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Our Ref
Your Ref

Date: 04 January 2023

Dear Councillor,

Finance and Management Committee

A Meeting of the **Finance and Management Committee** will be held at **Council Chamber (Special)**, Civic Offices, Civic Way, Swadlincote, DE11 0AH on **Thursday, 12 January 2023** at **18:00**. You are requested to attend.

Yours faithfully,

Frank McArdle

Chief Executive

To:- **Labour Group**
Councillor Pearson (Chair), Councillor Rhind (Vice-Chair) and Councillors Richards, Southerd, Taylor and Tilley.

Conservative Group
Councillors Dawson, Fitzpatrick, Ford, Lemmon, Smith and Watson
.
Non-Grouped
Councillor Churchill

AGENDA

Open to Public and Press

1	Apologies and to note any Substitutes appointed for the Meeting.	
2	To receive the Open Minutes of the following Meetings:	
	10 February 2022	**4 - 10**
3	To note any declarations of interest arising from any items on the Agenda	
4	To receive any questions by members of the public pursuant to Council Procedure Rule No.10.	
5	To receive any questions by Members of the Council pursuant to Council procedure Rule No. 11.	
6	Reports of Overview and Scrutiny Committee	
7	SERVICE BASE BUDGETS 2023-24	**11 - 24**
8	COUNCIL TAX BASE 2023-24 AND SURPLUS 2022-23	**25 - 30**
9	ANNUAL STATEMENT OF ACCOUNTS 2020-21	**31 - 138**
10	PROPOSED CONTINUATION OF BANDED COUNCIL TAX REDUCTION SCHEME FOR 2023-2024	**139 - 144**
11	DECARBONISATION OF THE COUNCIL'S HOUSING STOCK	**145 - 258**
12	COMMITTEE WORK PROGRAMME	**259 - 265**

Exclusion of the Public and Press:

13 The Chairman may therefore move:-

That in accordance with Section 100 (A)(4) of the Local Government Act 1972 (as amended) the press and public be excluded from the remainder of the Meeting as it is likely, in view of the nature of the business to be transacted or the nature of the proceedings, that there would be disclosed exempt information as defined in the paragraph of Part I of the Schedule 12A of the Act indicated in the header to each report on the Agenda.

14 To receive the Exempt Minutes of the following Meetings:

10 February 2022

15 To receive any Exempt questions by Members of the Council pursuant to Council procedure Rule No. 11.

16 REVISED STRUCTURE – STRATEGIC HOUSING TEAM

17 COLLECTION RATES, DEBT RECOVERY AND WRITE OFFS

18 FUTURE SERVICE DELIVERY AND EMPLOYMENT MODELS UPDATE

19 PREMISES IN MELBOURNE

20 LAND AT NETHERSEAL

21 LONG TERM LEASE TO EGGINTON PARISH COUNCIL

FINANCE AND MANAGEMENT COMMITTEE

10th February 2022

PRESENT:

Labour Group
Councillor Pearson (Chair), Councillor Rhind (Vice-Chair) and Councillors Richards, Southerd and Taylor.

Conservative Group
Councillors, Ackroyd, Bridgen, Lemmon, Redfern, and Watson.

Independent Group
Councillors Fitzpatrick and Roberts

Non-Grouped
Councillor Wheelton

In Attendance

FM/124 **APOLOGIES**

The Committee was informed that no apologies had been received.

FM/125 **TO RECEIVE THE OPEN MINUTES OF THE FOLLOWING MEETINGS**

The Open Minutes of meetings held on 7th October 2021, 21st October 2021, and 25th November 2021 were noted and approved as true record and signed by the Chair.

FM/126 **DECLARATIONS OF INTEREST**

The Committee was informed that no declarations of interest had been received.

FM/127 **QUESTIONS FROM MEMBERS OF THE PUBLIC PURSUANT TO COUNCIL PROCEDURE RULE NO 10**

The Committee was informed that no questions from members of the public had been received.

FM/128 **QUESTIONS BY MEMBERS OF THE COUNCIL PURSUANT TO COUNCIL PROCEDURE RULE NO 11**

The Committee was informed no questions from Members of the Council had been received.

FM/129 **REPORTS OF OVERVIEW AND SCRUTINY COMMITTEE**

The Committee was informed that no reports of Overview and Scrutiny Committee had been received.

MATTERS DELEGATED TO COMMITTEE

FM/130 RECRUITMENT OF BIKEABILITY CO-ORDINATOR

The Head of Cultural and Community Services presented the report to the Committee that had been approved by the Housing and Community Services Committee in November 2021. It was noted that it would be a full time post until the end of the academic year and that extension of the post into the next financial year was dependent on need and the availability of future funding.

***RESOLVED*:**

The Committee approved the recruitment of a Bikeability Co-ordinator, within the Active Communities and Health Unit of Cultural and Community Services. The new post will coordinate and deliver the South Derbyshire Active Schools Partnership's (SDASP) Bikeability programme

FM/131 RECRUITMENT OF ACTIVE SCHOOLS' PARTNERSHIP (ASP) PHYSICAL EDCUATION (PE) AND SCHOOL SPORT COACH

The Head of Cultural and Community Services outlined the report and informed the Committee that the fulltime post that would again be until the end of the Academic Year and that demand and future funding would impact on the continuation of the role into the next Financial Year.

Councillor Watson commended the report and the need for schools to be supported to improve the delivery of sports.

***RESOLVED*:**

1.1 The Committee approved the recruitment of an Active Schools' Partnership (ASP) Physical Education (PE) and School Sport Coach, within the Active Communities and Health Team of Cultural and Community Services. The new post will support the delivery of the South Derbyshire ASP's (SDASP) PE and School Sport programme.

1.2 The Committee approved the recruitment of additional ASP PE & School Sport Coaches subject to service demand of the SDASP PE and School Sport programme.

1.3 The Committee gave the Strategic Director – Service Delivery delegated authority to extend the contracts of relevant ASP PE and School Sport Coaches subject to continued and/or growing service

demand of the SDASP PE and School Sport programme and funding being secured

FM/132 **GENERAL FUND CONSOLIDATED BUDGET REPORT 2022/23 AND MEDIUM-TERM FINANCIAL PLAN TO 2026/27**

The Head of Finance delivered the report to the Committee noting that the increase in Council Tax receipts had been due to the growth of new proprieties in the District. The Head of Finance outlined the various Council Tax settings increase options and the impact of each option. It was noted that the prediction of the New Homes Bonus reduction, was the worst case scenario. Members were asked to note the concern regarding an increase in Business Rates, the Fair Funding review and to consider the 2% increase to Parish Councils for concurrent functions.

The Section 151 Officer addressed the Committee and highlighted the uncertainty in relation to the government' funding reduction for Hew Homes Bonus in the years ahead and urged Members to consider the impact of the loss of the funding when setting the Council Tax for the next Financial Year.

The Chief Executive addressed the Committee regarding an exit strategy for when Land Charges were moved over to the Land Registry and explained that the new format had caused many issues for all councils involved. It was further noted that a position statement would go before Overview and Scrutiny and that an update report would be brought to the Finance and Management Committee at a later date.

Members carefully considered the cost of living crisis and the government advice regarding the Council Tax increase and sought clarity regarding support for struggling households.

The Head of Finance confirmed that a support network was in place for residents when it was needed.

The Chair put the recommendations in the report to the Committee individually.

RESOLVED:

1.1 The Committee considered and approved the estimates of revenue income and expenditure on the General Fund for 2022/23.

1.2 The Committee approved a 2% increase on grants to voluntary bodies and Parish Councils for concurrent functions.

1.3 The Committee recommended to Full Council that the rate of Council Tax for 2022/23 should be increased by £4.95.

1.4 The Committee approved the updated five-year financial projection for the General Fund to 2026/27 as detailed in Appendix 2 of the

report and all the associated assumptions and risks as included in the report.

1.5 The Committee noted the Council's National Non-Domestic Rates return (NNDR1) for 2021/22 showing retained business rates of £10,838,722 for 2022/23.

FM/133 **CAPITAL BUDGET TO 2027**

The Head of Finance introduced the report and outlined future projects to be funded by the Better Care Fund and the Green Homes Grant that would be reported on at a later date. It was noted that a review of Capital Reserves would be required due to General Fund Collaboration Agreement funding reduction along with a review of vehicle replacements. The Head of Finance informed the Committee the Housing Revenue Account was in a good position and that debt repayments would be met as expected and that 18 properties had been sold under Right to Buy.

Members commended the report and the continued delivery of services.

RESOLVED:

1.1 The Committee considered and approved the capital programme expenditure and funding to 2027.

1.2 The Committee approved that the current Fleet Management Strategy and Vehicle Replacement Plan be reviewed in 2022/23 and be realigned to the level of resources currently available and that the outcome be reported back to the Committee.

FM/134 **HOUSING REVENUE ACCOUNT BUDGET, FINANCIAL PLAN AND PROPOSED RENT 2022-23**

The Head of Finance informed the Committee of the 1.4 % rent increase fpr 2022/23 agreed by the Housing and Community Services Committee and highlighted how the repayment of debt has reduced interest charges and this had helped to improve the position of the Housing Revenue Account but noted that future Right to Buy sales could reduce income.

Members raised concern that rent arrears could increase due to the predicted cost of living crisis

The Head of Finance informed the Committee that there was a plan in place regarding future rent arrears and that housing officers continued to work with residents regarding repayment of arrears.

***RESOLVED*:**

1.1 The Committee approved the proposed revenue income and expenditure for 2022/23, together with the 10-year Financial Plan for the Housing Revenue Account (HRA) as detailed in Appendix 1 of the report.

1.2 The Committee approved that the HRA be kept under review and measures identified to mitigate the financial risks detailed in the report and to maintain a sustainable financial position.

FM/135 **TREASURY MANGEMENT COUNTERPARTY LIMITS UPDATE**

The Head of Finance addressed the Committee and sought approval for the requested increase on counter-party limits to enable flexibility with cash deposits.

***RESOLVED*:**

The Committee approved the updated Counterparty List for investments and bank deposits as detailed in Appendix 1 of the report.

FM/136 **PROPOSED REVISED COUNCIL TAX REDUCTION SCHEME 2022 – 2023 & CONSULTATON FEEDBACK**

The Head of Customer Services presented the report to the Committee and outlined the consultation process and the number of responses received. The Head of Customer Services informed the Committee how the recommended changes would offer greater support to those on low incomes, be a fairer distribution of funding, be less complicated to apply for and reduce the number of changes to awards of support when the circumstances changed for the claimant. It was further noted that there was expected to be a slim-lined administration process and a reduction in debt repayments. It was further noted that there would be a Hardship Fund available to assist those individuals who may not be covered by the proposed new scheme.

Councillor Richards and Members of the Committee commended the report and the way in which the Council supported those who were vulnerable and facing possible financial hardship

***RESOLVED*:**

1.1 The Committee noted the consultation activity carried out in relation to proposed changes to South Derbyshire's Local Council Tax Reduction Scheme for working-age residents.

1.2 The Committee supported the adoption of a banded scheme, as well as all other changes proposed as part of the consultation, including:

- ***The introduction of a banded scheme.***
- ***The removal of the baseline, so those on the lowest incomes would no longer need to pay 8.5% or 10% towards their Council Tax.***
- ***The removal of second adult rebate.***
- ***The introduction of a standard £5 non-dependent deduction.***
- ***The treating of Universal Credit claims as a claim for council tax support.***
- ***The introduction of a minimum award.***
- ***Changes to bring the scheme into line with recent changes to other welfare benefits.***

1.3 The Committee recommended to Full Council on 23 February 2022 the adoption of a banded scheme and all other changes as proposed in 1.2 of the report.

1.4 The Committee recommended that £20,000 of the Welfare Reform Fund be set aside for hardship cases that may arise as a result of the implementation of the proposed changes in 2022/2023.

FM/137 **SUPPORTING ASPIRATIONS ACTION PLAN**

The Head of Economic Development and Growth presented the report highlighting the key points of the Action Plan that included a structured approach to good career guidance and an across team approach to supporting social mobility. The Council's role, as an employer and the proposed activities were outlined.

Members commended the report and fully supported the Action Plan and noted the need the improve aspirations of all children in South Derbyshire.

The Chair raised a query regarding the monitoring and feedback of progress. The Head of Economic Development and Growth informed the Committee that it would be monitored and reported via the Corporate Plan.

RESOLVED:

The Committee endorsed the Supporting Aspirations Action Plan.

FM/138 **COMMITTEE WORK PROGRAMME**

The Strategic Director (Corporate Resources) presented the report to the Committee.

RESOLVED:

The Committee considered and approved the updated work programme

FM/139 **LOCAL GOVERNMENT ACT 1972 (AS AMENDED BY THE LOCAL GOVERNMENT [ACCESS TO INFORMATION] ACT 1985)**

RESOLVED:

That, in accordance with Section 100(A)(4) of the Local Government Act 1972 (as amended), the press and public be excluded from the remainder of the Meeting as it is likely, in view of the nature of the business to be transacted or the nature of the proceedings, that there would be disclosed exempt information as defined in the paragraphs of Part 1 of the Schedule 12A of the Act indicated in brackets after each item.

TO RECEIVE THE EXEMPT MINUTES FOR THE FOLLOWING MEETINGS

The Exempt Minutes of the Meetings held on 7th October 2021, 21st October 2021 and 25th November 2021 were received.

TO RECEIVE QUESTIONS FROM MEMBERS OF THE COUNCIL PURSUANT TO COUNCIL PROCEDURE RULE NO. 11

The Committee was informed no questions had been received.

CONTINUATION OF TEMPORARY RESTRUCTURE DUE TO COVID19

The Committee approved the recommendations in the report.

ACQUISITION OF HOUSE IN LIEU OF COMMUTED SUM

The Committee approved the recommendations in the report

SWADLINCOTE TOWN CENTRE GRANT SCHEME

The Committee approved the recommendations in the report

EAST MIDLANDS FREEPORT

The Committee approved the recommendations in the report

APPOINTMENT OF TREASURY MANAGEMENT ADVISORS

The Committee approved the recommendations in the report

The meeting terminated at 20:00 hours.

COUNCILLOR PEARSON

CHAIR

REPORT TO:	**FINANCE AND MANAGEMENT COMMITTEE (SPECIAL – BUDGET)**	**AGENDA ITEM: 7**
DATE OF MEETING:	**12 JANUARY 2023**	**CATEGORY: RECOMMENDED**
REPORT FROM:	**STRATEGIC DIRECTOR (CORPORATE RESOURCES)**	**OPEN**
MEMBERS' CONTACT POINT:	**CHARLOTTE JACKSON** Charlotte.jackson@southderbyshire.gov.uk	**DOC:** s/finance/committee/2022-23 3/Jan /budget
SUBJECT:	**SERVICE BASE BUDGETS 2023 / 2024**	**REF:**
WARD (S) AFFECTED:	**ALL**	**TERMS OF REFERENCE: FM 08**

1.0 Recommendations

1.1 That the proposed revenue income and expenditure for 2023/24 as detailed in **Appendix 1** for the Committee's Services are considered and included in the consolidated proposals for the General Fund.

1.2 That the proposed fees and charges as detailed in **Appendix 2** for 2023/24 are considered and approved.

1.3 That consideration is given to the level of any increase in contributions to Parish Councils in 2023/24 for Concurrent Functions.

2.0 Purpose of Report

2.1 As part of the annual financial planning cycle, the report details the Committee's proposed base budget for 2023/24, with a comparison to the current year budget. This includes an overview of the Committee's main spending areas.

2.2 It is proposed that the estimated income and expenditure is included in the consolidated budget of the Council for 2023/24 subject to the Council's overall medium-term financial position. This will be subject to a separate report to the Committee on 9th February 2023.

2.3 The report also sets out proposals for the level of fees and charges under the responsibility of this Committee for the next financial year, 2023/24.

3.0 Detail

3.1 The Committee is responsible for large spending areas, in particular the main support service functions, together with the corporate, management and democratic costs of the Council.

3.2 It is also responsible for the strategic management of the Council’s property portfolio, revenue collection, benefit payments and treasury management, etc. As such, the associated income and expenditure is a significant part of the Council’s financial position.

3.3 In addition, several of these spending areas provide statutory, governance, legal and advisory support for the Council.

3.4 In accordance with local government accounting regulations, Central Support Services are not required to be recharged and allocated across other Policy Committees.

The Council’s Overall Financial Position

3.5 The Council’s Medium-Term Financial Plan (MTFP) was reviewed and updated in November 2022. The overall position on the General Fund has changed considerably over the last year due to numerous additional service pressures and the General Fund Reserve is now predicted to be well below the minimum balance of £1.5m by 2025/26.

3.6 The continuing issue is the projected increasing deficits each year over the life of the Plan. Although the current level of reserves can be utilised in the short term to meet the projected deficits, this is not a sustainable solution. Delays to the Fair Funding Review leave the Council with uncertainty regarding future funding past 2023/24.

3.7 Finance and Management Committee will consider the detail of the overall financial position on 9th February 2023.

3.8 Therefore, ahead of considering the wider Council position, it is important that the Committee scrutinises its own spending base closely to identify potential budget savings and carefully examines any areas where there are cost pressures, together with any proposals to increase spending.

Summary of Expenditure

3.9 The following table provides an overall summary at the main service level, of the Committee’s net revenue expenditure.

	Proposed Budget 2023/24 £	Approved Budget 2022/23 £	Movement £
Central Support Services	4,503,154	4,418,635	84,519
Corporate & Democratic Costs	556,674	557,395	-721
Elections & Registration	350,267	232,013	118,255
Parishes, Interest, S106 Receipts & Provisions	479,148	754,334	-275,186
Estate Management	-240,342	-238,225	-2,117
Revenues & Benefits	736,801	744,631	-7,830
	6,385,702	**6,468,784**	**-83,081**

3.10 The above table shows that the Committee’s net expenditure is estimated to decrease overall between 2022/23 and 2023/24 by (£83,081). An analysis of the changes within each service area is detailed in **Appendix 1**.

3.11 A summary of the changes is shown in the following table.

	Movement £'000
Employee Costs	223
District Election	125
Professional fees	61
Computer Maintenance	45
Postage	29
Internet Services	24
Utilities	22
Housing Benefit	14
Business Rates	13
Concessionary Fairs	10
Income (Estates Management)	8
Medical Fees	7
Training	7
Bank Charges	4
Car Mileage	4
Subscriptions	3
Professional Fees (Legal)	2
Interest	-144
Pension Contributions	-135
Earmarked Reserves	-114
HRA Recharges	-94
Housing Programme Manager Recharge	-51
Benefits Processing Fees	-40
Computer Licenses	-33
Insurance	-31
Telephone charges	-22
Commercial Property (Income)	-20
Members Allowances	-7
Maintenance Agreement	-6
Stationery	-5
TOTAL	**-100**
Depreciation	17
Budget Reduction	**-83**

3.12 Excluding the increase in depreciation, which is an accounting adjustment and not a cost to the Council, the decrease in actual expenditure based on the proposed budgets, is (£101k).

3.13 The main reasons for the variances are detailed in the following sections.

Staff Costs

3.14 Employee costs have increased by approximately £223k including oncosts. This is mainly due to the inclusion in the budget of funded posts following the Customer Services Restructure in August 2022. Three new apprentice posts and one additional Customer Services Administrator are now included in the budget. The additional costs of £179k are offset by earmarked reserve funds. The impact to the General Fund from incremental salary rises and regraded posts is £44k.

District Election

3.15 Due to the District Election in 2023/24, previously provided for expenditure in contingent sums in the MTFP has now been moved to the base budget. The increase (£125k) is not a direct impact on the General Fund reserves, rather a movement of the funds from contingent to the base budget.

3.16 The base budget will reduce in 2024/25 by the same amount (£125k). The movement will allow the expenditure to be matched against the budgets ensuring financial control.

Professional Fees and Computer Maintenance

3.17 Professional fees have an inflationary increase provided for of 2% in the MTFP, however the pressure of high rates of CPI at 10.1% index linked to agreements is not the only factor affecting this budget increase (£61k).

3.18 External audit fees are under review and are expected to increase by up to 150%. The uplift to this budget is proposed at £30K with additional funds set aside in the MTFP of £20K. The results of a recent procurement exercise and consultation on Audit Fees will be announced later in the year. However, given on-going issues with resources for External Audit, it is considered inevitable that Fees will need to rise.

3.19 Inflationary uplifts of approximately £4k were covered within the MTFP. The financial year has recorded record highs in inflation resulting in Computer Maintenance Agreements (£45k) increasing which reflect this percentage uplift.

Postage

3.20 Business mail letters have increased in costs by 18% resulting in an additional £29k budget required to provide a postal service for the Council. Inflationary uplifts for postage are provided for in the MTFP (1%), but this level of increase in costs are difficult to predict.

3.21 The increase in charges relate to costs driven up by supply chain issues as a consequence of world events, plus an increase in paper prices of 40%. The 18% levied by the supplier is an average percentage to cover the cost of their services.

Internet Services

3.22 The additional budget for internet services £24K is offset by the reduction of telephone charges £22k. A new service has been implemented to provide additional circuits as a main line in defence against loss of internet connection. This has replaced the old services provided by Vodaphone.

Utility and Business Rates

3.23 The main increase for utilities (£22k) is in relation to the Civic Offices and the Depot. The current fixed tariff is due to finish in September 23, the volatility in the market makes predictions on expenditure difficult, and an increase of 10% has been applied. This is 8% higher than the predicted inflation rate within the MTFP at 2%. Business rate increases (£13k) reflect the change in ratable values for the Councils public buildings.

Housing Benefit

3.24 Housing Benefit is being replaced with Universal Credit (UC) for all new claimants. As a result of this, the Council receives less subsidy and less expenditure. The value of subsidy has reduced significantly since 2018 when the introduction of UC began across South Derbyshire.

3.25 The impact on the budget for 2023/24 is £14K. There are a number of factors included within this variance which are split out in the following table.

	2023.24 £	2022.23 £	Variance £
Rent Allowances	30,340	37,005	-6,665
Rent Rebates	83,400	80,882	2,518
Administration Grant	-162,422	-180,469	18,047
	-48,682	**-62,582**	**13,900**

3.26 The above table shows the net position of the individual types of Housing Benefit included within the subsidy. The Council budgets for a loss of subsidy 2% on Rent Rebates and 2.5% on Rent Allowances and any cost incurred are offset by the Administration grant received as part of the subsidy claim. The remaining balance supports the resource to manage Housing Benefit on a daily basis.

3.27 The MTFP makes provisions for the losses of the Administration grant and the value budgeted is the figure included within the MTFP. The Council will not receive detail of the allocated grant for 2023/24 until later in 2023.

Other Changes

3.28 Funding for administering the issues of concessionary bus passes has to date not been confirmed by Derbyshire County Council, therefore the income has not been included in the budget.

3.29 Property Estates reduction in income is due to a decrease in rechargeable insurance premiums for Commercial properties and an increase in the voids allowance for Town Centre lettings. The reduction of rechargeable insurance is £5K with £3k for the increase of void allowances.

3.30 Staff welfare has been a focus since the pandemic, this has resulted in the increased use of counselling services and occupational health referrals. Previously covid funding had absorbed the increased costs of providing these services. The funding is no longer available which will result in an overspend in 2022/23. The proposed increased budget of £7k is to continue to provide this service.

3.31 No inflationary increase for training courses is provided for within the MTFP, budgets are reviewed each year to ensure the specific training needs of departments are met. It is proposed to increase the budget by £7k to invest in staff skills and qualifications.

Favourable variances

Investment Income

3.32 2022/23 has seen a rise in investment rates of over 3%, the Council has on average £68m invested in various institutions, with a range of rates. Temporary loans are placed with other local authorities securing rates and amounts of investment income. The budget increase in interest receivable (£144k) is set with caution, calculations have included average rates lower than are currently seen in the market. This will secure the budget against a fall in investment interest rates. It is noted that interest rates are continuing to increase and this is currently generating substantial amounts of additional income which is helping to offset cost increases elsewhere.

Pension Contributions

3.33 The budget reduction of £132k is related to the added years payments. These were payments made to pensioners under older Local Government Regulations prior to 2008 and have been reducing for several years. Consequently, it is proposed that the budget is reduced accordingly. It should be noted that the Council has recently received the results of the 2022 Pension Fund Valuation which will set contributions for 2023/24 to 2025/26 inclusive. This will be reported to the Committee in February.

Earmarked Reserves

3.34 The increase in earmarked reserve is mainly due to the funding of posts as a result of the Customer Services Restructure approved in August 2022. Posts have been included in the base budget with the drawdown from reserves offsetting the costs in the General Fund.

HRA Recharges

3.35 The total impact of the increase in HRA recharges is £94k and after a full review of all charges, the following table details the movement by service area.

	Movement £'000
Head of Finance	-27
Head of Business Change & ICT	-15
Head of Legal & Democratic	-4
Strategic Director (Corporate Resources)	-9
Head of Customer Services	-14
Head of Corporate Property	-7
Head of Organisational Development & Performance	-18
	-94

3.36 The increases for each area represent the rise in the costs for providing direct support from each of the service areas. The biggest increase is due to staff costs resulting from the recent pay award, and the increased rates of inflation added to costs of service.

3.32 The Housing Programme Manager recharge is for services provided though Business Change that are part funded by the HRA. This is to assist with HRA projects in particular the housing decarbonisation project. This was approved at Finance and Management Committee in April 2021.

Other Variances

3.33 Benefits processing fees have been removed as approved in the Customer Services Restructure, the funds are no longer required for the extra resource, previously provided by Capita. The £40k will be utilised to cover the additional costs to fund the restructure.

3.36 Computer Licenses have been subject to a review during 2022/23, the results of this are the budget saving of £33k.

3.37 Insurance savings (£31k) are the result of the Council's tendering of its insurance services as reported in November 2022.

3.38 Estates have successfully agreed two new lease agreements resulting in additional income of £20k. The new Innovation Centre is expected to generate £10k with Dellner Woodville's new agreement yielding the other £10k of income.

3.34 Additional allowances were budgeted for with the Members budget for 2022/23 this has been removed for 2023/24 as it is not required.

4.0 <u>Budget Basis</u>

4.1 The Committee's budgets by service area are detailed in **Appendix 1.**

Basis of the Budget

4.2 Budgets are generally calculated on a "no increase basis," i.e. they are maintained at the same level as the previous year adjusted only for known changes, price increases, inflation and variations due to contractual conditions, etc.

4.3 In addition, budgets are also subject to a base line review which is used to justify proposed spending. This process places responsibility on budget holders to justify their spending budgets by specifying their needs in a more constructed manner. This is supported by the Financial Services Unit, who analyse recent trends across services compared to current budgets.

On-going Service Provision

4.4 The budgets are based substantively on a continuation of existing service provision (in respect of staffing levels, frequency, quality of service, etc.).

4.5 The full year effects of previous year's restructures and budget savings have been included, with any non-recurring items removed.

Changes in Pay

4.1 A pay award is not included within the Base Budget at this stage as no official notification has been agreed and submitted to the Council.

4.2 The MTFP was updated in November 2022 to include a pay award for 2022/23 and also includes a provision for a potential pay award increase of 3.5% per year for all employees from 2023/24.

Inflation

4.3 The Base Budget for 2023/24 has been uplifted by inflation where this applies, for example contract obligations.

4.4 Some base costs will be subject to inflation during future years and in some cases, it will be unavoidable, for example employee costs, when national pay increases are approved.

4.5 Allowances for inflation based on various assumptions regarding price increases, etc. are calculated across the main spending heads at an average of 8.8%. Average increases in inflation are peaking to over 10% currently although this is deemed to be an anomaly in the market. It is expected that inflation will average around 8.4% during 2022/23.

Increase in Payments for Concurrent Functions to Parish Councils

4.11 As part of the annual Budget Round, the Committee gives consideration to increasing the base contribution in payments to recognise inflationary pressures. Increases in recent years have been as follows:

- 2022/23 – 2.0%
- 2021/22 – 2.0%
- 2020/21 – 2.0%
- 2019/20 – 2.0%
- 2018/19 – 2.0%
- 2017/18 – 1.0%

4.6 Latest inflation as at October 2022 shows CPI increasing to 11.1% . The Office for National Statistics is assuming that inflation will average 8.4% during 2022/23. The Council includes a 2% increase in the MTFP.

4.7 Every 1% increase in the base level across all grants for this Committee equates to approximately £4k per annum.

Risks

4.12 All Committee budgets have been reviewed and known changes to income and expenditure have been reflected in the proposed base budget for 2023/24 as detailed in the report.

Housing Benefit

4.13 The main financial risk is considered to be the payment and recovery of Housing Benefit. The total amount administered and paid in respect of Rent Allowances and Rent Rebates is approximately £10m per year. A 1% variance equates to £102k and therefore it is important that the Council maximises the subsidy it reclaims from the DWP. The DWP Regulations set a threshold for errors which, if exceeded, would mean subsidy being withdrawn.

4.14 As previously reported, the rollout of Universal Credit (UC) is having an impact on both the amount of benefit paid and the administration grant received. The rollout of UC for new claims went live in South Derbyshire in November 2018 and existing claimants have started to transfer across. The impact will be kept under review.

Proposed Fees and Charges 2022/23

4.19 **Appendix 2** provides a schedule of the proposed charges that will operate from 1 April 2023, together with a comparison to the existing charge. All charges are exclusive of VAT and where applicable, VAT is added at the appropriate rate in accordance with HMRC regulations.

4.20 The charges are mainly standard ones for the recovery of court costs, change notifications and payment fees. `

5.0 Financial Implications

5.1 As detailed in the report.

6.0 Corporate Implications

Employment Implications

6.1 None.

Legal Implications

6.2 None.

Corporate Plan Implications

6.3 The proposed budgets and spending under the responsibility of the Committee provides the financial resources to enable many of the on-going services and Council priorities to be delivered.

Risk Impact

6.4 The Financial Risk Register is detailed in the Medium-Term Financial Plan and financial risks specific to this Committee are detailed in Section 4.

7.0 Community Impact

Consultation

7.1 The Council is statutorily required to consult on its budget proposals, prior to setting the annual Council Tax rate, with the local business and community sector. The Council has an established process in place to meet this requirement. Consultation takes place for approximately four weeks following approval of the draft budget proposals by Finance and Management Committee in January each year. Any feedback is reported to the Council as part of the final approval process.

7.2 There is no statutory requirement to consult with residents or other stakeholders, although it is considered good practice to do so. Traditionally, the Council has disseminated proposals through Area/Community Forums and via a presentation at the South Derbyshire Partnership Board. Many authorities do consult formally regarding their budget proposals and medium-term financial plans prior to setting budgets, using panels, representative groups, etc. as a way of fully engaging local people.

Equality and Diversity Impact

7.3 None.

Social Value Impact

7.4 None.

Environmental Sustainability

7.5 None.

8.0 Conclusions

8.1 That the proposed base budgets are scrutinised and approved to provide the financial resources for continuation of service delivery.

9.0 Background Papers

9.1 None.

APPENDIX 1

FINANCE & MANAGEMENT - BUDGET SETTING 2023/24

	Proposed Budget 2023/24 £	Approved Budget 2022/23 £	Movement £	Comments
Business Change	125,681	111,582	14,099	Increase salaries £22k, HRA recharge £7.8k
Digital Services	186,693	180,623	6,070	Decrease printing £4.2k, Computing £1.5k, HRA Recharge £1.4k
Caretaking	156,319	156,303	16	Decrease salaries £1.5k, HRA recharges £1.4k; Increase mileage £3k
Senior Management	467,067	471,253	-4,186	Decrease Training £1.4k, Mileage £1.1k, TPP £1.4k; Increase HRA recharges £3k salaries £3.2k
Financial Services	392,922	422,423	-29,501	Decrease professional fees £70k, Reserve Funding £15k; Increase salaries £37k, Training £3.8k, HRA recharges £1.2k
Internal Audit	126,633	113,373	13,260	Increase Professional Fees £19.5k, HRA Recharges £6.2k
Merchant Banking Services	69,283	68,075	1,208	
ICT Support	775,687	778,097	-2,410	Decrease salaries £6.4k, Telephones £13.8k, Mobiles £8.7k, Insurance £6.4k; Increase training £4k, Internet Circuits £24.5k, Depn £9.6k, HRA recharges £5.7k
Legal Services	280,115	283,535	-3,420	Decrease salaries £1k, Books £2.3k; Increase professional fees £2.3k, HRA recharges £2.6k
Performance & Policy	39,554	39,817	-264	
Personnel/HR	414,639	396,375	18,264	Decrease salaries £10k, Insurance 2.2k Licenses £20k, Computing £14kx2; Increase medical £6.6k, prof fees £70k, HRA recharges £14.5k
Communications	82,206	84,496	-2,290	Increase HRA recharges £2.3k
Customer Services	587,517	536,993	50,525	Reduce Stationery £2.9k; Increase salaries £37.4k, Postages £29k, HRA recharges £13.6k
Health & Safety	59,769	60,252	-483	
Admin Offices & Depot	695,910	673,282	22,629	Decrease insurance £6.1k; Increase salaries £3.3k, Utilities £14.8k, Rates £1.8k, Refuse £1k, Depn £8.3k, HRA recharges £9.6k, Van Hire £817, Licences £255
Protective Clothing	30,809	29,809	1,000	Increase protective clothing

Procurement	12,349	12,349	0	
CENTRAL SUPPORT SERVICES	**4,503,154**	**4,418,635**	**84,519**	
Democratic Representation & Management	92,058	91,850	207	
Corporate Management	69,435	65,951	3,484	Increase subs £3.5k
Corporate Finance Management	40,261	37,969	2,293	Decrease insurance £1.5k; Increase professional fees £30k, HRA recharges £25.6k
Elected Members	354,920	361,625	-6,705	
CORPORATE & DEMOCRATIC COSTS	**556,674**	**557,395**	**-721**	
Registration of Electors	43,481	44,271	-790	
Conducting Elections	306,786	187,742	119,045	Decrease Tools R&M £3.4k; Increase district election costs £125k
ELECTIONS & REGISTRATION	**350,267**	**232,013**	**118,255**	
Funded Pension Schemes	148,017	280,298	-132,281	
Increase/Decrease in Provision for Bad or Doubtful Debts	175,000	175,000	0	
Planning Agreements	0	0	0	
Parish Councils	435,009	434,765	243	
Interest & Investment Income (GF)	-281,578	-136,229	-145,349	Decrease insurance 1.7k; Increase Interest £144k
External Interest Payable (GF)	2,700	500	2,200	Increase - Parish Council Loans Interest
PARISHES, INTEREST, S106 RECEIPTS & PROVISIONS	**479,148**	**754,334**	**-275,186**	
Estate Management	-240,342	-238,225	-2,117	Decrease training £1.5k, Insurance £6.9k; Increase salaries £1k, Utilities £7.6k, Business Rates £11.5k, Prof fees £3k, Fees £12.1k
ESTATE MANAGEMENT	**-240,342**	**-238,225**	**-2,117**	
Council Tax Collection	135,133	144,212	-9,080	Decrease salaries £9.7k, Insurance £215; Increase training £864
Non-Domestic Rates Collection	-87,500	-87,500	0	
Revenues & Benefits Support & Management	381,042	357,680	23,362	Decrease salaries £4.7k; Increase computing £28.1k
Rent Allowances Paid	30,340	37,005	-6,665	
Net cost of Rent Rebates Paid	83,400	80,882	2,519	
Corporate Fraud	51,066	48,150	2,916	Increase prof fees £2.9k
Housing Benefits Administration	143,321	173,803	-30,482	Decrease salaries £15.3k, Benefits processing £40k, Grants (income) £18k; Increase Professional fees £6k
Concessionary Fares	0	-9,600	9,600	No confirmation of DCC contribution
REVENUES & BENEFITS	**736,801**	**744,631**	**-7,830**	
	6,385,702	**6,468,784**	**-83,081**	

PROPOSED FEES AND CHARGES 2023/24

APPENDIX 2

VAT WILL BE CHARGED WHERE APPLICABLE AT THE APPROPRIATE RATE

MISCELLANEOUS FEES AND CHARGES	Fee 2022/23 £:P	Proposed Fee 2023/24	Notes
Court Costs			
Court Costs Recovered	67.50	67.50	
National Bus Pass Scheme			
Replacement Card Scheme	5.00	5.00	
Benefit Fraud			
Fraud Investigation Court Costs recovered	At Cost	At Cost	
Sale of Radar Keys			
Sale of Radar Keys - disabled	2.55	2.55	
Penalty Charge			
Penalty charge for C Tax payers who fail to notify us of a change in circumstances relating to a discount or exemption. Second or subsequent failure to notify	250.00	250.00	
Penalty charge for Council Tax accounts who fail to notify us of a change in circumstances relating to a discount or exemption.	70.00	70.00	
Legal Fees			
Conveyancing Certificate required by the HM Land Registry	50.00	50.00	
LPE 1 & Deed Assignment	150.00	150.00	

REPORT TO:	**FINANCE AND MANAGEMENT COMMITTEE (SPECIAL BUDGET)**	**AGENDA ITEM: 8**
DATE OF MEETING:	**12 JANUARY 2023**	**CATEGORY:**
REPORT FROM:	**STRATEGIC DIRECTOR (CORPORATE RESOURCES)**	**OPEN**
MEMBERS' CONTACT POINT:	**CHARLOTTE JACKSON** **Charlotte.jackson@southderbyshire.gov.uk**	**DOC:** S/Finance/Committee/2021-22/Jan
SUBJECT:	**COUNCIL TAX BASE 2023/24 AND SURPLUS 2022/23**	
WARD(S) AFFECTED:	**ALL**	**TERMS OF REFERENCE:**

1.0 Recommendations

1.1 That the Council Tax Base for 2023/24 of 37,663 (equivalent Band D) properties as detailed in **Appendix 1** is approved.

