Audit Area	Level of Risk	Audit Days	Expected Outcomes
Corporate Projects			Provision of an assurance to Executive Directors and Members with regard to the identified Audit areas.
• Workforce Development/Succession Planning	H	30	Review of the adequacy and effectiveness of systems in place to identify significant workforce issues, develop appropriate skill sets and workforce capacity.
• Cyber Security	H	30	Assessment of the adequacy and effectiveness of systems in place to protect information systems (hardware, software and associated infrastructure), the data on them and the services they provide, from unauthorised access, harm or misuse whether intentional or accidental.
• Audit of Corporate Culture	H	30	Evaluation of the adequacy and effectiveness of governance arrangements, communication and ethics which underpin the purpose, vision, values and priorities of the Council.
• Climate Change	H	30	Review of the adequacy and effectiveness of systems in place to respond to climate change initiatives including the identification of risks, threats and opportunities.
• Major Incident Response	M/H	30	Assessment of the adequacy and effectiveness of systems in place to respond to a major incident/emergency.
• Maintenance of Council Properties	M/H	30	Evaluation of the adequacy and effectiveness of systems in place to ensure that properties are safe, properly and adequately maintained.

Key to Level of Risk: H - High, M - Medium, L - Low

Audit Area	Level of Risk	Audit Days	Expected Outcomes
• New Delivery & Commissioning Models/Partnership Working	M/H	30	Review of the adequacy and effectiveness of systems in place to assess new and changes to delivery models including partnership working, and the monitoring of outcomes. Supports the Enterprising Council approach.
• Data Protection Compliance	M/H	20	Evaluation of the adequacy and effectiveness of systems in place to ensure compliance with statutory requirements and particularly the General Data Protection Regulation.
• Supply Chain Failure	M/H	20	Review of the adequacy and effectiveness of systems in place to monitor supplier resilience, commissioning arrangements and contingency planning.
• Health and Safety & Wellbeing	M/H	20	Assessment of the adequacy and effectiveness of systems in place to ensure compliance with statutory requirements and promote employee wellbeing.
• Serious and Organised Crime	M/H	10	Evaluation of the adequacy and effectiveness of systems in place to protect procurement arrangements from infiltration by serious and organised crime groups.
• D2N2 LEP	M	50	Provision of internal audit as part of the Council's Accountable Body responsibilities.
• emPSN (SCo & ICo)	M	5	Attendance at Audit Committee meetings for both companies as the Council's appointee as a contributor to the adequacy and effectiveness of systems and internal controls in place to deliver the objectives of this collaborative project to Derbyshire schools.
Corporate Governance including:-			
• Embedding Corporate Governance	H	40	Attendance and support to the Council's Audit Committee and Governance Group. Work to support the production of the Annual Governance Statement and embedding the principles of good Corporate Governance throughout the Council.
• Business Continuity Planning	H	20	Assessment of the arrangements to ensure that the Council can maintain the provision of essential services in the event of a major disaster/disruption to facilities.

Key to Level of Risk: H - High, M - Medium, L - Low

Audit Area	Level of Risk	Audit Days	Expected Outcomes
• Corporate Health Check	H	20	Strategic review of the overall control environment including compliance with key legislative requirements.
• Information Governance Group and Support	H	20	Attendance and support to the Council’s Information Governance Group, review of associated IT security policies and the maintenance of the Information Security Management System.
Corporate Fraud Prevention *High Risk*	H	425	Part of the Council’s Corporate Fraud Prevention culture including liaison with External Audit, National Fraud Initiative, National Anti-Fraud Network, RIPA/IPA management and the provision for investigative reviews of areas of irregularity/suspected fraud identified within the year.
Audit Contingency	-	200	A 7% contingency for unforeseen work and to mitigate the impact of vacancies within the Unit.

Key to Level of Risk: H - High, M - Medium, L - Low

Commissioning, Communities and Policy Department

It is intended to spend 705 days on the Audit of the Commissioning, Communities and Policy Department which will be allocated over the following areas:-

Audit Area	Level of Risk	Audit Days	Expected Outcomes
			Provision of an assurance to the Executive Director of Commissioning, Communities and Policy and Members with regard to the identified Audit areas.
Departmental Review Management & Administration	M	60	Review of key Departmental systems and processes to assess and ensure the:- • continued, effective operation of core systems within the Department, • consistent application and dissemination of the Council's Policy framework, • compliance with internal and external regulatory requirements, • effective discharge within the Department of delegated responsibilities/requirements in relation to Corporate Governance, • effective operation of financial systems, • effectiveness of risk management arrangements.
External Grants and Certifications	M/H	10	Review and certification of grant claims to support external funding.
Information Security Reviews (including follow up reviews)	M/H	45	IT solution testing and head office visits to ensure systems incorporate core data protection principles, and do not compromise the Council's ISO27001 accreditation in accordance with the requirements of the protocol developed with the Director of Finance & ICT.
Themed and Operational			
• Implementation of ICT Strategy	M/H	25	))))
• Communications and Call Derbyshire	M/H	25	) Provision of an assurance on the adequacy and effectiveness of systems in) operation, risk management and the overall control environment.

Key to Level of Risk: H - High, M - Medium, L - Low

Audit Area	Level of Risk	Audit Days	Expected Outcomes
• Democratic Services	M	25	))
• Public Library Service	M/L	5	)
Divisional Activity			
Corporate Finance			
Major Systems	H	285	Annual reviews of the Council's key financial systems including human resources, accounts payable, accounts receivable, Corporate purchasing, accountancy and budgetary control, assets and funds management.
Probity and Compliance	M/H	95	Assessment of the overall level of compliance with key statutory/legislative requirements and the probity of systems and adequacy of internal controls relating to pensions administration, the movement of cash, ISO27001 and GDPR compliance together with the adequacy of insurance and risk management arrangements.
Corporate/Departmental ICT Services	M/H	90	Includes assessment of new and existing IT system development controls together with specific reviews of the network infrastructure, BACSTEL–IP application, database and server management.
County Property	M/H	20	Review of key systems operated within the Property Division and Business Units.
Regulatory Registration Service	M/L	20	Provision of an assurance on the adequacy and effectiveness of systems in operation and the overall control environment.

Key to Level of Risk: H - High, M - Medium, L - Low

Children's Services Department

It is intended to spend 650 days on the Audit of the Children's Services Department which will be allocated over the following areas:-

Audit Area	Level of Risk	Audit Days	Expected Outcomes
			Provision of an assurance to the Executive Director of Children's Services and Members with regard to the identified Audit areas.
Departmental Review Management & Administration	M	45	Review of key Departmental systems and processes to assess and ensure the:- • continued, effective operation of core systems within the Department, • consistent application and dissemination of the Council's Policy framework, • compliance with internal and external regulatory requirements, • effective discharge within the Department of delegated responsibilities/requirements in relation to Corporate Governance, • effective operation of financial systems, • effectiveness of risk management arrangements.
Information Security Reviews (including follow up reviews)	M/H	35	IT solution testing and head office visits to ensure systems incorporate core data protection principles, and do not compromise the Council's ISO27001 accreditation in accordance with the requirements of the protocol developed with the Director of Finance & ICT.
Schools Nursery, Primary and Special	M/H	348	Provision of an assurance to Governors and the Corporate Authority regarding the adequacy and effectiveness of governance arrangements, financial systems and other operational procedures. Also to discharge the Section 151 Officer's duty to ensure compliance with auditing requirements as specified by the DfE. (4 Nursery School, 75 Primary School, 3 Special School and 8 Secondary School visits are planned). The period between Audit visits is normally four years for primary and special schools and three years for secondary schools. However, in those instances where significant problems have been identified, which have reduced the level of assurance given, visits will be made on an annual basis to work with the school to improve the control environment.
Secondary *Medium/High Risk*	M/H	56	

Key to Level of Risk: H - High, M - Medium, L - Low

Audit Area	Level of Risk	Audit Days	Expected Outcomes
Information Security Reviews	M/H	35	IT solution testing and head office visits to ensure systems incorporate core data protection principles, and do not compromise the Council's ISO27001 accreditation in accordance with the requirements of the protocol developed with the Director of Finance & ICT.
Children's Homes	M/H	16	Review of the adequacy and effectiveness of systems in operation and the overall control environment to support vulnerable children and young adults. 4 settings will be reviewed.
Derbyshire Outdoors	M/L	10	Review of the adequacy and effectiveness of systems in operation and the overall control environment.
Themed and Operational			
• Use of Personal Budgets and Children with SEND	H	25	) Provision of an assurance on the adequacy and effectiveness of systems in operation, risk management and the overall control environment.
• Adult Community Education	M/H	25	)
• Derbyshire Music Partnership	M/L	25	)
• Troubled Families Programme	M/L	30	Review and certification of grant claims to support external funding.

Key to Level of Risk: H - High, M - Medium, L - Low

Adult Social Care and Health

It is intended to spend 299 days on the Audit of the Adult Social Care and Health Department which will be allocated over the following areas:-

Audit Area	Level of Risk	Audit Days	Expected Outcomes
			Provision of an assurance to the Executive Director of Adult Social Care and Health and Members with regard to the identified Audit areas.
Departmental Review Management & Administration	M	45	Review of key Departmental systems and processes to assess and ensure the:- • continued, effective operation of core systems within the Department, • consistent application and dissemination of the Council's Policy framework, • compliance with internal and external regulatory requirements, • effective discharge within the Department of delegated responsibilities/requirements in relation to Corporate Governance, • effective operation of financial systems, • effectiveness of risk management arrangements.
Public Health	M/H	25	Provision of an assurance on the adequacy and effectiveness of systems in operation, risk management and the overall control environment.
Information Security Reviews (including follow up reviews)	M/H	70	IT solution testing and head office visits to ensure systems incorporate core data protection principles, and do not compromise the Council's ISO27001 accreditation in accordance with the requirements of the protocol developed with the Director of Finance & ICT.
Social Care			
Elderly Residential	M/H	24	)
			) Provide an assurance regarding the adequacy and effectiveness of systems in
Physical/Mental Disability	M/H	24	) operation and the overall control environment. The period between Audit visits for
			) establishments is normally set at two years except where significant problems have
Day Care & Hostels	M/H	20	) been identified which have reduced the level of assurance given and where, as a
			) result, visits will be made on an annual basis.
Community Care Centres	M/H	16	)

Key to Level of Risk: H - High, M - Medium, L - Low

Audit Area	Level of Risk	Audit Days	Expected Outcomes
Themed and Operational			
• Review of Quality Assurance Framework	H	25	) Provision of an assurance on the adequacy and effectiveness of systems in operation, risk management and the overall control environment.
• Direct Payments	H	25	)
• Delayed Transfers of Care and Data Accuracy	M/H	25	)

Key to Level of Risk: H - High, M - Medium, L - Low

Economy, Transport and Environment

It is intended to spend 170 days on the Audit of the Economy, Transport and Environment Department which will be allocated over the following areas:-

Audit Area	Level of Risk	Audit Days	Expected Outcomes
Departmental Review Management & Administration	M	45	Provision of an assurance to the Executive Director of Economy, Transport and Environment and Members with regard to the identified Audit areas. Review of key Departmental systems and processes to assess and ensure the:- • continued, effective operation of core systems within the Department, • consistent application and dissemination of the Council's Policy framework, • compliance with internal and external regulatory requirements, • effective discharge within the Department of delegated responsibilities/requirements in relation to Corporate Governance, • effective operation of financial systems, • effectiveness of risk management arrangements.
Information Security Reviews (including follow up reviews)	M/H	15	IT solution testing and head office visits to ensure systems incorporate core data protection principles, and do not compromise the Council's ISO27001 accreditation in accordance with the requirements of the protocol developed with the Director of Finance & ICT.
Themed and Operational			
• Public Transport and Procurement of Taxis (including Vetting of Contractors)	M/H	25	) Provision of an assurance on the adequacy and effectiveness of systems in operation, risk management and the overall control environment.
• Waste Management	M/H	25	)
• Inspection and Control of Highways Assets	M/H	25	)

Key to Level of Risk: H - High, M - Medium, L - Low

Audit Area	Level of Risk	Audit Days	Expected Outcomes
• Concessionary Fares	M/H	20	))
• Grants	M/H	15	)

Page 337

This page is intentionally left blank

Agenda Item No.5 (b)

DERBYSHIRE COUNTY COUNCIL

AUDIT COMMITTEE MEETING

24 March 2020

Report of the Assistant Director of Finance (Audit)

QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME

1. Purpose of Report

To inform Members of the review of the Audit Services Unit's Quality Assurance and Improvement Programme (QAIP).

2. Information & Analysis

At the meeting of the Audit Committee on 22 November 2017 Members noted the Audit Services Unit's QAIP. The implementation of the Public Sector Internal Audit Standards (PSIAS) from 1 April 2013 requires that the 'chief audit executive (Assistant Director of Finance (Audit)) must develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity.

A quality assurance and improvement programme is designed to enable an evaluation of the internal audit activity's compliance with the *Standards* and an evaluation of whether internal auditors apply the *Code of Ethics*. The programme also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement. The chief audit executive should encourage board oversight in the quality assurance and improvement programme.'

In addition the QAIP must include both internal and external assessments of internal audit activity. Internal assessments must include ongoing monitoring of performance and periodic self-assessments or assessments by other persons within the organisation with sufficient knowledge of internal audit practices. External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation.

The Director of Finance & ICT undertakes a review of the effectiveness of the system of internal control. This included a review of the Audit Services self-assessment of performance against the recommended checklist provided by the Chartered Institute of Public Finance and Accountancy (Cipfa) in the Local Government Application Note for the UK PSIAS. The Director of Finance & ICT confirmed that 'I am of the opinion that it is a sound assessment of Audit's and the Council's adherence to PSIAS'.

Members are aware that Cipfa's consultancy service (C.Co) was selected to undertake the external assessment of Audit Services. This assessment was carried out on the basis of a self-assessment with independent external validation.

On 10 December 2019 Mr Ian Kirby, C.Co Programme Director, presented the report arising from this review to the Audit Committee which judged Audit Services as compliant with the PSIAS overall and in each of the four areas of focus assessed. The assessment team's report includes several advisory opportunities to enhance the internal audit service which are the subject of a separate report to this meeting.

Attached to this Report at Appendix 1 is the Unit's QAIP which sets out the procedures for the ongoing monitoring, supervision, review and measurement of Audit Services' activity. It also includes arrangements for both internal and external assessments of Audit Services activity.

The QAIP will also be incorporated into the Unit's Audit Manual which will be reviewed during the current year.

3. Considerations

In preparing this report the relevance of the following factors has been considered: financial, legal, prevention of crime and disorder, equality and diversity, human resources, environmental, health, property and transport considerations.

4. Background Papers

A file held by the Assistant Director of Finance (Audit).

5. Officer's Recommendation

That the Audit Committee notes the Audit Services Unit's QAIP.

Carl Hardman
Assistant Director of Finance (Audit)

DERBYSHIRE COUNTY COUNCIL

AUDIT SERVICES

QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME

CARL HARDMAN
Assistant Director of Finance (Audit)

DERBYSHIRE
County Council

Background

The International Standards for the Professional Practice of Internal Auditing require that the:-

- chief audit executive must develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit activity;

- quality assurance and improvement program must include both internal and external assessments;

- chief audit executive must communicate the results of the quality assurance and improvement program to senior management and the board. Disclosure should include:
  - the scope and frequency of both the internal and external assessments;
  - the qualifications and independence of the assessor(s) or assessment team, including potential conflicts of interest;
  - conclusions of assessors;
  - corrective action plans.

The Public Sector Internal Auditing Standards (PSIAS) define the requirements for a Quality Assurance and Improvement Programme and outline the scope of the programme

The chief audit executive must develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity.

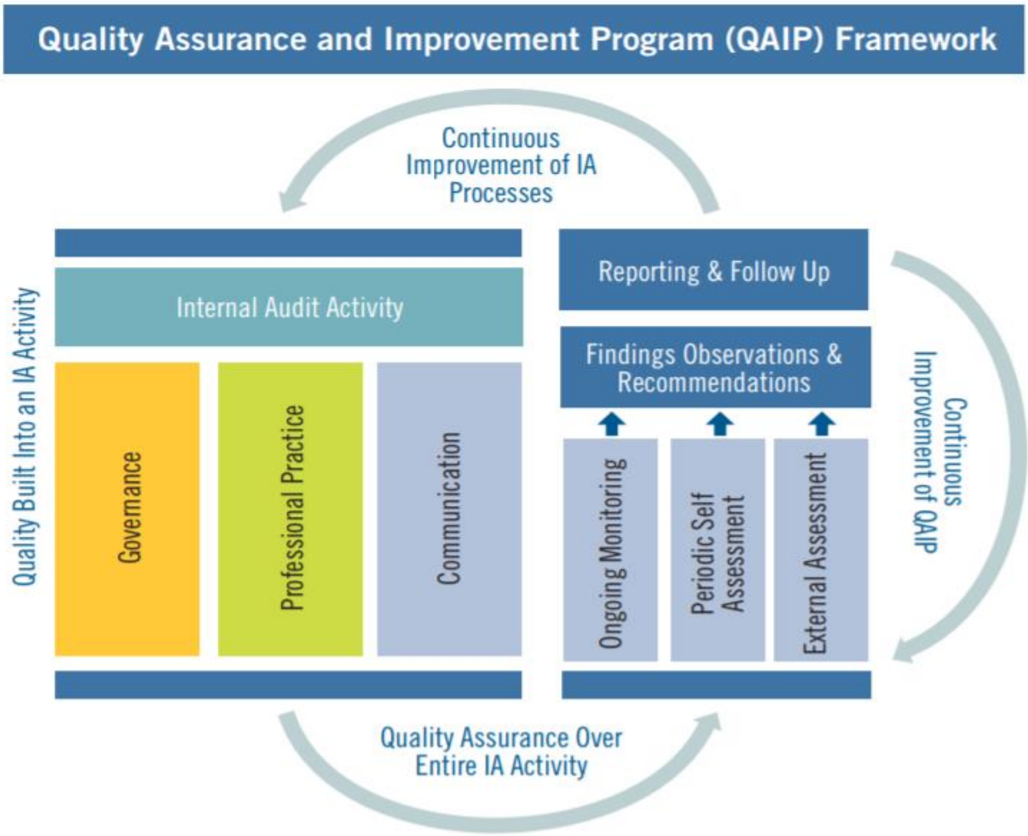
A quality assurance and improvement programme is designed to enable an evaluation of the internal audit activity's conformance with the Standards and an evaluation of whether internal auditors apply the Code of Ethics. The programme also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement. The chief audit executive should encourage board oversight in the quality assurance and improvement programme

Purpose

Audit Services' Quality Assurance and Improvement Programme (QAIP) is designed to provide reasonable assurance to its key stakeholders that the Unit:

- Performs its work in accordance with its Charter and is consistent with the PSIAS;
- Operates in an effective and efficient manner;
- Is adding value and continually improving the service that it provides.

The Assistant Director of Finance (Audit) is responsible for maintaining this QAIP which covers all aspects of Audit Services' activity and is based upon the IIA's framework as shown below.



Internal Quality Assurance Assessments

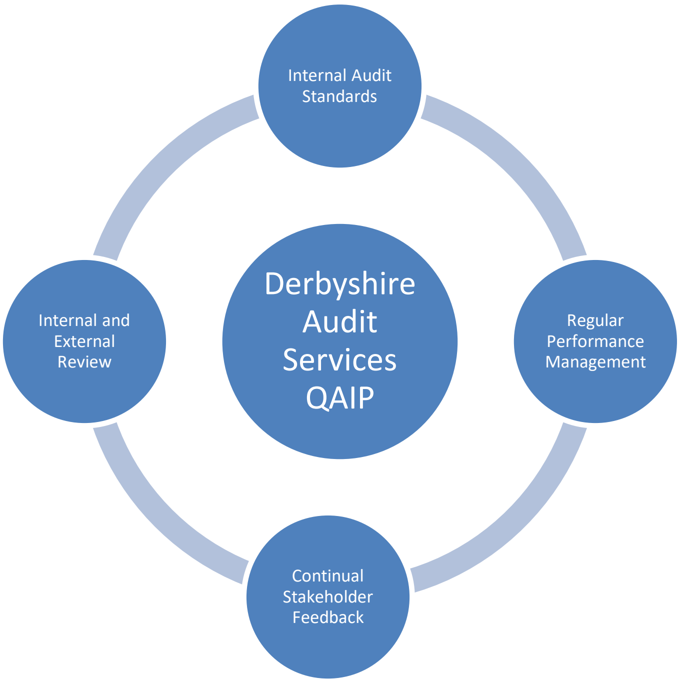
Internal assessment includes both ongoing and periodic reviews of Audit work.

Ongoing Quality Assurance Arrangements

Ongoing assessments are conducted through:

- Applying relevant Audit policies and procedures, including those set out in the Derbyshire Audit Services Audit Manual, to ensure applicable Audit planning, fieldwork and reporting quality standards are met;
- Requirement for all Audit staff to conform to the Code of Ethics and the Council's code of Conduct for Employees;
- Supervision of individual Audit assignments;
- Documented review of working papers by appropriate Audit staff;
- Review of all Reports/Memoranda by appropriate Audit staff prior to issue;
- Induction programmes;
- Regular MyPlan appraisals;
- Maintenance of training records;
- Performance monitoring by the Audit Services Management Team;
- Feedback from Client Satisfaction Questionnaires (CSQ) on Audit assignments;

- Key Performance Indicators (KPIs) reported to the Audit Committee and Senior Management.



The Assistant Director of Finance (Audit) is responsible for assigning Audit staff to projects included in the approved Audit Plan. In assigning work to an individual Auditor consideration is given to their level of skills, experience and competence and an appropriate level of supervision will be provided.