1.2 That a Council Tax Surplus of £500,000 for 2022/23 is declared on the Collection Fund and that the Council's proportion of £50,000 is transferred to the General Fund in 2023/24.

2.0 Purpose of the Report

2.1 To update on the Council Tax element of the Collection Fund Surplus and to provide detail of the Tax Base for Council Tax in 2023/24.

3.0 Detail

Council Tax Base

3.1 This is the number of chargeable properties for Council Tax after taking account of exemptions and discounts, including the Local Council Tax Support Scheme.

3.2 The calculation of the Tax Base for 2023/24, as detailed in **Appendix 1**, is based on the number of properties listed on the Council Tax register as at 30 September 2022.

3.3 A statutory return is reported on the same basis across the country and the Derbyshire Preceptors base their budgeted income for the following year for Council Tax on this return.

3.4 The "Band D equivalent" is calculated on the statutory return and the Tax Base for 2023/24 is 37,663, which is an increase of 961 (2.6%) of properties from 2022/23.

3.5 The expected growth forecasted in the Medium-Term Financial Plan was 846 properties and so this will increase the level of income retained by the Council in 2023/24. Growth has been significant in 2022/23 after initial concerns regarding the current economic climate.

Council Tax Surplus

3.6 In setting the level of Council Tax for 2023/24, the Council is also required to estimate the balance on the Collection Fund for the current financial year.

3.7 Due to growth of the District in previous years, a surplus has been generated on the Collection Fund for Council Tax.

3.8 The surplus on Council Tax as at the end of 2021/22 totalled £3m. A Council Tax Surplus of £2m was declared as part of the Budget round in January 2022 which will reduce this balance to £1m by the end of 2022/23.

3.9 **Appendix 2** shows a forecasted surplus on Council Tax for 2022/23 of approximately £179k due to growth of the Tax Base. The Bad Debt Provision for 2022/23 is expected to be approximately 2% of the income generated as collection rates have improved since enforcement action was reinstated towards the end of 2020.

3.10 By declaring a surplus of £500k for 2022/23, this will leave a remaining balance of £721k on the Fund for Council Tax for any unforeseen fluctuations in collection rates. The allocation of the proposed surplus to the Preceptors is listed in the following table.

	%	£
Derbyshire County Council	72.8%	364,004
Derbyshire Fire	4.1%	20,656
Derbyshire Police	12.9%	64,289
SDDC	10.2%	51,051
	100.0%	**500,000**

4.0 Financial Implications

4.1 Detailed in the report.

5.0 Corporate Implications

Employment Implications

5.1 None.

Legal Implications

5.2 None.

Corporate Plan Implications

5.3 None directly.

Risk Impact

5.4 None.

6.0 Community Impact

Consultation

6.1 None required.

Equality and Diversity Impact

6.2 None.

Social Value Impact

6.3 None.

Environmental Sustainability

6.4 None.

7.0 Background Papers

7.1 None.

APPENDIX 1

COUNCIL TAX BASE

PARISH	2020/21	2021/22	2022/23	2023/24	Change
ASH	23	23	23	27	4
ASTON ON TRENT	724	720	732	734	2
BARROW ON TRENT	241	239	243	241	-2
BARTON BLOUNT	31	32	34	40	6
BEARWARDCOTE	13	13	13	13	0
BRETBY	407	414	414	414	0
BURNASTON	690	691	688	690	2
CALKE	8	8	9	9	0
CASTLE GRESLEY	626	626	632	632	0
CATTON	22	22	22	21	-1
CAULDWELL	44	43	48	47	-1
CHURCH BROUGHTON	241	242	255	250	-5
COTON IN THE ELMS	277	275	287	288	1
DALBURY LEES	125	132	136	139	3
DRAKELOW	206	254	318	342	24
EGGINGTON	257	256	255	255	0
ELVASTON	1,062	1,131	1,197	1,264	67
ETWALL	1,131	1,179	1,190	1,193	3
FINDERN	1,168	1,366	1,504	1,534	30
FOREMARK	31	34	32	34	2
FOSTON & SCROPTON	247	244	252	248	-4
HARTSHORNE	1,079	1,091	1,162	1,218	56
HATTON	883	877	917	1,001	84
HILTON	2,735	2,792	2,891	3,073	182
HOON	21	22	23	23	0
INGLEBY	49	51	51	51	0
LINTON	748	752	779	776	-3
LULLINGTON	59	58	61	59	-2
MARSTON ON DOVE	17	15	18	18	0
MELBOURNE	1,996	1,994	2,020	2,033	13
NETHERSEAL	328	337	336	339	3
NEWTON SOLNEY	336	361	386	390	4
OSLESTON & THURVASTON	122	122	123	119	-4
OVERSEAL	864	884	940	957	17
RADBOURNE	230	347	527	679	152
REPTON	1,172	1,171	1,222	1,231	9
ROSLISTON	290	302	306	317	11
SHARDLOW & GREAT WILNE	424	424	427	427	0
SMISBY	127	124	123	123	0
STANTON BY BRIDGE	120	122	125	123	-2
115 STENSON	1,500	1,489	1,499	1,502	3
SUTTON ON THE HILL	67	69	68	69	1

SWADLINCOTE	9,464	9,478	9,770	9,851	81
SWARKESTONE	297	376	498	603	105
TICKNALL	303	305	302	303	1
TRUSLEY	43	40	42	42	0
TWYFORD & STENSON	69	70	71	68	-3
WALTON ON TRENT	311	310	307	315	8
WESTON ON TRENT	567	615	658	686	28
WILLINGTON	1,016	1,025	1,031	1,050	19
WOODVILLE	1,661	1,651	1,735	1,802	67
TOTAL	**34,472**	**35,218**	**36,702**	**37,663**	**961**

APPENDIX 2

COUNCIL TAX FORECAST SURPLUS 2022/23

Opening Surplus Balance		**3,041,698**
Estimated Council Tax Receivable 2022/23	73,467,323	
		73,467,323
Surplus Paid 2022/23:		
Derbyshire County Council	-1,457,172	
Derbyshire Fire	-83,517	
Derbyshire Police	-254,544	
SDDC	-204,767	
		-2,000,000
Costs - SDDC	0	
Estimated Bad Debt Provision 2022/23	-1,469,346	
		-1,469,346
Precepts 2022/23:		
Derbyshire County Council	-52,284,146	
Derbyshire Fire	-2,966,990	
Derbyshire Police	-9,234,223	
SDDC	-6,346,143	
Parishes	-986,564	
		-71,818,066
Estimated Surplus		**1,221,609**
Surplus B/fwd 2021/22		3,041,698
Payment to Preceptors of Surplus		-2,000,000
Surplus Estimated for 2022/23		179,911
Surplus for Distribution		**1,221,609**

REPORT TO:	**FINANCE AND MANAGEMENT COMMITTEE – SPECIAL BUDGET**	**AGENDA ITEM: 9**
DATE OF MEETING:	**12 JANUARY 2023**	**CATEGORY: RECOMMENDED**
		OPEN
REPORT FROM:	**STRATEGIC DIRECTOR (CORPOARTE RESOURCES)**	
MEMBERS' CONTACT POINT:	**CHARLOTTE JACKSON** Charlotte.jackson@southderbyshire.gov.uk	**DOC:** h/KS/accounts/final accounts 20 21 /approval of accounts report 20 21
SUBJECT:	**ANNUAL STATEMENT OF ACCOUNTS 2020-21**	**REF:**
WARD(S) AFFECTED:	**ALL**	**TERMS OF REFERENCE: FM 08**

1.0 Recommendation

1.1 That the Council's Annual Statement of Accounts for 2020/21 **(Appendix 1)** are approved and signed by the Chairman of the Committee for publication.

2.0 Purpose of Report

2.1 Under the Accounts and Audit Regulations 2015, the Council's Audited Accounts and Financial Statements are presented for approval. The Committee is required to approve the accounts with the knowledge of the opinion of the Council's External Auditor, Ernst and Young LLP (EY).

2.2 Their findings were contained in a report which was presented to the Audit Sub-Committee on 7 December 2022.

2.3 The Council issued its draft Statement of Accounts in accordance with the statutory date of 31 July 2021. They have been published on the Council's website pending the opinion of External Audit.

2.4 As previously reported, due to resourcing issues in the External Audit market which has impacted on most local authorities, there has been a significant delay in EY completing their audit work. The implications upon the Council's Governance Framework, together with an update on the audit of the 2021/22 accounts and future years, will be reported to the Committee on 9 February 2023.

2.5 In the meantime, following EY's report to the Audit Sub-Committee in December, an unqualified opinion was given on the Statement of Accounts for 2020/21. Therefore, they are now presented for approval, following which they will be formally published.

3.0 Detail

3.1 A full copy of the Accounts is enclosed alongside this report. They will also be publicised in the media, via public notices and made available on the Council's website.

3.2 The Statement of Accounts is considered to be a complex and technical document that is prepared to meet accounting and financial standards. It acts as the statutory report on the Council's financial position.

3.3 It is an in-depth analysis of the Council's accounts, including its assets, liabilities, and overall financial position at a point in time. The figures are supported by numerous commentaries and disclosure notes to help explain the various balances, together with income and expenditure in the Accounts.

International Financial Reporting Standards (IFRS)

3.4 The Accounts for 2020/21 have been prepared on a full IFRS basis and in accordance with the Code of Practice on Local Authority Accounting in the UK.

The Statement of Accounts

3.5 A summary of each of the main sections contained within the accounts is set out in the following sections. The format and content of each of the Statements is in accordance with the Code of Practice.

Narrative Report

3.6 This sets out a summary to explain in non-technical terms, the most significant matters reported in the Accounts. It gives an overview of the year's performance, both financially and in more general terms against the key performance indicators in the Council's Corporate Plan.

3.7 General information regarding the District and the Council is also provided. This is aimed at helping the reader of the Accounts to understand the financial performance of the Council in the context of local service priorities and challenges.

3.8 The Narrative also outlines significant factors that affect the understanding of the accounts and provides an overview of assets, reserves, and liabilities. It also outlines the Council's medium-term financial position, together with the financial issues and risks that the Council faces.

Comprehensive Income and Expenditure Summary (CIES)

3.9 This Statement is a summary that reports the accounting cost for the year of all functions for which the Council is responsible. However, the net expenditure in this Statement is not the amount funded from taxation.

3.10 Councils raise tax to cover expenditure in accordance with regulations and this is usually different from the accounting cost which includes debt financing and capital accounting charges such as depreciation. The taxation position is shown in the Movement in Reserves Statement.

3.11 Further analysis of the figures reported in the CIES is contained within the disclosure notes that follow later in the Accounts.

Movement in Reserves Statement

3.12 This Statement shows the movement in reserves held by the Council during the year. It includes amounts charged in and out of the Income and Expenditure Account for accounting purposes that are not a charge on the Council Tax or Rent Payer. It reconciles the accounting cost in the CIES to the cost of services funded through taxation.

3.13 The balance as of 31 March 2021 reflects the level of resources available whether unallocated or held within earmarked reserves, i.e. *usable reserves.*

3.14 Other reserves, such as the Revaluation Reserve, reflect accounting transactions and are not available for spending, i.e. they are *unusable reserves.*

Balance Sheet

3.15 This shows the Council's overall financial position as at 31 March 2021 with a comparison to the previous year, 2019/20. It reports the Council's assets and liabilities as valued at the financial year end. This includes land, property, money owing to and from the Council, together with reserves and provisions, etc.

3.16 The Council's assets were valued at £231 million as at 31 March 2021 (£213 million as at March 2020) with liabilities, mainly debt outstanding and pension deficit, valued at £125 million.

The Pension Deficit

3.17 The increase in the Pension Fund Deficit between 2019/20 and 2020/21 is based on a valuation by the Fund's Actuaries. The Deficit can fluctuate between years due to changes in assumptions regarding investment returns and future liabilities. The Deficit effectively shows the underlying commitments that the Council has in the long-term to pay retirement benefits.

3.18 However, statutory arrangements for funding the deficit mean that the financial position of the Council is not materially affected in any one year. Recent reforms to the Local Government Pension Scheme are in place to reduce the deficit on the Pension Fund over time, without impacting any further on council contributions.

Cash Flow Statement

3.19 This shows the actual inflow and outflow of cash for the year by adjusting the accounts for all non-cash transactions.

Disclosure Notes to the Financial Statements

3.20 These are designed to provide further explanations of the reported figures contained in the Financial Statements. The notes are required under the Code of Practice to give added clarity and understanding for readers and users of the Accounts.

3.21 The notes cover details of income and expenditure, including the Council's accounting policies, together with explanations regarding the critical judgements and assumptions used in preparing the Accounts.

Supplementary Financial Statements

3.22 These contain further detail relating to the ring-fenced Housing Revenue Account (HRA) and the Collection Fund. This Fund shows the amounts collected in Council Tax and Business Rates and how that income has been distributed amongst the preceptors on the Collection Fund.

Glossary

3.23 This is not required under the Code, but it is considered best practice to incorporate a glossary to help explain the terms and phrases used in the Accounts and the Financial Statements.

Value for Money

3.24 As part of their audit work, the Auditor is also required to consider whether the Council has put in place “proper arrangements to secure economy, efficiency and effectiveness on its use of resources.” This is generally known as the VFM conclusion.

3.25 For 2020/21, this was based on the overall evaluation criterion:

“*In all significant aspects, the audited body had proper arrangements to ensure that it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people*.”

3.26 Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise the Council’s arrangements to:

- Take informed decisions.
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.

3.27 In considering these arrangements, the Auditor will draw on the Council’s Corporate Governance Framework. The Auditor is only required to determine whether there are any risks that they consider significant, which the Code of Audit Practice defines as:

“A matter is significant if, in the Auditor’s professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public.”

3.28 Following the Auditor’s review, they stated that “*they had no matters to report about your (the Council’s) arrangements to secure economy, efficiency and effectiveness in your use of resources*.” Effectively, this is a positive outcome and an unqualified opinion on the Council’s arrangements.

4.0 Financial Implications

4.1 The production and publication of the Accounts and Financial Statements is undertaken within current resources.

5.0 Corporate Implications

5.1 None directly.

6.0 Community Implications

6.1 The production of the Council’s Statutory Annual Accounts and Financial Statements is an important part of stewardship and accountability for public resources.

6.2 The document aims to give electors, those subject to locally levied taxes and charges, Elected Members, employees and other interested parties, detailed information about the Council’s financial position.

7.0 Background Papers

7.1 None

South
Derbyshire
District Council

Statement of Accounts

2020/21

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Narrative Report

INTRODUCTION

The Council's financial performance for the year ended 31 March 2021 is set out in the Comprehensive Income and Expenditure Statement and its financial position is set out in the Balance Sheet and Cash Flow Statement.

These financial statements have been prepared in line with the Code of Practice on Local Authority Accounting in the United Kingdom (the Code). The purpose of this narrative is to highlight and summarise the key facts and figures which make up the Council's financial standing, which is detailed in the various statements and disclosure notes. The Narrative Report also gives an overview of the District, the Council structure and performance against the Corporate Plan.

The Statement follows approved accounting standards and is necessarily technical in parts. A glossary is provided at the end of this document to explain the main terms and technicalities associated with the Council's Accounts.

In accordance with accounting practice, the Council has reported its financial position in a series of accounting statements as detailed within the Explanation of the Financial Statements.

The Narrative Report is structured as follows:

- An Introduction to South Derbyshire
- An Introduction to the Council
- Council Performance
- An Explanation of the Financial Statements
- A Summary of Financial Performance

INTRODUCTION TO SOUTH DERBYSHIRE

South Derbyshire is a thriving, attractive place to live, visit and invest.

It has been transformed during the past few decades from a clay and mining area to a successful District that serves as home to more than 107,000 people.

It contains a third of The National Forest which, together with other attractions including Calke Abbey, Mercia Marina, Rosliston Forestry Centre, and Sharpe's Pottery Museum, attract more than two million visitors each year.

South Derbyshire offers a mixture of well-developed urban areas and historic rural settlements.

Its natural features combine with historic sites and modern community and leisure facilities to provide places and activities for residents and visitors alike to enjoy in their spare time.

South Derbyshire boasts 3,500 business enterprises, among them international names JCB, Nestle and Toyota Motor Manufacturing UK. The wide range of employment opportunities means unemployment is very low in the district compared to the national average.

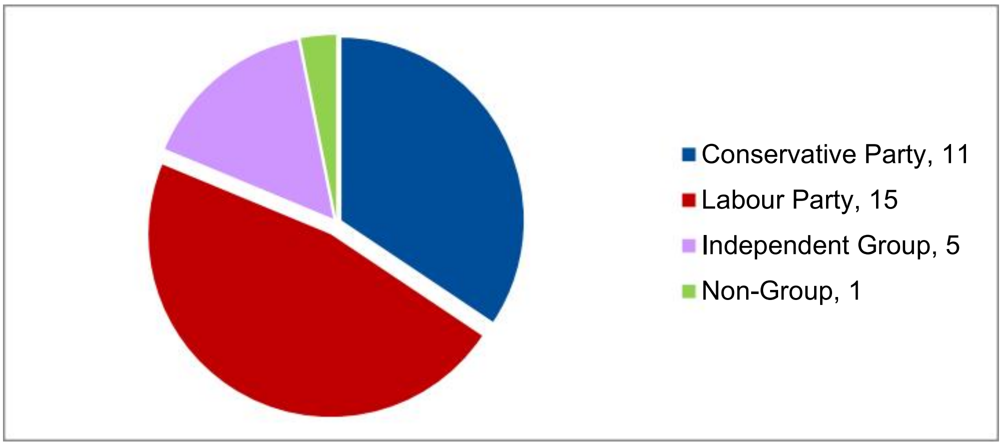
Working with our partners to keep crime and anti-social behaviour to a minimum has cemented South Derbyshire's reputation as one of the safest places to live in the County of Derbyshire.

Narrative Report (continued)

INTRODUCTION TO SOUTH DERBYSHIRE DISTRICT COUNCIL

South Derbyshire District Council was formed on 1 April 1974 as a merger of the Swadlincote Urban District along with Repton Rural District and part of South East Derbyshire Rural District. The Council provides statutory services which include planning, refuse collection, street cleaning, environmental health, housing strategy and housing benefits alongside non-statutory functions to support the health and wellbeing of residents within the district.

South Derbyshire is divided into 15 wards with a total of 36 seats. There were 4 vacant seats during 2020/21. The political composition of seats as at 31 March 2021 is as follows:



Further changes have occurred to the political composition since 31 March 2021. As at 31 July 2021 the composition comprised of Labour 15, Conservative 15, Independent 5 and 1 vacant seat.

About the Council

There are more than 300 employees working to ensure South Derbyshire remains a great place to live, visit and invest.

Services for the District are divided between Derbyshire County Council and South Derbyshire District Council. Through the values in our Corporate Plan, we aim to provide them as efficiently and effectively as possible.

Our constitution sets out how we operate, how decisions are made and the procedures which are followed to ensure we are efficient, transparent and accountable.

To show that our business is conducted in accordance with the law and proper standards, an Annual Governance Statement is produced which is published on our website.

How we work

Our Leadership Team (LT), made up of paid officers, works closely with elected Members to deliver our vision and values.

The LT is headed up by our Chief Executive Frank McArdle, who has been with the Council for more than 40 years and has been instrumental in the regeneration of Swadlincote town centre and attracting significant inward investment into South Derbyshire.

The team is completed by two Strategic Directors and the Head of Legal and Democratic Services in their role as Monitoring Officer.

Narrative Report (continued)

COUNCIL PERFORMANCE

During 2019/20 the Council adopted a new Corporate Plan for 2020 to 2024 after the District Election in May 2019.

This plan concentrates on the issues that are most important to the people who live and work in South Derbyshire, on national priorities set by the Government and on the opportunities and challenges presented by the environmental, economic and social aspects of the district.

As well as enabling effective monitoring and leading our performance management, it links our strategic priorities and objectives directly to the activities of each service area through annual Service Plans.

Aspirational targets are set to embed a process of continual improvement throughout our workforce and operations to ensure that we deliver high quality services at reasonable cost.

Our Medium-Term Financial Plan is monitored and revised to ensure we maintain stability and sustainability. Throughout all we do, we aim to be environmentally responsible and actively encourage corporate social responsibility.

The three key priorities in the Corporate Plan are summarised below:

Our Environment: keeping a clean, green District for future generations

- Reduce waste and increase composting and recycling
- Reduce fly tipping and litter through education, engagement and zero tolerance enforcement action where appropriate
- Enhance biodiversity across the District
- Strive to make South Derbyshire District Council carbon neutral by 2030
- Work with residents, businesses and partners to reduce their carbon footprint
- Enhance the appeal of Swadlincote town centre as a place to visit
- Improve public spaces to create an environment for people to enjoy

Our People: working with communities and meeting the future needs of the District

- Support and celebrate volunteering, community groups and the voluntary sector
- Help tackle anti-social behaviour and crime through strong and proportionate action
- With partners, encourage independent living and keep residents healthy and happy in their homes
- Promote health and wellbeing across the District
- Improve the condition of housing stock and public buildings
- Support social mobility to ensure people have the opportunity to access skilled jobs, higher and further education
- Ensure consistency in the way the Council deals with its service users
- Have in place methods of communication that enable customers to provide and receive information
- Ensure technology enables us to effectively connect with our communities
- Invest in our workforce

Our Future: growing our District and our skills base

- Attract and retain skilled jobs in the District
- Support unemployed residents back into work
- Encourage and support business development and new investment in the District
- Enable the delivery of housing across all tenures to meet Local Plan targets
- Influence the improvement of infrastructure to meet the demands of growth
- Provide modern ways of working that support the Council to deliver services to meet changing needs
- Source appropriate commercial investment opportunities for the Council

There are many risks faced by the Council both financial and non-financial which are categorised and mitigated as far as possible.

Further detail of Council performance against the Corporate Plan and our detailed risk registers are reported quarterly to elected Members to each decision-making Committee and can be found on the Council's website.

EXPLANATION OF THE FINANCIAL STATEMENTS

The Movement in Reserves Statement

This Statement shows the movement in the year on the different reserves held by the Council, analysed into "**usable reserves**" (i.e. those that can be applied to fund expenditure or reduce local taxation) and other "**unusable**" reserves. The Surplus or Deficit on the Provision of Services line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement (CIES).

These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for Council Tax setting and Council House rent setting purposes. The Net Increase/Decrease before transfers to Earmarked Reserves line shows the statutory General Fund Balance and the Housing Revenue Account balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

Comprehensive Income and Expenditure Statement (CIES)

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

The Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the Council's assets and liabilities. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories.

The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt).

The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve) where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

The Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The Statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing, and financing activities.

The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery.

Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

Changes to the Financial Statements

There have been no significant changes to the Financial Statements for the year ended 31 March 2021. Some disclosures have been updated to ensure that the Financial Statements comply with best practice.

Accounting Policies

The Council's Accounting Policies are set out in Note 1 to the Financial Statements. There have been no significant changes in the Accounting Policies during the year.

Financial Report

This narrative report now goes on to explain the broad facts and figures regarding the Council's financial performance and position for 2020/21.

SUMMARY OF FINANCIAL PERFORMANCE

The statutory financial statements are intended to fulfil external reporting requirements and provide a comprehensive assessment of the Council's financial position. Management accounts, which show individual service expenditure, were reported to the Finance and Management Committee on 22 July 2021.

CMIS/Revenue Outturn 2020-21

These report the financial performance of Council services against the Budget for the year at a more detailed service level, the effect on reserves, together with explanations for budget variances and where income and expenditure changed during the year.

Narrative Report (continued)

Income and Expenditure

Each year the Council spends money on key service areas, delivered in accordance with local priorities and statutory requirements. Income is received to fund this expenditure from various sources but primarily Central Government, residents in the form of Council Tax, local businesses in the form of Business Rates and rent from Council House tenants.

Although included in the overall Income and Expenditure Statement, the Council is required to account separately for the costs of providing Council Housing. This is undertaken in a supplementary financial statement called the Housing Revenue Account, or HRA.

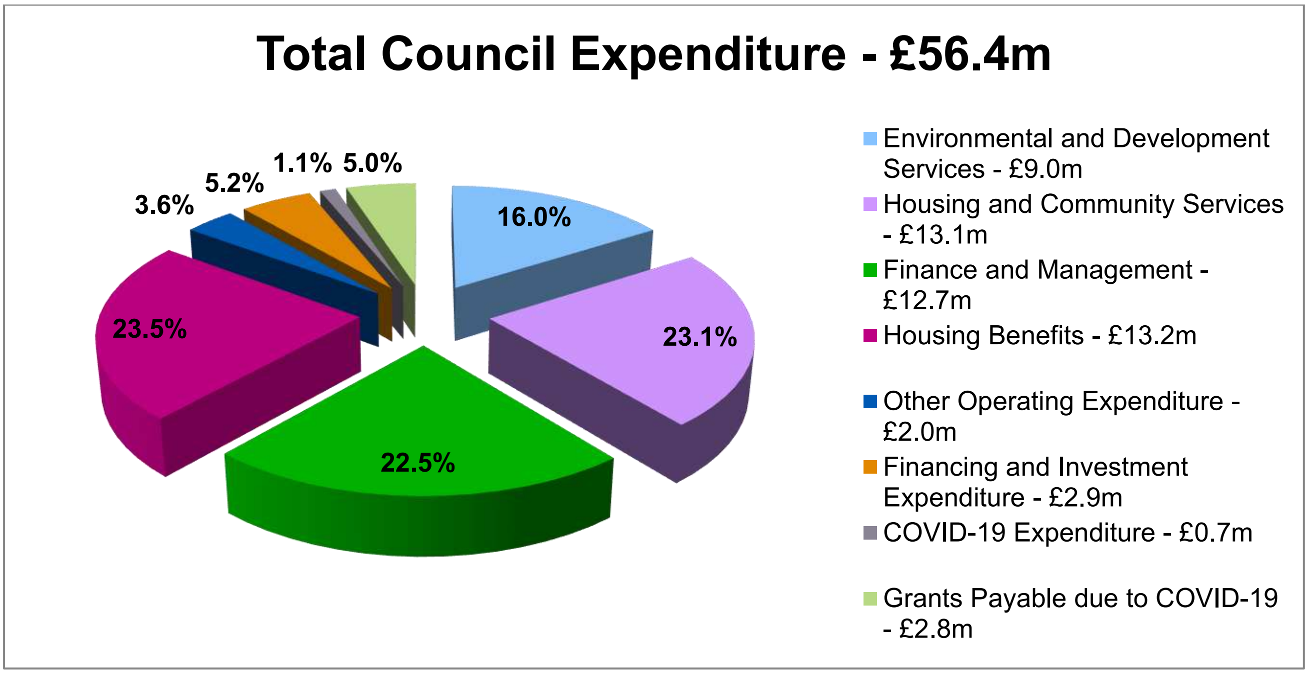
Costs within the HRA must be met by the rental income received from Council House tenants. Any surplus or deficit is adjusted through the HRA Reserve which must remain "ring-fenced" from other Council reserves.

During 2020/21, the Council achieved a surplus on the Provision of Services of £1.4m. After adjustments in reserves for non-cash items and capital receipts, the adjusted surplus of £774k was allocated in the Movement in Reserves Statement between the General Fund and HRA.

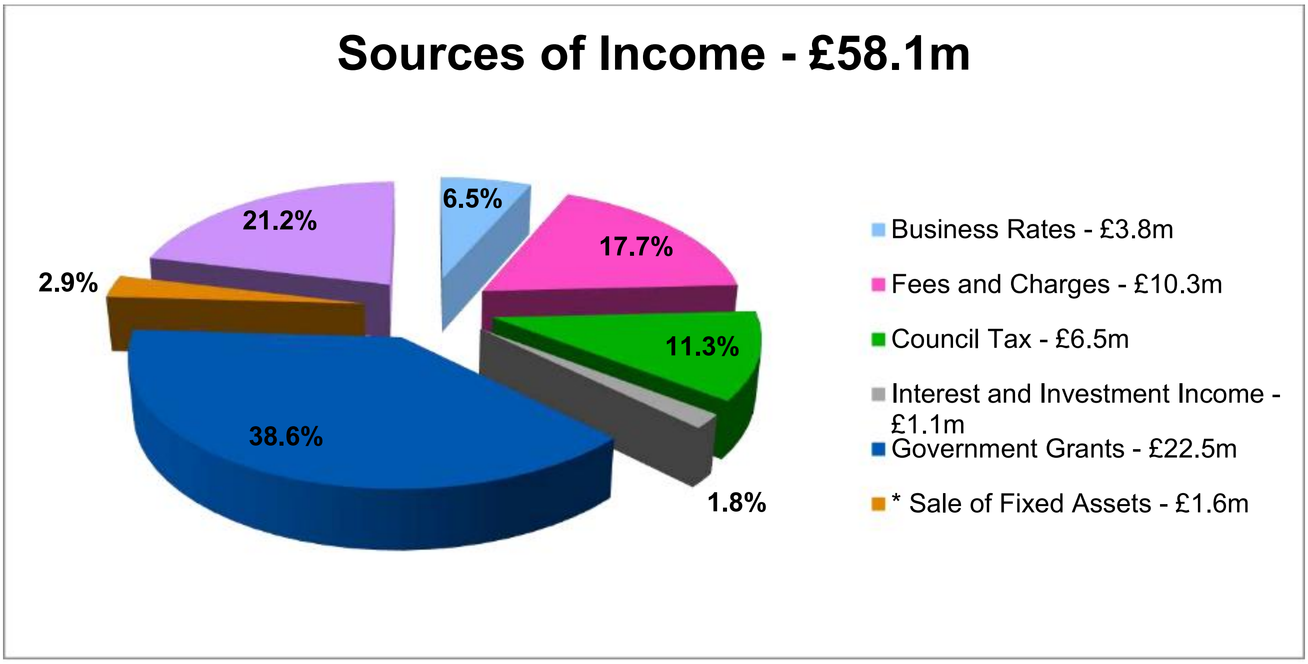
Surpluses were budgeted and expected for the year, the General Fund however performed better than budgeted by £110k. This is due mainly to lower service expenditure. The HRA reserve has increased by £170k which is as expected and budgeted.

The Comprehensive Income and Expenditure Statement is reported in line with the decision-making Committee structure of the Council. Performance of individual service areas within each Committee is reported to elected Members on a quarterly basis.

The following charts show the income received and expenditure incurred by the Council during 2020/21 as shown in the Comprehensive Income and Expenditure Statement and the Expenditure and Funding Analysis in Notes 7 to 9:



Narrative Report (continued)



**The sale of fixed assets of £1.6m is not used to fund service expenditure and has been transferred into a capital reserve within the Movement in Reserves Statement*

Capital Expenditure and Financing

The Council incurs expenditure in acquiring new assets or through undertaking significant improvements to existing assets. This expenditure is financed from external contributions, Government grants and from the Council's own reserves.

Approximately £5.9m was spent by the Council on capital schemes during 2020/21, compared to £4.7m in 2019/20.

In summary, the capital expenditure incurred was on council houses (£2.7m), investment in new vehicles (£0.1m), investment in upgrading leisure and recreational facilities (£0.6m), private sector housing including Disabled Facility Grants (£0.5m), environmental protection (£0.1m), asset sale and upgrades (£0.3m) plus new build and acquisition of council housing (£1.6m).