Reviews of working papers, Audit Memoranda/Reports and feedback from CSQs will be discussed with Audit staff and inform formal MyPlan appraisals. KPIs for Audit Services are agreed with the Audit Committee and Senior Management. The priorities for Audit Services are reviewed and refreshed each year as part of the Council's annual planning cycle, and included in the Commissioning, Communities and Policy Department and Corporate Finance and ICT Division's Service Plans.

Periodic Reviews

Periodic assessments are conducted to evaluate conformance with the Audit Charter, the PSIAS, Definition of Internal Auditing and the Code of Ethics. These will be conducted through:-

- Annual self-assessment of conformance with the PSIAS and Code of Ethics by the Assistant Director of Finance (Audit);
- Review of self-assessment by the Director of Finance & ICT as part of the annual review of the effectiveness of the system of internal control;
- Review of KPIs and CSQs by the Assistant Director of Finance (Audit);
- Activity and performance reporting to the Audit Committee including actual and planned audit days, assurance levels and recommendations made, agreed and implemented.

External Quality Assurance Assessments

An external assessment will be conducted at least once every five years as required by the PSIAS. This assessment will appraise and express an opinion regarding Audit Services' compliance with the PSIAS and include any recommendations for improvement.

The Assistant Director of Finance (Audit) will consider what form of external assessment is most appropriate eg full external assessment or a self-assessment with independent validation. The scope of any external assessment will be agreed with the Chair of the Audit Committee, Director of Finance & ICT and the appointed external assessor.

Before appointing an external assessor the Assistant Director of Finance (Audit) will have confirmed with the Chair of the Audit Committee that the assessor is competent in the area of professional internal auditing practices and the external assessment process. In determining competence the Assistant Director of Finance (Audit) will consider the level of experience gained in organisations of similar size, and if in doubt will seek advice from the Chartered Institute of Public Finance and Accountancy.

For an external assessment to provide a truly independent view, it is important that the appointed assessor has no real or apparent conflict of interest with the Council in general or the Audit Services Unit in particular. The Assistant Director of Finance (Audit) will be alert to this risk when appointing the external assessor.

Reporting

The outcome of any external assessment or periodic internal assessment (notably the annual review of the effectiveness of the system of internal control) will be reported to the Audit Committee and Director of Finance & ICT on completion.

The Assistant Director of Finance (Audit) will take appropriate action to ensure that recommendations for improvement identified as a result of periodic internal or external assessments are implemented as appropriate.

Progress in implementing agreed improvement plans will be included as part of the Assistant Director of Finance (Audit)'s regular reporting to the Audit Committee.

This page is intentionally left blank

Agenda Item No.6

DERBYSHIRE COUNTY COUNCIL

AUDIT COMMITTEE MEETING

24 March 2020

Report of the Director of Finance & ICT and Assistant Director of Finance (Audit)

EXTERNAL REVIEW OF AUDIT SERVICES

1. Purpose of Report

To inform Members of the review of advisory actions contained in the report produced following assessment of the Audit Services Unit's compliance with the Public Sector Internal Audit Standards (PSIAS).

2. Information & Analysis

The PSIAS are based on the mandatory elements of the International Professional Practices Framework (IPPF) of the Global Institute of Internal Auditors (IIA), and intended to promote further improvement in the professionalism, quality, consistency and effectiveness of internal audit across the public sector. The Standards recognise that a professional, independent and objective internal audit service is one of the key elements of good governance.

The objectives of the PSIAS are to:-

- define the nature of internal auditing within the UK public sector;
- set basic principles for carrying our internal audit in the UK public sector;
- establish a framework for providing internal audit services, which add value to the organisation, leading to improved organisational processes and operations;
- establish the basis for the evaluation of internal audit performance and to drive improvement planning.

The Chartered Institute of Public Finance and Accountancy's (Cipfa) consultancy service (C.Co) was selected to undertake the external assessment. This assessment was carried out on the basis of a self-assessment with independent external validation.

Following the assessment Audit Services are judged as compliant with the PSIAS overall and in each of the four areas of focus assessed. At the meeting of the Audit Committee held on 10 December 2019 Mr Ian Kirby, C.Co Programme Director, presented the report arising from the review to Members.

The report includes several advisory opportunities to enhance the internal audit service which are detailed at Appendix 1 along with the response from Audit Services and any actions arising from that response.

3. Considerations

In preparing this report the relevance of the following factors has been considered: financial, legal, prevention of crime and disorder, equality and diversity, human resources, environmental, health, property and transport considerations.

4. Background Papers

A file held by the Assistant Director of Finance (Audit).

5. Officers' Recommendation

That the Committee note the opportunities to enhance the internal audit service identified by the external assessment, the response from Audit Services and any actions arising from that response.

Peter Handford	**Carl Hardman**
Director of Finance & ICT	**Assistant Director of Finance (Audit)**

EXTERNAL REVIEW OF DERBYSHIRE AUDIT SERVICES – RESPONSES TO ADVISORY OPPORTUNITIES

Appendix 1

Cipfa C.Co Advisory Opportunity	Audit Services Response	Current Position
It is our view that Internal Audit Service's approach to risk-based audit planning and its ability to respond to the organisation's emerging risks is reviewed alongside the development of the organisation's developing risk maturity.	The Audit Plan is informed by both Corporate and Departmental risks. As acknowledged by Cipfa C.Co a move towards a fully risk based Plan would mean that some parts of the Council would never be audited, representing a risk in itself. The Assistant Director of Finance (Audit) is required to give an annual internal audit opinion which must conclude on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control. This opinion must be supported by a breadth of Audit work. The Assistant Director of Finance (Audit) meets regularly with Corporate Management Team, Executive Directors and Directors which enables new and emerging risks to be considered, prioritised and inform Audit planning.	Continue to ensure that Audit work focuses on the Council's key risks as its risk maturity develops.
It is our view that Internal Audit Plan development and delivery would benefit from a formal assurance mapping exercise and subsequent evaluation of which, if any, other forms of assurance the Service would place reliance on to reduce their own coverage in particular service areas.	The principle of assurance mapping is accepted where other forms of assurance are robust and reliable.	Assurance mapping has been considered as part of revisions to the Unit's approach to school audits and will be developed in other areas where appropriate.
In reviewing the approach to the development and delivery of the Audit Plan, the Chief Audit Executive should review the level of contingency within it.	During recent years the Unit has experienced particular difficulties in recruiting staff which has impacted on the delivery of the Audit Plan. Until recently the provision of a 5% contingency has been appropriate.	The Unit currently has a vacant Senior Auditor post and seeks to deliver as many productive days as possible to cover the Council's key areas of governance, risk management and control. However, due to known staffing constraints and the increased training requirements of new staff the level of contingency will be increased in the short term.
It is suggested that the current practice of including low value recommendations within final audit reports is reviewed.	The Unit has a clear priority rating for the ranking of Audit recommendations which is included in our outputs. The priority ratings may escalate if deficiencies in control are not addressed. It is important that Members and Senior Management are aware of the nature and extent of Audit findings.	No changes to current procedures proposed.
The Service should undertake a review of its process/approach for following up audit recommendations.	Recommendations are normally followed up at the next Audit in that area. The Unit piloted an approach of following up recommendations for Departmental Projects as part of Departmental reviews but this proved to be resource intensive. Management have a responsibility to implement Audit recommendations and the recently introduced recommendation tracking system seeks Management assurances on the progress of recommendations. Where there are particularly significant recommendations these will be specifically followed up.	No changes to current procedures proposed.
Consider the development of an appropriate terms of reference, utilising the current project brief, as a means of enhancing the audit process overall.	Audit notify Executive Directors and Directors of forthcoming reviews by email in accordance with the protocol agreed with Corporate Management Team. These emails also contain an outline of the scope of the Audit and offer the opportunity for Senior Management to contribute to that. Audit work should not be restricted by Senior Management consent.	Review opportunity to further develop dialogue with Senior Management using the Project Brief.

EXTERNAL REVIEW OF DERBYSHIRE AUDIT SERVICES – RESPONSES TO ADVISORY OPPORTUNITIES

Appendix 1

Cipfa C.Co Advisory Opportunity	Audit Services Response	Current Position
The Service should clearly define its approach and ability to deliver internal consultancy and undertake an awareness campaign utilising internal communications or an e-brochure to raise the positive profile of the Service and alert the rest of the organisation to where and how the Service can support.	Audit Services is involved in a wide variety of advisory work across the whole of the Council's operations which is valued by Members and Senior Management.	Review and assess the opportunities to publicise advisory/consultancy work which can be undertaken by Audit Services.
In reviewing its key performance indicators, it is suggested that the following indicators should be retained or developed as part of this review: • **Elapsed time** – this is start and finish time of the audit assignment overall and reflects the value of an audit being completed within an appropriate timescale. • **Implementation of recommendations** – although the implementation of recommendations is not the responsibility of Internal Audit, this measure is more reflective of the impact of Internal Audit on the control environment, the quality of its recommendations and highlights where managers have failed to implement. It also links into our suggestion of the review of the 'follow up' of recommendations. • **Plan delivery** – a measure of progress that enables regular discussion about factors such as resourcing that impact on the delivery of Plan. • **Delivery within planned days** – a measure that highlights the ability to plan and deliver the time allocation for audits appropriately • **Draft to Final Report turnaround** – again not all in the gift of Internal Audit but a useful measure to highlight where any 'sign-off' blocks exist and that the Final report is the key audit 'product'.	Audit Services currently produce key performance indicators which are reported to the Corporate Finance & ICT Management Team.	At the time of the external review the Assistant Director of Finance (Audit) was considering the further development of key performance indicators which are detailed at Appendix 2.
Review and revise the Internal Audit declaration of interest form in advance of the next round of completion.	Declaration of interest forms are currently completed on an annual basis or when declarations change.	The current declaration of interest form will be revised to include: • the nature of a declared relationship (spouse, mother, daughter etc) although this is often included; • mitigating actions taken by Senior Audit Management; • a more explicit statement relating to knowledge of and conformance with the Code of Ethics set out in the Public Sector Internal Audit Standards and any relevant professional body.
In order to inform the annual appraisal of the Chief Audit Executive a formal process should be established to obtain appropriate feedback from the Audit Committee Chair.	The Director of Finance & ICT undertakes the MyPlan process for the Assistant Director of Finance (Audit) setting objectives and reviewing progress.	