Bungalow acquisitions in Overseal

House acquisitions in Overseal

Detail of the Council's capital programme for 2020/21 was reported to the Finance and Management Committee on the 22 July 2021

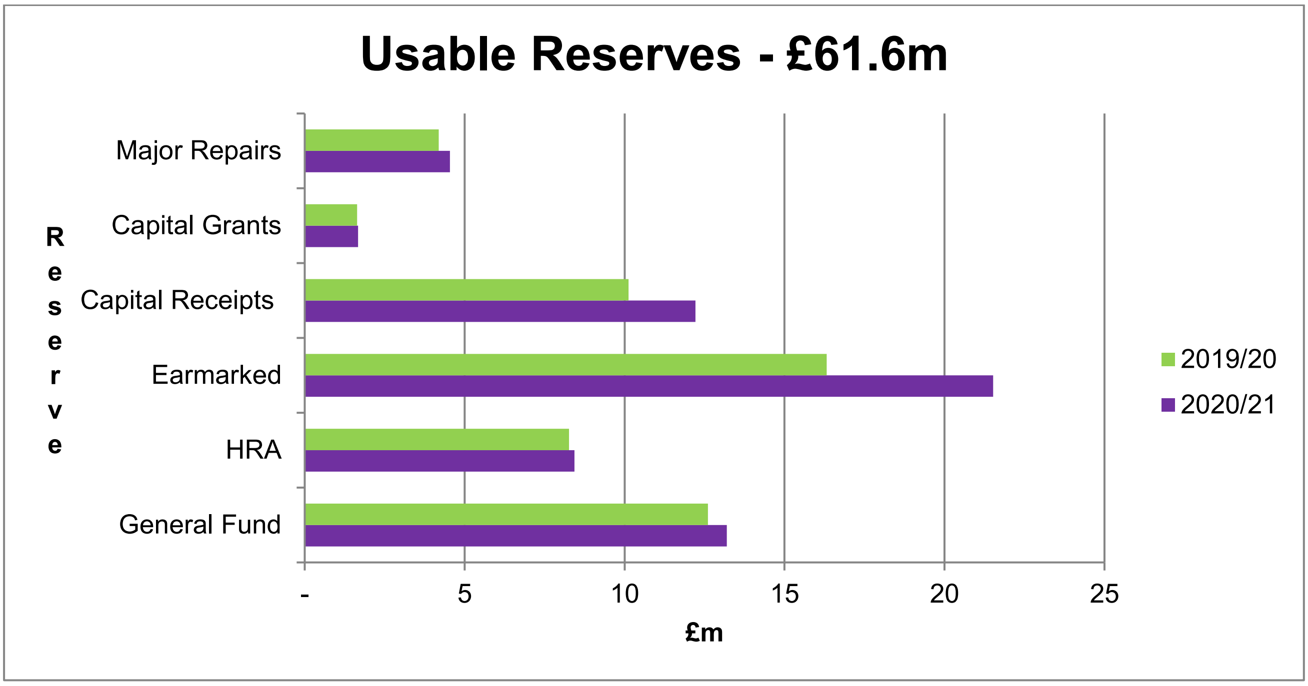
[CMIS/Capital Outturn 2020-21]

This reports the Council performance against the allocated budget for capital expenditure and investment.

Council Reserves

The Council's Usable Reserves have increased in the year from £53.1m to £61.6m due to surpluses in year, receipts of Section 106 planning contributions plus asset sale receipts.

Detail of the Council's Usable Reserves can be found in Note 24 to the Financial Statements but a summary chart showing the movement between 2019/20 and 2020/21 is below:



Unusable reserves have decreased from £60.3m to £43.3m mainly due to an increase in the pension deficit of £15.1m as detailed in Note 34 and a decrease in the Collection Fund adjustment account due to a large Business Rates deficit in year. Further detail of the Unusable Reserves held by the Council is listed in Note 25.

Key Indicator

As part of the Council's Financial Strategy, a minimum unallocated contingency balance of £1.5m is maintained on the General Fund reserve and £1m on the Housing Revenue Account (HRA) reserve. This represents approximately 13% of net revenue expenditure. The balance on the General Fund of £13.1m and £8.4m on the HRA reserve comfortably exceeded this amount as at 31 March 2021.

The Balance Sheet

The Balance Sheet is the Council's assets and liabilities as at 31 March each year. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. The overall value of the Council's net assets decreased from £113.4m in 2019/20 to £104.8m in 2020/21.

Assets

Non-current assets increased by £1.8m in year. This is as a result of increased revaluation of the Council's assets.

Current assets increased by £16.0m in year. The reason for the large movement is mainly due to the increase in cash held by the Council (£10.6m) and short-term debtor balances for Business Rates due to the large deficit in year (£4.9m). Cash has increased mainly due to an increased level of grant income received from the Government as part of the COVID-19 business recovery process. Detail of movements in cash held by the Council is in Note 20.

Liabilities

The liabilities of the Council increased in year by £26.5m. The main movements are the large increase on the Pension deficit (£15.1m), cash held by the Council on behalf of the Government for the COVID-19 business recovery process (£4.3m) plus a balance due to the Government for Business Rates reliefs paid in advance (£4.1m).

Further detail on the Financial Instruments of the Council and performance against our key target can be found in Note 17.

Council Spending and Future Financial Position

The Council's detailed budget and spending plans for 2021/22 and the projected medium-term financial position to 2026 is available at:

CMIS/February 2021

The Council's General Fund was estimated to generate a surplus in 2020/21 with deficits expected every year from 2021/22 onwards. Following several years of budget savings, the Council's financial position has remained stable and has generally performed better than forecast.

The current Medium-Term Financial Plan (MTFP) highlights budget deficits from 2021/22 onwards. Current base budget costs are forecast to increase year-on-year due to inflation, together with a rapid growth in the local population which will place additional demands upon services.

South Derbyshire District Council does have a good track record of spending within its Budget and in recent years has absorbed inflation and growth. This has enabled it to build up a good level of general reserves as highlighted in these Accounts.

The Council continues to benefit from increased income, mainly through planning fees, Council Tax and Business Rates due to the growth of the district. These income streams can be volatile and not guaranteed, being subject to external factors and the impact of this volatility was seen during 2020/21 due to the pandemic. It is still too early to predict the recovery of Business Rates income, but growth is continuing to be seen and it is expected that planning and Council Tax income streams will return to their former level. Additional income is reinvested back into services to meet increased demand.

The Future

As mentioned previously, the Council is forecast to be in a deficit position from 2021/22 onwards in the current MTFP to 2026. The funding gap of £7.4m over the life of the MTFP is set to be funded from the General Reserve which is unsustainable in the longer-term. The General Fund reserve can fund this deficit without falling below the £1.5m approved minimum level at this stage and the level of expected future deficits is reviewed regularly.

The challenges faced by the Council are due to reductions in Central Government funding. Changes to funding streams of Revenue Support Grant and New Homes Bonus have had the biggest impact and have been reported in detail in the MTFP during recent years.

Two Government Consultations (Business Rates Retention Review and Fair Funding Review) were released as part of the Financial Settlement in December 2018 to help determine future core funding. The outcome of these Reviews was likely to impact the Council's financial position significantly. Due to the COVID-19 Pandemic, the Funding Reviews have been delayed leaving further uncertainty into the future. At present, the Government has been issuing one-year financial settlements which creates difficulty with medium-term planning.

COVID-19 Pandemic

The World Health Organisation categorised COVID-19 as a pandemic on 11 March 2020. The Council's Financial Planning did not include a contingency for a pandemic, but the Government provided £1.7m in financial assistance to the Council to support any additional unforeseen budget and resource pressures, most of which was utilised during the year.

Throughout the pandemic, the Council has continued to support the most vulnerable in the district and deliver critical front-line services. In addition, the pressurised emergency situation has tested the Council's ability to move at pace, prioritise service delivery and demonstrate the core values reported as part of the Corporate Plan. Examples of the COVID-19 response are listed below.

- Assisting voluntary groups with food parcels and distribution of supplies to vulnerable residents
- Providing the NHS with buildings for testing facilities
- Supporting local businesses to operate safely during COVID-19
- Taking enforcement action where necessary against those unwilling to follow safe practices
- Disseminating public health messages and being a contact point for concerned residents and businesses across the district
- Utilising Council resources effectively by embedding digital working solutions
- Administering and paying residents and local businesses support packages on behalf of the Government (further detail in the following paragraphs)

Elected Members also approved a sum of £100k to be set-aside to support organisations that were unable to qualify for the main business grants. As at 30 June 2021, £17.7k of this sum has been utilised.

The Government released several Business Rate grant and relief schemes to assist small businesses, a Council Tax Hardship Fund to support the most vulnerable in the district and a Test and Trace scheme to support those instructed to isolate. The Council received £26.1m for Business Grants, £0.6m for the Council Tax Hardship support and £0.2m for Test and Trace. The Council has administered payments totalling £23.1m during 2020/21 and continues to process payments during the first quarter of 2021/22. An additional £3.8m has been received during the first quarter of 2021/22 to administer and pay further business and individual grants.

As noted previously, the Government has provided funding totalling £1.7m to assist with losses in income and additional cost pressures caused by the pandemic. A small balance of £0.2m has been earmarked in reserves to support cost pressures going forward and the Government has also provided additional funding of £0.5m for support into 2021/22. Additional grants have been received in 2021/22 to support local elections in May 2021 and for management of further outbreaks of COVID-19 across the district. Detail of these will be reported to the Council as the year progresses.

Narrative Report (continued)

Additional information regarding the financial impact to the Council due to the pandemic is included within Note 1 (a) General Principles.

AND FINALLY

For information regarding the Trade Union (Facility Time Publication Requirements) Regulations 2017, please see the Council's website.

The following sections set out the Council's Accounts and Financial Statements for 2020/21. As highlighted earlier, to meet accounting standards, they are necessarily detailed and technical in nature.

Further information is available from the Council at www.southderbyshire.gov.uk or by e-mail to customer.services@southderbyshire.gov.uk referencing any queries as ***Statement of Accounts***

Certificate of the Council's and CFO Responsibilities

The Council's Responsibilities

The Council is required to:

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

The Strategic Director (Corporate Resources) Responsibilities

The Strategic Director (Corporate Resources) is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code of Practice').

In preparing this Statement of Accounts, the Strategic Director (Corporate Resources) has:

- Selected suitable accounting policies and then applied them consistently
- Made judgements and estimates that were reasonable and prudent
- Complied with the Code of Practice.

The Strategic Director (Corporate Resources) has also:

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

Certification by the Strategic Director (Corporate Resources)

I certify that this Statement of Accounts has been prepared in accordance with proper accounting practices and presents a true and fair view of the financial position of the Council at 31 March 2021, and its income and expenditure for the year ended on that date.

Kevin Stackhouse

Kevin Stackhouse (CPFA)

Chief Finance (Section 151) Officer

31 July 2021

Certificate of Chief Financial Officer

I certify that:

(a) The Statement of Accounts for the year ended 31 March 2021 on pages 19 to 22 has been prepared in the form directed by the Code and under the accounting policies set out on pages 23 to 36.

(b) In my opinion the Statement of Accounts presents fairly the income and expenditure and cash flows for the financial year and the financial position as at the end of the financial year.

Kevin Stackhouse

Signed: ………………………………

9 December 2022

Dated: ……………………………….

Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOUTH DERBYSHIRE DISTRICT COUNCIL

Opinion

We have audited the financial statements of South Derbyshire District Council for the year ended 31 March 2021 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Council's Movement in Reserves Statement,
- Council's Comprehensive Income and Expenditure Statement,
- Council's Balance Sheet,
- Council's Flow Statement
- the related notes 1 to 36.
- Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, and the related notes 1 to 10
- Collection Fund1and the related notes 1 to 6

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

In our opinion the financial statements:

give a true and fair view of the financial position of South Derbyshire District Council as at 31 March 2021 and of its expenditure and income for the year then ended; and

have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Chief Financial Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Council's ability to continue as a going concern for a period through to 31 March 2024.

Our responsibilities and the responsibilities of the Chief Financial Officer with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Council's ability to continue as a going concern.

Other information

The other information comprises the information set out on pages 3 to 18, other than the financial statements and our auditor's report thereon. The Chief Financial Officer is responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014
- we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

We have nothing to report in these respects.

Responsibility of the Chief Financial Officer

As explained more fully in the Statement of the Chief Financial Officer’s Responsibilities set out on page fourteen (14), the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, and for being satisfied that they give a true and fair view and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Financial Officer is responsible for assessing the Council’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Council either intends to cease operations, or has no realistic alternative but to do so.

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

Auditor’s responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Council and determined that the most significant are:

- *Local Government Act 1972,*
- *Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992),*
- *Local Government Act 2003,*
- *The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended in 2018 and 2020,*
- *Planning Act 2008 and the Community Infrastructure Levy Regulations 2010 (SI 2010/948)*
- *Business Rate Supplements Act 2009*
- *The Local Government Finance Act 2012 ,*

- *The Local Audit and Accountability Act 2014, and*
- *The Accounts and Audit Regulations 2015.*
- *Local Government and Housing Act 1989 (England and Wales)*

In addition, the Council has to comply with laws and regulations in the areas of anti-bribery and corruption, data protection, employment Legislation, tax Legislation, general power of competence, procurement and health & safety.

We understood how South Derbyshire District Council is complying with those frameworks by understanding the incentive, opportunities and motives for non-compliance, including inquiring of management, head of internal audit, those charged with governance and obtaining and reading documentation relating to the procedures in place to identify, evaluate and comply with laws and regulations, and whether they are aware of instances of non-compliance. We corroborated this through our reading of the Council's committee minutes, through enquiry of employees to confirm Council policies, and through the inspection of employee handbooks and other information. Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures had a focus on compliance with the accounting framework through obtaining sufficient audit evidence in line with the level of risk identified and with relevant legislation.

We assessed the susceptibility of the Council's financial statements to material misstatement, including how fraud might occur by understanding the potential incentives and pressures for management to manipulate the financial statements, and performed procedures to understand the areas in which this would most likely arise. Based on our risk assessment procedures, we identified manipulation of reported financial performance (through improper recognition of revenue), inappropriate capitalisation of revenue expenditure and management override of controls to be our fraud risks.

To address our fraud risk around the manipulation of reported financial performance through improper recognition of revenue, we obtained the Council's manual year end income accruals, challenging assumptions and corroborating the income to appropriate evidence.

To address our fraud risk of inappropriate capitalisation of revenue expenditure we tested the Council's capitalised expenditure to ensure the capitalisation criteria were properly met and the expenditure was genuine.

To address our fraud risk of management override of controls, we tested specific journal entries identified by applying risk criteria to the entire population of journals. For each journal selected, we tested specific transactions back to source documentation to confirm that the journals were authorised and accounted for appropriately.

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

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice 2020, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General in April 2021, as to whether the South Derbyshire District Council had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The

Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the South Derbyshire District Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

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

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

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

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed our procedures on the Council's value for money arrangements for the year ended 31 March 2021. We are satisfied that this work does not have a material effect on the financial statements. We will report the outcome of our work on South Derbyshire District Council's arrangements in our commentary on those arrangements within the Auditor's Annual Report. Our audit completion certificate will set out any matters which we are required to report by exception.

Until we have completed these procedures, we are unable to certify that we have completed the audit of the accounts in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Use of our report

This report is made solely to the members of South Derbyshire District Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council and the Council's members as a body, for our audit work, for this report, or for the opinions we have formed.

Hassan Rohimun (Key Audit Partner)

Ernst & Young LLP (Local Auditor)

Birmingham

9 December 2022

Council Approval of Statement of Accounts

These accounts are to be approved by resolution of the Finance and Management Committee on 12 January 2023 after completion of the External Audit.

Signed ……………………….

Dated ………………………..

Comprehensive Income and Expenditure Statement

For the year ended 31 March 2021

This statement, as set out below, shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

£000's	Expenditure	Income	2020/21 Net	Expenditure	Income	2019/20 Net
Environmental and Development Services	9,023	(3,364)	5,660	8,343	(3,581)	4,762
Housing and Community Services (incl HRA)	12,995	(13,801)	(806)	12,640	(13,847)	(1,207)
Finance and Management	25,952	(19,420)	6,532	25,353	(20,921)	4,432
Cost of Services	47,970	(36,585)	**11,385**	46,335	(38,349)	**7,986**
Other Operating Income & Expenditure			474			1,716
Exceptional (Note 5)			-			(1,502)
Total Other Operating Income & Expenditure (Note 12)			474			214
Financing & Investment Income & Expenditure (Note 13)			2,012			1,330
Taxation & Non-Specific Grant Income (Note 14)			(15,347)			(15,334)
(Surplus)/Deficit on Provision of Services			**(1,475)**			**(5,804)**
(Surplus)/Deficit on revaluation of Assets			(4,011)			(4,149)
(Surplus)/Deficit on revaluation of Available for Sale Assets			26			267
Remeasurement of the Net Defined Benefit Liability (Note 34)			13,402			(16,636)
Total Comprehensive Income & Expenditure			**7,942**			**(26,321)**

Movement in Reserves Statement

For the year ended 31 March 2021

This Statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The surplus or deficit on the provision of services represents the true economic cost of providing services but is not the same as the statutory amounts that must be charged to the General Fund and the Housing Revenue Account for the purpose of setting Council Tax and dwelling rents. These are shown by the net increase / (decrease) before transfers to Earmarked Reserves and are calculated after entering all the adjustments that are required to move from the economic (accounting) basis to the funding basis.

Reserves 2020/21 *£000's*	General Fund	Earmarked Reserves	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied Account	Major Repairs Reserve	**Total Usable Reserves**	Unusable Reserves	**Total Authority Reserves**
Balance at 31 March 2019	**11,787**	**12,785**	**6,919**	**8,580**	**2,295**	**3,454**	**45,820**	**41,272**	**87,092**
Movement in reserves during 2019/20:									
Restated Total Comprehensive Income & Expenditure	3,990	-	1,814	-	-	-	**5,804**	20,518	**26,321**
Adjustments between accounting basis & funding basis (Note 10)	249	-	(362)	1,539	(660)	736	**1,502**	(1,502)	**-**
Net increase/(decrease) before transfers to Earmarked Reserves	**4,239**	**-**	**1,452**	**1,539**	**(660)**	**736**	**7,306**	**19,016**	**26,321**
Transfers to/from Earmarked Reserves	(3,421)	3,531	(111)	-	-	-	**-**	-	**-**
Increase/(decrease) for the year ended 31 March 2020	**818**	**3,531**	**1,341**	**1,539**	**(660)**	**736**	**7,306**	**19,016**	**26,321**
Balance at 31 March 2020	**12,605**	**16,316**	**8,260**	**10,120**	**1,635**	**4,190**	**53,126**	**60,288**	**113,413**
Movement in reserves during 2020/21:									
Total Comprehensive Income & Expenditure	(385)	-	1,861	-	-	-	**1,475**	(9,417)	**(7,941)**
Adjustments between accounting basis & funding basis (Note 10)	6,041	-	(1,541)	2,048	29	352	**6,929**	(6,929)	**-**
Net increase/(decrease) before transfers to Earmarked Reserves	**5,656**	**-**	**320**	**2,048**	**29**	**352**	**8,405**	**(16,346)**	**(7,941)**
Transfers to/from Earmarked Reserves	(5,052)	5,202	(150)	-	-	-	**-**	-	**-**
Increase/(decrease) for the year ended 31 March 2021	**604**	**5,202**	**170**	**2,048**	**29**	**352**	**8,405**	**(16,346)**	**(7,941)**
Balance at 31 March 2021	**13,209**	**21,518**	**8,430**	**12,168**	**1,664**	**4,541**	**61,530**	**43,942**	**105,472**

Balance Sheet

For the year ended 31 March 2021

The Balance Sheet shows the value as at 31 March 2021 of the Council's assets and liabilities. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. The second category of reserves is those that the Council is not able to use to provide services. This category includes reserves that hold unrealised gains and losses from asset revaluations, together with reserves that account for timing differences.

£000's	*Notes*	2021	2020
Property, Plant & Equipment	*15*	152,036	148,417
Investment Property	*16*	5,674	6,333
Long-term Investments	*17*	3,638	3,664
Long-term Debtors	*17*	119	789
Non-Current Assets		161,466	159,203
Inventories		104	120
Short-term Debtors	*18*	13,211	7,398
Assets Held for Sale	*21*	-	400
Cash & Cash Equivalents	*20*	56,544	45,912
Current Assets		69,860	53,829
TOTAL ASSETS		**231,326**	**213,033**
Short-term Creditors	*22*	(24,700)	(13,728)
Short-term Borrowing	*17*	(10,089)	(28)
Provisions	*23*	(1,157)	(786)
Current Liabilities		(35,947)	(14,542)
Long-term Creditors	*17*	(48)	(48)
Long-term Borrowing	*17*	(47,423)	(57,423)
Pension Deficit	*34*	(42,420)	(27,606)
Non-Current Liabilities		(89,892)	(85,078)
TOTAL LIABILITIES		**(125,839)**	**(99,619)**
NET ASSETS		**105,472**	**113,413**
Usable Reserves	*24*	(61,531)	(53,125)
Unusable Reserves	*25*	(43,942)	(60,288)
TOTAL RESERVES		**(105,472)**	**(113,413)**

Cash Flow Statement

For the year ended 31 March 2021

The Cash Flow Statement, as set out below, shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing, and financing activities.

The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery.

Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital to the Council.

£000's	*Notes*	2021	2020
Cash generated from operations			
Net Surplus/(Deficit) on the provision of services		1,475	5,804
Adjustment for non-cash movements:			
Depreciation	*15*	5,589	4,909
Impairments/Revaluations		(353)	(1,114)
Movement in Pension Liability	*34*	1,412	2,592
(Profit)/Loss from the sale of Property, Plant & Equipment	*12*	(729)	562
Changes in working capital:			
(Increase)/Decrease in Inventory		15	(18)
(Increase)/Decrease in Debtors	*17*	(4,523)	(2,730)
(Increase)/Decrease in Provision for Bad Debts	*18*	(620)	28
Increase/(Decrease) in Creditors	*22/23*	9,271	4,795
Net cash generated from operations		**11,538**	**14,828**
Cash flows from investing activities			
Purchase of Property, Plant & Equipment	*32*	(4,645)	(3,928)
Purchase of Investment Properties	*16*	(68)	-
Purchase of long-term Investments	*17*	-	(2,000)
Proceeds from the sale of Non-Current Assets	*12*	1,673	1,213
Net cash flows from investing activities		**(3,040)**	**(4,715)**
Cash flows from financing activities			
Proceeds from new Borrowings	*17*	61	-
Agency Agreement with Central Government	*22*	2,072	-
Repayment of Borrowings	*17*	-	-
Net cash flows from financing activities		**2,134**	**-**
Net increase in cash & cash equivalents		10,632	10,113
Cash & cash equivalents at the beginning of the period	*20*	45,912	35,799
Cash & cash equivalents at the end of the period	*20*	**56,544**	**45,912**

Cash Flow Statement

For the year ended 31 March 2021

Notes to the Financial Statements

For the year ended 31 March 2021

1. Accounting Policies

(a) General Principles

The Statement of Accounts summarises the Council's transactions for the 2020/21 financial year and its position as at 31 March 2021. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and the Service Reporting Code of Practice 2020/21, supported by the International Financial Reporting Standards (IFRS). The accounting convention adopted is historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

The Council's financial statements have been prepared on a going concern basis; the accounts have been prepared on the assumption that the functions of the Council will continue in operational existence for the foreseeable future. The provisions in the Code (Code of Practice on Local Authority Accounting in The United Kingdom 2020/21) in respect of going concern reporting requirements reflect the economic and statutory environment in which the Council operates. As a result of this, it would not therefore be appropriate for the financial statements to be produced on anything other than a going concern basis.

COVID-19 has had an unprecedented impact on the UK economy and the length and extent of the economic impact remains uncertain. Finances of all local authorities have been adversely affected and these effects are likely to continue throughout 2021/22. Although the impact of COVID-19 has affected the Council's finances, it is considered that the overall impact as it currently stands will not be material to the Council's longer-term financial position. This is due to the level of Government funding of over £1.4m already received, the high level of Reserves held by the Council, together with its robust medium-term financial plans for the General Fund and Housing Revenue Accounts.

The Council has suffered increased cost pressures and reductions in income as a result of the pandemic. Expenditure increases have been incurred to maintain council services whilst operating in a COVID safe manner and the main income losses are due to closures of the leisure centres and parks plus restrictions on social events. Sites have now started to reopen during the first quarter of 2021/22 but are still not fully trading as they were prior to the pandemic due to legal restrictions. The Government set out processes to cover income losses and the Council qualified for Business Rates and fees and charges losses support of almost £0.3m, in addition to the £1.4m noted above, during 2020/21.

The main financial risk to the Council is the collection of Business Rates income due to local businesses being affected by lockdown and social distancing. The debtor position increased in 2020/21 by 31% (£618k), and these debts are now in the process of recovery, but it is unknown the likely success rate. Performance figures to the end of May are positive however for the 2021/22 bills as they show that collection rates are up against budget for the year by 1.97%, with increases in collection rates against the prior year of 3.68%. The Council incurred a deficit of £9m for Business Rates in 2020/21 but this is shared between the major preceptors and the Government has allowed authorities to split this deficit over a three-year period rather than one year so this helps mitigate the General Fund impact in 2021/22.

Reports are regularly taken to the Finance and Management Committee updating the current and forecasted position of the Council's financial position. The final outturn was reported on 22 July 2021 for 2020/21 with the next full quarterly forecast for 2021/22 due in August 2021. Specific reports about the pandemic have also been presented to elected Members by the S151 Officer to ensure that Members and their constituents are fully informed on the Council's position, the latest update being reported on 22 July 2021.

The mitigating factor underpinning the going concern assessment is that the authority continues to have available General Fund balances above the current recommended minimum working balance.

At the end of 2021/22 it is budgeted to be £10.9m which is £9.1m above the minimum level. Additionally, the Council's cash flow forecasts anticipate that cash balances will remain in a positive position for at least twelve months following publication of these financial statements and do not forecast a need to borrow. The Council has undertaken cash flow modelling through to March 2024 which demonstrates the Council's ability to work within its Capital Financing Requirement and cash management framework, with a minimum cash balance forecast during the period of £24m. Given this, the Council considers that the Statements can be prepared on a going concern basis.

The Statement of Accounts has been prepared in Sterling rounded to the nearest thousand.

The accounting policies are consistent with those applied in the year ended 31 March 2020, as amended to reflect the adoption of any new accounting standards as required by the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

(b) Accruals of Income and Expenditure

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

- Revenue from the sales of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that the economic benefits or services potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed. Where there is a gap between the date supplies are received and their consumption, they are recognised as inventories on the Balance Sheet.
- Revenue from the provisions of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument, rather than the cash flows fixed or determined by the contract.
- Where the income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- Expenses relating to the services received (including services provided by employees) are recorded as expenditure when the services are received rather than when the payments are made.
- The Council Tax and income included in the Income and Expenditure Statement is the Council's share of the Collection Fund's accrued income for the year. The NDR income included in the Income and Expenditure Statement is the Council's share of the Collection Fund's accrued income for the year from the Statutory Return following the close of the financial year. The difference between this value and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund adjustment account through the Movement in Reserves Statement.

Accounting for Council Tax

While the Council Tax income for the year credited to the Collection fund is the accrued income for the year, regulations determine when it should be released from the Collection Fund and transferred to the General Fund or paid from the Collection Fund to the major preceptors. The amount credited to the General Fund under statute is the Council's precept for the year, plus or minus the Council's actual share of the surplus / deficit on the Collection Fund for the previous year.

The cash collected by the Council from Council Tax payers belongs predominantly to all the major preceptors. The difference between the amounts collected on behalf of the other major preceptors and payments made to them is reflected as a debtor or creditor balance as appropriate.

Accounting for Non-Domestic Rates (NDR) – Business Rates

The NDR income for the year credited to the Collection Fund is the accrued income for the year. Regulations determine when it should be released from the Collection Fund and paid out to major preceptors (excluding the Police and Crime Commissioner for Derbyshire) and the Government. The amount credited to the General Fund under statute is the Council's estimated share of NDR for the year from the statutory return made to the Government at the commencement of the financial year.

The cash collected by the Council from NDR Tax payers belongs predominantly to all the major preceptors (excluding the Police and Crime Commissioner for Derbyshire) and the Government. The difference between the amounts collected on behalf of the other major preceptors and payments made to them is reflected as a debtor or creditor balance as appropriate.

(c) Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

Cash equivalents are investments that mature in a specified period of no more than 364 days, or less from the date of acquisition. They are readily convertible to known amounts of cash with insignificant risk of change in value. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

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

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

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

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

(e) Charges to Revenue for Non-Current Assets

Service revenue accounts, support services and trading accounts are debited with the following amounts to record the real cost of holding fixed assets during the year:

- ➔ Depreciation attributable to the assets used by the relevant service.

- ➔ Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the revaluations reserve against which the loss can be written off.

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 the revenue to contribute towards the reduction in its overall borrowing requirement (equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance). Depreciation, impairment losses and amortisations are replaced by the contribution in the General Fund of a Minimum Revenue Provision (MRP) by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

(f) Employee Benefits

Benefits Payable during Employment

Short Term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, annual leave, sick pay and car allowances. These are for current employees and are recognised as expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements, including annual leave, earned by employees but not taken before the year-end which employees can carry forward into the next financial year.

The accrual is made at the wage or salary rate applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to the Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination Benefits are amounts payable as a result of a decision by the Council to terminate employment of employees before the normal retirement date, or an employee's decision to accept voluntary redundancy. These are charged on an accruals basis to the relevant service line of the Comprehensive Income and Expenditure Statement, when the Council is clearly committed to the termination of employment.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the Pension Fund in the year, not the amount calculated according to accounting standards. In the Movement in Reserves Statement appropriations are required to and from the Pensions reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the Pension Fund and any such amounts payable but unpaid at the year-end.

Post-Employment Benefits

Employees of the Council are entitled to be members of the Local Government Pension Scheme, administered by Derbyshire County Council. This scheme provides defined benefits to members (retirement lump sums and pensions) earned as Council employees.

The Local Government Pension Scheme is accounted for as a funded defined benefit final salary scheme:

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

- Liabilities are discounted to their value at current prices using a discount rate based on the indicative rate on long-term redemption yields available on AA rated corporate bonds.
- The assets of the Derbyshire County Council Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:
  - Quoted securities - mid market value.
  - Unquoted securities - professional estimate.
  - Unitised securities - average of the bid and offer rates.
  - Property - market value.

The change in the net pension's liability is analysed into the following components:

Service cost comprising

- Current service cost - the increase in liabilities as result of years of service earned this year, allocated in the Comprehensive Income and Expenditure Statement to the revenue accounts of services for which the employees worked.
- Past service cost - the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier year, debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Finance and Management.
- Net interest on the net defined benefit liability (asset) i.e. net interest expense for the Council – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Finance and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement; this is calculated by applying the discount rate used to measure the defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

Re-measurement comprising

- The return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions reserve as Other Comprehensive Income and Expenditure.
- Actuarial gains and losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions - charged to the Pensions reserve as Other Comprehensive Income and Expenditure.

Contributions paid to the Derbyshire County Council Pensions Fund

The cash paid as employer's contributions to the pensions fund in the settlement of liabilities are not accounted for as an expense as statutory provisions require the General Fund and Housing Revenue Account Balances to be charged with the amount payable by the Council to the Pension Fund, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the Pension Fund and any amounts payable to the fund but unpaid at the year-end. The negative balance that arises on the pensions reserve thereby measures the beneficial impact to the General

Fund of being required to account for retirement benefits on the basis of cash flow rather than as benefits earned by the employees.

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any additional liabilities that arise as a result of a discretionary award to an employee are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

(g) Events after the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and unfavourable that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of event can be identified:

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

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

(h) Financial Instruments

Financial Liabilities

Financial Liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate 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 principle. Interest charged to the Comprehensive Income and Expenditure Account is the amount payable for the year in the loan agreement.

Financial Assets

Financial assets are classified into three types:

- Loans and receivables - assets that have fixed or determinable payments but are not quoted on an active market.
- Fair value through other comprehensive income (FVOCI) – where cash flows are solely payments of principal and interest and the Council's business model is to both collect those cash flows and sell the instrument; and equity investments that the Council has elected into this category.
- Fair value through profit and loss – all other financial assets.

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially valued at fair value, based upon prevailing benchmark market rates for new borrowing. They are subsequently measured and carried on the Balance Sheet at amortised cost. PWLB loan fair value estimates are based upon new borrowing (certainty rate) discount rates. 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 and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Investments elected in to the FVOCI category are recognised when the Council becomes a party to the contractual provisions of a financial instrument and are initially valued at fair value in the Balance Sheet. Changes in fair value are balanced by an entry in the Financial Instrument Revaluation Reserve and the gain/loss is recognised in the surplus or deficit on Revaluation of Financial Instruments. Any gains/losses on de-recognition are taken directly to the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Financial Instrument Revaluation Reserve.

(i) Government Grants and Contributions (Revenue)

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

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

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

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

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

(j) Investment Property

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

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset would be exchanged between knowledgeable parties at arm's length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposals.

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

(k) Property, Plant and Equipment

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

Recognition

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

Assets are valued into components where a component may be a significant proportion of the overall value of the asset. For example, asset values may be split between land, buildings and services. Where a component is replaced, the carrying amount of the old component is derecognised and the new component reflected in the carrying amount, subject to the recognition principles detailed above being met.

Measurement

Fair value is defined by IFRS 13 as 'the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date'. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

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

The Council uses external valuers to provide a valuation of its assets and liabilities in line with the highest and best use definition within the accounting standard. The highest and best use of the asset or liability being valued is considered from the perspective of a market participant.

IFRS13 seeks to increase consistency and comparability in fair value measurements and related disclosures through a 'fair value hierarchy'. Inputs to the valuation techniques in respect of the Council's fair value measurement of its assets and liabilities are categorised within the fair value hierarchy as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access as the measurement date.

Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – unobservable input for the asset or liability.

The Council measures some of its assets and liabilities at fair value at the end of the reporting period. The Council is unable to capture the impact of adopting IFRS13 in isolation as many other factors, such as market conditions, will have had an impact upon the valuation in the end.

Assets are initially measured at cost, comprising:

- The purchase price
- Any cost attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

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

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

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

- Vehicles, Plant and Equipment – depreciated historical cost.
- Land and Buildings - Fair value (the amount that would be paid for land and buildings in their existing use)
- Dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH).
- Assets under construction – carried at cost until in use and then carried at EUV-SH.
- Surplus assets – best use fair value, based on what would be paid for the asset on the open market.
- All other assets – fair value determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

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

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

Where decreases in value are identified, they are accounted for by:

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

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

Impairment

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

Where impairment losses are identified, they are accounted for by:

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

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain community assets) and assets that are not yet available for use (i.e. assets under construction). Depreciation is not charged on the year of acquisition or disposal.

Depreciation is calculated on the following bases:

- Dwellings and other buildings – Straight-line allocation over the useful life of the property as estimated by the Valuer (between 18 and 75 years).
- Vehicles, plant, furniture and equipment – Straight-line allocation over the useful life of the item, as advised by a suitably qualified officer usually between 5 and 7 years.
- Community Assets – Not depreciated as their life is non-determinable,
- Land, Surplus assets not held for sale (land) and assets under construction - Not depreciated
- Surplus assets not held for sale (property) - Straight-line depreciation over the useful life of the asset up to 45 years.
- Infrastructure Assets - Straight-line depreciation allocation over the useful life of the asset up to 20 years.

Where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the item (as determined by the VOA), the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell.

Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the surplus or deficit on provisions of services. Depreciation is not charged on Asset Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

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

When an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on the disposal. Receipts from disposals are credited to the same line in the Comprehensive Income and Expenditure Statement in addition to part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve and then only can be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the Capital Financing Requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against Council Tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from General Fund balance in the Movement in Reserves Statement.

(l) Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a dispute that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation and are measured at the best estimate of the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision set-up in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year, where it becomes more likely than not that a transfer of economic benefits will not now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service revenue account.

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 in the relevant service revenue account if it is virtually certain that reimbursement will be received if the obligation is settled.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required, or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

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

Contingent assets are not recognised in the 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.

(m) Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund and HRA Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserve Statement so that there is no net charge against Council Tax for the expenditure incurred.

Certain reserves are kept to manage the accounting processes for Non-current assets, financial instruments, retirements and employee benefits. These do not represent usable resources for the Council. These reserves are explained in the relevant policies.