AUDIT SERVICES KEY PERFORMANCE INDICATORS

Appendix 2

Indicator	Target	Frequency	Reported To	Comments
Audit Plan – Achievement of planned Audit days	95%	3 times per year	Corporate Finance & ICT Management Team	Included in Annual Audit Report
Staff Productivity – Achievement of target Audit days	95%	3 times per year	Corporate Finance & ICT Management Team	Included in Annual Audit Report
Audit Assurance – To provide an assurance to the Authority on the adequacy and effectiveness of risk management, control and governance processes		3 times per year	Corporate Finance & ICT Management Team	Included in Annual Audit Report
Client Satisfaction – Percentage of questionnaire responses rating the Audit Product as good or very good		3 times per year	Corporate Finance & ICT Management Team	Included in Annual Audit Report
Annual Survey of Key Stakeholders		Annual	Audit Committee	Included in Annual Audit Report
Delivery of Audit Opinion to Management and Audit Committee in time to inform AGS		Annual	Audit Committee	Included in Annual Audit Report
Completion of Audit staff MyPlan reviews and training identified		Main review and follow up each year	Audit Management Team	
Undertake a risk based Annual Audit Plan formulation exercise		Annual	Audit Committee	Included in Annual Audit Report
Undertake quality assurance reviews of Audits		1 for each Principal Auditor per year	Audit Management Team	Included in Annual Audit Report
Limited Audit Opinions reviewed by Assistant Director of Finance (Audit)	Within 10 days of completion of Draft Memorandum	As required	Audit Management Team	Included in Annual Audit Report
Percentage of Draft Audit Memoranda issued within 15 working days of fieldwork completion	95%	Ongoing	Audit Management Team	Included in Annual Audit Report
Percentage of Final Audit Memoranda issued within 28 days of issue of Draft Audit Memorandum	95%	Ongoing	Audit Management Team	Included in Annual Audit Report

AUDIT SERVICES KEY PERFORMANCE INDICATORS

Appendix 2

Indicator	Target	Frequency	Reported To	Comments
Percentage of Recommendations made which are implemented at the time of follow up Audit	90%	Ongoing	Audit Management Team	Included in Annual Audit Report

Audit Strategy Memorandum

Derbyshire County Council

Year ending 31 March 2020

CONTENTS

Mazars LLP
Park View House
58 The Ropewalk
Nottingham
NG1 5DW

Audit Committee
Derbyshire County Council
County Hall
Matlock
DE4 3AG

24 March 2020

Dear Sirs / Madams

Audit Strategy Memorandum – Year ending 31 March 2020

We are pleased to present our Audit Strategy Memorandum for Derbyshire County Council for the year ending 31 March 2020.

The purpose of this document is to summarise our audit approach, highlight significant audit risks and areas of key judgements and provide you with the details of our audit team. As it is a fundamental requirement that an auditor is, and is seen to be, independent of its clients, Section 7 of this document also summarises our considerations and conclusions on our independence as auditors.

We consider two-way communication with you to be key to a successful audit and important in:

- reaching a mutual understanding of the scope of the audit and the responsibilities of each of us;
- sharing information to assist each of us to fulfil our respective responsibilities;
- providing you with constructive observations arising from the audit process; and
- ensuring that we, as external auditors, gain an understanding of your attitude and views in respect of the internal and external operational, financial, compliance and other risks facing Derbyshire County Council which may affect the audit, including the likelihood of those risks materialising and how they are monitored and managed.

This document, which has been prepared following our initial planning discussions with management, is the basis for discussion of our audit approach, and any questions or input you may have on our approach or role as auditor.

This document also contains specific appendices that outline our key communications with you during the course of the audit, and forthcoming accounting issues and other issues that may be of interest.

Client service is extremely important to us and we strive to continuously provide technical excellence with the highest level of service quality, together with continuous improvement to exceed your expectations so, if you have any concerns or comments about this document or audit approach, please contact me on 07875 974 291.

Yours faithfully

Mark Surridge

Mazars LLP

1. ENGAGEMENT AND RESPONSIBILITIES SUMMARY

Overview of engagement

We are appointed to perform the external audit of Derbyshire County Council (the Council) for the year to 31 March 2020. The scope of our engagement is set out in the Statement of Responsibilities of Auditors and Audited Bodies, issued by Public Sector Audit Appointments Ltd (PSAA) available from the PSAA website: https://www.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/

Our responsibilities

Our responsibilities are principally derived from the Local Audit and Accountability Act 2014 (the 2014 Act) and the Code of Audit Practice issued by the National Audit Office (NAO), as outlined below:

Audit opinion	We are responsible for forming and expressing an opinion on the financial statements. Our audit is planned and performed so to provide reasonable assurance that the financial statements are free from material error and give a true and fair view of the financial performance and position of the Council for the year.
Value for Money	We are required to conclude whether the Council has proper arrangements in place to secure economy, efficiency and effectiveness in it its use of resources. We discuss our approach to Value for Money work further in section 5 of this report.
Reporting to the NAO	We report to the NAO on the consistency of the Council's financial statements with its Whole of Government Accounts (WGA) submission.
Electors' rights	The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and consider any objection made to the accounts. We also have a broad range of reporting responsibilities and powers that are unique to the audit of local authorities in the United Kingdom.

Our audit does not relieve management or those charged with governance, of their responsibilities. The responsibility for safeguarding assets and for the prevention and detection of fraud, error and non-compliance with law or regulations rests with both those charged with governance and management. In accordance with International Standards on Auditing (UK), we plan and perform our audit so as to obtain reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. However our audit should not be relied upon to identify all such misstatements.

As part of our audit procedures in relation to fraud we are required to enquire of those charged with governance as to their knowledge of instances of fraud, the risk of fraud and their views on management controls that mitigate the fraud risks.

The Council is required to prepare its financial statements on a going concern basis by the Code of Practice on Local Authority Accounting. As auditors, we are required to consider the appropriateness of the use of the going concern assumption in the preparation of the financial statements and the adequacy of disclosures made.

For the purpose of our audit, we have identified the Audit Committee as those charged with governance.

2. YOUR AUDIT ENGAGEMENT TEAM

- Mark Surridge, Engagement Lead
- mark.surridge@mazars.co.uk
- 07875 974 291

- John Pressley, Engagement Manager
- john.pressley@mazars.co.uk
- 07909 980 880

- Amber Davidson, In-charge
- amber.davidson@mazars.co.uk
- 0115 964 4744

In accordance with our internal policies for audit quality and risk management, we consider the audit of the Council to be a 'major audit'. As a result, and in line with the requirements of International Standards on Quality Control (ISQC) 1, the firm's Risk Management Partner has appointed an Engagement Quality Control Reviewer (EQCR) to the Council's audit who will bring an additional level of quality control to the engagement team.

3. AUDIT SCOPE, APPROACH AND TIMELINE

Audit scope

Our audit is designed to comply with all professional requirements. Our audit of the financial statements will be conducted in accordance with International Standards on Auditing (UK), relevant ethical and professional standards, our own audit approach and in accordance with the terms of our engagement. Our work is focused on those aspects of your business which we consider to have a higher risk of material misstatement, such as those affected by management judgement and estimation, application of new accounting standards, changes of accounting policy, changes to operations or areas which have been found to contain material errors in the past.

Audit approach

Our audit approach is a risk-based approach primarily driven by the risks we consider to result in a higher risk of material misstatement of the financial statements. Once we have completed our risk assessment, we develop our audit strategy and design audit procedures in response to this assessment.

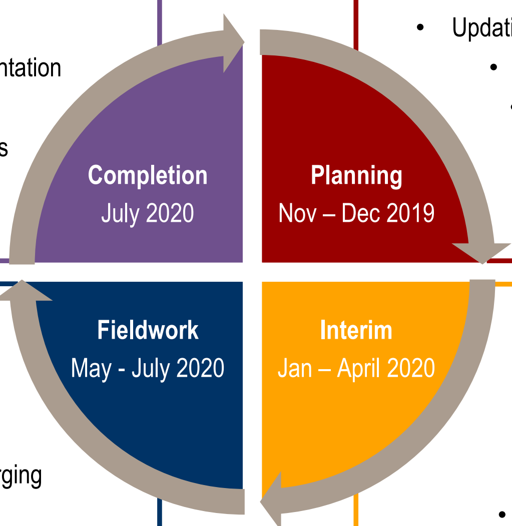
If we conclude that appropriately-designed controls are in place then we may plan to test and rely upon these controls. If we decide controls are not appropriately designed, or we decide it would be more efficient to do so, we may take a wholly substantive approach to our audit testing. Substantive procedures are audit procedures designed to detect material misstatements at the assertion level and comprise tests of details (of classes of transactions, account balances, and disclosures) and substantive analytical procedures. Irrespective of the assessed risks of material misstatement, which take into account our evaluation of the operating effectiveness of controls, we are required to design and perform substantive procedures for each material class of transactions, account balance, and disclosure.

Our audit will be planned and performed so as to provide reasonable assurance that the financial statements are free from material misstatement and give a true and fair view. The concept of materiality and how we define a misstatement is explained in more detail in section 8.

The diagram below outlines the procedures we perform at the different stages of the audit. This is subject to change in light of current public health concerns regarding Covid-19.

- Final review and disclosure checklist of financial statements
- Final partner and EQCR review
- Agreeing content of letter of representation
- Reporting to Audit Committee
- Reviewing post balance sheet events
- Signing our opinion

- Initial opinion and value for money risk assessments
- Updating our understanding of the Council
- Development of our audit strategy
- Agreement of timetables



- Review of draft financial statements
- Reassessment of audit strategy, revising as necessary
- Delivering our planned audit testing
- Continuous communication on emerging issues
- Clearance meeting

- Preliminary analytical procedures
- Considering proposed accounting treatments and accounting policies
- Documenting systems and controls
- Walkthrough procedures
- Controls testing, including general and application IT controls
- Early substantive testing of transactions

3. AUDIT SCOPE, APPROACH AND TIMELINE (CONTINUED)

Reliance on internal audit

Where possible we will seek to utilise the work performed by internal audit to modify the nature, extent and timing of our audit procedures. We will liaise with internal audit regarding the progress and findings of their work prior to the commencement of our controls evaluation procedures.

Management's and our experts

Management makes use of experts in specific areas when preparing the Council's financial statements. We also use experts to assist us to obtain sufficient appropriate audit evidence on specific items of account.

Items of account	Management's expert	Our expert
Defined benefit liability	Actuary (Hymans Robertson)	NAO's consulting partner (PwC)
Property, plant and equipment	Internal valuer	None. We expect to use information from third parties to support our challenge of valuation assumptions.
Financial instrument disclosures	Arlingclose Ltd	None. Assurance provided by the NAO.

Service organisations

International Auditing Standards define service organisations as third party organisations that provide services to the Council that are part of its information systems relevant to financial reporting. We are required to obtain an understanding of the services provided by service organisations as well as evaluating the design and implementation of controls over those services. We have not identified any relevant service organisations.

4. SIGNIFICANT RISKS AND KEY JUDGEMENT AREAS

Following the risk assessment approach discussed in section 3 of this document, we have identified relevant risks to the audit of financial statements. The risks that we identify are categorised as significant, enhanced or standard, as defined below:

Significant risk A significant risk is an identified and assessed risk of material misstatement that, in the auditor's judgment, requires special audit consideration. For any significant risk, the auditor shall obtain an understanding of the entity's controls, including control activities relevant to that risk.