(n) Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of non-current assets has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts so there is no impact on the level of Council Tax.

(o) Value Added Tax (VAT)

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

(p) Principal and Agent Transactions

In its capacity as a billing authority the Council acts as an agent when collecting Council Tax & Non-Domestic Rate income and also with the COVID-19 Business Grants distributed on behalf of the Government. Council Tax income is collected and distributed by the Council both on its own behalf and as an agent for Precepting Authorities. Non-Domestic Rate (NNDR) income is collected on behalf of the Council, the Government, Derbyshire Fire and Rescue Authority & Derbyshire County Council. Business Grant income was provided to the Council by the Government and is distributed based on strict rules imposed by the Government.

Where the Council is acting as an agent, transactions are not reflected in the financial statements, except where cash is collected, or expenditure is incurred on behalf of the other bodies. In this case a debtor or creditor will be raised. Council Tax & NNDR income is included in the Comprehensive Income & Expenditure Statement on an accruals basis

(q) Inventories and Long-Term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The inventory is used in the delivery of Council services.

Work in progress on long-term contracts, where interim valuations are made, is included in the appropriate revenue accounts at historical cost covering the main cost elements (labour, materials, etc.)

(r) Leases

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

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

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

Operating Leases - The Council as a Lessee

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

Operating Leases - The Council as a Lessor

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental Income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease).

(s) Exceptional Items

When items of income and expense are material, their nature and amount are disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or as a Note to the

Statement of Accounts depending on how significant the items are to an understanding of the Council's financial performance.

2. Accounting Standards that have been issued but not yet adopted

Local Authorities are required to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. The following standards have not yet been adopted:

- IFRS 16 Leases

The impact of IFRS 16 will be considered for the 2021/22 Statement of Accounts. It is not considered that this standard will have a material impact on the Accounts although the exact impact is not currently known.

3. Critical Judgements

In applying the accounting policies as set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in these Accounts are detailed below.

Deferred Capital Receipts

Oversetts Road, Swadlincote

The Council has received a payment against the Deferred Capital Receipt created in the 2019/20 Statement of Accounts for the profit from a proportion of land that has been developed. The Council has received £518k of £1.5m expected over the two-year collaboration agreement. The Council is expected to receive another payment in November 2021 of £705k with the balance due once the final parcel of land is sold. All receipts are expected to be received during 2021/22.

4. Assumptions made about the future and other major sources of uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain.

Estimates are made taking into account historical experience, current trends and other relevant factors.

However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

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

Item	Uncertainties
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current financial climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.

	The valuation of assets has a level of uncertainty in 2020/21 due to the COVID-19 pandemic and the availability of economic data to support the valuations which may mean that the Balance Sheet Non-Current Assets are not a true reflection of the amount the Council could generate by selling all of its assets.
Provisions	The Council has made provisions in 2020/21 totalling £1,157k, comprising Planning Appeals (£75k) and Business Rate appeals (£1,016k) and Termination payments (£66k). The amounts are based on informed estimates of the final liability.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets, etc. A firm of consulting actuaries is engaged to provide the Pensions Administrator with expert advice about the assumptions to be applied.
Valuations	It is considered that a fair value basis under IFRS 13, applies to the Council's Investment Properties which are let under leases to local businesses in return for a rental income. These assets are not held as part of a wider economic development strategy for the district. Their value, at approximately £5.9m as shown in Note 16, reflects this position. In addition, long-term financial liabilities in the form of HRA loans outstanding of approximately £57m reflect a fair value measurement as shown in Note 17.
Employee Benefits Payable During Employment	The Council has accrued for known holiday entitlement outstanding as at 31 March 2021, but not taken. This was based on the Council's on-line Annual Leave System (ALS) which records leave as it is authorised and taken during the year. Accrued leave was calculated as £41k at 31 March 2021, compared to £11k at 31 March 2020. The Council has policies in place concerning the taking of accrued leave and other time in lieu. Only in special circumstances can this be converted into cash payments to the employees concerned. Therefore, in practice, much of the accrued sum is unlikely to be a true financial cost and, in most circumstances, the accrued time is managed within the confines of service delivery. Therefore, the accrued sum is not a charge to the Council's Reserves and with any cash payments being accounted for in the year that they are made.
Bad and Doubtful Debts	The Council has several debts outstanding at 31 March 2021. It is likely that a proportion of this debt will not be collectable in the future. Therefore, judgements are made to determine the amount that will remain uncollected, and this is converted into a sum which is transferred into a provision, in order that uncollectable debts can be written off. Debts are categorised into type and profile of the debtor. Judgements are then made, in some instances at an individual level, regarding the size of debt, period outstanding and any payments in place, etc. A percentage is then applied to debts that may not be collected. Generally, the older the debt, the greater the percentage applied. The percentage is also informed by past experience and the current economic climate. Within the overall resources of the Council, a prudent view is taken in calculating a bad debts provision.

5. Exceptional items of Income and Expense

There are no exceptional items in 2020/21.

6. Events after the Balance Sheet Date

There have been no events following the balance sheet date.

7. Expenditure and Funding Analysis

The Expenditure and Funding Analysis takes the net expenditure that is chargeable to taxation and rents and reconciles it to the Comprehensive Income and Expenditure Statement.

£000's			2020/21			2019/20
	Net Expenditure Chargeable to GF & HRA	Adjustments between Accounting & Funding (Notes 8&10)	Net Expenditure in Comprehensive Income & Expenditure Statement	Net Expenditure Chargeable to GF & HRA	Adjustments between Accounting & Funding (Notes 8&10)	Net Expenditure in Comprehensive Income & Expenditure Statement
Environmental and Development Services	5,151	(508)	5,660	4,572	(190)	4,762
Housing and Community Services (incl HRA)	1,058	1,864	(806)	(1,448)	(240)	(1,207)
Finance and Management	4,704	(1,828)	6,532	3,783	(649)	4,432
Net Cost of Services	**10,913**	**(472)**	**11,385**	**6,907**	**(1,079)**	**7,986**
Other Operating Income & Expenditure	(16,347)	(3,486)	(12,861)	(12,597)	1,193	(13,790)
(Surplus)/Deficit	**(5,434)**	**(3,958)**	**(1,475)**	**(5,690)**	**114**	**(5,804)**
Opening General Fund and HRA Balances	(37,182)			(31,492)		
(Surplus) / Deficit on General Fund and HRA Balances in year	(5,434)			(5,690)		
Closing General Fund and HRA Balances at 31 March	**(42,615)**			**(37,182)**		

For a split of the balance between General Fund and HRA see the Movement in Reserves Statement

Notes to the Financial Statements (continued)

For the year ended 31 March 2021

8. Note to the Expenditure and Funding Analysis

2020/21 *£000's*	Adjustments for Capital Purposes [1]	Net Change for the Pensions Adjustments [2]	Other Differences [3]	Total Adjustments
Environmental and Development Services	(508)	-	-	**(508)**
Housing and Community Services	2,055	(190)	-	**1,864**
Finance and Management	(607)	(1,222)	-	**(1,828)**
Net Cost of Services	**940**	**(1,412)**	**-**	**(472)**
Other Income and Expenditure from Expenditure and Funding Analysis	321	-	(3,807)	**(3,486)**
Difference between General Fund and HRA (Surplus)/Deficit and the (Surplus)/Deficit on the Provision of Services	**1,261**	**(1,412)**	**(3,807)**	**(3,958)**

2019/20 *£000's*	Adjustments for Capital Purposes [1]	Net Change for the Pensions Adjustments [2]	Other Differences [3]	Total Adjustments
Environmental and Development Services	(190)	-	-	**(190)**
Housing and Community Services	115	(355)	-	**(240)**
Finance and Management	1,588	(2,237)	-	**(649)**
Net Cost of Services	**1,513**	**(2,592)**	**-**	**(1,079)**
Other Income and Expenditure from Expenditure and Funding Analysis	329	-	865	**1,193**
Difference between General Fund and HRA (Surplus)/Deficit and the (Surplus)/Deficit on the Provision of Services	**1,841**	**(2,592)**	**865**	**114**

1. *These amounts relate to adjustments for capital purposes such as depreciation, impairments and revaluations.*
2. *These amounts relate to the net change for the removal of pension contributions and the addition of IAS19 Employee Benefits.*
3. *This amount relates to the difference between what is chargeable under statutory regulations for council tax and NNDR and income recognised under generally accepted accounting practices in the Code.*

9. Expenditure and Income Analysed by Nature

£000's	2020/21	2019/20
Expenditure		
Employee Expenses	15,352	15,347
Other service expenses	30,020	29,406
Depreciation and Impairment	5,237	3,795
Interest payable	1,540	1,595
Parish precepts	891	842
Grants issued to the public due to COVID-19	(0)	-
Elected Members allowances	366	362
Payments to Housing Capital Receipts Pool	312	312
Total expenditure	**53,719**	**51,660**
Income		
Fees, charges and other service income	(10,293)	(11,295)
Interest and investment income	(1,061)	(1,106)
Income from Council Tax and Non-Domestic Rates	(10,562)	(11,975)
Rental income	(12,335)	(12,331)
Income from Sale of Fixed Assets	(1,530)	(2,732)
Government grants and contributions	(19,414)	(18,024)
Total income	**(55,194)**	**(57,463)**
(Surplus) / Deficit on the Provision of Services	**(1,475)**	**(5,804)**

Income received on a segmental basis is analysed in the table below.

£000's	2020/21	2019/20
Environmental and Development Services	(3,223)	(3,581)
Housing and Community Services (incl HRA)	(1,044)	(1,421)
Finance and Management	(6,025)	(6,293)
Total income from external customers	**(10,293)**	**(11,295)**

10. Adjustments between Accounting Basis and Funding Basis under Regulation

2020/21	Usable Reserves					
£000's	General Fund	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	Major Repairs Reserve	**Total**
<u>Adjustments to Revenue Resources</u>						
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:						
Pensions Costs (transferred to/from Pensions Reserve)	1,222	190	-	-	-	**1,412**
Council Tax and NNDR (transferred to/from Collection Fund Adjustment Account)	3,807	-	-	-	-	**3,807**
Deferred Capital Receipts (transferred to/from Deferred Capital Receipts Reserve)	-	-	518	-	-	**518**
Holiday Pay (transferred to/from Accumulated Absences Reserve)	26	4	-	-	-	**30**
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (charged to the Capital Adjustment Account)	2,926	3,270	-	-	-	**6,196**
Total Adjustments to Revenue Resources	**7,981**	**3,464**	**518**	**-**	**-**	**11,963**
<u>Adjustments between Revenue and Capital Resources</u>						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(855)	(791)	1,646	-	-	**-**
Payments to the Government Housing Receipts Pool	-	312	(312)	-	-	**-**
Posting of HRA resources from Revenue to the Major Repairs and Capital Receipts Reserve	-	(4,471)	1,536	-	2,935	**-**
Posting of General Fund resources from revenue to the Capital Grants Unapplied	(29)	-	-	29		**-**
Voluntary revenue contribution for capital funding	(131)	-	-	-		**(131)**
Statutory provision for the repayment of debt (transferred from the Capital Adjustment Account)	(190)	-	-	-		**(190)**
Capital expenditure financed from revenue (transferred to the Capital Adjustment Account)	(679)	-	-	-	-	**(679)**
Total Adjustments between Revenue and Capital Resources	**(1,883)**	**(4,950)**	**2,870**	**29**	**2,935**	**(999)**
<u>Adjustments to Capital Resources</u>						
Use of Capital Receipts Reserve to finance capital expenditure	(57)	(54)	(1,340)	-	-	**(1,451)**

Use of Major Repairs Reserve to finance capital expenditure	-	-	-	-	(2,583)	**(2,583)**
Application of capital grants to finance capital expenditure	-	-	-	-	-	**-**
Total Adjustments to Capital Resources	**(57)**	**(54)**	**(1,340)**	**-**	**(2,583)**	**(4,035)**
Total Adjustments	**6,041**	**(1,541)**	**2,048**	**29**	**352**	**6,929**

10. Adjustments between Accounting Basis and Funding Basis under Regulation (continued)

2019/20	Usable Reserves					
£000's	General Fund	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	Major Repairs Reserve	**Total**
Adjustments to Revenue Resources						
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:						
Pensions Costs (transferred to/from Pensions Reserve)	2,237	355	-	-	-	**2,592**
Council Tax and NNDR (transferred to/from Collection Fund Adjustment Account)	(865)	-	-	-	-	**(865)**
Deferred Capital Receipts (transferred to/from Deferred Capital Receipts Reserve)	(1,502)	-	-	-	-	**(1,502)**
Holiday Pay (transferred to/from Accumulated Absences Reserve)	(1)	2	-	-	-	**1**
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (charged to the Capital Adjustment Account)	1,544	4,025	-	-	-	**5,570**
Total Adjustments to Revenue Resources	**1,414**	**4,382**	**-**	**-**	**-**	**5,796**
Adjustments between Revenue and Capital Resources						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(454)	(1,060)	1,514	-	-	**-**
Payments to the Government Housing Receipts Pool	-	312	(312)	-	-	**-**
Posting of HRA resources from Revenue to the Major Repairs and Capital Receipts Reserve	-	(3,920)	1,424	-	2,496	**-**
Posting of General Fund resources from revenue to the Capital Grants Unapplied	649	-	-	(649)		**-**
Voluntary revenue contribution for capital funding	(131)	-	-	-		**(131)**
Statutory provision for the repayment of debt (transferred from the Capital Adjustment Account)	(197)	-	-	-		**(197)**
Capital expenditure financed from revenue (transferred to the Capital Adjustment Account)	(933)	-	-	-	-	**(933)**
Total Adjustments between Revenue and Capital Resources	**(1,067)**	**(4,668)**	**2,627**	**(649)**	**2,496**	**(1,262)**

Adjustments to Capital Resources						
Use of Capital Receipts Reserve to finance capital expenditure	(98)	(76)	(1,087)	-	36	**(1,225)**
Use of Major Repairs Reserve to finance capital expenditure	-	-	-	-	(1,796)	**(1,796)**
Application of Capital Grants to finance capital expenditure	-	-	-	(11)	-	**(11)**
Total Adjustments to Capital Resources	**(98)**	**(76)**	**(1,087)**	**(11)**	**(1,760)**	**(3,032)**
Total Adjustments	**249**	**(362)**	**1,539**	**(660)**	**736**	**1,502**

11. Movements in Earmarked Reserves

This note details the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans, together with amounts posted back from earmarked reserves to meet General Fund expenditure in 2020/21.

£000's	Closing balance 2019/20	Transfers in	Transfers out	Closing balance 2020/21
General Fund				
IT Reserve	636	315	(85)	866
Committed Expenditure Reserve	145	41	-	186
Economic Regeneration Fund	1,000	-	(68)	932
S106 Receipts	10,320	3,251	(3,201)	10,371
Rosliston Capital Reserve	126	50	-	177
Public Buildings Maintenance	252	-	(52)	200
Welfare Reform, Fraud and Compliance	292	52	(17)	327
Homelessness Prevention	268	76	-	345
Schools Sport Partnership Project	256	13	-	269
Pensions Reserve	130	-	(39)	91
NNDR Deficit Provision	-	3,263	-	3,263
Local Authority COVID-19 Support	-	531	-	531
Asset Replacement and Renewal Fund	194	90	-	284
Public Open Space Reserves	560	18	(15)	562
District Growth	1,122	222	(430)	913
Biodiversity Enhancements - Swadlincote Reserve	-	158	-	158
Other Earmarked Reserves	469	366	(125)	709
Total	**15,770**	**8,445**	**(4,033)**	**20,183**
Fixed Asset Replacement Fund	546	925	(135)	1,336
	16,316	**9,370**	**(4,168)**	**21,518**

12. Other Operating Income and Expenditure

Total *£000's*	**2020/21**	**2019/20**
Parish Council Precepts	848	798
Parish Council Tax Support Grant	44	44
Payments to the Government Housing Capital Receipts Pool	261	312
Total - Other Operating Expenditure	**1,153**	**1,154**
Profit on disposal of non-current assets		
Normal (see below)	(729)	562
Exceptional (Note 5)	-	(1,502)
Total - profit on disposal of non-current assets	**(729)**	**(940)**
Total - Other Operating (Income) / Expenditure	**423**	**214**

12. Other Operating Income and Expenditure (continued)

(Profits)/losses on the disposal of non-current assets *£000's*	2020/21	2019/20
Net Proceeds from Sale of General Assets	(883)	(171)
Net Proceeds from Sale of HRA Assets	(790)	(1,060)
Disposal Costs	22	18
Book Value of non-current assets sold	921	1,774
Total	**(729)**	**562**

13. Financing and Investment Income and Expenditure

Total *£000'S*	2020/21	2019/20
Interest Payable and Similar Charges	1,546	1,601
Interest Receivable and Similar Income	(413)	(507)
Net Interest on the Net Defined Benefit Liability (note 34)	644	1,020
Income and Expenditure in Relation to Investment Properties	235	(783)
Total	**2,012**	**1,330**

14. Taxation and Non-Specific Income

Total *£000's*	2020/21	2019/20
Council Tax Income	(6,564)	(6,460)
NNDR Income	(3,781)	(5,515)
Local Authority Support for COVID-19	(280)	-
Non-Ring-Fenced Government Grants	(4,722)	(3,358)
Total	**(15,347)**	**(15,334)**

Council Tax Income *£000's*	2020/21	2019/20
Current Year	(6,564)	(6,460)
Total	**(6,564)**	**(6,460)**

14. Taxation and Non-Specific Income (continued)

National Non-Domestic Rates (NNDR) *£000's*	2020/21	2019/20
Current Year	(7,374)	(11,080)
Tariff Payments	6,631	6,525
Business Rate Reliefs	(3,693)	(1,554)
Taxation Income Guarantee	(215)	-
Payment to Business Rates Pool	871	594
Total	**(3,781)**	**(5,515)**

Local Authority Support for COVID-19 *£000's*	2020/21	2019/20
Grant Income to Support COVID-19 Expenditure	(1,439)	-
Expenditure in Relation to COVID-19	1,258	-
Council Tax Hardship Fund *	(606)	-
Local Council Tax Support due to Hardship *	507	-
Total	**(280)**	**-**

Non-Ring-Fenced Government Grants *£000's*	2020/21	2019/20
Council Tax Discount Grant	(4)	(5)
EU Exit Funding	-	(35)
Custom Build Grant	-	(15)
Community Recovery Flood Grants	(92)	-
New Homes Bonus	(4,262)	(3,282)
New Burdens Grant	(364)	(21)
Total	**(4,722)**	**(3,358)**

- Although the Council Tax Hardship Fund was received by the Council for a specific purpose, it has been reported within non-specific for transparency in relation to COVID-19 grants received to support services

15. Property, Plant and Equipment

Year ended 31 March 2020 *£000's*	Council Dwellings	Land & Buildings	Vehicles, Plant & Equipment	Community Assets	Assets Under Construction	Surplus Assets	**Total**
Cost or valuation							
At 1 April 2020	124,978	19,277	4,981	1,300	-	105	**150,641**
Additions	4,018	277	246	-	82	-	**4,622**
Revaluation Increases/(decrease) recognised in the surplus /deficit on the provision of services	1,330	(1,277)		45	-	-	**97**
Derecognition - Disposals	(406)	(83)	(28)		-	-	**(517)**
Derecognition - Other	(29)	-			-	-	**(29)**
Assets reclassified (to)/from other accounts	36						**36**
Other movements in cost or valuation	-	-			-	-	-
At 31 March 2021	129,926	18,194	5,199	1,345	82	105	**154,850**
Accumulated depreciation & Impairment							
At 1 April 2020			(2,224)	-	-	-	**(2,224)**
Depreciation Charge	(3,942)	(1,033)	(614)	-	-	-	**(614)**
Depreciation written out to the revaluation reserve	3,978	(12)	-	45		-	**45**
Impairments losses/(reversals) recognised on the provision of services	1,294	(232)	-	-	-	-	-
Derecognition - Disposals			24		-		**24**
Derecognition - Other					-	-	-
Other movements in depreciation an impairment	(1,330)	1,277		(45)	-	-	**(45)**
At 31 March 2021	**(0)**	**0**	**(2,814)**	-	-	-	**(2,814)**
Net Book Value							
At 31 March 2021	**129,926**	**18,194**	**2,385**	**1,345**	**82**	**105**	**152,036**
At 1 April 2020	**124,978**	**19,277**	**2,756**	**1,300**	**-**	**105**	**148,416**

15. Property, Plant and Equipment (continued)

Year ended 31 March 2020 *£000's*	Council Dwellings	Land & Buildings	Vehicles, Plant & Equipment	Community Assets	Assets Under Construction	Surplus Assets	**Total**
Cost or valuation							
At 1 April 2019	122,871	18,266	4,472	1,300	517	105	**147,530**
Additions	2,877	-	654	-	353	-	**3,884**
Disposals	(731)	(43)	(145)	-	-	-	**(919)**
Transfers	869	-	-	-	(869)	-	**0**
Revaluations	(909)	1,054	-	-	-	-	**145**
					-		**-**
At 31 March 2020	**124,978**	**19,277**	**4,981**	**1,300**	**1**	**105**	**150,640**
Depreciation & Impairment							
At 1 April 2019	-	-	(2,051)	-	-	-	**(2,051)**
Depreciation Charge	(3,721)	(869)	(319)				**(4,909)**
Depreciation written out to the revaluation reserve	2,255	1,894					**4,149**
Impairment losses/(reversals) recognised on the provision of services	557	29					**586**
Derecognition - Disposals			145				**145**
Derecognition - Other							**-**
Other movements in depreciation an impairment	909	(1,054)		-	-	-	**(145)**
Disposals	-	-		-	-	-	**-**
Transfer							**-**
Impairments			-	-	-	-	**-**
Revaluations			-	-	-	-	**-**
At 31 March 2020	**-**	**-**	**(2,225)**	**-**	**-**	**-**	**(2,225)**
Net Book Value							**-**
At 31 March 2020	**124,978**	**19,277**	**2,756**	**1,300**	**1**	**105**	**148,416**

At 1 April 2019	122,871	18,266	2,421	1,300	517	105	145,480

15. Property, Plant and Equipment (continued)

Valuations

In accordance with IAS 16, the Council revalues all Property, Land and Buildings annually on a fair value basis. It is considered that there is no material difference in a fair value basis compared to a valuation based on carrying value. All valuations were carried out externally by Jon Higgins MRICS, Senior Surveyor, VOA. Valuations of land and buildings were carried out as at 31 March 2021 in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

Except for Vehicles, Plant and Equipment, all assets are valued each year and summary values are shown in the following table.

£000's	Council Dwellings	Land & Buildings	Vehicles, Plant & Equipment	Community Assets	Assets under Construction	Surplus Assets	**Total**
Carried at historical cost 2020/21	-	-	5,199	-	-	-	**5,199**
Carried at valuation as at:							
31 March 2021	129,926	18,194	2,384	1,345	82	105	**152,035**
31 March 2020	124,978	19,277	2,756	1,300	-	105	**148,416**

Valuation Assumptions

The significant assumptions applied in estimating the fair values by the Valuer are as follows:

- The land and property are not contaminated nor adversely affected by radon.
- Parts of the property which are covered, unexposed or inaccessible have not been inspected, and any inspection of those parts that have not been inspected would neither reveal defects nor cause material alteration at any valuation.
- No potentially deleterious or hazardous materials were used in the construction of the assets and none has subsequently been incorporated.
- No investigation has been carried out to determine the presence of contamination, deleterious or hazardous materials at any of the properties.
- The Valuer has not undertaken building or soil surveys or a survey of possible contamination of the subject properties, although the Valuer shall have regard to the apparent state of repair and condition of the properties.
- There has been no recent flooding affecting the assets and representation of the assets on any map identifying possible flood occurrences will have no effect on the value.
- Reliance has been placed on information provided by the Council, except where stated otherwise, and all information supplied by the Council with regard to details of tenure, tenancies, planning consents, details of floor areas and site areas, and all other relevant information is accurate.
- Original documents of title and lease and documentation have not been read.
- Except where specifically mentioned, it has been assumed that the assets are not subject to any unusual or especially onerous restrictions, encumbrances, mortgages, charges or other outgoings would affect their value and a good title can be shown.

15. Property, Plant and Equipment (continued)

- Mechanical and electrical installations and other specialist installations and services have not been tested.
- The assets and their values are unaffected by any matters which would be revealed by local search and replies to the usual enquiries or by any statutory notice, and that neither the construction of the properties nor their condition, use or intended use, is or will be unlawful or in breach of any covenants.
- No access audit has been undertaken to ascertain compliance with the Equality Act 2010.
- No allowances have been made for any rights obligations or liabilities arising from the Defective Premises Act 1972.
- Where a building is either listed or is in a conservation area, this will be identified in any individual report or on the valuation schedules.

Market conditions explanatory note: Novel Coronavirus (COVID-19)

The outbreak of COVID-19, declared by the World Health Organisation as a "Global Pandemic" on the 11 March 2020, has and continues to impact many aspects of daily life and the global economy – with some real estate markets having experienced lower levels of transactional activity and liquidity. Travel, movement and operational restrictions have been implemented by many countries. In some cases, "lockdowns" have been applied to varying degrees and to reflect further "waves" of COVID-19; although these may imply a new stage of the crisis, they are not unprecedented in the same way as the initial impact.

The pandemic and the measures taken to tackle COVID-19 continue to affect economies and real estate markets globally. Nevertheless, as at the valuation date some property markets have started to function again, with transaction volumes and other relevant evidence returning to levels where an adequate quantum of market evidence exists upon which to base opinions of value. Accordingly, and for the avoidance of doubt, our valuation is not reported as being subject to 'material valuation uncertainty' as defined by VPS 3 and VPGA 10 of the RICS Valuation – Global Standards.

For the avoidance of doubt, this explanatory note has been included to ensure transparency and to provide further insight as to the market context under which the valuation opinion was prepared. In recognition of the potential for market conditions to move rapidly in response to changes in the control or future spread of COVID-19 we highlight the importance of the valuation date.

Impairments

Impairments for the year ended 31 March 2021 recognised in the Income and Expenditure Statement were £303k, with £1,294k of impairments being reversed relating to previous years.

16. Investment Properties

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

16. Investment Properties (continued)

£000's	2020/21	2019/20
Balance at the beginning of the year	6,333	5,845
Additions	68	-
Transfers In Year	(36)	
Surplus/(Deficit) on revaluation	(693)	488
Balance at the end of the year	**5,674**	**6,333**

Income and expenditure associated with Investment properties (including asset charges) have been accounted for in the "Financing and Investment Income and Expenditure" line in the Comprehensive Income and Expenditure Statement (Note 13).

17. Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet:

	Non-current		Current	
£000'S	2020/21	2019/20	2020/21	2019/20
Investments				
Loans and receivables at amortised cost	40	40	-	-
Investments elected to fair value through other comprehensive income	3,598	3,624	-	-
Total Investments	3,638	3,664	-	-
Debtors				
Loans and receivables at amortised cost	119	789	-	
Financial assets carried at contract amounts			6,614	4,678
Debtors that are not financial instruments			6,597	2,720
Total Debtors	119	789	13,211	7,398
Cash and cash equivalents				
Loans and receivables at amortised cost		-	43,044	42,912
Investments held at fair value through profit and loss		-	13,500	3,000
Total cash and Cash Equivalents	-	-	56,544	45,912
Borrowings				
Financial liabilities at amortised costs	(47,423)	(57,423)	(10,089)	(28)
Total Borrowings	(47,423)	(57,423)	(10,089)	(28)
Other long-term Liabilities	(48)	(48)	-	
Total Other long-term liabilities	(48)	(48)	-	-
Creditors				
Financial liabilities carried at contract amounts	-	-	(3,014)	(3,267)
Creditors that are not financial instruments	-	-	(21,687)	(10,461)

Total Creditors	**-**	**-**	**(24,700)**	**(13,728)**

17. Financial Instruments (continued)

The Council adopted the IFRS9 Financial Instruments accounting standard with effect from 1 April 2018. Upon transition to IFRS 9, and in accordance with paragraphs 5.7.5 and 7.2.8(b) of IFRS 9, the Council made an irrevocable election to present changes in the fair value of the Local Authority (CCLA) Property Fund investments in other comprehensive income.

The investments elected to fair value through other comprehensive income of £3,598k is the fair value of the Council's investment in the CCLA Property Fund. The investments of £40k relate to money held in trust for a local community group. Debtors (Loans and receivables at amortised cost) relate to charges placed on properties following work undertaken by the Council under statutory powers plus other small loans.

As at 31 March 2021, the debt outstanding comprised the following loans.

- A portfolio of loans from the Public Works Loan Board with a book value of £57,423k (2020: £57,423k). £47,423k of the loan portfolio is fixed with rates between 2.7% and 3.5%. The remaining £10,000k loan is a variable rate loan (with a benchmark of the six-month gilt) currently incurring interest at 0.35% (2020: 0.75%) with a maturity of 2022.
- Loans of £89k (£28k: 2020) have been received from various Parish Councils within the South Derbyshire District Council area who have deposited funds with the Council. These loans can be recalled on immediate notice. During 20/21 an additional £61k was deposited with the Council, to avoid negative interest rates and safety concerns with other financial institutions. Interest is calculated at the Bank of England Base Rate, less 1%. In 2020/21 no interest was calculated due to the Bank of England Base Rate being less than 1%.

Interest Income, Expenses,

As part of the CIPFA Code of Practice in the financial instruments note, the Council is also required to disclose the interest income and expenses and the gains and losses in respect of this. These are shown in the table below:

17. Financial Instruments (continued)

£000'S	2020/21 Financial Liabilities measured at amortised cost	2020/21 Financial Assets: Loans and Receivables	2020/21 Financial Assets: Elected to Fair Value through OCI	2020/21 Financial Assets: Fair Value through Profit & Loss	2020/21 Total	2019/20 Financial Liabilities measured at amortised cost	2019/20 Financial Assets: Loans and Receivables	2019/20 Financial Assets: Elected to Fair Value through OCI	2019/20 Financial Assets: Fair Value through Profit & Loss	2019/20 Total
Interest Expense	1,546	-			**1,546**	1,595	-			**1,595**
Total Expense	1,546	-			**1,546**	**1,595**	**-**			**1,595**
Interest and Dividend Income	-	(249)	(157)	(6)	**(413)**	-	(328)	(115)	(64)	**(507)**
Total Income	-	(249)	(157)	(6)	**(413)**	-	(328)	(115)	(64)	**(507)**
Losses on Revaluation			(26)		**(26)**			267		**267**
Net (Gains)/Loss for the Year	1,546	(249)	(183)	(6)	**1,107**	**1,595**	**(328)**	**152**	**(64)**	**1,355**

Fair Values of Assets and Liabilities

The financial liabilities, financial assets represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. The fair value is assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

The fair values of long-term loans from the Public Works Loan Board have been based on the new lending rates for equivalent loans at that date with an identical remaining term to maturity.

- For loans receivable prevailing benchmark market rates have been used to provide the fair value.
- No early repayment impairment is recognised.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

Assets and liabilities at fair value through profit or loss are carried in the Balance Sheet at their fair value. These fair values are based on public price quotations where there is an active market for the instrument.

17. Financial Instruments (continued)

£000'S	Carrying amount 2020/21	Fair Value 2020/21	Carrying amount 2019/20	Fair Value 2019/20
Financial Liabilities				
Long Term	(47,423)	(54,652)	(57,423)	(64,347)
Short Term	(10,089)	(10,089)	(28)	(28)
	(57,512)	**(64,741)**	**(57,451)**	**(64,375)**
Financial Assets				
Money Market Investments	13,500	13,500	3,000	3,000
CCLA Property Fund	4,000	3,598	4,000	3,624
	17,500	**17,098**	**7,000**	**6,624**

The fair value adjustment for long term financial liabilities relates to the Public Works Loan Board Portfolio. The fair values were obtained from the Treasury Management advisor Arlingclose Ltd, which values all loans for the purpose of year-end financial statements. The fair value in 2021 is approximately £7m higher than the current book value. This reflects that the loans are currently worth more due to the average discount rate on these loans being 1.62%, compared to the average actual interest paid of 2.81%.

The valuation technique to measure the money market investments and the CCLA Property Fund is in the category, Level 1, as explained in the Accounting Policies in Note 1.

Nature and Extent of Risks arising from Financial Instruments

The CIPFA's Code of Practice on Treasury Management which requires the adoption of the CIPFA Treasury Management Code and the approval of Treasury Management Strategy before the commencement of each financial year has been adopted by the Council. The Strategy sets out the parameters for the management of risks associated with financial instruments.

The Council is exposed to the financial risks:

- Credit risk - the possibility that other parties might fail to pay amounts due to the Council;
- Liquidity risk - the possibility that the Council might not have funds available to meet its commitments to make payments;
- Re-financing risk - the possibility that the Council might be required to renew a financial instrument on maturity at disadvantageous interest rates or terms
- Market Risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

Overall Procedures for Managing Risk

The Council's risk management procedures focus on the unpredictability of financial markets, and on implementing restrictions to minimise these. The procedures for risk management are set out in the Local Government Act 2003 and the associated regulations. These require the Council to comply with the CIPFA Prudential Code for Treasury Management in the Public Sector which governs borrowing and investment activity.

Overall, these procedures require the Council to manage risk in the following ways by:

17. Financial Instruments (continued)

- Formally adopting the requirements of the Code of Practice.
- Approving annually in advance prudential indicators for the following three years limiting:
    - The Council's overall borrowing;
    - Its maximum and minimum exposures to fixed and variable rates;
    - Its maximum and minimum exposures to the maturity structure of its debts;
    - Its maximum annual exposures to investments maturing beyond a year.
- By approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance.

These matters are required to be reported and approved at or before the Council's Annual Council Tax Budget setting. These items are reported with the Annual Treasury Management Strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported annually to Members.

The Council maintains written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash through Treasury Management Practices (TMPs). These TMPs are a requirement of the Code of Practice and are reviewed regularly.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above. The following narrative summarises the Council's potential maximum exposure to credit risk on financial assets, based on the experience of default assessed by the ratings agencies and the Council's treasury advisors.

The following table summarises the balances held at 31 March 2021:

Counterparty £000'S	Credit rating criteria met when Investment placed	Balance invested at 31 March 2021
Banks	Yes	(956)
Other local authorities	Yes	44,000
Money Market Funds	Yes	13,500
CCLA Property Fund	Yes	4,000
		60,544

Liquidity Risk

The Council has ready access to borrowings from the Money Markets to cover any day-to-day cash flow need, and whilst the Public Works Loan Board (PWLB) provides access to longer term funds, it also acts as a lender of last resort to councils (although it will not provide funding to a council whose actions are unlawful). The Council is also required to provide a balanced budget through the Local

17. Financial Instruments (continued)

Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is, therefore, no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The Council manages its liquidity position through the risk management procedures detailed previously, the setting and approval of prudential indicators, together with the approval of the Treasury and Investment Strategy Reports and through cash flow management procedures required by the Code of Practice.

The maturity analysis of financial liabilities is as follows:

Maturity analysis of financial liabilities £000'S	Balance at 31 March 2021	Balance at 31 March 2020
Less than one year	10,089	28
Between one and two years		10,000
Between two and five years	10,000	10,000
Between five and ten years	10,000	10,000
More than ten years	27,423	27,423
	57,512	57,451

Refinancing and Maturity Risk

The Council maintains debt and short-term investment portfolios. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer term risk to the Council relates to managing the exposure of replacing financial instruments as they mature.

The approved prudential indicator limits for the maturity structure of debt, and the limits placed on investments, are the key parameters used to address this risk. The Council's approved Treasury and Investment Strategies address the main risks and the Financial Services Unit addresses the operational risks within the approved parameters. This includes monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day-to-day cash flow needs.

Market Risks

a) Interest Rate Risk

The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing investment periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- Borrowings at variable rates - the interest expense charge to the Income and Expenditure Account will rise.
- Borrowing at fixed rates – the fair value of the borrowing liability will fall.
- Investments at variable rates – the interest income credited to the Income and Expenditure Account will rise.
- Investments at fixed rates – the fair value of the assets will fall.

17. Financial Instruments (continued)

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Council's prudential indicators and its expected treasury operations, including an expectation of interest rate movements.

The Council's benchmark, as approved in the Treasury Management Strategy, is to achieve a return on its short-term investments which is at least the average 7-day market rate over the year.

During 2020/21 the average investment rate returned was 0.38%, compared to a market average of 0.90%. The average rate earned from the Government's Debt Management Office (DMO) was 0.011%, whilst that earned from other local authorities was 0.57%.

Due to uncertainty in financial markets, the Council's lending policy is quite strict in safeguarding public money. Deposits are placed predominantly with the Government's Debt Management Office, Money Market Funds, instant access bank accounts and other local authorities. Although these are the safest form of deposit available and are "guaranteed," interest rates tend to be lower than the market average.

During the year, the Council also made an additional investment in the CCLA Property Fund which will generate a higher rate of return for the authority.

Investments classed as 'loans and receivables' and loans borrowed are not carried at fair value, so changes in their fair value will have no impact on Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services.

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

£000'S	2020/21	2019/20
Increase in interest payable on variable rate borrowings	(100)	(100)
Increase in interest receivable on variable rate investments	(702)	(525)
Impact on Surplus or Deficit on the Provision of Services	**(802)**	**(625)**

b) Price Risk

The Council's investment in a pooled property fund is subject to the risk of falling commercial property prices. This risk is limited by the Council's maximum exposure to property investments of £2m. A 5% fall in commercial property prices would result in a £100,000 charge to Other Comprehensive Income & Expenditure – this would have no impact on the Surplus or Deficit on the Provision of Services until the investment was sold.

18. Debtors

Current *£000's*	2020/21	2019/20
Trade receivables	1,857	1,386
Prepayments	739	1,482
Other receivable amounts	13,803	7,098
	16,398	9,965
Less: Bad Debt Impairment Provisions	(3,187)	(2,567)
Total	**13,211**	**7,398**

19. Debtors for Local Taxation

The past due but not impaired amount for local taxation (Council Tax and Non-Domestic Rates) can be analysed by age as follows:

Past Due *£000's*	2020/21	2019/20
Less than 3 Months	2,947	1,936
3 - 6 Months	-	-
6 Months - 1 Year	-	-
More than 1 Year	6,252	5,432
Total	**9,199**	**7,368**

20. Cash and Cash Equivalents

For the purposes of the Cash Flow Statement, cash and cash equivalents include cash on hand and in bank, together with short term deposits and investments (considered to be cash equivalents) net of outstanding bank overdrafts. Cash and cash equivalents at the end of the reporting period as shown in the statement of cash flows can be reconciled to the related items in the Balance Sheet:

£000's	2020/21	2019/20
Cash and Bank Balances	(956)	2,561
Short Term Deposits (considered to be cash equivalents)	44,000	40,350
Money Market Funds	13,500	3,000
Total	**56,544**	**45,911**

Short term deposits were all invested with other local authorities as at 31 March 2021.

21. Assets Held for Sale

£000's	2021	2020
Balance at beginning of the year	400	1,318
Additions	-	43
Disposals	(400)	(1,000)
Revaluations	-	39
Transfers	-	-
Balance at end of the year	**-**	**400**

As detailed in Note 3, there are no assets held for sale.

22. Creditors

£000's	2020/21	2019/20
Trade payables	(1,073)	(670)
Other payables	(18,657)	(8,539)
Agency Agreement with Government	(2,072)	-
Accruals	(2,898)	(4,519)
Total	**(24,700)**	**(13,728)**

23. Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. The Council has made three provisions in the accounts for 2020/21 as shown in the following table.

Current *£000's*	At 1 April	Increase in provision during year	Utilised during the year	Unused amounts released	At 31 March
2020/21					
Planning Appeal	(90)	(15)	-	30	(75)
NNDR Appeals	(696)	(856)	194	342	(1,016)
Termination Benefits	-	(66)	-	-	(66)
	(786)	**(937)**	**194**	**372**	**(1,157)**
2019/20					

Planning Appeal	(70)	(45)	11	14	(90)
NNDR Appeals	(991)	(270)	1	563	(696)
	(1,061)	**(315)**	**12**	**577**	**(786)**

Planning Appeals

This provision is for the costs associated when planning permission is originally rejected by the Council but is then overturned by the Planning Inspectorate on appeal.

23. Provisions (continued)

National Non-Domestic Rate (NNDR) Appeals

This was increased in year due to additional check, challenge and appeal being logged with the District Valuer.

24. Usable Reserves

£000's	2020/21	2019/20
General Fund [1]	13,209	12,605
Earmarked Reserves [1,2]	21,518	16,316
HRA [1]	8,429	8,260
Capital Receipts Reserve [2]	12,167	10,119
Capital Grants Unapplied Account [2]	1,664	1,635
Major Repairs Reserve [2]	4,542	4,190
Total	**61,529**	**53,125**

1. *Reserve for Revenue purposes*
2. *Reserve for Capital purposes*

Revenue Reserves

The General Fund is the main revenue fund of the Council. Day-to-day spending on services is met from this Fund. Income and expenditure associated with the provision of Council Housing is charged separately under statute within the Housing Revenue Account (HRA). The HRA has its own reserve.

Earmarked Reserves

The Council maintains various earmarked reserves for specific purposes. These reserves are used to meet one-off commitments or to spread the cost of more significant expenditure over a number of years, for example, replacement of vehicles and ICT developments. Reserves are also created where income, for example, external contributions, is received in advance of expenditure which may occur beyond one year.

24. Usable Reserves (continued)

£000's	2020/21	2019/20
IT Reserve	866	636
Welfare Reform, Fraud and Compliance	327	292
Committed Expenditure Reserve	186	145
S106 Capital Receipts	10,370	10,320
Economic Regeneration Fund	932	1,000
Rosliston Capital Reserve	175	126
Public Buildings Maintenance	199	252
Fixed Asset Replacement Fund	1,142	352
Homelessness Prevention	344	268
Schools Sport Partnership Project	269	256
Biodiversity Enhancements - Swadlincote	158	0
Public Open Space Reserves	562	560
COVID-19 Support	531	0
Other Earmarked Reserves	997	793
Asset Replacement and Renewal Reserve	284	194
District Growth	913	1,122
NNDR Deficit Provision	3,263	0
Total	**21,518**	**16,316**

Capital Reserves

These are held to provide new assets or to upgrade existing ones.

Capital Receipts Reserve

These are cash receipts from the sale of Council assets, which have not yet been used to finance new capital expenditure. This includes a sum contributed from the HRA for repayment of loans due within the next 5 years.

Capital Grants Unapplied

This generally comprises Government, or other grants and external contributions received to fund expenditure, which is generally incurred beyond one year. A list of unapplied grants is listed below.

£000's	2020/21	2019/20
Public Open Space (Commuted Sums)	472	487
Crime and Disorder Partnership	374	362
Youth Engagement Partnership	598	584
Get Active in the Forest Partnership	92	73
Other Capital Grants Unapplied	128	128
Total	**1,664**	**1,635**

24. Usable Reserves (continued)

Major Repairs Reserve

This reserve is used to finance investment in the housing stock and the reserve is funded by transfers from the HRA (through the Capital Expenditure Requirement).

A full analysis of the movements is provided in the Housing Revenue Account Statements.

25. Unusable Reserves

£000's	2020/21	2019/20
Capital Adjustment Account [2]	58,492	58,679
Revaluation Reserve [2]	30,373	27,337
Pensions Reserve [1]	(42,472)	(27,658)
Collection Fund Adjustment Account [1]	(2,992)	815
Deferred Capital Receipts Reserve	984	1,502
Financial Instruments Revaluation	(402)	(376)
Accumulating Compensated Absences Adjustment Account [1]	(41)	(11)
Total	**43,942**	**60,288**

1. *Reserve for Revenue purposes*
2. *Reserve for Capital purposes*

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions.

The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis).

The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1st April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 10 “Adjustments between Accounting Basis and Funding Basis under Regulations” provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

25. Unusable Reserves (continued)

£000's	2020/21
Balance at 1st April 2020	58,679
Charges for depreciation and impairment of non-current assets	(4,560)
Revaluation gains on Property, Plant and Equipment	975
Revenue expenditure funded from capital under statute	1,167
Amounts of non-current assets written off on disposal	(944)
Net written out amount of the cost of non-current assets consumed in the year	**55,318**
Capital financing applied in the year:	
Use of Capital Receipts to finance new capital expenditure	1,294
Use of Major Repairs Reserves to fund new capital expenditure	2,583
Application of grants to capital financing from the Capital Grants Unapplied Account	-
Minimum Revenue Provision	190
Voluntary Revenue Provision	131
Capital expenditure credited to the General Fund and HRA balance	(331)
Movements in the market value of Investment Properties	(693)
Balance as at 31st March 2021	**58,492**

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment.

The balance is reduced when assets with accumulated gains are:

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

The Reserve contains only revaluation gains accumulated since 1st April 2007, the date that the Reserve was created.

Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

25. Unusable Reserves (continued)

£000's	2020/21
Balance at 1 April 2020	27,337
Upward revaluation of assets	4,011
Downward revaluation of assets	-
Amounts of non-current assets written off on disposal	-
Surplus on revaluation of non-current assets not posted to the Provision of Services	**31,348**
Accumulated gains on assets sold	(57)
Revaluation Reserve current excess depreciation	(918)
Balance as at 31 March 2021	**30,373**

Financial Instruments Revaluation Reserve

The Financial Instruments Revaluation Reserve contains the gains made by the Council arising from increases in the value of its instruments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- disposed of and the gains are realised

£000's	2020/21
Balance at 1 April 2020	(376)
Upward/(Downward) revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	(26)
Balance as at 31 March 2021	**(402)**

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs.

However, statutory arrangements require a benefit earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax and Business Rates income in the Comprehensive Income and Expenditure Statement as it falls due from Council Tax and Business Rate payers, compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

25. Unusable Reserves (continued)

Accumulating Compensated Absences Adjustment Account

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

26. Agency Services

The Council carries out, under an agency agreement with Derbyshire County Council, certain highways and gulley cleaning work. The value of this work is shown in the following table.

£000's	**2020/21**	2019/20
Income	275	275
Expenditure	(63)	(36)
Net surplus arising on the agency agreement	**212**	**239**

27. Members' Allowances

During the year Members allowances totalled £366k (2019/20: £362k) as shown in the following table.

£000's	2020/21	2019/20
Basic Allowance	241	236
Telephone Allowance	-	-
Travel and Subsistence	0	6
Special Responsibility Allowances	125	120
	366	**362**

28. Officers' Remuneration

The number of employees whose remuneration, excluding employer's pension contributions, was £50,000 or more is as follows:

	2020/21 Number	2019/20 Number
£50,001 to £55,000	-	1
£60,001 to £65,000	-	3
£65,001 to £70,000	11	6
£70,001 to £80,000	1	1
£80,001 to £90,000	-	-
£90,001 to £100,000	2	2
£125,000 to £130,000	-	1
£130,001 to £140,000	1	-
	15	**14**

The remuneration of the officers included in the above table is disclosed in more detail below:

£'s	Salary, Fees and Allowances	Expenses Allowances	Pension Contributions	**Total**
2020/21				
Chief Executive	131,951	1,656	19,529	**153,136**
Strategic Director (Corporate Resources)	96,211	1,524	14,239	**111,974**
Strategic Director (Service Delivery)	96,211	1,547	14,239	**111,997**
Head of Legal & Democratic	77,647	1,239	11,492	**90,378**
Head of Cultural & Community Services	67,009	1,239	9,917	**78,165**
Head of Business Change & ICT	67,009	1,239	9,917	**78,165**
Head of Operational Services	67,009	1,524	9,917	**78,450**
Head of Organisational Dev & Performance	67,009	1,239	9,917	**78,165**
Head of Economic Dev & Growth Services	67,009	1,415	9,917	**78,341**
Head of Finance	67,009	1,239	9,917	**78,165**
*Head of Planning & Strategic Housing	48,572	913	7,189	**56,674**

Head of Corporate Property	63,818	1,239	9,445	**74,502**
Head of Customer Services	63,779	1,239	9,439	**74,457**
Head of Environmental Health	63,818	1,488	9,445	**74,752**
Head of Housing	63,818	1,239	9,445	**74,502**
Human Resources Manager	66,182	1,524	9,795	**77,501**
TOTAL FOR 2020/21	**1,174,061**	**21,503**	**173,761**	**1,369,325**

* The Head of Planning & Strategic Housing started part way through the year and was a vacant post for four months

28. Officers' Remuneration (continued)

£'s	Salary, Fees and Allowances	Expenses Allowances	Pension Contributions	**Total**
2019/20				
Chief Executive	128,419	1,516	17,722	**147,657**
Strategic Director (Corporate Resources)	91,685	1,516	12,653	**105,854**
Strategic Director (Service Delivery)	91,685	1,516	12,653	**105,854**
Head of L&D Service & Monitoring Officer	75,569	1,239	10,428	**87,236**
Head of Cultural & Community Services	42,097	813	5,809	**48,719**
Head of Business Change & ICT	64,180	1,239	8,857	**74,276**
Head of Operational Services	64,180	1,516	8,857	**74,553**
Head of Organisational Dev & Performance	33,516	647	4,625	**38,788**
Head of Economic Dev & Growth Services	64,180	1,239	8,857	**74,276**
Head of Finance	64,180	1,239	8,857	**74,276**
Head of Planning and Strategic Housing	64,180	1,239	8,857	**74,276**
Head of Corporate Property	61,056	1,239	8,426	**70,721**
Head of Customer Services	53,834	1,092	3,918	**58,845**
Head of Environmental Health	61,056	1,239	8,426	**70,721**
Head of Housing	61,056	1,239	8,426	**70,721**
Human Resources Manager	64,411	1,511	8,889	**74,811**
TOTAL FOR 2019/20	**1,085,285**	**20,040**	**146,258**	**1,251,583**

Exit Packages and Other Departures

£'s	2020/21 Number	2019/20 Number	2020/21 £	2019/20 £
£0 to £20,000	3	2	11,175	5,848
£20,001 to £40,000	2	-	54,393	-
£40,001 to £60,000	-	-	-	-
£60,001 to £80,000	-	-	-	-
£80,001 to £100,000	-	-	-	-
£101,001 to £150,000	-	-	-	-
	5	**2**	**65,568**	**5,848**

Five exit packages were agreed and severance of £65.5k was paid on termination of employment from the Council.

29. External Audit Fees

The Council has incurred the following costs relating to the annual audit of the Statement of Accounts and certification of grant claims.

29. External Audit Fees (continued)

£000's	2020/21	2019/20
External Audit Fees	38	38
Grant Claim Certification Fees	19	16
Housing Pooling Certification	2	2
Public Sector Audit Appointments Rebate	-	(5)
Total	**58**	**51**

30. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2020/21:

£'000	2020/21	2019/20
Credited to Taxation and Non-Specific Grant Income (Note 14)		
General Government Grants	4,722	3,358
Government Support for COVID-19	2,261	-
Business Rate Reliefs (Section 31 Grants)	3,693	1,554
	10,676	**4,913**
Credited to Net Cost of Service		
Department of Works and Pensions (Benefit Subsidy and Welfare Reform)	12,847	13,998
Supported Housing	213	183
Contributions from Developers (section 106 Planning Agreements)	4,358	4,635
Other Grants and Contributions to Service Expenditure	1,188	1,365
	18,606	**20,181**

The Council has received grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them, which if not met would require the monies or property to be returned to the giver. The balances as at 31 March 2021 are as follows:

£'000	2020/21	2019/20
Capital Grants Received in Advance	2,622	1,606

31. Related Parties

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

31. Related Parties (continued)

Central Government

Central Government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from Government Departments are set out in Note 14 – Taxation and Non-Specific Income. Debtor and Creditor values are analysed in Notes 18 and 22 respectively.

Elected Members

The Council appoints elected members to sit as representatives in an official capacity on committees of local voluntary and community organisations. Some of these organisations are also grant funded by the Council. In addition, there are some members who also sit on these committees as an independent person not representing the Council, or who may have close family employed by these organisations.

In each case, the member is part of a wider decision-making body and cannot on their own materially influence operations or funding, etc. In addition, members concerned are required to declare an interest in any funding decisions made by the Council in which they are in attendance and cannot then participate in any discussion or decision. The Council maintains appropriate records of these related parties in accordance with its Constitution. This applies to both Council Officers and Members.

All members are required to specify relationships that they have such as through employment and directorships, etc. During 2020/21, the Council had no significant dealings with any companies or organisations declared by elected members which would have a bearing on the Financial Statements.

32. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the following table, together with the resources that have been used to finance it.

The Capital Financing Requirement (CFR) is a measure of the Council's underlying need to borrow for capital purposes. It increases with new borrowing and is reduced as loans are repaid and amounts set-aside to repay future debt. The Council's overall debt outstanding cannot exceed CFR.

The position for 2020/21 is shown in the following table.

32. Capital Expenditure and Capital Financing (continued)

£000's	2020/21	2019/20
Capital Financing Requirement at 1 April	66,574	66,902
Add: Capital Expenditure		
Property, Plant and Equipment	4,713	3,928
Investment Properties	0	0
Revenue Expenditure Funded from Capital under Statute	1,167	792
Total Expenditure	**5,880**	**4,720**
Less: Source of Finance		
Capital Receipts	(1,361)	(1,152)
Government Grants and External Financing	(564)	(458)
Other External Contributions	(90)	(76)
General Fund Revenue Contributions	(693)	(872)
Housing Revenue Account Contributions	(2,656)	(1,872)
Planning Agreements - S106 Developer Contributions	(517)	(291)
Total Financing	**(5,880)**	**(4,720)**
Minimum Revenue Provision	(190)	(197)
Voluntary Revenue Contribution	(131)	(131)
Actual Loan Principal Repaid	0	0
Total Repayments and Revenue Provisions	**(321)**	**(329)**
Capital Financing Requirement at 31 March	**66,253**	**66,574**
Actual Borrowings Outstanding - Gross (Note 17)	**57,512**	**57,451**
Investments		
Short-term Investments Outstanding	(57,500)	(43,350)
Long-term Investments Outstanding	(4,000)	(4,000)
Net Borrowings Outstanding (Gross less Investments)	**(3,988)**	**10,101**

33. Leases

Other land and building leases primarily consist of the lease of an Industrial Estate where the rental payable in 2020/21 was **£50k** (2019/20: £50k) plus some other minor commercial properties. The total future cash payments required under these leases are estimated at £254k (2020: £307k).

The Council was committed at 31 March 2021 to making payments of **£254k** (2020: £307k) under operating leases, comprising the following elements:

£000's	Other Land and Buildings	Vehicles, Plant and Equipment	**2021** Total	Other Land and Buildings	Vehicles, Plant and Equipment	**2020** Total
Within one year	54	-	**54**	55	-	55
Between two & five years	143	-	**143**	192	-	192
After five years	58	-	**58**	60	-	60
	254	**-**	**254**	**307**	**-**	**307**

33. Leases (continued)

The Council rents some properties to tenants under lease arrangements. Amounts receivable under these leases in 2021/20 was **£783k** (2019/20: £788k). The asset value of these properties at 31 March 2021 was **£6,296k** (2020: £6,333k)

34. Defined Benefit Pension Schemes

Nature of the Scheme

The Local Government Pension Scheme is available for Local Government in England and Wales. All employees are bought into the scheme unless they choose the option to opt out. South Derbyshire District Council is part of the Derbyshire Local Government Pension Scheme which is administered by the Derbyshire County Council Pension Section. Income and expenditure of the Scheme is accounted for in a Pension Fund managed by the County Council's Pensions Committee.

The Fund complies with Local Government Pension Scheme (Administration) Regulations 2008 and the draft statutory guidance issued on 21 July 2008 and incorporates changes approved by the Pensions Committee on 26 September 2008.

As the administering body, Derbyshire County Council has a statutory responsibility for administering the pension scheme under the Local Government Pension Scheme Regulations and associated legislation under Sections 7.12 & 24 of the Superannuation Act 1972; this is delegated to the Pensions Committee.

Participation in the Local Authority Pension Scheme

As part of the terms and conditions of employment of its officers the Council makes contributions towards the cost of post-employment benefits. Although their benefits will not actually be payable until employees retire, the Council has a commitment to make the payments (for those benefits) and to disclose them at the time that employees earn their future entitlement.

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

Governance of the Council's Pension Scheme

The Scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the Scheme is the responsibility of the Pensions Committee. Policy is determined in accordance with the Pension Fund Regulations. The investment managers of the Fund are appointed by the Pensions Committee.

Pensions Risk

The principal risks to the Council of the Scheme are the longevity assumptions, statutory changes to the Scheme, structural changes (i.e. large-scale withdrawals) changes to inflation, bond yields and the performance of the equity investments held by the Scheme. These are mitigated to a certain extent by the statutory requirements to charge the General Fund and Housing Revenue Account the amounts required by statute as described in the accounting policies in Note 1 to these Accounts.

34. Defined Benefit Pension Schemes (continued)

Discretionary Post Retirement Benefits

These are unfunded defined benefit arrangements for which liabilities are recognised when awards are made. There are no investment assets built up to meet these pension liabilities and cash must be generated to meet actual pension payments as they eventually fall due.

Transactions relating to retirement benefits – CIES Charges

The Council recognises the cost of retirement benefits in the Cost of Services on Continuing Operations when they are earned by employees, rather than when the benefits are eventually paid as pensions.

However, the charge the Council is required to make against Council Tax and Housing Rents is based on the cash payable in the year, and the real cost of retirement benefits is reversed out in the adjustments between accounting basis and funding basis under regulations in the Movement in Reserves Statement. The following transactions have been made in the CIES and the adjustments between accounting basis and funding basis under regulations line, in the Movement in Reserves Statement during the year.

£000's	2020/21	2019/20
Included in Net Cost of Services:		
Current Service Cost	2,843	3,471
Past Service Cost/(Gain) including curtailments	-	-
Pension Strain	-	-
	2,843	3,471
Included in Financing and Investment Income and Expenditure		
Interest income on plan assets	(1,799)	(2,242)
Interest cost on defined benefit obligations	2,443	3,262
	644	1,020
Net charge/(credit) to the Comprehensive Income and Expenditure Account	3,487	4,491
Other Comprehensive Income and Expenditure		
Changes in demographic assumptions	1,703	(4,220)
Changes in financial assumptions	27,627	(9,568)
Other Experience	(1,077)	(19,142)
Return on assets excluding amounts included in net interest	14,851	16,294
Total	(13,402)	(16,636)
Adjustments Between Accounting Basis and Funding Basis under Regulations		

Reversal of items relating to retirement benefits debited or credited on the Provision of Services in the CIES	(3,487)	(4,491)
Actual Amount Charged Against the General Fund Balance for Pensions in the Year		
Employers' Contributions Payable to the Scheme	2,075	1,899
Net (credit)/charge to the General Fund	**(1,412)**	**(2,592)**

The Current Service Cost figures include an allowance for administration expenses of 0.40%.

The following tables show the changes between the value of the liabilities and assets (investments) of the Council's Pension Scheme in the year and the overall liability in the longer term. These figures are based on an independent actuarial valuation of the Pension Fund as at 31 March.

34. Defined Benefit Pension Schemes (continued)

Reconciliation of the Present Value of the Scheme Liabilities *£000's*	2020/21	2019/20
Balance at 1 April	(106,165)	(135,436)
Current Service Cost	(2,843)	(3,471)
Past Service Cost	-	-
Interest Cost on Defined Benefit Obligation	(2,443)	(3,262)
Contributions by Members	(558)	(508)
Changes in Demographic Assumptions	(1,703)	4,220
Changes in Financial Assumptions	(27,627)	9,568
Past Service (Costs) including curtailments	-	-
Effect of business combinations and disposals	-	-
Other Experience	1,077	19,142
Estimated Benefits Paid	3,044	3,431
Unfunded Benefits	145	151
Balance at 31 March	**(137,073)**	**(106,165)**

Reconciliation of the Present Value of the Scheme Assets *£000's*	2020/21	2019/20
Balance as at 1 April	78,560	93,787
Interest Income on Plan Assets	1,799	2,242
Contributions by Members	558	508
Contributions by Employer	1,930	1,748
Contributions in respect of unfunded benefits	145	151
Return on Assets excluding amounts included in net interest	14,851	(16,294)
Effect of business combinations and disposals	-	-
Estimated Benefits Paid	(3,044)	(3,431)
Unfunded Benefits Paid	(145)	(151)
Balance at 31 March	**94,654**	**78,560**

The expected return on scheme assets is determined by considering the expected returns available on the assets from the current investment policy. Expected yields on fixed interest investments are based on gross redemption.

Analysis of scheme assets and liabilities

£000's	2021	2020	2019	2018	2017

Fair Value of Assets in Pension Scheme	94,654	78,560	93,787	89,366	86,858
Present Value of Defined Benefit Obligation	(137,073)	(106,165)	(135,436)	(121,034)	(119,753)
(Deficit) in the Scheme	(42,419)	(27,605)	(41,649)	(31,668)	(32,895)

The table shows that there is a continuing deficit on the Pension Scheme. This can fluctuate between years due to changes in assumptions and the value of annual payments into the Fund. The liabilities show the underlying commitments that the Council has in the long-term to pay retirement benefits. The total liability of £137.1m (2020: £76.9m) has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in a net liability of £42.7m (2020: £13.6m).

34. Defined Benefit Pension Schemes (continued)

However, statutory arrangements for funding the deficit meant that the financial position of the Council is not materially affected in any one year. Plans are in place to reduce the deficit on the Pension Fund over time through various pension reforms affecting the Local Government Pension Scheme at a national level.

The net increase in the deficit in 2020/21 is approximately £29.1m. The real discount rate has fallen from the previous year due to the combination of a lower discount rate and higher CPI assumptions. Alongside this, longevity assumptions have been updated resulting in a further loss to obligations. Investment returns however have been significantly greater than the previous year which partially offsets the increased obligations.

Major categories of plan assets

The Pension Fund's assets consist of the following categories, by proportion of the total assets held:

£000's	2021 Quoted Prices in Active Markets	2021 Quoted Prices not in Active Markets	2021 Total	2021 Percentage of Total Assets	2020 Quoted Prices in Active Markets	2020 Quoted Prices not in Active Markets	2020 Total	2020 Percentage of Total Assets
Equity Securities:								
Consumer	1,599	0	1,599	2%	2,142	0	2,142	3%
Manufacturing	930	0	930	1%	1,225	0	1,225	2%
Energy & Utilities	339	0	339	0%	575	0	575	1%
Financial Institutions	714	0	714	1%	865	0	865	1%
Health & Care	837	0	837	1%	1,236	0	1,236	2%
Information Technology	1,295	0	1,295	1%	1,841	0	1,841	2%
Other	18,976	0	18,976	20%	6,513	0	6,513	8%
Government Bonds:								
Corporate Bonds (investment grade)	0	12,276	12,276	13%	0	9,942	9,942	13%
UK Government	7,956	0	7,956	8%	7,805	0	7,805	10%
Other	1,689	0	1,689	2%	1,966	0	1,966	3%
Private Equity:								
All	1,425	2,080	3,505	4%	930	1,690	2,620	3%
Real Estate								
UK property	0	7,167	7,167	8%	0	6,904	6,904	9%
Investment Funds & Unit Trusts								
Equities	25,240	0	25,240	27%	24,097	0	24,097	31%
Bonds	0	0	0	0%	0	0	0	0%
Infrastructure	1,375	4,478	5,853	6%	1,314	4,507	5,821	7%

Cash & Cash Equivalents								
All	0	5,999	5,999	6%	0	5,008	5,008	6%
	62,374	31,999	94,373	100%	50,509	28,051	78,560	100%

Basis for Estimating Liabilities

Liabilities have been assessed by the Actuary using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. Estimates have been based on data pertaining to the latest full valuation of the Pension Scheme as at 31 March 2019. The assumptions are shown in the following table.

34. Defined Benefit Pension Schemes (continued)

The Accounts have been prepared on the basis of the Actuary's IAS19 valuation report and take into account their assessment of the outcome of the McCloud judgement relating to the 2014 reforms of the Local Government Pension Scheme benefit structure.

	2020/21	2019/20
Mortality Assumptions (years):		
		21.6
Men	21.3	
Women	23.9	23.7
Longevity at 65 for Future Pensioners:		
Men	22.5	22.6
Women	25.8	25.1
Principal Assumptions in the Valuation of the Liability		
Inflation / Rate of Increase in Pensions	2.85%	1.90%
Rate of Increase in Salaries	3.55%	2.60%
Discount Rate	2.00%	2.30%
Take-up of option to convert annual pension into retirement lump sum:		
Service to April 2008	50%	50%
Service post April 2008	75%	75%

Information about the Defined Benefit Obligation

Defined benefit obligation illustrates the profile of the scheme liabilities between types of member, including the weighted average duration of the pension obligation.

Change in assumptions at 31 March 2021	Liability Split %	Weighted Average Duration
Active Members	40.30	23.10
Deferred Members	25.20	22.90
Pensioner Members	34.50	11.80
	100.00	**17.60**

Sensitivity Analysis

The sensitivity analysis shows the effect a change in financial assumptions used would have on the value of the scheme liabilities as at 31 March 2021 on varying basis.

To quantify the uncertainty around life expectancy a calculation was completed on a one-year increase in life expectancy for sensitivity purposes giving an around 3 - 5% increase in cost of benefits. In practice the actual cost of a one-year increase would depend on the structure of the revised assumption, for example, do survival rates predominantly apply at younger or older ages.

34. Defined Benefit Pension Schemes (continued)

Change in assumptions at 31 March 2021	Approximate % Increase to Employer Liability	Approximate monetary amount £000
0.5% decrease in Real Discount Rate	10.0	13,495
0.5% increase in Salary Increase Rate	1.0	995
0.5% increase in Pension Increase Rate	9.0	12,238

Projected Defined Benefit Cost for the Period 31 March 2022

The Projected Defined Benefit is an analysis of the projected amount to be charged to the operating profit for the period to the 31 March 2022 and is shown in the following table.

Period Ended 31 March 2022	Assets	Obligations	Net (Liability)/asset	
	£000	£000	£000	% of pay
Projected Service Cost	0	4,372	(4,372)	(52)
Past Service Cost including curtailments	0	0	0	0
Effects of settlements	0	0	0	0
Total Service Cost	**0**	**4,372**	**(4,372)**	**(52)**
Interest Income on plan assets	1,881	0	1,881	22
Interest cost on defined benefit obligation	0	2,758	(2,758)	(33)
Total Net Interest Cost	**1,881**	**2,758**	**(877)**	**(10)**
Total Included in Profit & Loss	**1,881**	**7,130**	**(5,249)**	**(62)**

35. Contingent Liabilities

There are no contingent liabilities to be reported by the Council in 2020/21.

36. Prior Year Adjustment

There are no prior year adjustments to report in 2020/21.

Housing Revenue Account

For the year ended 31 March 2021

Income and Expenditure Account

The Housing Revenue Account (HRA) Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents. The Council charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the HRA Movement in Reserves Statement.

£000's	2020/21	2019/20
General	1,762	1,822
Special	897	870
Rents, rates & taxes	80	37
Depreciation & Impairment of NCA's	2,835	3,294
Provision for Bad Debts	65	136
Supervision & Management	**5,638**	**6,160**
Repairs & Maintenance	3,504	2,771
Total Expenditure	**9,143**	**8,931**
Dwelling Rents	(12,026)	(11,872)
Non-Dwelling Rents	(105)	(114)
Charges for Services & Facilities	(170)	(209)
Contributions towards Expenditure	(27)	(21)
Supporting People	(213)	(183)
Total Income	**(12,543)**	**(12,400)**
Net Cost of HRA Services as included in the Comprehensive I&E	**(3,400)**	**(3,469)**
HRA share of Corporate & Democratic Core	119	140
Net Cost of HRA Services	**(3,281)**	**(3,329)**
Losses/(Gains) on sale of HRA non-current assets	(94)	(17)
Interest payable and similar charges	1,543	1,598
HRA investment income	(165)	(205)
Pensions interest cost & expected return on pension assets	87	140
Surplus for Year on HRA Services	**(1,911)**	**(1,814)**

Housing Revenue Account

For the year ended 31 March 2021

Movement on the Housing Revenue Account

The Movement on the HRA Statement takes the outturn on the HRA Income and Expenditure Statement and reconciles it to the surplus or deficit for the year on the HRA, calculated in accordance with the requirements of the Local Government and Housing Act 1989.

£000's	2020/21	2019/20
Balance at the beginning of the year	8,260	6,919
Surplus/(Deficit) for the year on the HRA Income and Expenditure Statement	1,911	1,814
Transfers in Reserves	(150)	(111)
Adjustments between accounting and funding basis under regulations	(1,591)	(362)
Increase for the year on the HRA	170	1,341
Balance at the end of the year	**8,430**	**8,260**

Note to the Statement of Movement on the Housing Revenue Account

£000's	2020/21	2019/20
Items included in the HRA Income and Expenditure Account but excluded from the movement on HRA Balance for the year		
Revaluation and impairment of non-current assets[1]	2,835	3,294
Retirement benefits charged/(credited)[2]	470	615
Adjustments in relation to Short Term compensated absences	4	2
(Gains)/losses on sale of HRA non-current assets[1,3]	(94)	(17)
	3,214	**3,894**
Items not included in the HRA Income and Expenditure Account but included in the movement on HRA Balance for the year		
Revenue contribution to finance major repairs	(2,935)	(2,496)
Revenue contributions to finance new build	-	-
Revenue contributions to finance debt repayment and capital	(1,590)	(1,500)
Employer's contributions payable to the Pensions Fund and retirement benefits payable direct to pensioners[2]	(280)	(260)
	(4,805)	**(4,256)**
Net additional amount required by statute to be debited or (credited) to the HRA for the year	**(1,591)**	**(362)**

Notes

1. Transfers to / from Capital Adjustment Account
2. Transfers to / from Pensions Reserve
3. Transfers to / from Capital Receipts Reserve

Notes to the Housing Revenue Account

For the year ended 31 March 2021

1. Introduction

The Housing Revenue Account is a record of expenditure on, and income from, the provision of local council housing, and the form and content of the Account is prescribed by statute.