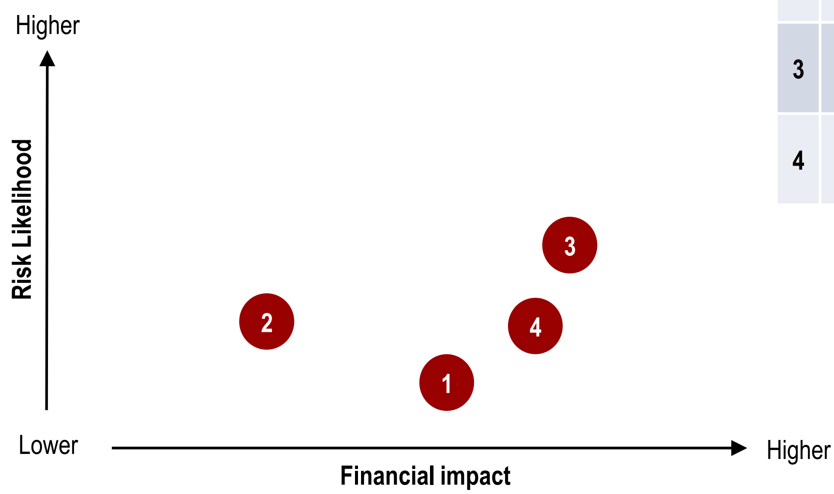
Enhanced risk An enhanced risk is an area of higher assessed risk of material misstatement at audit assertion level other than a significant risk. Enhanced risks incorporate but may not be limited to:

- key areas of management judgement, including accounting estimates which are material but are not considered to give rise to a significant risk of material misstatement; and
- other audit assertion risks arising from significant events or transactions that occurred during the period.

Standard risk This is related to relatively routine, non-complex transactions that tend to be subject to systematic processing and require little management judgement. Although it is considered that there is a risk of material misstatement, there are no elevated or special factors related to the nature, the likely magnitude of the potential misstatements or the likelihood of the risk occurring.

The summary risk assessment, illustrated in the table below, highlights those risks which we deem to be significant. We have summarised our audit response to these risks on the next two pages.

	Risk
1	Management override of control
2	Revenue recognition
3	Property, plant and equipment valuation
4	Defined benefit liability valuation



4. SIGNIFICANT RISKS AND KEY JUDGEMENT AREAS (CONTINUED)

We provide more detail on the identified risks and our testing approach with respect to significant risks in the table below. An audit is a dynamic process, should we change our view of risk or approach to address the identified risks during the course of our audit, we will report this to the Audit Committee.

Significant risks

	Description of risk	Planned response
1	**Management override of controls** Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.	We plan to address the management override of controls risk through performing audit work over accounting estimates, journal entries and significant transactions outside the normal course of business or otherwise unusual.
2	**Revenue recognition** Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. Having considered the factors for revenue recognition and the Council's income streams, we believe the risk is relevant to "fees, charges and other service income". We have applied our judgement and believe the risk is not present in income from interest and investments, council tax, business rates and government grants. In our auditor judgement, we believe the risk is focused on the year-end balance sheet and in particular the existence and accuracy of "fees, charges and other service income" receivables.	We will address this risk by performing work in the following areas: • ensuring the accounting policies in relation to revenue recognition and recognition of accruals are appropriate and consistently applied; • testing year end debtors to confirm that they have been correctly valued and are correctly treated as a debtor of the authority; and • carrying out cut-off testing to confirm income has been charged to the correct accounting year.
3	**Property, plant and equipment valuation** The Council's accounts contain material balances and disclosures relating to its holding of property, plant and equipment, investment properties and assets held for sale, with the majority of land and building assets required to be carried at valuation. Due to high degree of estimation uncertainty associated with those held at valuation, we have determined there is a significant risk in this area.	In relation to the valuation of property, plant & equipment, investment properties and assets held for sale we will: • Critically assess the Council's valuers scope of work, qualifications, objectivity and independence to carry out the required programme of revaluations; • Consider whether the overall revaluation methodology used by the Council's valuer is in line with industry practice, the CIPFA Code of Practice and the Council's accounting policies; • Assess whether valuation movements are in line with market expectations by reference to alternative sources of valuation data to provide information on regional valuation trends; • Critically assess the treatment of the upward and downward revaluations in the Council's financial statements with regards to the requirements of the CIPFA Code of Practice; and • Critically assess the approach that the Council adopts to ensure that assets not subject to revaluation in 2019/20 are materially correct, including considering the robustness of that approach in light of the valuation information reported by the Council's valuer.

4. SIGNIFICANT RISKS AND KEY JUDGEMENT AREAS (CONTINUED)

Significant risks (continued)

	Description of risk	Planned response
4	**Defined benefit liability valuation** The Council's accounts contain material liabilities relating to the Local Government Pension Scheme (LGPS). The Council uses an actuary to provide an annual valuation of these liabilities in line with the requirements of IAS 19 Employee Benefits. Due to the high degree of estimation uncertainty associated with this valuation, we have determined there is a significant risk in this area.	We will address this risk by performing work in the following areas: • reviewing the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund Actuary, and the key assumptions included within the valuation. This included comparing them to expected ranges, utilising information provided by PWC, the consulting actuary engaged by the National Audit Office; • agreeing the data in the IAS 19 valuation report provided by the Fund Actuary for accounting purposes to the pension accounting entries and disclosures in the Council's financial statements; • critically assessed the competency, objectivity and independence of the Derbyshire Pension Fund's Actuary, Hymans Robertson; • liaising with the auditors of the Pension Fund to gain assurance that the controls in place at the Pension Fund are operating effectively. This includes the processes and controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS 19 valuation is complete and accurate; and • performing a walkthrough of payroll transactions at the Council to understand how pension contributions are deducted and paid to the Pension Fund by the Council.

Enhanced risks and key areas of management judgement

Enhanced risks and key areas of management judgement include accounting estimates which are material but are not considered to give rise to a significant risk of material misstatement. These areas of management judgement represent other areas of audit emphasis.

	Area of management judgement	Planned response
1	**Minimum revenue provision (MRP)** Local authorities are normally required each year to set aside some of their revenues as a provision for debt in respect of capital expenditure financed by borrowing or long term credit arrangements, by reference to the prior year's closing Capital Financing Requirement. The amount to be set aside each year is not prescribed although an overarching principle of prudency is expected to be adopted. This is supported by statutory guidance as to how this could be achieved and the Council is required to have regard to this in setting its MRP policy. Management judgement is therefore exercised is determining the level of its prudent provision.	We plan to address this judgement by: • reviewing the Council's MRP policy to ensure that it has been developed with regard to the statutory guidance; • assessing whether the provision has been calculated and recorded in accordance with the Council's policy; • assessing whether the amount provided for the period is appropriate, taking into account the Council's Capital Financing Requirement; and • confirming that any charge has been accounted for in accordance with the Code.
2	**SinFin Waste Recycling** The long-term waste management contract between Derbyshire County Council, Derby City Council and Resource Recovery Solutions came to an end in 2019. Work is underway to determine the condition and capability of the currently non-operational treatment facility. The Council's management will need to make a judgement on how to account for the impact in 2019/20.	We will evaluate the basis of the accounting judgement and the impact on the financial statements for 2019/20 including the adequacy of disclosures.

5. VALUE FOR MONEY

Our approach to Value for Money

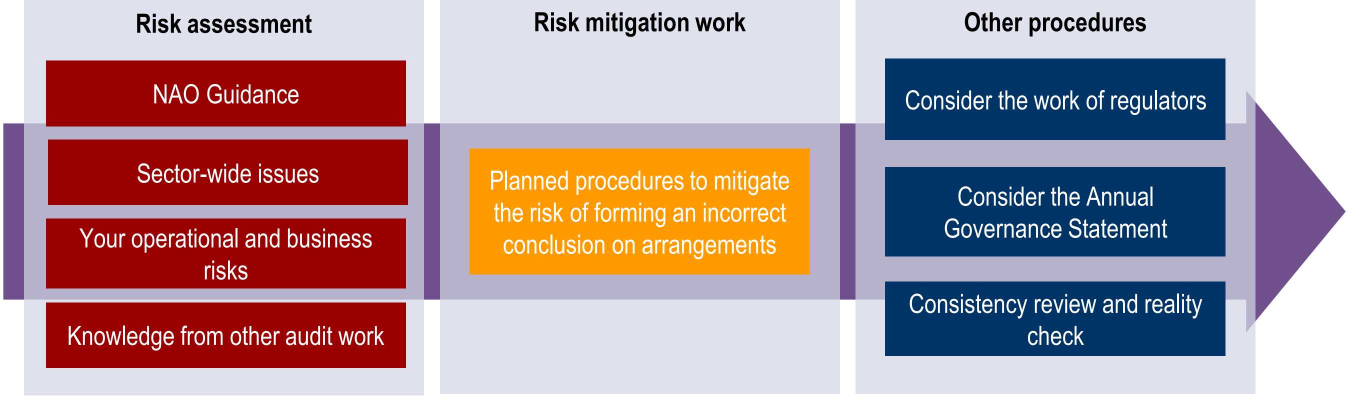
We are required to form a conclusion as to whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out, and sets out the overall criterion and sub-criteria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

The overall criterion is that, 'in all significant respects, the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.'

To assist auditors in reaching a conclusion on this overall criterion, the following sub-criteria are set out by the NAO:

- informed decision making;
- sustainable resource deployment; and
- working with partners and other third parties.

A summary of the work we undertake to reach our conclusion is provided below:



Significant Value for Money risks

The NAO's guidance requires us to carry out work at the planning stage to identify whether or not a Value for Money (VFM) exists. Risk, in the context of our VFM work, is the risk that we come to an incorrect conclusion rather than the risk of the arrangements in place at the Council being inadequate. As outlined above, we draw on our deep understanding of the Council and its partners, the local and national economy and wider knowledge of the public sector.

We have identified a significant VFM planning risk in relation to the acquisition and operation of the Sinfin waste treatment plant. This project is described on the following page.

5. VALUE FOR MONEY (CONTINUED)

	VFM Risk	Relevant VFM Criteria	Planned response
1	**SinFin Waste Recycling** The long-term waste management contract between Derbyshire County Council, Derby City Council and Resource Recovery Solutions came to an end in 2019. The facility was due to be operational in 2017, however this did not happen as intended. Following a sustained period of the Councils asking the funding banks to step-in and get the Waste Recycling facility fully operational, the banks issued a legal notice (called a "No Liquid Market" notice) that brought the contract to an end and the councils did not dispute the notice. Work is underway to determine the condition and capability of the currently non-operational treatment facility.	**Working with partners and other third parties:** Working with third parties effectively to deliver strategic priorities **Informed Decision Making**: Acting in the public interest, through demonstrating and applying the principles and values of sound governance	We will review the governance and decision making in respect of this project before offering our 2019/20 VFM conclusion. In undertaking this work we will consider the timeline of key decisions made by the Council and any reports issued in support of those decisions.

We will continually assess whether any matters come to our attention through the course of our audit that lead us to conclude that a risk to our VFM conclusion does exist and where any such risk is identified, this is due be reported to the Audit Committee in July 2020 in our Audit Completion Report. Whilst our consideration of the following matters have not identified a significant VFM risk to date, we will specifically consider these items before we issue our conclusion:

- Financial sustainability – The Council continues to face financial pressure in the coming years and the Council keeps its medium term financial plan (MTFP) up to date. We will consider the Council's outturn financial position on useable reserves and whether this adversely impacts the Council's financial resilience.
- Work of Inspectors and Regulators such as OFSTED and the CQC.
- The Head of Internal Audit's overall opinion on the Council's Control Environment.
- Disclosures and any significant governance matters reported in the Annual Governance Statement.

6. FEES FOR AUDIT AND OTHER SERVICES

Fees for work as the Council's appointed auditor

The table below shows the scale fees set by Public Sector Audit Appointments (PSAA) as communicated in our fee letter of 26 April 2019.

Service	2018/19 fee	2019/20 fee (as per fee letter)	2019/20 Actual fee
Code audit work	£100,774 plus VAT*	£96,524 plus VAT	TBC

- For 2018/19 we carried out additional audit work to address the risk of material misstatement on the Council's pension liability arising from the actuarial impact of GMP and McCloud, resulting in an additional fee of £750.
- In addition, we agreed an additional fee of £3,500 for the work undertaken in relation to an objection we received from a local elector.

We continually strive to maintain high standards of audit quality. One mechanism for doing this is to consider the outcome of independent quality reviews, in particular by the Financial Reporting Council, of our audit work and that of other audit suppliers. In particular we are planning increases in the level of work we do on:

- defined benefit pension schemes; and
- valuation of property, plant and equipment

We have discussed the driving factors with Council officers and the audit fee for 2019/20 will be revisited to reflect the increased level of work that was not considered when the scale fee was set. Any agreed additional fee is also subject to detailed scrutiny by the PSAA as part of the approval process.

Other audit and assurance fees

In addition to the fees outlined above in relation to our appointment by PSAA, we have been separately engaged by the Council to carry out additional work as set out in the table below. Before agreeing to undertake any additional work we consider whether there are any actual, potential or perceived threats to our independence. Further information about our responsibilities in relation to independence is provided in section 7.

Service	2018/19 fee	2019/20 fee
Other services: Teachers' Pensions	£3,500 plus VAT	TBC*

* Subject to us being engaged to again carry out this work for 2019/20.

7. OUR COMMITMENT TO INDEPENDENCE

We are committed to independence and are required by the Financial Reporting Council to confirm to you at least annually, in writing, that we comply with the Financial Reporting Council's Ethical Standard. In addition, we communicate any matters or relationship which we believe may have a bearing on our independence or the objectivity of the audit team.

Based on the information provided by you and our own internal procedures to safeguard our independence as auditors, we confirm that in our professional judgement there are no relationships between us and any of our related or subsidiary entities, and you and your related entities creating any unacceptable threats to our independence within the regulatory or professional requirements governing us as your auditors.

We have policies and procedures in place which are designed to ensure that we carry out our work with integrity, objectivity and independence. These policies include:

- all partners and staff are required to complete an annual independence declaration;
- all new partners and staff are required to complete an independence confirmation and also complete computer-based ethics training;
- rotation policies covering audit engagement partners and other key members of the audit team;
- use by managers and partners of our client and engagement acceptance system which requires all non-audit services to be approved in advance by the audit engagement partner.

We confirm, as at the date of this document, that the engagement team and others in the firm as appropriate, and Mazars LLP are independent and comply with relevant ethical requirements. However, if at any time you have concerns or questions about our integrity, objectivity or independence please discuss these with Mark Surridge in the first instance.

Prior to the provision of any non-audit services Mark Surridge will undertake appropriate procedures to consider and fully assess the impact that providing the service may have on our auditor independence. Included in this assessment is consideration of Auditor Guidance Note 01 as issued by the NAO, and the PSAA Terms of Appointment.

Principal threats to our independence and identified associated safeguards are set out below. Any emerging independence threats and associated identified safeguards will be communicated in our Audit Completion Report.

Issue	
Teachers' Pension return	We have considered threats and safeguards as follows: • Self Review: The work does not involve the preparation of information that has a material impact upon the financial statements subject to audit by Mazars; • Self Interest: The total fee level is not deemed to be material to the Council or Mazars. The work undertaken is not paid on a contingency basis; • Management: The work does not involve Mazars making any decisions on behalf of management; • Advocacy: The work does not involve Mazars advocating the Council to third parties; • Familiarity: Work is not deemed to give rise to a familiarity threat given this piece of assurance work used to fall under the Audit Commission / PSAA certification regimes and was the responsibility of the Council's appointed auditor; and • Intimidation: The nature of the work does not give rise to any intimidation threat from management to Mazars.

8. MATERIALITY AND MISSTATEMENTS

Summary of initial materiality thresholds

Threshold	Initial threshold (£'000s)
Overall materiality	31,491
Performance materiality	23,618
Trivial threshold for errors to be reported to the Audit Committee	945

Materiality

Materiality is an expression of the relative significance or importance of a particular matter in the context of financial statements as a whole. Misstatements in financial statements are considered to be material if they, individually or in aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Judgements on materiality are made in light of surrounding circumstances and are affected by the size and nature of a misstatement, or a combination of both. Judgements about materiality are based on consideration of the common financial information needs of users as a group and not on specific individual users.

The assessment of what is material is a matter of professional judgement and is affected by our perception of the financial information needs of the users of the financial statements. In making our assessment we assume that users:

- have a reasonable knowledge of business, economic activities and accounts;
- have a willingness to study the information in the financial statements with reasonable diligence;
- understand that financial statements are prepared, presented and audited to levels of materiality;
- recognise the uncertainties inherent in the measurement of amounts based on the use of estimates, judgement and the consideration of future events; and
- will make reasonable economic decisions on the basis of the information in the financial statements.

We consider materiality whilst planning and performing our audit based on quantitative and qualitative factors.

Whilst planning, we make judgements about the size of misstatements which we consider to be material and which provides a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

The materiality determined at the planning stage does not necessarily establish an amount below which uncorrected misstatements, either individually or in aggregate, will be considered as immaterial.

We revise materiality for the financial statements as our audit progresses should we become aware of information that would have caused us to determine a different amount had we been aware of that information at the planning stage.

Our provisional materiality is set based on a benchmark of the 2018/19 total gross expenditure. We have calculated a headline figure for materiality but have also identified separate levels for procedures designed to detect individual errors, and also a level above which all identified errors will be reported to the Audit Committee.

We consider that total gross expenditure at the surplus/deficit on provision of services level remains the key focus of users of the financial statements and, as such, we base our materiality levels around this benchmark.

8. MATERIALITY AND MISSTATEMENTS (CONTINUED)

We have set our materiality threshold at 2% of the benchmark based on the 2018/19 audited financial statements.

Based on the 2018/19 audited financial statements we anticipate the overall materiality for the year ending 31 March 2020 to be £31,491,000.

After setting initial materiality, we continue to monitor materiality throughout the audit to ensure that it is set at an appropriate level.

Performance Materiality

Performance materiality is the amount or amounts set by the auditor at less than materiality for the financial statements as a whole to reduce, to an appropriately low level, the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Our initial assessment of performance materiality is based on relatively low inherent risk, meaning that we have applied 75% of overall materiality as performance materiality. We have therefore set our performance materiality at 75% of our overall materiality being £23,618,000.

As with overall materiality, we will remain aware of the need to change this performance materiality level through the audit to ensure it remains to be set at an appropriate level.

Specific items of lower materiality

We have also calculated materiality for specific classes of transactions, balances or disclosures where we determine that misstatements of a lesser amount than materiality for the financial statements as a whole, could reasonably be expected to influence the decisions of users taken on the basis of the financial statements. We have set specific materiality for the following item of account:

Item of account	Specific materiality
Officers' remuneration	£5,000 *

* Reflecting movement from one salary band to another

Misstatements

We aggregate misstatements identified during the audit that are other than clearly trivial. We set a level of triviality for individual errors identified (a reporting threshold) for reporting to the Audit Committee that is consistent with the level of triviality that we consider would not need to be accumulated because we expect that the accumulation of such amounts would not have a material effect on the financial statements. Based on our preliminary assessment of overall materiality, our proposed triviality threshold is £945,000 based on 3% of overall materiality. If you have any queries about this please do not hesitate to raise these with Mark Surridge.

Reporting to the Audit Committee

To comply with International Standards on Auditing (UK), the following three types of audit differences will be presented to the Audit Committee:

- summary of adjusted audit differences;
- summary of unadjusted audit differences; and
- summary of disclosure differences (adjusted and unadjusted).

APPENDIX A – KEY COMMUNICATION POINTS

ISA (UK) 260 'Communication with Those Charged with Governance', ISA (UK) 265 'Communicating Deficiencies In Internal Control To Those Charged With Governance And Management' and other ISAs (UK) specifically require us to communicate the following:

Required communication	Audit Strategy Memorandum	Audit Completion Report
Our responsibilities in relation to the audit of the financial statements and our wider responsibilities	✓	
Planned scope and timing of the audit	✓	
Significant audit risks and areas of management judgement	✓	
Our commitment to independence	✓	✓
Responsibilities for preventing and detecting errors	✓	
Materiality and misstatements	✓	✓
Fees for audit and other services	✓	
Significant deficiencies in internal control		✓
Significant findings from the audit		✓
Significant matters discussed with management		✓
Our conclusions on the significant audit risks and areas of management judgement		✓
Summary of misstatements		✓
Management representation letter		✓
Our proposed draft audit report		✓

APPENDIX B – FORTHCOMING ACCOUNTING AND OTHER ISSUES

Financial reporting changes relevant to 2019/20

There are no significant changes in the Code of Practice on Local Authority Accounting for the 2019/20 financial year.

Financial reporting changes in future years

Accounting standard	Year of application	Commentary
IFRS 16 – Leases	2020/21	The CIPFA/LASAAC Code Board has determined that the Code of Practice on Local Authority Accounting will adopt the principles of IFRS 16 Leases, for the first time from 2020/21. IFRS 16 will replace the existing leasing standard, IAS 17, and will introduce significant changes to the way bodies account for leases, which will have substantial implications for the majority of public sector bodies. The most significant changes will be in respect of lessee accounting (i.e. where a body leases property or equipment from another entity). The existing distinction between operating and finance leases will be removed and instead, the new standard will require a right of use asset and an associated lease liability to be recognised on the lessee's Balance Sheet. In order to meet the requirements of IFRS 16, all local authorities will need to undertake a significant project that is likely to be time-consuming and potentially complex. There will also be consequential impacts upon capital financing arrangements at many authorities which will need to be identified and addressed at an early stage of the project.

Forthcoming audit changes

Matter	Year of application	Commentary
Value for Money Conclusion	2020/21	The National Audit Office (NAO) has published the final draft of the new Code of Audit Practice 2020, confirming more robust narrative reporting requirement. The new Code comes into effect from April 2020 and will apply to the Council's 2020/21 financial year. There a number of changes to the Code, the most noticeable being the introduction of external audit commentary on a local authority's overall arrangements in securing value for money, with a focus on financial sustainability, governance, and improving value for money.