The Housing Revenue Account is "ring-fenced" and must be self-supporting. Contributions both to and from the Housing Revenue Account (e.g. from the General Fund) are limited to special circumstances.

2. Housing Stock

The number of dwellings in the Council's housing stock, as at 31 March 2021, totalled 2,974 (2020: 2,970) properties. This followed the sale of 10 properties under the Government's Right to Buy Scheme plus acquisitions of 14 dwellings. The stock is broken down over type of properties as shown in the following table.

	2020/21	2019/20	2018/19
Houses	1,538	1,538	1,540
Flats	793	793	793
Bungalows	643	639	638
	2,974	2,970	2,971

Dwelling houses within the Housing Revenue Account are valued in accordance with the RICS Appraisal and Valuation Manual, as published by the Royal Institution of Chartered Surveyors, and DCLG guidance. Accordingly the Existing Use Value for Social Housing (EUV-SH) has been used as the basis of valuation. The beacon approach to valuation of the housing stock has been adopted as recommended by the MHCLG, including the regional adjustment to be adopted within the EUV-SH valuation.

The vacant possession value (open market value) of Council dwellings as at 31 March 2021 was £309,348 (2020: £297,568k). This does not compare to the Balance Sheet, which shows the Existing Use Value, the difference being an indication of the economic and social costs of providing Council housing at less than market rent.

3. Major Repairs Reserve

The Major Repairs Reserve is used to fund major impovements to Council properties. Expenditure financed from this Reserve is shown in Note 5. The movement on the Reserve during the 2020/21 is summarised below:

£000's	2020/21	2019/20
Balance at the beginning of the year	4,190	3,454
Add Depreciation Provision	4,131	3,854
Use of Capital Receipts Reserve	-	-
Revenue Contribution for Capital	2,935	2,532
Amount available for capital expenditure on HRA Land, Houses and Other Property	**11,257**	**9,841**
Less Capital expenditure in the year (including Depreciation)	(6,714)	(5,651)
Transfer to Debt Repayment Reserve	-	-
Balance at the end of the year	**4,542**	**4,190**

Notes to the Housing Revenue Account

For the year ended 31 March 2021

4. Property, Plant and Equipment

Year ended 31 March 2021 £000's	Council Dwellings	Land and Buildings	Vehicles, Plant and Equipment	Assets Under Construction	Surplus Assets	Total Property, Plant and Equipment	Investment Properties	Total
Cost or valuation								
At 1 April 2020	124,978	2,276	272	-	105	127,631	211	127,842
Additions	4,018	-	-	82	-	4,100	-	4,100
Revaluation Increases/(decrease) recognised in the surplus /deficit on the provision of services	1,330					1,330		1,330
Derecognition - Disposals	(406)	-	-	-	-	(406)	-	(406)
Derecognition - Other	(29)					(29)		(29)
Assets reclassified (to)/from other accounts	36	-	-	-	-	36	(36)	-
Other movements in cost or valuation		-	-	-	-	-	-	-
At 31 March 2021	129,926	2,276	272	82	105	132,661	176	132,836
Depreciation and Impairment								
At 1 April 2020	-	-	(23)	-	-	(23)	-	(23)
Depreciation Charge	(3,942)	(148)	(39)	-	-	(4,129)	-	(4,129)
Depreciation written out to the revaluation reserve	3,978	3		-	-	3,981	-	3,981
Impairment losses/(reversals) recognised on the provision of services	1,294	145		-	-	1,439	-	1,439
Derecognition - Disposals				-	-	-	-	-
Derecognition - Other	(1,330)			-	-	(1,330)	-	(1,330)
Other movements in depreciation an Impairment				-	-	-	-	-
				-	-	-	-	-
At 31 March 2021	(0)	0	(62)	-	-	(62)	-	(62)
Net Book Value								
At 31 March 2021	129,926	2,276	210	82	105	132,599	176	132,774
At 1 April 2020	124,978	2,276	249	-	105	127,610	211	127,820

4. Property, Plant and Equipment (continued)

Year ended 31 March 2020 £000's	Council Dwellings	Land and Buildings	Vehicles, Plant and Equipment	Assets Under Construction	Surplus Assets	Total Property, Plant and Equipment	Investment Properties	Total
Cost or valuation								
At 1 April 2019	122,871	2,276	272	517	105	126,042	211	126,253
Additions	2,877	-	-	353	-	3,230	-	3,230
Revaluation Increases/(decrease) recognised in the surplus /deficit on the provision of services	(909)	-	-	-	-	(909)		(909)
Derecognition - Disposals	(731)	.	-	-	-	(731)	-	(731)
Derecognition - Other								
Assets reclassified (to)/from other accounts	869	-	-	(869)	-	-	-	-
Other movements in cost or valuation		-	-	-	-	(0)	-	(0)
At 31 March 2020	124,978	2,276	272	-	105	127,632	211	127,843
Depreciation and Impairment								
At 1 April 2019			(18)			(18)	-	(18)
Charge for the Year	(3,721)	(126)	(5)	-	-	(3,852)	-	(3,852)
Depreciation written out to the revaluation reserve	2,255	124	-	-	-	2,379	-	2,379
Impairment losses/(reversals) recognised on the provision of services	557	2	-	-	-	559	-	559
Derecognition - Disposals	-	-	-	-	-	0	-	0
Derecognition - Other	-	-	-	-	-	0	-	0
Other movements in depreciation an Impairment	909	-	-	-	-	909	-	909
At 31 March 2020	-	-	(23)	-	-	(23)	-	(23)
				-	-			
Net Book Value								
At 31 March 2020	**124,978**	**2,276**	**249**	**-**	**105**	**127,610**	**211**	**127,820**
At 1 April 2019	122,871	2,276	253	517	105	126,023	211	126,234

5. Capital Expenditure

£000's	2020/21	2019/20
Capital Investment		
Operational Assets	4,342	3,306
	4,342	**3,306**
Sources of Funding		
External Grants	77	62
Capital Receipts in year	1,610	1,058
Revenue contribution	2,656	2,186
Capital Receipts Reserve	-	-
Major Repairs Reserve	-	-
	4,342	**3,306**

6. Capital Receipts from Disposal of Land, Houses and Other Property

£000's	2020/21	2019/20
Land	-	-
Council Homes	(791)	(1,060)
Total Receipts	(791)	(1,060)
Less: Pooled payments to Central Government	311	312
Net Receipts Retained (transferred to Capital Receipts Reserve)	**(480)**	**(748)**

The retained receipts are earmarked in the Housing Capital Receipts Reserve to fund the Council's New Build and Acquisition Programme, which is to provide new Council Housing for rent.

7. Rent Arrears

A summary of rent arrears and prepayments is shown in the following table:

£000's	2020/21	2019/20
Current Tenant Arrears	460	442
Former Tenant Arrears	118	116
Total Tenant Arrears	**578**	**558**

8. Provision for Bad and Doubtful Debts

The provision for bad and doubtful debts relating to rents and other charges, made against the Rent Arrears in Note 7 above, is £423k (2020: £369k).

9. Depreciation and Impairment of Fixed Assets

The Dwellings in the Housing Revenue Account were valued as at £309,348k. After taking account of houses sold in 2020/21 and the Social Housing Discount Factor, the vacant possession value of the remaining dwellings at 31 March 2021 was £129,926k (2020: £124,978k). The lower figure of £129,926k shown in the accounts represents the cost to the Council of providing housing at less than open market rents. As a result of the valuation the CIES was credited with £1,294k (2019/20: £2,484k) for the reversal of previous year impairments. This gain has been transferred to the Capital Adjustment Account.

The Housing Revenue Account assets were valued as at 31 March 2021; the balance sheet value reflects sales of dwellings and depreciation in the year. The revaluation was in accordance with the Government's resource accounting policy, at Existing Use Value - Social Housing. The Social Housing Discount Factor is 42%.

As shown in Note 4, Depreciation of £4,129k (2020: £3,852k) has been charged to the HRA. This figure is made up of £3,942k (2020: £3,852k) for Council Dwellings and £187k (2020: £131k) is in respect of garages, shops and other assets. These amounts have been been credited back to the HRA below the net operating expenditure as a transfer from the Major Repairs Reserve.

10. Pension Costs

As part of the terms and conditions of employment of its officers, the Council offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The Council participates in the Local Government Pension Scheme administered by Derbyshire County Council. This is a funded scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

The cost of retirement benefits are recognised in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions.

However the charge required to be made against the Housing Revenue Account is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the Housing Revenue Account after Net Operating Expenditure.

The Collection Fund

For the year ended 31 March 2021

This account reflects the statutory requirements for the Council as a "Billing Authority" to maintain a separate Collection Fund Account. This shows the transactions of the Council in relation to Non-Domestic Rates and the Council Tax and illustrates the way in which these have been distributed to preceptors and the Council's General Fund.

£000's	2020/21	2019/20
Income		
Council Tax Income	(65,215)	(62,163)
Business Rates Income	(19,572)	(27,253)
Transitional Protection Payments	(343)	(635)
Total Income	**(85,129)**	**(90,051)**
Expenditure		
Council Tax Precepts (Note 4)	63,561	60,010
Business Rates Precepts (Note 6)	27,724	26,796
Previous Year's Surplus/(Deficit) Paid to/by Preceptors (Notes 4 & 6)	824	527
Cost of Collection	93	91
Provision for Bad and Doubtful Debts	2,136	(154)
Provision for Business Rates Appeals	799	(241)
(Surplus) / Deficit on the Fund	**10,006**	**(3,022)**
Fund Balance Brought Forward	(4,465)	(1,442)
(Surplus) / Deficit in Year	10,006	(3,022)
Fund Balance as at 31 March	**5,541**	**(4,465)**
Council Tax Element (Note 1)	(2,617)	(3,310)
Business Rate Element	8,158	(1,155)

Council Tax income increased marginally in year but not at the rate forecast and Business Rates income was significantly lower than the previous year all due to the COVID-19 pandemic. Additional Section 31 grants were provided by the Government to support the losses in Business Rates as referenced in Note 14 of these Accounts.

Approximately 90% of Council Tax income and 60% of Business Rates income is passed over to other Preceptors which is reflected in the above table.

During 2020/21, an increase in the appeals provision was made due to a higher level of check and challenge claims being generated on the 2017 valuation listing.

A provision is required under accounting regulations, to recognise that some larger businesses have lodged appeals with the District Valuer against their rating assessment. The provision is made as a contingency should their appeals be successful, and a refund of rates becomes due.

Bad debt provisions were also increased to ensure the Council is protected from future bad debts that may arise after the pandemic.

Notes to the Collection Fund

For the year ended 31 March 2021

1. Council Tax

The introduction of Council Tax on 1 April 1993 revised the method of accounting for the Council's Collection Fund. The main features of the arrangements are:

a) Interest is not payable between the General Fund and the Collection Fund on cash-flow deficits/surpluses. All interest is payable directly to the General Fund, as shown on the Income and Expenditure Account.

b) The year end surplus or deficit on the Collection Fund is distributed to the Billing and Precepting Authorities on the basis of estimates, made in January of each year-end balance. This also applies to the Business Rates element.

The balance has been disaggregated for the purpose of these Accounts to attribute relevant amounts to the Precepting Authorities and the Council, as the Billing Authority as follows:

`	2020/21	2019/20
Derbyshire County Council	(1,915)	(2,430)
Derbyshire Police and Crime Commissioner	(322)	(398)
Derbyshire Fire and Rescue Authority	(110)	(140)
	(2,347)	(2,968)
South Derbyshire District Council	(270)	(342)
	(2,617)	**(3,310)**

2. Council Tax Valuation Bands

Most domestic Dwellings (including flats) whether rented or owned, occupied or not, are subject to Council Tax. Each Dwelling is allocated to one of eight bands according to their open market capital value at 1 April 1991.

Band				
A	Between	0	and	40,000
B	Between	40,001	and	52,000
C	Between	52,001	and	68,000
D	Between	68,001	and	88,000
E	Between	88,001	and	120,000
F	Between	120,001	and	160,000
G	Between	160,001	and	320,000
H	Greater than	320,001		

3. Council Tax Base

The amount of Council Tax payable is calculated by establishing a 'Council Tax Base'. This is the Council's estimated number of chargeable dwellings subject to Council Tax, expressed in relation to those dwellings in Band D. The Tax Base for 2020/21 was based on 47,291 chargeable dwellings (43,964 in 2019/20).

After allowing for national exemptions and local discounts, such as the Single Persons Discount, the Tax Base for 2020/21, on which the Council Tax rate was set, is shown in the following table.

3. Council Tax Base (continued)

Band	Calculated number of Dwellings	Ratio to Band D	Equivalent number of Dwellings 2020/21	2019/20
X	21	5/9	12	12
A	7,975	6/9	5,316	5,206
B	8,443	7/9	6,567	6,374
C	7,087	8/9	6,300	6,067
D	6,651	1	6,651	6,491
E	4,210	11/9	5,145	4,817
F	1,997	13/9	2,885	2,748
G	880	15/9	1,467	1,461
H	66	18/9	132	126
			34,475	**33,302**

The Band D Council Tax rate for South Derbyshire District Council was £165.48 (2019/20: £162.31).

4. Council Tax Precepts and Demands

2020/21 *£000's*	**Precept**	**Surplus**	**Total**
Derbyshire County Council	46,517	587	47,104
Derbyshire Police and Crime Commissioner	7,812	96	7,908
Derbyshire Fire and Rescue Authority	2,680	34	2,713
South Derbyshire District Council	6,553	83	6,636
	63,561	**800**	**64,361**

2019/20 *£000's*	**Precept**	**Surplus**	**Total**
Derbyshire County Council	44,054	734	44,788
Derbyshire Police and Crime Commissioner	7,213	112	7,325
Derbyshire Fire and Rescue Authority	2,538	45	2,583
South Derbyshire District Council	6,204	110	6,314
	60,010	**1,000**	**61,010**

5. Non-Domestic Rates

Non-Domestic Rates are managed on a National basis. The Government specifies an amount and subject to the effects of transitional arrangements and any other prevailing reliefs, local businesses pay rates calculated by multiplying their rateable value by that amount. In 2019/20 the amount was 51.2p in the pound (2019/20: 50.4p). The Council is responsible for collecting rates due from the ratepayers in its area.

The total rateable value of business premises in South Derbyshire at 31 March 2021 was £67,341,926 (2020: £67,491,046) – a decrease of 0.2%, mainly due to the settlement of 2010 Appeals. The total amount of Non Domestic Rates collected is shared on the following basis:

Public Body	%
Central Government	50%
South Derbyshire District Council	40%
Derbyshire County Council	9%
Derbyshire Fire and Rescue Authority	1%

The deficit balance on the Business Rates element of £8,158k on the Collection Fund Account, has been disaggregated for the purpose of these Accounts to attribute relevant amounts to the precepting authorities and the Council as the Billing Authority as follows:

£000's	**2020/21**	2019/20
Central Government	4,079	(530)
Derbyshire County Council	734	(142)
Derbyshire Fire and Rescue Authority	82	(12)
	4,895	(683)
South Derbyshire District Council	3,263	(472)
	8,158	**(1,155)**

6. Non-Domestic Rates Demands

These are the amounts (precepts) paid into the General Funds of the preceptors under statute.

2020/21 *£000's*	**Precept**	**Surplus**	**Total**
Central Government	13,862	(36)	13,826
Derbyshire County Council	2,495	40	2,535
Derbyshire Fire and Rescue Authority	277	0	277
South Derbyshire District Council	11,089	19	11,108
	27,724	**24**	**27,747**

6. Non-Domestic Rates Demands (continued)

2019/20 *£000's*	Precept	Deficit	Total
Central Government	13,398	286	13,684
Derbyshire County Council	2,412	(460)	1,951
Derbyshire Fire and Rescue Authority	268	(5)	263
South Derbyshire District Council	10,718	(294)	10,425
	26,796	**(473)**	**26,323**

ACCOUNTING PERIOD

The period of time covered by the Accounts, normally a period of twelve months commencing on 1 April. The end of the accounting period is the Balance Sheet date, 31 March each year.

ACCRUALS

Sums included in the Final Accounts to recognise revenue and capital income and expenditure earned or incurred in the financial year, but for which actual payment had not been received or made as at 31 March.

ACTUARIAL GAINS AND LOSSES

For a Defined Benefit Pension Scheme, the changes in actuarial surpluses or deficits that arise because:

- Events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or
- The actuarial assumptions have changed.

ASSET

An item having value to the Council in monetary terms. Assets are categorised as either current or fixed:

- A current asset will be consumed or cease to have material value within the next financial year (e.g. cash and stock).
- A fixed asset provides benefits to the Council and to the services it provides for a period of more than one year and may be tangible e.g. a community centre, or intangible, e.g. computer software licences.

AUDIT OF ACCOUNTS

An independent examination of the Council's financial affairs.

BALANCE SHEET

A statement of the recorded assets, liabilities and other balances at the end of the accounting period.

BUDGET

The forecast of net revenue and capital expenditure over the accounting period.

CAPITAL EXPENDITURE

Expenditure on the acquisition of a fixed asset, which will be used in providing services beyond the current accounting period, or expenditure which adds to and not merely maintains the value of an existing fixed asset.

CAPITAL FINANCING

Funds raised to pay for capital expenditure. There are various methods of financing capital expenditure including borrowing, leasing, direct revenue financing, usable capital receipts, capital grants, capital contributions, revenue reserves and earmarked reserves.

CAPITAL PROGRAMME

The capital schemes the Council intends to carry out over a specific period of time.

CAPITAL RECEIPT

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

CIPFA

The Chartered Institute of Public Finance and Accountancy.

COLLECTION FUND

A separate fund that records the income and expenditure relating to Council Tax and non-domestic rates.

COMMUNITY ASSETS

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

CONSISTENCY

The concept that the accounting treatment of like items within an accounting period and from one period to the next are the same.

CONTINGENT ASSET

A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's Accounts.

CONTINGENT LIABILITY

A contingent liability is either:

- A possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control; or
- A present obligation arising from past events where it is not probable that a transfer of economic benefits will be required, or the amount of the obligation cannot be measured with sufficient reliability.

CORPORATE AND DEMOCRATIC CORE

The corporate and democratic core comprises all activities that local authorities engage in specifically because they are elected, multi-purpose authorities. The cost of these activities are thus over and above those which would be incurred by a series of independent single purpose, nominated bodies managing the same services. There is therefore no logical basis for apportioning these costs to services.

CREDITOR

Amount owed by the Council for work done, goods received or services rendered within the accounting period, but for which payment has not been made by the end of that accounting period.

CURRENT SERVICE COST (PENSIONS)

The increase in the present value of a Defined Benefits Pension Scheme's liabilities, expected to arise from employee service in the current period.

DEBTOR

Amount owed to the Council for works done, goods received or services rendered within the accounting period, but for which payment has not been received by the end of that accounting period.

DEFINED BENEFIT PENSION SCHEME

Pension schemes in which the benefits received by the participants are independent of the contributions paid and are not directly related to the investments of the scheme.

DEPRECIATION

The measure of the cost of wearing out, consumption or other reduction in the useful economic life of the Council's fixed assets during the accounting period, whether from use, the passage of time or obsolescence through technical or other changes.

DISCRETIONARY BENEFITS (PENSIONS)

Retirement benefits, which the employer has no legal, contractual or constructive obligation to award and are awarded under the Council's discretionary powers such as the Local Government (Discretionary Payments) Regulations, 1996 eg benefits would be released if an employee was terminally ill.

EQUITY

The Council's value of total assets less total liabilities.

EVENTS AFTER THE BALANCE SHEET DATE

Events after the Balance Sheet date are those events, favourable or unfavourable, that occur between the Balance Sheet date and the date when the Statement of Accounts is authorised for issue.

EXCEPTIONAL ITEMS

Material items which derive from events or transactions that fall within the ordinary activities of the Council and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

EXPECTED RETURN ON PENSION ASSETS

For a Funded Defined Benefit Scheme, this is the average rate of return, including both income and changes in fair value but net of scheme expenses, which is expected over the remaining life of the related obligation on the actual assets held by the scheme.

EXTRAORDINARY ITEMS

Material items, possessing a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the Council and which are not expected to recur. They do not include exceptional items, nor do they include prior period items merely because they relate to a prior period.

FAIR VALUE

The fair value of an asset is the price at which it could be exchanged in an arm's length transaction less, where applicable, any grants receivable towards the purchase or use of the asset.

GENERAL FUND

The main revenue fund of the Council. Day-to-day spending on services is met from this fund. Spending on the provision of Council housing however must be charged to a separate Housing Revenue Account (HRA).

GOING CONCERN

The concept that the Statement of Accounts is prepared on the assumption that the Council will continue in operational existence for the foreseeable future.

GOVERNMENT GRANTS

Grants made by the Government towards either revenue or capital expenditure in return for past or future compliance with certain conditions relating to the activities of the Council. These grants may be specific to a particular scheme or may support the revenue spend of the Council in general.

HOUSING BENEFITS

A system of financial assistance to individuals towards certain housing costs administered by Authorities and subsidised by Central Government.

HOUSING REVENUE ACCOUNT (HRA)

A separate account to the General Fund, which covers the income and expenditure arising from the provision of Council housing accommodation.

IMPAIRMENT

A reduction in the value of a fixed asset to below its carrying amount on the Balance Sheet.

INCOME AND EXPENDITURE ACCOUNT

The revenue account of the Council that reports the net cost for the year of the functions for which it is responsible and demonstrates how that cost has been financed from precepts, grants and other income.

INFRASTRUCTURE ASSETS

Fixed assets belonging to the Council that cannot be transferred or sold, on which expenditure is only recoverable by the continued use of the asset created. Examples are highways, footpaths and bridges.

INTANGIBLE ASSETS

An intangible (non-physical) item may be defined as an asset when access to the future economic benefits it represents is controlled by the reporting entity. This Council's intangible assets comprise computer software licences.

INTEREST COST (PENSIONS)

For a Defined Benefit Scheme, the expected increase during the period of the present value of the scheme liabilities because the benefits are one period closer to settlement.

INVESTMENTS (PENSION FUND)

The investments of the Pension Fund will be accounted for in the statements of that fund. However, authorities are also required to disclose, as part of the disclosure requirements relating to retirement benefits, the attributable share of the Pension Scheme Assets associated with their underlying obligations.

LIABILITY

A liability is where the Council owes payment to an individual or another organisation.

- A current liability is an amount which will become payable or could be called in within the next accounting period, e.g. creditors or cash overdrawn.
- A deferred liability is an amount which by arrangement is payable beyond the next year at some point in the future or to be paid off by an annual sum over a period of time.

LIQUID RESOURCES

Current asset investments that are readily disposable by the Council without disrupting its business and are either:

- Readily convertible to known amounts of cash at or close to the carrying amount; or
- Traded in an active market.

MATERIALITY

The concept that the Statement of Accounts should include all amounts which, if omitted, or mis-stated, could be expected to lead to a distortion of the financial statements and ultimately mislead a user of the accounts.

MINIMUM REVENUE PROVISION (MRP)

The minimum amount which must be charged to the Revenue Account each year in order to provide for the repayment of loans and other amounts borrowed by the Council.

NET BOOK VALUE

The amount at which Fixed Assets are included in the Balance Sheet, i.e. their historical costs or current value less the cumulative amounts provided for depreciation.

NET DEBT

The Council's borrowings less cash and liquid resources.

NON-DISTRIBUTED COSTS

These are overheads for which no user now benefits and as such are not apportioned to services.

NATIONAL NON-DOMESTIC RATES (NNDR)

The National Non-Domestic Rate is a levy on businesses, based on a National rate in the pound set by the Government and multiplied by the assessed rateable value of the premises they occupy. It is collected by the Council on behalf of Central Government and then redistributed back to support the cost of services.

NON-OPERATIONAL ASSETS

Fixed assets held by the Council but not directly occupied, used or consumed in the delivery of services. Examples are investment properties, assets under construction or assets surplus to requirements pending sale or redevelopment.

OPERATING LEASE

A lease where the ownership of the fixed asset remains with the lessor.

OPERATIONAL ASSETS

Fixed assets held and occupied, used or consumed by the Council in the pursuit of its strategy and in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

PAST SERVICE COST (PENSIONS)

For a Defined Benefit Pension Scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to retirement benefits.

PENSION SCHEME LIABILITIES

The liabilities of a Defined Benefit Pension Scheme in respect of outgoings due after the valuation date. Scheme liabilities measured during the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

PRECEPT

The levy made by precepting authorities by billing authorities, requiring the latter to collect income from Council Tax on their behalf.

PRIOR YEAR ADJUSTMENT

Material adjustments applicable to previous years arising from changes in accounting polices or from the correction of fundamental errors. This does not include normal recurring corrections or adjustments of accounting estimates made in prior years.

PROVISION

An amount put aside in the accounts for future liabilities or losses which are certain or very likely to occur but the amounts or dates of when they will arise are uncertain.

PUBLIC WORKS LOAN BOARD (PWLB)

A Central Government Agency, which provides loans for one year and above to authorities at interest rates only slightly higher than those at which the Government can borrow itself.

REPORT TO:	**FINANCE AND MANAGEMENT COMMITTEE (SPECIAL-BUDGET)**	**AGENDA ITEM: 10**
DATE OF MEETING:	**12 JANUARY 2023**	**CATEGORY: RECOMMENDED**
REPORT FROM:	**STRATEGIC DIRECTOR (CORPORATE RESOURCES)**	
MEMBERS' CONTACT POINT:	**CATHERINE GRIMLEY** **catherine.grimley@southderbyshire.gov.uk**	**DOC:**
SUBJECT:	**PROPOSED CONTINUATION OF BANDED COUNCIL TAX REDUCTION SCHEME FOR 2023-2024**	**REF:**
WARD (S) AFFECTED:	**ALL**	**TERMS OF REFERENCE: FM 12**

1.0 Recommendations

1.1 The Committee supports the continuation of a banded Council Tax Reduction Scheme for 2023/2024, as well as other changes proposed, including:

- Uprating to the applicable amounts in line with the prescribed scheme but with the exception of non-dependent deduction for working age which will remain at £5.00 for 23/24 for all cases.

- Align with Housing Benefit regulations for Ukrainian Refugees regarding habitual residence to allow the payment of council tax support.

- Adopt the prescribed scheme for Mixed Aged Couples.

- Adopt any other changes within the prescribed scheme in accordance with the statutory instrument due to be published in January 2023.

- Current funding of £20,000 from the Welfare Reform Fund is continued to be set aside in 2023/2024 for hardship cases.

1.2 The Committee recommends to Full Council that it continues with a Council Tax Reduction banded scheme and approves all other changes proposed on 22nd February 2023 date.

2. Purpose of Report

2.1 To recommend to committee that a banded scheme for Council Tax Reduction is continued for 2023/2024 following its successful implementation in 2022/2023 .

2.2 To recommend to committee that they approve the following amendments to the scheme;

- Uprating to the applicable amounts in line with the prescribed scheme but with the exception of non-dependent deduction for working age which will remain at £5.00 for 23/24 for all cases.

- Align with Housing Benefit regulations for Ukrainian Refugees regarding habitual residence to allow the payment of council tax support.

- Adopt the prescribed scheme for Mixed Aged Couples.

- Adopt any other changes within the prescribed scheme in accordance with the statutory instrument due to be published in January 2023.

3.0 Executive Summary

3.1 South Derbyshire District Council consulted widely on proposed changes to its Local Council Tax Reduction Scheme in 2021 for working-age claimants. A banded scheme was the preferred option and as a result it was adopted for 2022/2023. The scheme reflects our corporate priorities below.

Better for residents Greater Council Tax reductions for residents on the lowest incomes, fairer distribution of support to the most financially vulnerable residents, less paperwork and confusion, more financial stability, and greater customer satisfaction.

Better for the Council More streamlined administration, less debt recovery carried out with vulnerable residents, update of the scheme in line with changes introduced by welfare reform and Universal Credit (UC).

3.2 There were initial set up costs of £15,000 for implementing a banded scheme in 2022/23 with ongoing software costs of £10,000 per annum.

3.3 When the scheme was introduced it was expected that further automation of council tax reduction claims would be enabled. However, this has been delayed due to the software provider having to concentrate its resourcing on the Energy Rebate Scheme. It is anticipated that this work will take place in 2023/24.

3.4 The Recovery team have noticed a reduction in workload relating to smaller balances as contact has reduced for customers on lower income benefits, with fewer cases being processed through to summons. This has also meant a reduction in further recovery action costs being incurred as a result of full Council Tax Reduction now being awarded.

3.5 The current scheme has allowed the Recovery team to concentrate on a greater proportion of non-council tax payers as time is not being taken up trying to recover small balances. This has also helped to free up valuable resources that previously would have been absorbed in time consuming calls and emails for very little financial return.

3.6 No complaints have been received about the Council’s banded scheme.

4. Detail

4.1 Under the banded scheme, the council tax reduction scheme regulations are simplified so they are easier to understand and remove outdated legislation. The scheme also aligns with other welfare benefits.

4.2 The banded scheme works out how much council tax discount claimants will get (as a percentage of the total charge) by putting a claimant's excess income into one of ten bands as shown in table 4.3

4.3

Amount of excess income you have per week			
Band	Lower Limit	Upper Limit	How much discount you get on your council tax bill
1	£0	£5.00	100%
2	£5.01	£20.00	90%
3	£20.01	£35.00	78%
4	£35.01	£50.00	66%
5	£50.01	£65.00	54%
6	£65.01	£80.00	42%
7	£80.01	£95.00	30%
8	£95.01	£110.00	18%
9	£110.01	£140.00	10%
10	£140.01	Or higher	No discounts

4.4 If a claimant's excess income goes up or down beyond the band limits – for example they normally have £53 excess income a week but running up to Christmas for example they work a few more hours and earn £105 excess income a week, the amount of council tax discount they will get will reduce from 54% to 18%. We will reassess their claim at this point and write to them to explain the changes.

However, if one week they just did a few extra hours and their excess income only went up slightly – for example from £53 to £62 the amount of council tax discount they will get won't change, as their income will have stayed within the same band. Historically, evidence suggests that most changes in income are within the £15 band limits, so most claimants whose income fluctuates a little will know week-to-week how much discount they are going to get.

4.5 **Uprating of applicable amounts in line with the prescribed scheme**

The prescribed regulations are those which govern the assessment of support for pension age claimants. The Government has announced that the needs allowances (also known as applicable amounts) for Pension age support will increase in line with inflation (10.1%) and that Welfare Benefits in general, not just those related to pension age customers, will also rise by 10.1%. These increases to incomes and needs allowances will broadly offset each other as they are both increasing in line with each other.

Keeping our working age (local scheme) needs allowances aligned with those prescribed by the government makes the application of the scheme easier. The only exception to this is the non-dependent deduction for working age cases which will remain at £5.00 for 23/24 for all claimants within the scheme. An increase in the non-dependent deduction has not been considered at this time due to the current cost of living crisis the consequences this may have on our most vulnerable benefit claimants.

In previous years we would also have expected earnings to roughly increase in line with inflation but we are not generally seeing this, with changes to earnings being much lower than 10.1% in many cases. Therefore where a claim is based on earnings, their needs allowance will rise by proportionality more than their income and they will be entitled to more Council Tax Support (proportionality) than in 22/23. An estimated earnings increase of 2% has been included in the financial section to account for this.

4.6 **Ukrainian Refugees**

During 2022/23 our Council Tax Support regulations did not allow Ukrainian Refugees arriving through the Homes for Ukraine scheme to claim Council Tax Support when living in their own accommodation. This was due to the Government making amendments to their immigration status allowing refugees three years leave to remain. This gave them the entitlement to work, access to public services and access to benefits. As our legislation had been published prior to this we have been unable to align our regulations until 2023/24.

4.7 **Prescribed scheme for Mixed Aged Couples**
we propose to clarify within the scheme that the rules regarding mixed aged couples takes precedence from the prescribed scheme for pension aged claimants.

4.8 Adopt any other changes within the prescribed scheme in accordance with the statutory instrument due to be published in January 2023.

5.0 Financial Implications

5.1

Change	Total cost of scheme	Notes
Council Tax Support Spend 2021/2022	£4 877 999	
Council Tax Support Spend 2022/2023 spend to date	£5 074 483	As at 14/12/22
Projected Council Tax Support Spend 2022/2023	£5 088 480	Based on projected in-year caseload
Projected Council Tax Support Spend 2023/2024	£5 345 956	This figure has been calculated using estimates for a 3% Council Tax increase and 2% earnings increase.
Total projected Council Tax Support Spend 2023/2024	**£5 345 956**	

5.2 Table 5.1 shows that the estimated cost of the scheme has increased for 2023/24 however this increase is contained within the collection fund surplus at the moment, this will need to be kept under review.

5.3 It is proposed that £20,000 is continued to be set aside within the hardship fund under section 13A for any unforeseen/major impacts on benefit claimants as a result of the scheme.

5.4 The banded scheme will continue to deliver significant service efficiencies and help to generate time and resource savings in the long-term. These savings will continue to be mapped and recorded over time.

6.0 <u>Corporate Implications</u>

Employment implications

6.1 There are no employment implications arising from the changes detailed in this report.

Legal implications

6.2 There are no legal implications arising from the changes detailed in this report.

Corporate Plan Implications

6.4 Continuation of the banded scheme will support the Council's Corporate Plan in the following ways:

- Encourage independent living and keep residents healthy and happy in their homes.
- Ensure consistency in the way the Council deals with its service users.
- Support unemployed residents back into work.
- Provide modern ways of working that support the Council to deliver services to meet changing needs.

Risk Impact

6.5 None

Equality & Diversity and Social Value Impact

7.1 The scheme has been assessed against protected characteristic groups, as set out the Equalities Act, detailed below:

Protected characteristic	Comment
Age	The schemes only apply to working age claimants and not to pensioners or children. The scheme does not affect or alter the applicable ages.
Sex	The scheme does not discriminate against people of any particular sex.

Sexual orientation	The scheme does not discriminate against people of any particular sexual orientation.
Gender reassignment	The scheme does not discriminate against people who have undergone gender reassignment.
Race	The scheme does not discriminate against people based on their race.
Gypsy and travellers	The scheme does not discriminate against gypsies or travellers, however the scheme provides a reduction on Council Tax payable, so anyone who does not pay Council Tax does not benefit.
Religion or belief	The scheme does not discriminate against people based on their religion or belief.
Marriage and civil partnership	The scheme does not discriminate against people based on their marital or civil partnership status. Civil partners are recognised as dependents.
Disability	The banded scheme disregards incomes awarded for disabilities and vulnerabilities and consider a household's circumstances before determining the excess income amount (for example disabled claimants).

8.0 Conclusions

8.1 That Finance & Management Committee recommends the continuation of a banded council tax reduction scheme for 2023/2024 and associated amendments listed at 2.2 to Full Council for approval. This is based on the fact that the banded scheme was the favoured scheme for 2021/22 and that there has been a positive outcome from the first year of it being implemented. The report also concludes that Finance and Management Committee should recommend that the current funding of £20,000 from the Welfare Reform Fund is continued to be set aside in 2023/2024 for hardship cases.