Audit Strategy Memorandum

Derbyshire Pension Fund
Year ending 31 March 2020

CONTENTS

MAZARS

Mazars LLP
Salvus House,
Aykley Heads,
Durham,
DH1 5TS

Members of Derbyshire County Council's Audit Committee
Derbyshire County Council
County Hall
Matlock
DE4 3AG

24 March 2020

Dear Sirs / Madams

Audit Strategy Memorandum – Year ending 31 March 2019

We are pleased to present our Audit Strategy Memorandum for the Derbyshire Pension Fund (the Fund) for the year ending 31 March 2020

The purpose of this document is to summarise our audit approach, highlight significant audit risks and areas of key judgements and provide you with the details of our audit team. As it is a fundamental requirement that an auditor is, and is seen to be, independent of its clients, Section 6 of this document also summarises our considerations and conclusions on our independence as auditors.

We consider two-way communication with you to be key to a successful audit and important in:

- reaching a mutual understanding of the scope of the audit and the responsibilities of each of us;
- sharing information to assist each of us to fulfil our respective responsibilities;
- providing you with constructive observations arising from the audit process; and
- ensuring that we, as external auditors, gain an understanding of your attitude and views in respect of the internal and external operational, financial, compliance and other risks facing the Fund which may affect the audit, including the likelihood of those risks materialising and how they are monitored and managed.

This document, which has been prepared following our initial planning discussions with management, is the basis for discussion of our audit approach, and any questions or input you may have on our approach or role as auditor.

This document also contains specific appendices that outline our key communications with you during the course of the audit, and forthcoming accounting issues and other issues that may be of interest.

Client service is extremely important to us and we strive to continuously provide technical excellence with the highest level of service quality, together with continuous improvement to exceed your expectations so, if you have any concerns or comments about this document or audit approach, please contact me on 07813 752 053.

Yours faithfully

CWWaddell

Cameron Waddell
Mazars LLP

1. ENGAGEMENT AND RESPONSIBILITIES SUMMARY

Overview of engagement

We are appointed to perform the external audit of the Derbyshire Pension Fund (the Fund) for the year to 31 March 2019. The scope of our engagement is set out in the Statement of Responsibilities of Auditors and Audited Bodies, issued by Public Sector Audit Appointments Ltd (PSAA) available from the PSAA website: https://www.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/

Our responsibilities

Our responsibilities are principally derived from the Local Audit and Accountability Act 2014 (the 2014 Act) and the Code of Audit Practice issued by the National Audit Office (NAO), as outlined below:

Audit opinion

We are responsible for forming and expressing an opinion on the financial statements.

Our audit is planned and performed so to provide reasonable assurance that the financial statements are free from material error and give a true and fair view of the financial performance and position of the Fund for the year.

Consistency report

We are required to form and express an opinion on the consistency of the financial statements within the Fund's annual report and the Fund's financial statements included in the Statement of Accounts of Derbyshire County Council.

Electors' rights

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of Derbyshire County Council and consider any objection made to the accounts. This would include an objection made to the accounts of the Fund included in the administering authority's financial statements. We also have a broad range of reporting responsibilities and powers that are unique to the audit of local authorities in the United Kingdom.

Our audit does not relieve management or those charged with governance, of their responsibilities. The responsibility for safeguarding assets and for the prevention and detection of fraud, error and non-compliance with law or regulations rests with both those charged with governance and management. In accordance with International Standards on Auditing (UK), we plan and perform our audit so as to obtain reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. However our audit should not be relied upon to identify all such misstatements.

As part of our audit procedures in relation to fraud we are required to enquire of those charged with governance as to their knowledge of instances of fraud, the risk of fraud and their views on management controls that mitigate the fraud risks.

The Fund is required to prepare its financial statements on a going concern basis by the Code of Practice on Local Authority Accounting. As auditors, we are required to consider the appropriateness of the use of the going concern assumption in the preparation of the financial statements and the adequacy of disclosures made.

For the purpose of our audit, we have identified the Audit Committee as those charged with governance.

2. YOUR AUDIT ENGAGEMENT TEAM

- **Cameron Waddell, Partner and Engagement Lead**
- cameron.waddell@mazars.co.uk
- 07813 752 053

- **John Pressley, Engagement Manager**
- john.pressley@mazars.co.uk
- 07909 980 880

- **Amber Davidson, In-charge**
- amber.davidson@mazars.co.uk
- 0115 964 4744

3. AUDIT SCOPE, APPROACH AND TIMELINE

Audit scope

Our audit approach is designed to provide an audit that complies with all professional requirements.

Our audit of the financial statements will be conducted in accordance with International Standards on Auditing (UK), relevant ethical and professional standards, our own audit approach and in accordance with the terms of our engagement. Our work is focused on those aspects of your business which we consider to have a higher risk of material misstatement, such as those affected by management judgement and estimation, application of new accounting standards, changes of accounting policy, changes to operations or areas which have been found to contain material errors in the past.

Audit approach

Our audit approach is a risk-based approach primarily driven by the risks we consider to result in a higher risk of material misstatement of the financial statements. Once we have completed our risk assessment, we develop our audit strategy and design audit procedures in response to this assessment.

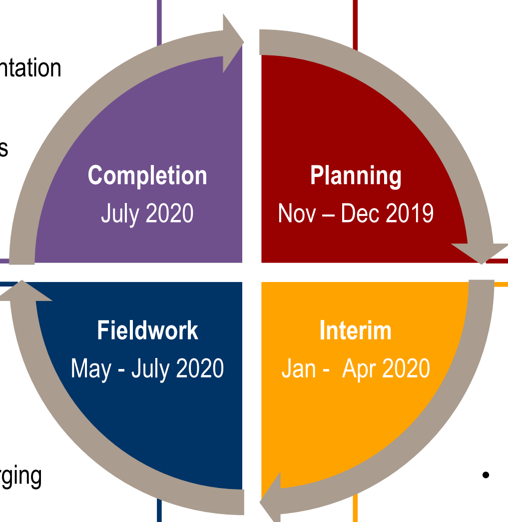
If we conclude that appropriately-designed controls are in place then we may plan to test and rely upon these controls. If we decide controls are not appropriately designed, or we decide it would be more efficient to do so, we may take a wholly substantive approach to our audit testing. Substantive procedures are audit procedures designed to detect material misstatements at the assertion level and comprise tests of details (of classes of transactions, account balances, and disclosures) and substantive analytical procedures. Irrespective of the assessed risks of material misstatement, which take into account our evaluation of the operating effectiveness of controls, we are required to design and perform substantive procedures for each material class of transactions, account balance, and disclosure.

Our audit will be planned and performed so as to provide reasonable assurance that the financial statements are free from material misstatement and give a true and fair view. The concept of materiality and how we define a misstatement is explained in more detail in section 7.

The diagram below outlines the procedures we perform at the different stages of the audit.

- Final review and disclosure checklist of financial statements
- Final partner review
- Agreeing content of letter of representation
- Reporting to the Audit Committee
- Reviewing post balance sheet events
- Signing our opinion

- Updating our understanding of the Fund
- Initial opinion risk assessments
- Development of our audit strategy
- Agreement of timetables
- Preliminary analytical procedures



- Review of draft financial statements
- Reassessment of audit strategy, revising as necessary
- Delivering our planned audit testing
- Continuous communication on emerging issues
- Clearance meeting

- Documenting systems and controls
- Walkthrough procedures
- Controls testing, including general and application IT controls
- Early substantive testing of transactions

3. AUDIT SCOPE, APPROACH AND TIMELINE (CONTINUED)

Reliance on internal audit

Where possible we will seek to utilise the work performed by internal audit to modify the nature, extent and timing of our audit procedures. We will liaise with internal audit regarding the progress and findings of their work prior to the commencement of our controls evaluation procedures.

Management and our experts

Management makes use of experts in specific areas when preparing the Fund's financial statements. We also use experts to assist us to obtain sufficient appropriate audit evidence on specific items of account.

Items of account	Management's expert	Our expert
Disclosure notes on funding arrangements and actuarial present value of promised retirement benefits	Hymans Robertson LLP	NAO Consulting actuary PwC

Service organisations

International Auditing Standards (UK) define service organisations as third party organisations that provide services to the Fund that are part of its information systems relevant to financial reporting. We are required to obtain an understanding of the services provided by service organisations as well as evaluating the design and implementation of controls over those services. The table below summarises the service organisations used by the Fund and our planned audit approach.

Items of account	Service organisation	Audit approach
Unquoted investment valuations and related disclosures	Investment managers that provide valuations of unquoted investments	Substantive testing of transactions occurring in the year and the valuations applied to investments at the year end.
Investment valuations and income and all related disclosures.	Fund Managers	Substantive testing of transactions occurring in the year and the valuations applied to investments at the year end.
Investment valuations and income and all related disclosures.	Custodian	Substantive testing of transactions occurring in the year and the valuations applied to investments at the year end.

4. SIGNIFICANT RISKS AND KEY JUDGEMENT AREAS

Following the risk assessment approach discussed in section 3 of this document, we have identified relevant risks to the audit of financial statements. The risks that we identify are categorised as significant, enhanced or standard, as defined below:

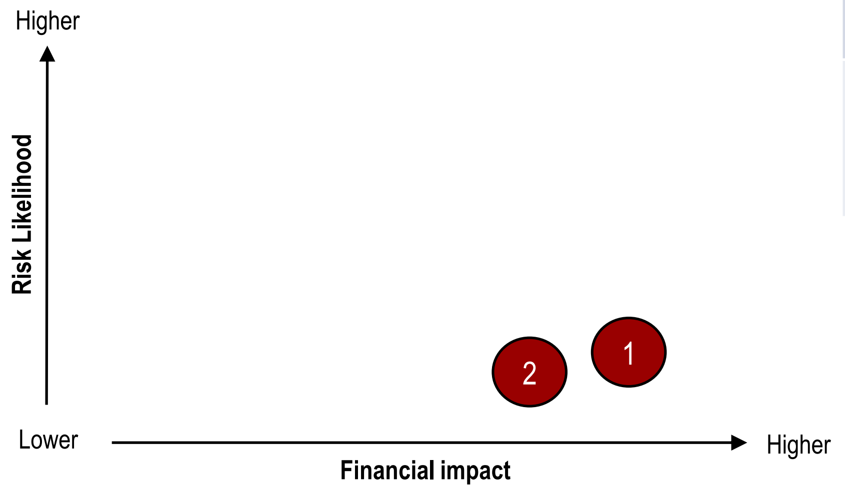
Significant risk A significant risk is an identified and assessed risk of material misstatement that, in the auditor's judgment, requires special audit consideration. For any significant risk, the auditor shall obtain an understanding of the entity's controls, including control activities relevant to that risk.

Enhanced risk An enhanced risk is an area of higher assessed risk of material misstatement at the audit assertion level other than a significant risk. Enhanced risks incorporate but may not be limited to:

- key areas of management judgement, including accounting estimates which are material but are not considered to give rise to a significant risk of material misstatement; and
- other audit assertion risks arising from significant events or transactions that occurred during the period.

Standard risk This is related to relatively routine, non-complex transactions that tend to be subject to systematic processing and require little management judgement. Although it is considered that there is a risk of material misstatement, there are no elevated or special factors related to the nature, the likely magnitude of the potential misstatements or the likelihood of the risk occurring.