9.0 Background Papers

REPORT TO:	**FINANCE AND MANAGEMENT COMMITTEE (SPECIAL - BUDGET)**	**AGENDA ITEM:11**
DATE OF MEETING:	**12 JANUARY 2023**	**CATEGORY: RECOMMENDED**
REPORT FROM:	**STRATEGIC DIRECTOR (SERVICE DELIVERY)**	**OPEN**
MEMBERS' CONTACT POINT:	**PAUL WHITTINGHAM** **Paul.Whittingham@southderbyshire.gov.uk**	**DOC:**
SUBJECT:	**DECARBONISATION OF THE COUNCIL'S HOUSING STOCK**	
WARD(S) AFFECTED:	**ALL**	**TERMS OF REFERENCE: HCS02**

1.0 Recommendations

1.1 That the Committee ratifies the approval of this report given by the Housing and Community Services Committee on 5th January 2023.

1.2 That the Committee approves the Council bidding for funding of £1.8 million from "Wave 2.1" of the Government's Social Housing Decarbonisation Grant fund informed by the findings of Nottingham City report on energy efficiency and subsequent bid for Wave 1 funding.

1.3 That in the event the bid is successful the Council agrees to making the required landlord contribution of 50% of the total cost of improvements that would be delivered by this scheme (approximately £876,000 over 3 years

1.4 That in the event of a successful bid the Council approves the acceptance and receipt of any bid funding

1.5 That the financial implications of submitting the bid are referred to the Finance and Management Committee for approval.

2.0 Purpose of the Report

Following the approval of this report by the Housing and Community Services Committee on 5th January 2023, the purpose of this report is to seek the approval of the Committee for the bid under Wave 2 of the Social Housing Decarbonisation Fund. This bid follows the successful bid for Wave 1 Funding which was agreed by the Committee on 30th September 2021. The Wave 1 bid was based on data collected as part of the project undertaken by Nottingham City Council in 2020/21. This project was commissioned to support the delivery of the Council's Climate Emergency commitment, assess the specific baseline position of the Council's housing stock, and identify the most appropriate action and investment that is required.

3.0 Executive Summary

3.1 The council is currently working to deliver wave 1 of the Social Housing Decarbonisation Fund programme sponsored by the Department for Business Energy and Industrial Strategy (BEIS) These works will improve the thermal comfort, ventilation, and energy efficiency of approximately 111 homes and will complete by 31 March 2023.

3.2 In September 2022, the Government published the funding regime and guidance for "Wave 2.1" of its Social Housing Decarbonisation Fund (SHDF) initiative. The data provided by Nottingham City Council along with improved knowledge of the housing stock gained during the preparation and delivery of Wave 1 has been used to inform this bid.

3.3 The bid is for £1.8m which will provide improvements to 103 – 110 properties.

3.4 Due to the bid timetable the Council had to submit an outline proposal to BEIS with the permission of the Strategic Director Corporate Resources before the deadline of 18th November 2022 on the understanding with BEIS that the bid would be formalised once the approval of Committee was given.

3.5 The Application and Guidance to the bid are attached as appendix A and B.

4.0 Detail

4.1 BEIS guidance gained from the pilot project and during SHDF wave 1 has confirmed that whilst alternative sources of heating can provide a means of improving energy efficiency, the most effective mechanism is to address any deficiency in the fabric of the building first.

Conserving heat by the replacement of poorly insulated roofs, doors and windows with high efficiency measures will reduce the amount of energy required to maintain a comfortable living environment and the resulting energy saving will directly benefit tenants financially.

Recent developments have heightened the concerns around damp and mould and the risk to health such conditions pose. The measures typically installed under the SHDF scheme can act to reduce or eliminate thermal bridging that is often a contributing cause of cold spots susceptible to condensation and mould growth as well as identifying and offering solutions to inadequate ventilation. This approach is in line with the recently published letter to landlords from the Housing Regulator which asks for confirmation as to the approach by landlords to preventing hazards to health caused by damp and mould.

Regarding low carbon heating options, the market for new and alternative source of heating has been adversely impacted by the global financial conditions. Although capacity is building, demand and supply remains unbalanced, and the anticipated economies of scale have yet to be fully realised. Furthermore, the long-term ongoing support and maintenance of these new technologies is subject to a lack of suitably trained and experienced service technicians.

4.2 Consequently the "fabric first" approach adopted in the Wave 1 bid is proposed to be followed in the Wave 2 bid. A link to the guidance for bids for this fund is attached as appendix A.

A preliminary self-assessment exercise was completed which identifies the key requirements which must be addressed within the bid:

- Stock data, analysis and selection of appropriate stock.

- Project Team and expertise in delivering the bid and programme
- Procurement and supply chain
- Qualified and Accredited Team Members
- Monitoring and evaluation methods post installation
- Occupant engagement.

4.9 Preliminary work has been undertaken by the Housing Service with the Government's Social Housing Retrofit Accelerator Team partner, Turner Townsend with the technical assistance of the retrofit design consultant, Constructive Thinking. The Councils outline bid was submitted 18th November 2022, subject to Committee Approval, with successful bids to be awarded in January 2023.
Unlike SHDF Wave 1 this project has a longer duration delivery schedule of 2.5 years ending 31st September 2025 with the requirement that all works are complete by this date. Furthermore, the government funding element must be consumed by 31/03/2025 though council funding can span 3 financial years.

4.10 The provision of improved insulation to roofs and floors has already been recognised but of equal significance for the Council will be the replacement of double glazing in council homes with either higher-grade double or triple glazed glazing as this is a structural element subject to periodic replacement and included in the planned maintenance programme.

4.11 The estimated average cost of the improvements necessary to achieve EPC Level C is c.£15,000 per property and reflects the enhanced need for fabric first in advance of widescale changes in sources of heating. It should be noted that this is an average figure and that the cost of each property will vary depending upon the measure mix specified by the retrofit designer.

4.12 Nottingham City Council survey data has been used to build the Wave 2 bid which in addition to including properties demoted from Wave 1 and continuing to improve the sheltered housing stock also includes property that has not fully benefitted from earlier initiatives to install of low carbon heating systems. Tenants of these homes may suffer excessive energy costs and therefore be at risk of falling into fuel poverty.

5.0 <u>Financial Implications</u>

5.1 If successful, the bid for SHDF support will obtain 50% funding for the overall programme from BEIS. The sum £876,000 has to be consumed in years 2023/4 and 2024/5 although the phasing is at the discretion of the successful authority.

5.2 The bid totalling £1.8 million requires a co-funding contribution by the Council of £876,000 this to be provided over the three financial years 2023/4, 2024/5 and 2025/6. BEIS have not mandated how this spending is to be phased over the delivery period.

5.3 The co-funding contribution will need to be met from the Housing Revenue Account Planned External Maintenance and Capital Budgets subject to the approval of the Finance and Management Committee.

Budget Source	Expenditure in Financial Year			Project Total 2023/26
	2023/4	2024/5	2025/6	
HRA	£43.8k	£43.8k	£43.8k	**£131.4k**
Planned Maintenance programme	£248.2k	£248.2k	£248.2 k	**£744.6**
Total Per financial year (£)	£292k	£292k	£292k	**£876k**
Phasing	33.3%	33.3%	33.3%	**100%**

5.4 The reallocation of funds from existing capital and planned maintenance budget to the SHDF programme will enable SDDC to capture £876k of central government funding however it will have the effect of reducing sum available to deliver the number of roof and kitchen/ bathroom replacements envisaged within the existing planned maintenance budget allocation
The following table shows to the impact on the delivery of planned works implied by the reallocation of planned maintenance budget to fund SHDF Wave 2.1.

Planned Maintenance Element	Reduction in replacements - Financial Year			Total Impact
	2023/4	2024/5	2025/6	
Roof Replacement	- 22	- 22	- 22	- 66
Kitchen/ Bathroom	- 28	- 28	- 28	- 84

The planned maintenance programme is built on pre-defined replacement periods supported by a survey of condition. The impact of temporarily deferring elements of the planned work programme is not anticipated to result in a materially increased risk of compromising structural integrity of the assets concerned, however the maintenance team will minimise risk by ensuring that the residual budget will be focussed on those properties assessed a having the highest priority for replacement.

5.5 BEIS does not mandate the proportion of its co-funding contribution that is consumed in each delivery year however they do suggest a 40/60% phasing. Given that the SDDC budget is distributed evenly across all three financial years the number and type of property included in the wave 2 delivery plan is shown in the table below.

Property Type	Number of homes to be delivered in SHDF Wave 2			**TOTALS**
	2023/4	2024/5	2025/6	
General Needs - Flat	-	6	-	**6**
General Needs - House	-	41	6	**47**
Sheltered Scheme Dwellings	39	3	8	**50**
TOTALS	**39**	**50**	**14**	**103**

5.6 Continuing the ‘fabric first’ objective set by BEIS and being delivered under Wave 1 property demoted from wave 1 but for which retrofit assessments have already been carried out would be easiest to deliver in 2023/4. Measures will be similar to those of wave 1 and comprise additional insulation, replacement windows and doors, and improved ventilation.

5.7 Cost inflation experienced over the course of the preparation and delivery of wave 1 continues to be of concern. This has been recognised by Government and therefore a higher allowance per property has been made to address this risk.

6.0 Corporate Implications

Employment Implications

6.1 An allowance is made within the SHDF funding for the administration of the scheme. This allowance supports the employment of two officers who have additional responsibility for the administration and management of the LAD3 and HUG1 Green Home Grant/ Sustainable Warmth schemes. The council is confident that a bid for a further allocation of £1.9 million via Midland Net Zero Hub consortium under the HUG2 scheme will be successful. This programme will run over the same 2.5 year time period ending September 2025 and the costs are apportioned accordingly.

Legal Implications

6.2 The current "Whole House" contract with NOVUS already has scope for the delivery of major improvement works to Council properties. However, the initial term of this contract expires in July 2024 part way through the duration of the SHDF programme. This contract does include an extension clause and any consideration regarding the potential to extend this would be the subject of a further report.

Corporate Plan Implications

6.3 The contents of this report make a direct contribution to the aims of the Council's Corporate Plan to:

- Tackle climate change - Strive to make South Derbyshire District Council carbon neutral by 2030.
- Work with residents, businesses and partners to reduce their carbon footprint
- Promote health and wellbeing across the District.
- Improve the condition of housing stock and public buildings.

Risk Impact

6.4 The contents of this report make a direct contribution to mitigating the risk identified within the Corporate Risk register: Climate Emergency – The failure of the Council to achieve carbon neutrality for its operations by 2030 and carbon neutrality for the district by 2050.

7.0 Community Impact

Consultation

7.1 Council tenants have already been engaged in the project through their participation and cooperation with Nottingham City and Council staff in arranging surveys in their homes. A requirement of the bid is that there is a robust plan for customer engagement in the delivery of improvement works. It is anticipated that this duty will be shared between the Council and the contractor delivering the works and follow and build on the model adopted for the Wave 1 project which has proved effective and attracted praise from BEIS.

7.2 The location of the property to be treated under the plan for SHDF wave 2 is shown in the table below.

Row Labels	2023/4	2024/5	2025/6	Grand Total
General Purpose Flats		**6**		**6**
Woodville		6		6
Houses		**41**	**6**	**47**
Hartshorne		16		16
Hatton		3		3
Netherseal		22	6	28
Sheltered Scheme Dwellings	**39**	**3**	**8**	**50**
Hartshorne	17			17
Hatton		3		3
Hilton	22			22
Netherseal			8	8
Grand Total	**39**	**50**	**14**	**103**

NB: This is indicative and subject to change following survey and detailed assessment.

Equality and Diversity Impact

7.3 The contents of this report will assist in ensuring that homes for tenants including those with Protected Characteristics will be more energy efficient, improving their health and wellbeing.

Social Value Impact

7.4 The potential outcomes of the successful delivery of insulation and improvement plans could have a positive effect on the health and well-being of tenants through the provision of homes that are affordable to manage and due to improved ventilation strategies, less prone to problems that can arise from the effects of condensation and mould.

Environmental Sustainability

7.5 The provision of homes that reduce the amount of energy required to heat them and consequently the carbon footprint of these homes will result in an environmentally sustainable housing stock for the future.

8.0 Conclusions

8.1 Increased global energy supply risk and rapidly rising energy costs directly impacts the financial security of our tenants. The experience gained during the delivery of SHDF wave 1 and deeper knowledge of the asset portfolio means that the council is better able to identify and deliver action that will result in more energy and carbon efficient homes and improve the conditions of those assessed to be in most need.

8.2 The Council has limited financial means to improve the energy efficiency of its stock and existing budgets are increasingly challenged by unprecedented cost inflation pressures. Without this additional government funding and the attendant scrutiny demanded by BEIS, the commitment to deliver meaningful energy efficiency improvements by the authority at scale and funded entirely within existing budgets is financially unrealistic.

8.3 The ‘fabric first’ methodology adopted by the SHDF scheme ensures that elements of construction subject to normal periodic replacement would be part funded by the grant.

8.4 A significant benefit of the retrofit process to the Council is the comprehensive assessment of the condition individual properties that was not collected by previous stock condition surveys. This information is essential in accurately informing the wider asset management strategy and confirming maintenance plans for individual properties. Detail collected during the survey has also provided important insights which has been of use in actioning tenancy management and enforcement.

8.5 In a climate of constrained financial resource and increasing costs which impose practical tensions between maintenance and investment budgets if access to additional funding is offered then the responsible course is for the Council to support the application for and funding of those bids either individually or in partnership with other providers whenever the opportunity presents itself.

9.0 Background Papers

9.1 Housing Environmental Impact Project. Report to the Housing and community Services Committee on 21st November 2019 and to the Finance and Management Committee on 28th November 2019
9.2 Housing and Community Services Committee Meeting 30/09/2021.
9.3 BEIS Social Housing Decarbonisation Fund Wave 2.1 Webpage

Notes:

* Category – Please see the Committee Terms Of Reference in Responsibility for Functions - Committees. This shows which committee is responsible for each function and whether it has delegated authority to make a decision, or needs to refer it elsewhere with a recommendation.

** Open/Exempt - All reports should be considered in the open section of the meeting, unless it is likely that exempt information would be disclosed. Please see the Access to Information Procedure Rules for more guidance.

*** Committee Terms Of Reference in Responsibility for Functions - Committees.

Department for
Business, Energy
& Industrial Strategy

Social Housing Decarbonisation Fund Wave 2.1

Competition Guidance Notes

September 2022

Any enquiries regarding this publication should be sent to us at:
enquiries@beis.gov.uk

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Guidance Overview

This section provides an overview of the key headlines of Social Housing Decarbonisation Fund (SHDF) Wave 2.1 policy. It is not a replacement for the full text further down the document – which Applicants should read before applying.

Section	**Overview**
BEIS and 3rd Parties	• BEIS will appoint 3rd party organisations, including a Delivery Agent and a Delivery Partner, to act on its behalf in management of the scheme. Grant Recipients will be required to work collaboratively with all organisations working on BEIS' behalf. Within the competition guidance and FAQs, references to BEIS stand not just for BEIS but also any 3rd party organisations that act on BEIS' behalf.
Eligible Applicants	• Local Authorities, Combined Authorities, registered providers of social housing (including housing associations and arms-length management organisations (ALMOs) that are registered providers) and registered charities that own social housing will be able to apply to Wave 2.1 of the SHDF, either directly or as part of a consortium led by an organisation that is eligible to lead a bid. • ALMOs that are not registered providers can apply as part of a consortium led by an organisation that is eligible to lead a bid.
Project Delivery Timescales	• The delivery window for SHDF Wave 2.1 will run to 30th September 2025. All grant funding for SHDF Wave 2.1 projects must be transferred to the grant recipient and spent by 31st March 2025, meaning projects can use only co-funding in the final 6 months of delivery.
UK Subsidy Control Rules	• This competition provides funding in line with the UK's obligations and commitments to Subsidy Control, both internationally and under the domestic Subsidy Control Act 2022.
Eligible Properties	• All existing social housing as defined by the Housing and Regeneration Act 2008 (S68-70), below EPC C[1], owned by eligible Applicants, regardless of archetype. • A small number of homes not meeting this definition may be funded on an infill basis - see 'homes at EPC C or above' and 'non-social homes'. • Homes both on and off the gas grid are eligible for funding.

[1] References to EPC in relation to SHDF policy throughout this guidance refer to the Energy Efficiency Rating of the home

Section	Overview
Homes at EPC C or Above	• Where a small number of properties in a block or terrace are at EPC Band C or above (for instance – a tower block/low rise with a small number of properties at EPC Band C or above due to individual home upgrades, with the vast majority of homes in the block being below EPC Band C), they can be included where they enable effective works to social housing below EPC Band C. • A minimum of 90% of social homes across the overall application must be below EPC Band C.
Non-social Homes	• Where a small number of properties in a block or terrace are non-social homes (for instance – a tower block/low rise with a small number of non-social homes, with the vast majority of homes in the block being social homes), they can be included where they enable effective works to social housing. • A minimum of 70% of homes across the overall application must be social homes.
Minimum Bid Size	• All Wave 2.1 proposals will be required to include a minimum of 100 eligible social housing properties at EPC band D-G per bid. • Applicants wishing to apply to Wave 2.1 with fewer than 100 eligible social housing properties at EPC band D-G must submit a bid as part of a consortium, with this consortium bid meeting the minimum threshold.
Eligible Installers	• Applicants should provide details of their contractors and procurement status. • All installers are required to be TrustMark Registered or equivalent, and compliant with corresponding requirements.
Safety and Quality	• Applicants must adhere to all relevant building and construction product regulations and requirements, in particular those that are considered safety critical and in line with industry best practice. • Applicants are required to detail their adherence to all appropriate safety and construction standards in line with PAS2030:2019 and PAS2035:2019.
Performance Outcomes	• Properties must reach Energy Performance Certificate (EPC) Band C, or EPC Band D where this is not possible for EPC F/G properties, upon completion of works. • Consideration should be given to improving properties to a space heating demand level of 90 kwh/m2/year where reasonable and cost effective.
Eligible Measures	• A fabric first approach (of insulation and heat loss prevention measures) to works is required.

Section	Overview
	• Eligible measures are any energy efficiency and heating measures compatible with the Standard Assessment Procedure (SAP) that will help improve the energy performance of homes, excluding heating systems which are solely fuelled by fossil fuels. See section 2.10.1 for considerations on hybrid heating systems.
Co-funding	• BEIS will require at least 50% of total eligible costs to be provided by the Applicant.
Cost Caps	• Cost caps will be scaled by starting EPC Band of the home, and wall type of the home. See section 2.11.2 for cost cap levels. • For homes situated off the gas grid, an additional cost cap for low carbon heating will be available, on top of the energy efficiency cost cap.
Admin & Ancillary Costs	• Due to the scale and size of the projects, Applicants are expected to have administration and ancillary (A&A) costs associated with the delivery of the project. A&A costs are expected to be as low as possible, with a requirement that grant funding for A&A comprises less than 15% of total grant funding (with total grant funding including both grant funding for capital costs for retrofit works and grant funding for A&A). We expect that total costs for A&A (grant funding for A&A + co-funding for A&A) will comprise less than 15% of the total project costs (total grant funding + total co-funding, including both capital costs for retrofit works and A&A costs).
Value for Money	• BEIS will assess the measures to be installed, alongside a detailed cost breakdown, and a justification of this cost breakdown including evidence of costs provided. • Applicants are expected to propose measures appropriate for their chosen stock which align with the SHDF Wave 2.1 objectives. Proposed measures in alignment with the SHDF Wave 2.1 objectives will score higher than those which do not align with the SHDF Wave 2.1 objectives.
Interaction with other Energy Efficiency Schemes	• Applicants may use funding from other government schemes, such as the Energy Company Obligation (ECO), Sustainable Warmth competition (SW), or the Home Upgrade Grant (HUG), to support works on the same home but funding from multiple government schemes cannot be used to fund the same individual measure twice. • It is the Applicant's responsibility to ensure that any blending of funding is compliant with each individual scheme and the respective requirements and objectives for each fund is met.

Section	Overview
Consideration of Tenants	• Applicants should demonstrate how tenant needs will be considered throughout the project and comment on any tenant engagement undertaken. • Applicants are expected to outline how works should benefit tenants, with suitable support and information provided both during retrofit and occupancy so that tenants are able to maximise benefits from installations. • Applicants should consider their responsibilities under the Public Sector Equality Duty (PSED) and conduct an equality assessment or analysis if they deem necessary. • PSED and consideration of protected characteristics applies to both public sector organisations – and any organisation where it is carrying out a public function.
Technical Assistance Facility (TAF)	• BEIS has established a Technical Assistance Facility to provide technical support for all applicants interested in accessing funding from the SHDF Wave 2.1 competition. • Technical assistance for the Wave 2.1 competition will be delivered under the name of the Social Housing Retrofit Accelerator (SHRA) through our commercial technical support partner Turner and Townsend Consultancy.
Digitalisation of Retrofit	• BEIS have set aside an optional innovation support of up to 2% of capital spend per bid, or a maximum of £600k per bid (including grant and co-funding), to assist in the digitalisation of retrofit • It is expected that Applicants applying for digitalisation support will have an existing digitalisation strategy.
VAT	• The grant funding to the Lead Applicant falls outside of scope of VAT. This is because the provision of the grant is not a consideration of supply for VAT purposes. • This means recoverable VAT should not be included in the grant requested in the application. • To ensure consistent treatment in the application assessment process, all costs will be assessed excluding VAT in the Value for Money section of the application assessment.
Financial Viability of Applicants	• All applicants must satisfy the due diligence, financial and organisational checks that will be carried out by BEIS, prior to receiving public funds.
Conditions of Payment	• Payments will be only made by BEIS after the Grant Funding Agreement (GFA), Grant Offer Letter (GOL), Data Sharing Agreement (DSA) and associated documents have been signed between the Lead Applicant and BEIS.

Section	Overview
	• Payments will be made on a regular basis (at least quarterly and at most monthly), following receipt of an invoice from the Lead Applicant evidencing eligible expenditure incurred. • Grant funding awarded to each Lead Applicant must be spent by 31 March 2025, and Lead Applicants will lose their opportunity to claim grant funding after this date. • Lead Applicants are required to plan to spend around 40% of their grant funding in FY23/24 and around 60% of their grant funding in FY24/25. • Lead Applicants are expected to spend equal parts grant funding and co-funding throughout the delivery of the project. • Projects can kick off early - eligible costs incurred between the launch of the Wave 2.1 competition and the signing of the GFA may be counted towards a project's co-funding requirement, should the project be successful. • Where there is reasonable and explicit need and on a case-by-case basis, a one-off upfront payment of up to 10% of the project grant funding or £1m, whichever is smaller, may be made.
Monitoring and Evaluation	• Applicants must provide baselines and forecasts on a number of key performance indicators (KPIs). These are used to appraise project proposals and to monitor project progress upon grant award. • Grant recipients must have a system in place across their delivery teams to ensure they can fulfil the monitoring and reporting requirements as outlined in the GFA with BEIS. • Grant recipients must ensure that project reporting – including milestone claims, change requests or issue escalations – is accurate, timely and contains all requisite information/data.
Managing Potential Fraud	• BEIS has a zero tolerance to fraud, as such we reserve the right to withdraw or claw back funding if the scheme requirements/eligibility criteria are not met. • To ensure the safe administration of funding, applicants are expected to have appropriate measures in place to mitigate against the increased risks of both fraud and payment error. • BEIS will be conducting due diligence and fraud checks and managing the delivery of measures through the delivery partner.
Post-launch Webinars and FAQs	• Following on from the pre-launch webinars, BEIS will host 'Bid Development Masterclasses' during the competition window, arranged and run through the Social Housing Retrofit Accelerator. • BEIS have published an FAQ document which is available at the SHDF Wave 2.1 webpage.

Section	Overview
Application Process	• The application form is available to download from the SHDF Wave 2.1 webpage • The submission of applications will open at least 5 working days before the close of the competition. Details of the submission process will be made available in October 2022 on the SHDF Wave 2.1 webpage. • For any queries on submitting applications, please contact SHDFWave2.Applications@BEIS.gov.uk • All completed application forms and required attachments must be submitted by 23.59 on the application submission deadline, on 18th November 2022. Proposals received after the deadline will not be considered.
Applications from Consortia	• Consortia Applicants should submit a single application form to BEIS, coordinated by the consortium lead. • BEIS expects that in most cases the consortium lead will be responsible for drafting the response submitted. The responses in the application form should be focused on the consortium lead, with high level information about the other consortium members. • Where it is not appropriate for the consortium lead alone to draft the response submitted (e.g., they are not stock-holding or have a comparatively small project to other members), the consortium lead should work jointly with the largest consortium member (in terms of number of homes being treated) to draft the response submitted. The responses should give a more detailed view of the largest consortium member project, while still giving high level information about the other consortium members.
Evaluation of Proposals & Assessment Criteria	• Eligible proposals will be ranked based upon their total score. In general, applications with higher scores will qualify for funding ahead of those with lower scores, with funding provided to as many applications judged as suitable within the budget available. After assessment, there will be a moderation process and a portfolio review, including review of the suitability of applications that score well overall but poorly on one or more individual question(s). • In support of the levelling up agenda, BEIS also reserves the right to review the distribution of funding across England comparative to the number of social homes per region and allocate funding in line with this.

Key dates

The following table outlines indicative dates for SHDF Wave 2.1 milestones.

Milestone	**Indicative date**
Guidance and FAQs published / clarification period begins	18th July 2022
Application form, further FAQs, Grant Funding Agreement, Grant Offer Letter and Data Sharing Agreement published	2nd August 2022
Clarification period ends	12th August 2022
Final documents (guidance, FAQs, application form) published post clarification period	29th September 2022
Competition launch	29th September 2022
Application submission details published	October 2022
Application submission opens	At least 5 working days before competition close
Competition close	18th November 2022
Bid assessment ends	December 2022
Successful projects notified	Late February/Early March 2023
Grant funding agreements signed with successful Lead Applicants / projects start	From March 2023

Executive Summary

The 2019 Conservative Manifesto committed to a £3.8bn Social Housing Decarbonisation Fund (SHDF) over a 10-year period to improve the energy performance of social rented homes, on the pathway to Net Zero 2050. The SHDF aims to deliver warm, energy-efficient homes, reduce carbon emissions and fuel bills, tackle fuel poverty, and support green jobs.

The SHDF supports the 10 point plan for a green industrial revolution and makes further progress towards delivering the government's commitment to invest in the energy performance of homes.

£800m has been committed for the SHDF as part of the 2021 Spending Review settlement. The Wave 2.1 competition will look to allocate as much of this funding as possible to support the installation of energy performance measures in social homes in England.

This follows SHDF Demonstrator, which awarded around £62m of funding as an initial investment to test innovative approaches to retrofitting at scale, and Wave 1 of the SHDF, which has awarded around a further £179m of funding, delivering from 2022 to 2023.

Outline of the Competition

The Department for Business, Energy and Industrial Strategy (BEIS) is inviting social housing landlords to apply for funding to be used to improve the energy performance of social housing. Local Authorities, Combined Authorities and Registered Providers of social housing may now apply directly for SHDF Wave 2.1 funding. Please refer to Section 2.1 for further information about eligible applicants.

We encourage Applicants to consider their housing stock and to assess whether they can apply to the scheme, with the aim of raising the energy performance of low EPC rated properties. We aim to improve the energy performance of homes to Energy Performance Certificate[1] (EPC) Band C, to take homes out of fuel poverty and deliver progress towards the UK's commitment to Net Zero by 2050. The entire SHDF programme seeks to raise the energy performance of as many as possible of the 1.4m social homes below EPC Band C up to that level, as part of the journey for the social housing stock towards Net Zero 2050. This guidance is for Wave 2.1 of the SHDF programme.

The application form is now available to download from the SHDF Wave 2.1 webpage. The submission of applications will open at least 5 working days before the close of the competition. Details of the submission process will be made available in October 2022 on the SHDF Wave 2.1 webpage. For any queries on submitting applications, please contact SHDFWave2.Applications@BEIS.gov.uk. All completed application forms and required attachments must be submitted by 23.59 on the submission deadline, which will be on 18th November 2022. Proposals received after this date will not be considered. Details of the application process are set out later in this document in section 9 of this document. Where Applicants are successful in the application process, BEIS will aim to make grant offers in late February/ early March 2023. BEIS will contact Lead Applicants individually to inform them of the outcome of their application aligned to the publication of successful applications on gov.uk.

Successful Lead Applicants will then be required to sign and return a Grant Offer Letter (GOL), Grant Funding Agreement (GFA) and a Data Sharing Agreement (DSA) so BEIS can issue grant payments to the Lead Applicant under Section 98 of the Natural Environment and Rural Communities Act 2006 (NERC). To enable prompt project kick off, Lead Applicants are requested to return completed and signed documents within 15 working days. BEIS' ability to administer grant payments is dependent upon the timely receipt of a signed Grant Funding Agreement & accompanying documents. Where the documents are not signed and returned within 30 days, the grant offer may be rescinded.

The delivery window for SHDF Wave 2.1 will run to 30th September 2025. All grant funding for SHDF Wave 2.1 projects must be transferred to the grant recipient and spent by 31st March 2025, meaning projects can use only co-funding in the final 6 months of delivery. Lead Applicants are asked to submit applications they are confident can meet these deadlines.

BEIS reserves the right to cancel the launch of SHDF Wave 2.1 at any stage prior to grant funding being awarded.

BEIS will appoint 3rd party organisations, including a Delivery Agent and a Delivery Partner, to act on its behalf in management of the scheme. Grant Recipients will be required to work collaboratively with all organisations working on BEIS' behalf. Within the competition guidance and FAQs, references to BEIS stand not just for BEIS but also any 3rd party organisations that act on BEIS' behalf.

Key differences vs SHDF Wave 1

- **Minimum bid size:** All Wave 2.1 proposals will be required to include a minimum of 100 eligible social housing properties at EPC band D-G per bid.

- **Registered providers of social housing and registered charities that own social housing, can now apply directly:** Local Authorities, Combined Authorities, Registered Providers of social housing and Registered Charities that own social housing can apply directly, or as part of a consortium, for funding under Wave 2.1 of the SHDF to support the installation of energy performance measures in social homes in England. Arms-length management organisations (ALMOs) that are not registered providers, can apply as part of a consortium led by an organisation that is eligible to lead a bid

- **ALMOs that are not registered charities can apply as part of a consortium:** Arms-length management organisations (ALMOs) that are not registered providers, can apply as part of a consortium led by an organisation that is eligible to lead a bid.

- **Longer delivery window:** The delivery window for SHDF Wave 2.1 will run to 30th September 2025. All grant funding for SHDF Wave 2.1 projects must be transferred to the grant recipient and spent by 31st March 2025, meaning projects can use only co-funding in the final 6 months of delivery. Where projects are able, and willing to do so at their own risk, delivery using co-funding can commence prior to the award of funding. Eligible costs incurred from the point of competition launch (29th September 2022) can be considered as part of the projects co-funding contribution. 'Competition launch' means the date on which the final set of competition and grant documents will be published.

- **Cost caps have been scaled by wall type in addition to EPC band:** to ensure that the correct level of grant funding is available for the respective wall type, with cavity walled homes typically cheaper to retrofit than solid wall homes.

- **Co funding requirement of 50%:** BEIS will require at least 50% of total eligible costs to be provided by the Applicant when applying for the SHDF Wave 2.1 competition.

- **Further facilitation of low carbon heating:** Applicants may propose low carbon heating installations in any home, on or off gas grid, provided that the following key principles are complied with:
    1. Bills must not increase as a net result of all retrofit works to the home, relative to what they would have otherwise been.
    2. Post retrofit, homes must comply with SHDF performance outcomes.
    3. A fabric first approach must be taken. If the fabric of a home is sufficient pre-retrofit, then an application with low carbon heat alone can be considered for that home, with significant justification required.

  Landlords wishing to install low carbon heating in homes on the gas grid may use the maximum grant funding available for that individual home, as set out in section 2.11.2. For homes situated off the gas grid, an additional cost cap for low carbon heating will be available. This will be on top of the energy efficiency cost cap, to provide Applicants with funding support to install both energy efficiency and low carbon heating measures if they wish to.

- **Changes to data sharing consent:** BEIS has identified the lawful basis for all SHDF Wave 2.1 Administrative Data shared between award recipients and BEIS as public task (GDPR Article 6(1)(e)). Further data collection by BEIS and/or its third parties will be processed on a consent basis (GDPR Article 6(1)(a)).

Enquiries

This document sets out the SHDF Wave 2.1 competition guidance and should be read prior to submitting an application for funding. The application form can be found on the SHDF Wave 2.1 webpage.

BEIS have also published a Frequently Asked Questions (FAQ) document, which can be found on the SHDF Wave 2.1 webpage. Applicants should review the FAQ document in the first instance if they have any questions.

There will be a clarification period ending on 12th August 2022 for Applicants to ask further questions. All queries should be addressed to SHDFWave2.Applications@BEIS.gov.uk after which all documents will be updated and re-uploaded to gov.uk page.

1. Introduction

The SHDF will upgrade a significant amount of the social housing stock in England to meet an Energy Performance Certificate (EPC) Band C standard, delivering warm, energy-efficient homes, reducing carbon emissions and fuel bills, tackling fuel poverty, and supporting green jobs.

The 2020 Summer Economic Update announced the SHDF Demonstrator project, launched in 2020, which has awarded around £60m of funding to social landlords across England and Scotland to test innovative approaches to retrofitting at scale, seeing up to 2,000 social homes improved to at least EPC band C and supporting around 1,200 local jobs. The Government launched Wave 1 of the SHDF in August 2021. It has awarded around £179m of funding for delivery from 2022 to 2023 and will see energy performance improvements to up to 20,000 social housing properties, reducing bills and carbon emissions. Lessons learned from both the SHDF Demonstrator and SHDF Wave 1 have been incorporated in the design of SHDF Wave 2.1.

As part of the 2021 Spending Review process, £800 million of additional funding was secured by the SHDF. The Wave 2.1 competition will look to allocate as much of this funding as possible to upgrade the social housing stock in England currently below EPC C up to that standard.

The key aims and objectives for the SHDF Wave 2.1 competition are set out below:

- **Fuel Poverty:** Reduce the number of households in Fuel Poverty by improving the energy efficiency rating of social homes below EPC Band C and reducing energy bills. On this basis, tenant energy bills must not increase as a result of the retrofit works, relative to what they would otherwise have been.
- **Carbon:** Deliver cost effective carbon savings to contribute to carbon budgets, and progress towards the UK's target for Net Zero by 2050 by reducing CO_2 emissions from social housing.
- **Tenants:** Improve the comfort, health, and well-being of social housing tenants by delivering warmer and more energy-efficient homes.
- **Green Economy:** Support economic resilience and a green recovery in response to the economic impacts of Covid-19, supporting thousands of jobs.
- **Develop the Retrofit Sector:** Create the conditions for growth in the retrofit supply chain capacity and capabilities, boosting productivity and innovation in the construction sector. Additionally, upskilling social landlords in retrofit to support future improvements to energy efficiency in the social housing sector.