The summary risk assessment, illustrated in the table below, highlights those risks which we deem to be significant. We have summarised our audit response to these risks on the next page.



Risk	
1	Management override of control
2	Valuation of unquoted investments

4. SIGNIFICANT RISKS AND KEY JUDGEMENT AREAS (CONTINUED)

We provide more detail on the identified risks and our testing approach with respect to significant risks in the table below. An audit is a dynamic process, should we change our view of risk or approach to address the identified risks during the course of our audit, we will report this to the Audit Committee.

Significant risks

	Description of risk	Planned response
1	**Management override of controls** Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.	We will address the risk through performing audit procedures, covering a range of areas including (but not limited to): • accounting estimates included in the financial statements for evidence of management bias; • any significant transactions outside the normal course of business; and • journals and other adjustments recorded in the general ledger in preparing the financial statements.
2	**Valuation of unquoted investments for which a market price is not readily available** As at 31 March 2019 the fair value of investments which were not quoted on an active market was £912m, which accounted for 18 percent of net investment assets. Inherently these assets are harder to value, as they do not have publicly available quoted prices from a traded market, and as such they require professional judgement or assumptions to be made when valuing them at year end. As the pricing of these investment assets is subject to judgements, they may be susceptible to pricing variances due to the assumptions underlying the valuation. We therefore consider that there is an increased risk of material misstatement.	We plan to address this risk by completing the following additional procedures: • agree holdings from fund manager reports to the global custodian's report; • agree the valuation to supporting documentation including investment manager valuation statements and cashflows for any adjustments made to the investment manager valuation; • agree the investment manager valuation to audited accounts or other independent supporting documentation, where available; and • where audited accounts are available, check that they are supported by a clear opinion.

Revenue recognition

We have considered the presumed risk in relation to revenue recognition, and have assessed that due to the low inherent risk associated with revenue in the pension fund, we can rebut the presumed risk.

5. FEES FOR AUDIT AND OTHER SERVICES

Fees for work as the Fund's appointed auditor

We communicated the scale fees set by PSAA in our fee letter of 29 April 2019. However, you will be aware that we will need to undertake additional work this year in relation to the triennial valuation as at 31 March 2019 as part of our audit of the 2019/20 financial statements. The two main elements of the testing involved are:

- testing the membership data held in the pension administration system as at 31 March 2019; and
- undertaking procedures to provide assurance that the membership date submitted to the actuary as at 31 March 2019 agrees to the data held in the pension administration system.

This work is in addition to the annual audit procedures that we undertake and will therefore be subject to a separate fee of £3,000 (plus VAT).

Service	2018/19 fee***	2019/20 fee
Code audit work	£22,672 plus VAT	£25,077 plus VAT

*** Please note the final fee does not include the £16,800 detailed below which is the total chargeable by the Pension Fund to fourteen participating employers for assurances given to their auditors.

Fees for non-PSAA work

In 2018/19 in response to requests received we reported the results of the performance of our work programme at Derbyshire Pension Fund to the auditors of fourteen participating employers. The fee for this IAS 19 assurance work was £1,200 per employer. We envisage similar work being undertaken for 2019/20 and we are satisfied this IAS 19 assurance work does not impact our independence or objectivity in relation to the audit of the Pension Fund.

In previous years we did not charge employers or their auditors for this work where the employer was within the PSAA regime. As the number of these requests is increasing year on year, from 2018/19 Mazars is charging all employers for IAS19 assurance work. The PSAA has clarified that fees for all such work, regardless of whether the employer is within the PSAA regime, will be an audit fee variation, which means that the fees for the IAS19 assurance work will be billed to the Pension Fund; the expectation is that the Fund will seek to recover the costs of this work from relevant employers.

At the present time we have not been separately engaged by the Pension Fund to carry out any other additional work outside of the fees in relation to our appointment by PSAA. Before agreeing to any other non-PSAA work we will confirm there were no actual, potential or perceived threats to our independence.

6. OUR COMMITMENT TO INDEPENDENCE

We are committed to independence and are required by the Financial Reporting Council to confirm to you at least annually, in writing, that we comply with the Financial Reporting Council's Ethical Standard. In addition, we communicate any matters or relationship which we believe may have a bearing on our independence or the objectivity of the audit team.

Based on the information provided by you and our own internal procedures to safeguard our independence as auditors, we confirm that in our professional judgement there are no relationships between us and any of our related or subsidiary entities, and you and your related entities creating any unacceptable threats to our independence within the regulatory or professional requirements governing us as your auditors.

We have policies and procedures in place which are designed to ensure that we carry out our work with integrity, objectivity and independence. These policies include:

- all partners and staff are required to complete an annual independence declaration;
- all new partners and staff are required to complete an independence confirmation and also complete computer-based ethics training;
- rotation policies covering audit engagement partners and other key members of the audit team; and
- use by managers and partners of our client and engagement acceptance system which requires all non-audit services to be approved in advance by the audit engagement partner.

We confirm, as at the date of this document, that the engagement team and others in the firm as appropriate, and Mazars LLP are independent and comply with relevant ethical requirements. However, if at any time you have concerns or questions about our integrity, objectivity or independence please discuss these with Cameron Waddell in the first instance.

Prior to the provision of any non-audit services Cameron Waddell will undertake appropriate procedures to consider and fully assess the impact that providing the service may have on our auditor independence. Included in this assessment is consideration of Auditor Guidance Note 01 as issued by the NAO, and the PSAA Terms of Appointment.

Any emerging independence threats and associated identified safeguards will be communicated in our Audit Completion Report.

7. MATERIALITY AND MISSTATEMENTS

Summary of initial materiality thresholds

Threshold	Initial threshold (£m)
Overall materiality	£49.3
Performance materiality	£37.0
Specific materiality:	
Fund account overall materiality	£16.4
Fund account performance materiality	£10.7
Trivial threshold for errors to be reported to the Audit Committee	£1.5

Materiality

Materiality is an expression of the relative significance or importance of a particular matter in the context of financial statements as a whole. Misstatements in financial statements are considered to be material if they, individually or in aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Judgements on materiality are made in light of surrounding circumstances and are affected by the size and nature of a misstatement, or a combination of both. Judgements about materiality are based on consideration of the common financial information needs of users as a group and not on specific individual users.

The assessment of what is material is a matter of professional judgement and is affected by our perception of the financial information needs of the users of the financial statements. In making our assessment we assume that users:

- have a reasonable knowledge of business, economic activities and accounts;
- have a willingness to study the information in the financial statements with reasonable diligence;
- understand that financial statements are prepared, presented and audited to levels of materiality;
- recognise the uncertainties inherent in the measurement of amounts based on the use of estimates, judgement and the consideration of future events; and
- will make reasonable economic decisions on the basis of the information in the financial statements.

We consider materiality whilst planning and performing our audit based on quantitative and qualitative factors.

Whilst planning, we make judgements about the size of misstatements which we consider to be material and which provides a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

The materiality determined at the planning stage does not necessarily establish an amount below which uncorrected misstatements, either individually or in aggregate, will be considered as immaterial.

We revise materiality for the financial statements as our audit progresses should we become aware of information that would have caused us to determine a different amount had we been aware of that information at the planning stage.

We consider materiality whilst planning and performing our audit based on quantitative and qualitative factors.

7. MATERIALITY AND MISSTATEMENTS (CONTINUED)

We will identify a figure for overall materiality but identify separate levels for procedures designed to detect individual errors, and also a level above which all identified errors will be reported to the Audit Committee. Our provisional overall materiality is set based on a benchmark of net assets.

We consider that net assets remains the key focus of users of the financial statements and, as such, we base our materiality levels around this benchmark. We expect to set a materiality threshold at 1% of net assets.

Materiality is based on net assets reported within the prior year 2018/19 financial statements.

After setting initial materiality, we continue to monitor materiality throughout the audit to ensure that it is set at an appropriate level.

Performance Materiality
Performance materiality is the amount or amounts set by the auditor at less than materiality for the financial statements as a whole to reduce, to an appropriately low level, the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Our initial assessment of performance materiality is based on low inherent risk, meaning that we have applied 75% of overall materiality as performance materiality.

Misstatements
We aggregate misstatements identified during the audit that are other than clearly trivial. We set a level of triviality for individual errors identified (a reporting threshold) for reporting to the Audit Committee that is consistent with the level of triviality that we consider would not need to be accumulated because we expect that the accumulation of such amounts would not have a material effect on the financial statements. Based on our preliminary assessment of overall materiality, our proposed triviality threshold is £1m based on circa 3% of overall materiality. If you have any queries about this please do not hesitate to raise these with Cameron Waddell.

Reporting to the Audit Committee
To comply with International Standards on Auditing (UK), the following three types of audit differences will be presented to the Audit Committee:

- summary of adjusted audit differences;
- summary of unadjusted audit differences; and
- summary of disclosure differences (adjusted and unadjusted).

APPENDIX A – KEY COMMUNICATION POINTS

ISA (UK) 260 'Communication with Those Charged with Governance', ISA (UK) 265 'Communicating Deficiencies In Internal Control To Those Charged With Governance And Management' and other ISAs (UK) specifically require us to communicate the following:

Required communication	Audit Strategy Memorandum	Audit Completion Report
Our responsibilities in relation to the audit of the financial statements and our wider responsibilities	✓	
Planned scope and timing of the audit	✓	
Significant audit risks and areas of management judgement	✓	
Our commitment to independence	✓	✓
Responsibilities for preventing and detecting errors	✓	
Materiality and misstatements	✓	✓
Fees for audit and other services	✓	
Significant deficiencies in internal control		✓
Significant findings from the audit		✓
Significant matters discussed with management		✓
Our conclusions on the significant audit risks and areas of management judgement		✓
Summary of misstatements		✓
Management representation letter		✓
Our proposed draft audit report		✓

APPENDIX B – FORTHCOMING ACCOUNTING AND OTHER ISSUES

Financial reporting changes relevant to 2019/20

There are no significant changes in the Code of Practice on Local Authority Accounting for the 2019/20 financial year.

Financial reporting changes in future years

Accounting standard	Year of application	Commentary
IFRS 16 – Leases	2020/21	The CIPFA/LASAAC Code Board has determined that the Code of Practice on Local Authority Accounting will adopt the principles of IFRS 16 Leases, for the first time from 2020/21. IFRS 16 will replace the existing leasing standard, IAS 17, and will introduce significant changes to the way bodies account for leases, which will have substantial implications for the majority of public sector bodies. The most significant changes will be in respect of lessee accounting (i.e. where a body leases property or equipment from another entity). The existing distinction between operating and finance leases will be removed and instead, the new standard will require a right of use asset and an associated lease liability to be recognised on the lessee's Balance Sheet. Although the number of leases the Fund is party to is expected to be low, it is important that work is undertaken to identify and assess all leases, particularly any implicit within a service contract.

APPENDIX C – MAZARS' CLIENT SERVICE COMMITMENT

We are here because of our clients; serving them in the best way we can is part of our DNA. We operate a Code of Conduct which drives our client service commitment in all areas, as set out below.