2. Eligibility Criteria and Application Requirements

2.1 Eligible Applicants

Local Authorities, Combined Authorities, Registered Providers of social housing and Registered Charities that own social housing can apply directly, or as part of a consortium, for funding under Wave 2.1 of the SHDF to support the installation of energy performance measures in social homes in England. Arms-length management organisations (ALMOs) that are not registered providers, can apply as part of a consortium led by an organisation that is eligible to lead a bid.

Throughout this document, “Applicants” refers to all eligible applicants as defined in this section, including consortium members. “Lead Applicant” refers to the consortium lead or single bidder if not part of a consortium.

2.2 Project Delivery Timescales

The delivery window for SHDF Wave 2.1 will run to 30th September 2025. All grant funding for SHDF Wave 2.1 projects must be transferred to the grant recipient and spent by 31st March 2025, meaning projects can use only co-funding in the final 6 months of delivery. Applicants are asked to submit applications they are confident can meet these deadlines.

Applicants must develop evidenced project plans showing their ability to complete projects by the dates above and consider any risks to this plan.

2.3 UK Subsidy Control Rules

This competition provides funding in line with the UK's obligations and commitments to Subsidy Control, both internationally and under the domestic Subsidy Control Act 2022. Further information about the UK Subsidy Control requirements can be found within the EU-UK Trade and Cooperation agreement (TCA) and the subsequent guidance from the department of Business, Energy and Industrial Strategy (BEIS).

Single Applicants

Where grants are made to a Local Authority or Combined Authority for use on their own social housing stock, this will not be considered a subsidy.

Where grants are made to Private Registered Providers of Social Housing, for example Housing Associations, this will be considered a subsidy in accordance with the task of provision of affordable, energy efficient social housing under Services of Public Economic Interest.

If you are a Private Registered Provider of Social Housing that receives state support of less than 750,000 Special Drawing Rights across three financial years for the above-mentioned task, you should declare this on your application. You will be exempt from subsidy control.

If you are a Private Registered Provider of Social Housing that receives state support of more than 750,000 Special Drawing Rights across three financial years for the above-mentioned task, you should declare this on your application. Your application will be assessed in accordance with the Principles in the TCA as they apply to a body tasked with provision of affordable, energy efficient social housing.

If you are a Registered Charity that owns social housing your application will be assessed in accordance with the subsidy Principles in the TCA.

Applicants are also reminded of the Small Amounts of Funding Exemption. To receive funding under this exemption, Applicants should declare that the support they are receiving does not exceed the 325,000 Special Drawing Rights threshold across three financial years. Subsidies below this amount are exempt from the subsidy provisions of the TCA. This could include applications where leaseholder or freeholder (right to buy) properties, including those that are privately rented, are included in the Proposal.

Consortium Applications

Where grants are made to a consortium with members who are all Local Authorities or Combined Authorities for use on their own social housing stock, this will not be considered a subsidy.

If your consortium is made up of Local Authorities, Combined Authorities and includes a Private Registered Provider of Social Housing or registered charity, we will assume you receive more than 750,000 Special Drawing Rights over three financial years for the above-mentioned task. Your application will be assessed in accordance with the Principles in the TCA as they apply to a body tasked with provision of affordable, energy efficient social housing. If your consortium cumulatively does not receive more than 750,000 Special Drawing Rights, then this should be declared on your application.

If your consortium contains a body that is a non-Registered Provider of Social Housing or a Registered Charity, your application will be assessed in accordance with the subsidy Principles in the TCA. Applicants are again advised to declare the level of state support supplied to each consortium member, if any, on application. The Small Amounts of Funding Exemption also can apply to consortia.

Consortium Applicants should also declare the amount of funding to be allocated to each consortium member, and the purposes for which it will be used.

Further Information for all Applicants

Care must be taken by all Applicants to avoid using subsidy to improve non-social homes where possible. If you intend to apply grant money to properties that are not social housing this should be declared on any application along with the rationale for doing so. Note however that if you are relying on the Small Amounts of Funding Exemption in your application then this restriction will not apply, because the grant will not count as a 'subsidy'. Otherwise, for example if you are considering works to an infill property (see below at 2.5), you will have to justify your decision using the Principles.

There are special provisions that apply in respect of awarding grant funding to an ailing or insolvent enterprise. We will conduct financial viability and eligibility tests to confirm this is not the case following the application stage.

You must make sure at all times that the funding awarded to you is compliant with all current Subsidy Control obligations applicable in the United Kingdom. This aims to regulate any advantage granted by a public sector body which threatens to or actually distorts competition in the United Kingdom or any other country or countries. If you are unsure about your obligations under the UK Subsidy Control arrangement, please take independent legal advice.

Note that the relevant thresholds are in Special Drawing Rights, not Pounds Sterling. Applicants will need to bear in mind the relevant exchange rate.

If there are any changes to the above requirements that mean we need to change the terms of this competition, we will tell you as soon as possible. Where necessary, Grant Recipients will be expected to comply with the UK's obligations and commitments to subsidy control and maintain appropriate records as evidence of this.

This applies to consortiums as well as their members individually.

2.4 Eligible Properties

All existing social housing, as defined by the Housing and Regeneration Act 2008 (sections 68-70), below EPC C owned by Applicants, as defined in Section 2.1, are eligible for SHDF Wave 2.1 funding, regardless of archetype (including high rise blocks). Homes both on and off the gas grid are eligible for funding. There is no income related eligibility requirement for social housing tenants, although Applicants may wish to consider the income profile of tenants to determine how best to make progress towards reducing fuel poverty, a key objective of the SHDF. Applicants may also wish to consider whether properties containing tenants who are particularly vulnerable to the cold are best to target for retrofit.

2.5 Infill Properties

The intended purpose of SHDF funding is to improve the energy performance of social homes below EPC C up to that level. Following engagement with the sector, BEIS recognises that in some cases some homes that do not fit into that category are required to be retrofitted on an infill basis, to allow for effective retrofits of below EPC C social homes. However, to ensure SHDF Wave 2.1 supports retrofit of as many below EPC C social homes as possible, it is a requirement that any such 'infill' retrofits are kept to the absolute minimum required - with strong justification for these retrofits required for a bid to be successful. For consortia applications, it is expected that all members will abide by the principle of focusing on the delivery of below EPC C social homes. Measures installed should only be 'infill' measures - and infill homes do not have to meet the same performance outcomes as below EPC C social homes do. This section of the guidance outlines the two instances where infill funding is available.

2.5.1 Homes at EPC C or above

The focus of SHDF Wave 2.1 applications will be on social homes with an EPC rating of Band D, E, F or G. Where a small number of properties in a block or terrace are at EPC Band C or above (for instance – a tower block/low rise with a small number of properties at EPC Band C or above due to individual home upgrades, with the vast majority of homes in the block being below EPC Band C), they can be included where they enable effective works to social housing below EPC Band C. Applicants should justify this approach in the application, including providing the % of properties at EPC Band C or above. There would need to be a significant reason for inclusion of these properties – any application without appropriate justification will not be successful. Any inclusion of properties at EPC Band C or above would need to be on an ‘infill’ basis. The policy:

- Is limited to situations in which social homes below EPC Band C would be adversely affected without it, for example cases where these social homes would not be able to meet EPC C with appropriate consideration of 90kwh/m2/year, bearing in mind reasonableness and cost effectiveness (see ‘Performance Outcomes’ section 2.9), or where works must be undertaken on a whole block for planning or logistical reasons.
- Requires a minimum of 90% of social homes across the overall application are below EPC Band C.
- Is available for insulation and associated ventilation. Applicants may include additional measures on an exceptional basis if a justification is given as to why a whole block approach is essential for the attainment of SHDF Wave 2.1 performance outcomes (see section 2.9) for the below EPC Band C homes. Any Applicant wishing to install a measure that is not an infill measure onto these homes must do so out of their own money, separately to their co-funding contribution.

BEIS expects the majority of applications will include homes exclusively below EPC Band C. BEIS expects that applications that do contain homes at or above EPC Band C will keep the number of such homes as low as possible (the 10% is a limit, not a target, and it is expected that most applications containing homes at or above EPC Band C will have far fewer than 10% of social homes at or above EPC Band C). Applications requesting a considerable amount of funding for homes already at EPC Band C or above are unlikely to score well on the Value for Money and strategic fit sections of the application form.

The grant funding cost caps for retrofit works for EPC Band C homes are the same as that for EPC Band D homes (see section 2.11.2).

Non-social homes

Private domestic homes, such as those owned by leaseholders, may be eligible for funding under Wave 2.1 infill policy on non-social homes. Shared ownership homes fall under the scope of Wave 2.1 infill policy on non-social homes. SHDF Wave 2.1 infill policy on non-social homes is designed to support works to social homes in situations where there is also the presence of other tenure types. The policy:

- Is limited to situations in which social homes would be adversely affected without it, for example cases where social homes would not be able to meet EPC C with appropriate consideration of 90kwh/m2/year, bearing in mind reasonableness and cost effectiveness (see 'Performance Outcomes' section 2.9), or where works must be undertaken on a whole block for planning or logistical reasons.
- Requires a minimum of 70% of social homes across the overall application to meet the eligibility requirements of the scheme.
- Is available for insulation and associated ventilation. Applicants may include additional measures on an exceptional basis if a justification is given as to why a whole block approach is essential for the attainment of SHDF Wave 2.1 performance outcomes (see section 2.9). Any Applicant wishing to install a measure that is not an infill measure onto these homes must do so out of their own money, separately to their co-funding contribution.

For homes that require works to be funded under infill policy on non-social homes, a mixture of SHDF Wave 2.1 funding and recovered costs from the leaseholder, freeholder or shared ownership owner can be used. It should be noted that if a contribution from the leaseholder, freeholder, or shared ownership is withheld or refused, the Applicant may be required to underwrite this.

For works carried out on non-social homes in Wave 2.1, the following applies:

- The SHDF Wave 2.1 competition will fund 100% of costs of the infill measure[2] for low-income owner occupier homes. These homes are considered as:
    - Homes with an annual income of no more than £31,000 gross, before housing costs and where benefits are counted towards this figure;
    - We expect many Applicants to use receipt of means tested benefits as a proxy for low-income and would expect Applicants using non-means tested benefits to set out additional income verification. Other methods to verify eligibility may include using data such as existing processes on Council Tax reductions for those on lower incomes, residents on the social housing waiting list, or more innovative approaches such as advanced statistics and machine learning (e.g. Experian or CACI Paycheck), where Applicants can demonstrate these will target

[2] Up to the levels shown in the final column of Table 1 – see FAQs for more details.

low-income households. Self-declarations will not be acceptable methods of verification.

- For owner occupier homes that are not captured in the above, and Private Rental Sector homes, a contribution towards the infill measure may be requested. This contribution is capped at £3,300 and therefore is either a 1/3 of the cost of the infill measure or £3,300, which ever value is lower.
- Where the capped contribution of £3,300 does not cover the full cost of the infill measure, the SHDF wave 2.1 competition will cover the outstanding cost[2].

BEIS have developed a funding calculator for non-social homes to help Applicants calculate the level of contribution required by Leaseholders and the amount payable by the SHDF wave 2.1 for non-social home infill measures. This will be published as part of the supporting tables for the application form.

Inclusion of non-social housing must comply with UK subsidy control rules as laid out in section 2.3 of this guidance.

2.6 Minimum Bid Size

There is no minimum bid size in terms of the amount of funding requested. Bids must include a minimum of 100 social homes at EPC bands D-G and costs must fall within the cost parameters set out in the guidance. Bids that contain fewer than 100 eligible social housing properties at EPC band D-G will not be considered for funding.

Non-social homes (see section 2.5.2) and EPC C+ properties (see section 2.5.1) must be in addition to the minimum of 100 social homes at EPC bands D-G. Applicants wishing to apply to Wave 2.1 with fewer than 100 eligible social housing properties at EPC band D-G must submit a bid as part of a consortium where the consortium meets the minimum bid threshold overall.

To support those who are unable to meet the minimum property threshold, support will be offered in forming of consortia, with resources available through SHRA (further information can be found in section 4.1 of this document).

2.7 Eligible Installers

Applicants should provide details of their contractors, procurement status and TrustMark registration or equivalent; and where applicable their Microgeneration Certification Scheme (MCS) certification status.

All installers are required to be TrustMark Registered[3] or equivalent, and compliant with corresponding requirements.

All projects must be compliant with “PAS 2035:2019 Retrofitting dwellings for improved energy efficiency. Specification and guidance” (PAS 2035:2019).

[3] Or able to demonstrate registration with a scheme which has been deemed equivalent by the Secretary of State.

Installers are required to have the appropriate certifications for the eligible measures that they are installing on behalf of the Applicants as set out in the application. PAS 2035 requires that all energy efficiency measures within the scope of the PAS 2030:2019 standards must be delivered by installers who are certified to this standard and all low-carbon heating measures must be installed by a MCS certified[4] installer.

Low carbon heat installers must be registered with TrustMark or the relevant MCS standards for the technology they are installing. MCS certification requires an installation company to be assessed by an affiliated certification body, have consumer code membership, and to have demonstrated suitable competency against relevant technology standards, as well as carry out installations in accordance with MCS installation standards.

Where a communal heat network/district heating scheme is to be installed, this should be done in accordance with the Heat Trust Consumer Protection Scheme[5].

Applicants are encouraged to support and boost local green growth by considering local and SME installers as part of a contribution to levelling up society whilst investing in the skills and supply chains necessary to meet net zero. Applicants should consider the role of SMEs in the supply chain and ensure that barriers to participation are minimised in their procurements.

Applicants are also encouraged to consider and implement all relevant Public Procurement Notices in their procurement activity. A summary of relevant public procurement policy can be found at the following link.

2.8 Safety and Quality

Applicants must adhere to all relevant building and construction product regulations and requirements, in particular those that are considered safety critical and in line with industry best practice. Applicants must ensure any installations are in line with all concurrent legal requirements for manufacturers to ensure that products are safe at the time of installation.

Applicants are required to detail their adherence to all appropriate safety and construction standards in line with PAS2030:2019 and PAS2035:2019, including ensuring sufficient checks are in place to ensure installers are compliant with the same standards.

A retrofit coordinator will advise on suitable measures to be installed in properties, ensuring there are no negative impacts, no unneeded installations and that good value for money is maintained.

2.9 Performance Outcomes

Applicants must improve their social homes (through a fabric first approach suitable for the building type) to at least a minimum energy efficiency rating threshold of EPC Band C; except for those EPC Band F/G homes that cannot reach this level, which would need to reach EPC

[4] Or able to demonstrate registration with a scheme which has been deemed equivalent by the Secretary of State.
[5] Or able to demonstrate registration with a scheme which has been deemed equivalent by the Secretary of State.

Band D and provide strong justification as to why they could not reach EPC Band C (evidence could include SAP data and recommendations, PAS 2035 retrofit dwelling assessment or improvement option evaluation).

In addition to the above EPC improvements, consideration should be given to improving properties to a space heating demand level of 90 kwh/m2/year (as per SAP 2012 worksheet box 99, or equivalent), where reasonable and cost effective. Applicants should not try to implement a retrofit that achieves 90kwh/m2/year without considering whether this would be reasonable and cost effective.

Modelling towards the space heating demand level will help lead to evidence based retrofits. Properties not reaching this level of space heating demand should justify why in their application. Such reasons could include:

1. Meeting the 90kwh/m2/year level does not lead to a cost-effective retrofit for some or all homes applied with – i.e. the installation of additional measures to reach 90kwh/m2/year would not be good value for money for the property/properties applied with. Case studies to support the understanding of value for money in this space have now been published on the Wave 2.1 webpage.
2. Some or all homes cannot reasonably attain the space heating demand level given their archetype.

Examples of acceptable evidence of the consideration of the 90kwh/m2/year as part of retrofit design can include the outputs from stock modelling and energy efficiency planning using a SAP or PHPP based modelling tool or calculator. This does not replace the requirements for dwelling assessments under PAS2035.

2.10 Eligible Measures

Eligible measures are any energy efficiency and heating measures compatible with the Standard Assessment Procedure (SAP) that will help improve the energy performance of homes, excluding heating systems which are solely fuelled by fossil fuels. Applicants are expected to focus on measures that will help lower household energy bills. This includes, but is not limited to, energy efficiency measures (such as wall, loft, and underfloor insulation) and low carbon heating technologies. One of the core objectives of the SHDF is to support progress for the UK to reach its Net Zero target by 2050. Therefore fossil fuel measures, such as the installation of a new fossil fuel-based heating system, or the replacement or repair of an existing fossil fuel-based heating system with another fossil fuel-based heating system, are not in scope and applications including these fossil fuel measures will be ineligible for funding through the SHDF Wave 2.1 competition. For eligible heating measures that are in scope see section 2.10.1 below on low carbon heating.

A fabric first approach (of insulation and heat loss prevention measures) to works is required. A fabric first approach is a core principle of the *“PAS 2035 Retrofitting dwellings for improved energy efficiency. Specification and guidance”*[6] standards, to which all delivery partners and

[6] PAS 2035 Retrofitting Dwellings for Improved Energy Efficiency: Specification and Guidance.

subcontractors must adhere, to maximise comfort and bill savings for tenants and to maximise the home's suitability for low carbon heating either now or in the future. We expect that adherence to the PAS 2035 standards and a fabric first approach may require other measures such as improved ventilation systems.

Applicants are expected to adopt a least regrets approach to retrofit, meaning that works should minimise the potential of measures installed through SHDF having to be replaced in the future on the journey to Net Zero for the social housing stock.

Applicants should quantify the mix of measures they are intending to install and provide justification as to why they are considered the most appropriate measures for targeted properties; and why they represent good value for money. Measures installed should adhere to PAS 2035, Trustmark and MCS standards (or equivalent). Where Applicants plan to install measures which are typically less cost effective in making progress towards the SHDF Wave 2.1 objectives and strategic approach, the proposal should justify why they are a suitable, cost effective measure for the properties applied with. For example, installation of solar PV may be more appropriate where it is part of (rather than instead of) an appropriate fabric first approach, or installation of glazing may be more appropriate where replacing single glazing, or where alongside EWI if necessary to ensure PAS compliance, rather than where replacing existing effective double glazing to slightly improve the energy performance of the home. Applications installing measures that are not making cost effective progress towards the SHDF's strategic objectives are likely to receive a low score in the 'Value for Money' section of the assessment, particularly where these measures are accountable for a significant proportion of the spend.

2.10.1 Low Carbon Heating

Applicants may propose low carbon heating (LCH) installations in any home, provided that the following key principles are complied with:

1. Bills must not increase as a net result of all retrofit works to the home, relative to what they would have otherwise been.
2. Post retrofit, homes must comply with SHDF performance outcomes.
3. A fabric first approach must be taken. If the fabric of a home is sufficient pre-retrofit, then an application with low carbon heat alone can be considered for that home, with significant justification required.

Homes on the gas grid:

Landlords wishing to install LCH in homes on the gas grid may use the maximum grant funding available for that individual home, as set out in section 2.11.2, if performance outcomes are reached using less than the maximum grant funding. Any additional funding to complete the retrofit will need to come from additional co-funding, above the 50% minimum. An example of how the cost caps work for homes on the gas grid is set out in the FAQs.

Homes off the gas grid:

For the purposes of SHDF Wave 2.1, an off gas grid home is defined as one that does not use mains gas for heating purposes.

Last year, BEIS consulted on new regulations that will phase out the installation of fossil fuel heating systems in homes and non-domestic buildings off the gas grid in England from 2026 with a heat pump led approach to replacement systems. We are currently analysing the responses to that consultation and will issue our response in due course.

In order to support the ambition to phase out the installation of fossil fuel heating systems in homes off the gas grid, as well as to fund the replacement of an inefficient electric heating system with a considerably more efficient one (with resulting considerable bill savings), an additional cost cap for low carbon heating in homes off the gas grid will be available, on top of the energy efficiency cost cap. This will provide Applicants with funding support to install both energy efficiency and low carbon heating measures if they wish to. See section 2.11.2 for details on cost caps.

Eligible low carbon heating measures:

Where low carbon heating is supported, Applicants should consider systems that are consistent with net zero and considerations such as affordability, air quality, and sustainability. In the application form, Applicants will be asked to outline the rationale for their proposed form(s) of low carbon heating, and their contributions towards SHDF Wave 2.1 objectives.

Applicants are expected to focus on low temperature heat pumps as the lead technology. In homes wishing to install low carbon heating where low temperature hydronic heat pumps are unsuitable for the dwelling, we expect, in order of priority, connection to low-carbon heat networks (if appropriate for the stock applied with), high temperature hydronic heat pumps, air to air heat pumps, solid biomass, or high retention electric storage heaters (in electrically heated flats and small dwellings only) to be considered when determining the next best option for deliverability, value for money, affordability, sustainability, and air quality.

If alternative LCH technologies to low temperature hydronic heat pumps are to be installed, a justification must clearly be evidenced in the application. Examples of acceptable justifications include lack of outdoor space to accommodate a heat pump, lack of indoor space to accommodate a separate hot water tank, or tenant refusals to install a heat pump in the specific dwelling being applied with, noting that refusals of measures from different tenants in the past will not be deemed an acceptable justification.

Whilst solid biomass is an eligible measure, these are only expected to be installed in exceptional circumstances where heat pumps are unsuitable for the dwelling, and only in rural areas where there are no air quality restrictions. If an Applicant were to propose the use of biomass boilers within their funding application, a justification should be provided as to why biomass is the most appropriate technology and how the Applicant intends to ensure the ongoing use of sustainable fuels, such as by adhering to the sustainability and air quality requirements from the Domestic Renewable Heat Incentive[1] (now closed to new applicants), and appropriate maintenance of these systems.

[1] See Section 9 ,Chapter 2 and Section 3 Chapter 3 of the following document: https://www.ofgem.gov.uk/sites/default/files/-01/Domestic%20RHI_Essential%20guide_Final%20with%20cover.pdf

Low carbon heat networks are eligible for SHDF funding. As with all projects, those containing such measures will need to show that they are an appropriate value for money solution for the stock applied with and that it is deliverable during the SHDF Wave 2.1 delivery window.

Recognising the closure of the Non-Domestic Renewable Heat Incentive (NDRHI), BEIS is committed to supporting the Shared Ground Loop market in social housing through SHDF Wave 2.1. Therefore, BEIS reserves the right to prioritise the allocation of funding for Shared Ground Loops in applications that are compliant with all requirements outlined in this guidance document.

Hybrid heating

Funding may be used to install hybrid forms of heating for homes currently heated by mains gas; a fully integrated hybrid heating system that includes a heat pump and boiler within a single unit; or a heat pump alongside the current gas boiler that has an Energy Related Products rating of A (or above), where the retrofit coordinator is satisfied it is in good working order to be fitted alongside a heat pump. Hybrid heating systems for homes off gas grid are not permitted.

Where an existing boiler is replaced with a new boiler as part of a hybrid system, funding cannot be used for this. For all hybrid heating systems, the heat pump must be sized to deliver at least 50% of the heat load. Other forms of transitional heating that are fuelled by mains gas are not permitted. Prior to installing a hybrid heating system, retrofit coordinators are encouraged to upgrade existing systems to stand alone heat pumps, where possible.

2.11 Funding and Eligible Costs

2.11.1 Co funding

On the journey to decarbonising the lowest performing Social Housing, there is a co-funding requirement to maximise the number of properties that can be treated with the funds available. As such, BEIS will require at least 50% of total eligible costs to be provided by the Applicant when applying for the SHDF Wave 2.1 competition. Non-eligible costs should not be included in co-funding – either to meet the 50% minimum, or to go beyond that level. The guidance text for Table 15 of the supplementary tables to the application form outlines what costs are included in the co-funding percentage calculation. Co-funding must comply with the conditions of the GFA and can only be spent on eligible costs in connection with delivery of the grant proposal. Please refer to Section 6.3: Conditions of Payment for further information.

2.11.2 Cost Caps

To maximise value for money across Wave 2.1 of the SHDF, cost caps will be implemented. These are set out in tables 1 and 2 below and are the maximum grant funding permitted for capital costs for retrofit works by starting characteristic of homes. Cost caps are exclusive of administration and ancillary costs (see section 2.11.3).

These cost caps will be scaled to ensure that homes with the lowest EPC Banded ratings receive the most money. Cost caps have also been scaled by wall type as a sub-criteria – to protect against overspend on cavity wall homes, which are typically cheaper to retrofit than solid wall homes.

Walls are classified as cavity, brick, stone (granite, sandstone, or whinstone), timber, system build or curtain wall, in alignment with the SAP categorisations. Brick, stone (granite, sandstone or whinstone), timber, system build, or curtain can be considered as solid walled for the purposes of the cost caps if appropriate to do so. Value for money is required from all applications - the level of funding applied for should be dependent on the cost of improving the stock to the SHDF performance outcomes and should not be dependent on the maximum level of grant funding for retrofit works available.

For homes situated off the gas grid, an additional cost cap for low carbon heating will be available, on top of the energy efficiency cost cap to provide Applicants with funding support to install both energy efficiency and low carbon heating measures if they wish to. All cost caps are inclusive of non-recoverable VAT.

Applicants should contribute at least 50% of total eligible costs, as set out in Table 1 below.

Table 1: SHDF Wave 2.1 cost caps (inclusive of non-recoverable VAT)

Average spend (excluding A&A)	Wall type	Maximum grant funding ('cost cap') for retrofit works	Minimum co funding if maximum grant funding utilised	Total spend if utilising maximum grant funding and minimum associated co funding[7]
EPC D	Solid wall	£10k	£10k	£20k
	Cavity wall	£5k	£5k	£10k
EPC E	Solid wall	£12k	£12k	£24k
	Cavity wall	£7.5k	£7.5k	£15k
EPC F/G	Solid wall	£16k	£16k	£32k
	Cavity wall	£10k	£10k	£20k

[7] Please note: cost caps should not be maximised unless necessary – see 'maximising cost caps' section below.

On a by exception basis, some homes that are not 'solid walled' may be eligible for the higher cost caps, where the specifics of the archetype requires a treatment more aligned with the solid wall cost cap (e.g. cavity wall homes with cavities so thin that they cannot be filled, and thus requiring solid wall insulation). BEIS anticipates a very small number of homes will fall into this category, and strong justification is required in such cases. The cost of measures exceeding the cavity wall cost cap outlined above (e.g. spending £12k to retrofit a cavity wall EPC D home) is not a sufficient justification for utilising the higher solid wall cap.

Additional low carbon heating cost caps for homes situated off the gas grid

Off grid, an additional cost cap for low carbon heating will be available, on top of the energy efficiency cost cap to provide Applicants with funding support to install both energy efficiency, and low carbon heating measures if they wish to. Additional cost caps for low carbon heating are set out in Table 2. For the purposes of SHDF Wave 2.1, an off gas grid home is defined as one that does not use mains gas for heating purposes.

BEIS expects Applicants to put forward value for money applications, without unnecessarily maximising cost caps. For example, where an inefficient heating system is the overwhelming cause of a poor EPC and a landlord wishes to utilise the low carbon heating cost cap to address this, it would not be expected that the full energy efficiency cost cap would also be utilised unless necessary.

Table 2: SHDF Wave 2.1 additional low carbon heat cost caps for homes off the gas grid (inclusive of non-recoverable VAT)

Average spend excluding A&A	Wall type	Maximum grant funding ('cost cap') for retrofit works – energy efficiency	Minimum co funding if maximum grant funding utilised – energy efficiency	Total spend if utilising maximum grant funding and minimum associated co funding – energy efficiency	Additional grant funding ('cost cap') for retrofit works – low carbon heating	Additional low carbon heating minimum co funding	Additional low carbon heating spend if maximum grant funding utilised	Total (if maximum grant funding utilised alongside minimum associated co funding) – for both energy efficiency and low carbon heating
EPC D	Solid wall	£10k	£10k	£20k	£7,000	£7,000	£14,000	£34,000
	Cavity wall	£5k	£5k	£10k	£7,000	£7,000	£14,000	£24,000
EPC E	Solid wall	£12k	£12k	£24k	£7,000	£7,000	£14,000	£38,000
	Cavity wall	£7.5k	£7.5k	£15k	£7,000	£7,000	£14,000	£29,000
EPC F/G	Solid wall	£16k	£16k	£32k	£7,000	£7,000	£14,000	£46,000
	Cavity wall	£10k	£10k	£20k	£7,000	£7,000	£14,000	£34,000

Averaging of Cost Caps

It is possible to average the amount of grant funding requested by starting property characteristic (EPC Band/wall type combination), to allow for some homes in the application to spend slightly more to reach the SHDF performance outcomes of EPC C, with appropriate consideration of 90kwh/m2/year, bearing in mind reasonableness and cost effectiveness, and some homes slightly less, as long as the average is less than or equal to the cost cap for that starting characteristic.

For example, an application may apply with 900 EPC D Cavity wall homes that each cost £5,000 (including £2,500 grant funding, and £2,500 co-funding) to reach EPC C with appropriate with appropriate consideration of 90kwh/m2/year, bearing in mind reasonableness and cost effectiveness, and 100 EPC D Cavity wall homes that each require £12,000 (including £6,000 grant funding – above the £5,000 cost cap – and £6,000 co-funding) to reach the SHDF performance outcomes. This would average out at [(900 x £5,000) + (100 x £12,000)]/1,000 = £5,700 per home, or £2,850 grant funding per home if providing 50% co-funding – within the cost cap limit for that starting property type, even though some homes required greater spend than the cost cap if it were to be done on an individual home basis.

Grant funding is designed to provide up to 50% of the funding required to reach EPC C, with appropriate consideration of 90kwh/m2/year, bearing in mind reasonableness and cost effectiveness– it is not the case that Applicants wishing to go beyond the performance outcomes can use more grant funding than the cost cap to do so, even if other homes in the bid ‘balance out’ the average at or below the cost cap level. Applicants wishing to go beyond these performance outcomes should read ‘Going Beyond the Required Performance Requirements’ (section 2.11.2), and will need to provide more than 50% co-funding.

Maximising Cost Caps

It is anticipated that most homes will not require the level of spend allowed by the maximum cost caps (combined with the corresponding co-funding amount) to reach the performance requirements. Therefore, it is not expected that all Applicants will apply for the maximum grant funding for retrofit works available to them for every home. The level of funding applied for should be dependent on the cost of improving the stock to the SHDF performance outcomes and should not be dependent on the maximum level of grant funding for retrofit works available. Applicants will be required to provide a detailed cost breakdown of the project, along with a justification of these costs and how they contribute towards progress towards SHDF Wave 2.1 objectives in a way that provides value for money, as detailed in Section 2.11.4 below.

Going Beyond the SHDF Performance Outcomes

It is anticipated that some Applicants may wish to use grant funding for retrofit works as part of funding for retrofit of homes that they wish to improve beyond the performance outcomes for

SHDF Wave 2.1 (EPC Band C, with appropriate consideration of 90kwh/m2/year, bearing in mind reasonableness and cost effectiveness). For example:

- If an Applicant has an internal target for stock improvement of EPC B+, or if it requires limited extra measures to improve the energy performance of a home to an EPC Band B in comparison to improving to EPC Band C, and the Applicant wishes to do this;
- If an Applicant wishes to undertake deep, complex retrofit improving homes beyond EPC Band C/90kwh/m2/year at considerable cost.

The application should outline the number of properties which go beyond the required performance requirements.

It is expected that the grant funding for retrofit works applied for (along with associated co-funding) will be that required to achieve the performance outcomes for SHDF Wave 2.1 (EPC Band C, with appropriate consideration of 90kwh/m2/year, bearing in mind reasonableness and cost effectiveness). For Applicants wishing to go beyond these levels, it is expected that they will only use grant funding to fund a maximum of 50% of the eligible costs to reach EPC Band C, with appropriate consideration of 90kwh/m2/year, bearing in mind reasonableness and cost effectiveness. All other funding will need to come from co-funding. Cost, and justification of costs, will be considered in the Value for Money section of the application form.

Example: If retrofitting 1,000 cavity wall EPC D home that cost £6k (£3k grant funding+£3k co-funding) per home to reach EPC C with appropriate 90kwh/m2/year consideration, an Applicant may wish to spend an extra £5k per home to improve all homes to EPC B. The grant funding requested for these homes should be (£3,000 x 1,000) = £3m, and co-funding provided should be (£3,000 + £5,000) x 1,000 = £8m.

Decarbonisation on the gas grid

Some Applicants may want to fully decarbonise homes on the gas grid – including the installation of both energy efficiency and low carbon heating measures. Applicants wishing to do this may use the maximum grant funding available for the individual homes getting that treatment, as set out in section 2.11.2, if performance outcomes are reached using less than the maximum grant funding. Any additional funding to complete the retrofit will need to come from additional co-funding, above the 50% minimum. To avoid a reduction in the number of homes reaching EPC C through SHDF Wave 2.1 as a result of some Applicants using considerable grant funding on decarbonisation on the gas grid, decarbonisation on grid is not deemed to be a reason for utilising levels of grant funding beyond the cost caps for these homes, even as part of an approach to ‘averaging out’ cost caps at or below the levels specified in Table 1.

Example: If retrofitting 1,000 cavity wall EPC D homes on the gas grid that cost £6k (£3k grant funding+£3k co-funding) each to reach EPC C with appropriate 90kwh/m2/year consideration, an

Applicant wishing to fully decarbonise homes can use the additional £2k grant funding within the £5k cost cap towards the cost of low carbon heating for each home. This would need to be matched by an additional £2k co-funding for each home. This would take the grant spend up to (1,000 x £5,000) = £5m, with corresponding co-funding of £5m. Any extra spend to complete the retrofit, including ensuring it was in compliance with the key principles in section 2.9, would be required to come from additional co-funding.

If taking the above example, and adding in an additional 2,000 cavity wall EPC D homes on the gas grid that the Applicant does not wish to fully decarbonise and cost £6k (£3k grant funding+£3k co-funding) each to reach EPC C with appropriate 90kwh/m2/year consideration, the Applicant cannot use the extra [2,000 x (£5,000 - £3,000)] = £4m towards the costs of decarbonisation of the 1,000 homes that they wish to decarbonise.

2.11.3 Administration and Ancillary Costs

Due to the scale and size of the projects, Applicants are expected to have administration and ancillary (A&A) costs associated with the delivery of the project. A&A costs are expected to be as low as possible, with a requirement that grant funding for A&A comprises less than 15% of total grant funding (with total grant funding including both grant funding for capital costs for retrofit works and grant funding for A&A). We expect that total costs for A&A (grant funding for A&A + co-funding for A&A) will comprise less than 15% of the total project costs (total grant funding + total co-funding, including both capital costs for retrofit works and A&A costs). A breakdown of administration and ancillary costs should be given in the value for money section of the application form (detailed in Section 2.11.4 below).

Applicants should consider which costs will be non-capital costs and make sure these are accounted for in the administration and ancillary budget. Examples of what spend could be included in the administration and ancillary budget and example of capital costs are given below. It is acknowledged that for certain activities, there is flexibility in whether these are considered as administration and ancillary, or capital. BEIS is not prescriptive about where costs sit and understands the need for flexibility and so Applicants should work with their Accounting Officers to ensure that their budgeting and allocations are fit for purpose.

Administration and Ancillary costs may include:

- Project management, reporting and governance costs,
- New pre-installation assessment and EPCs to verify eligibility of households to demonstrate starting EPC rating,
- Building works to prepare for installation – for example, removal of failed cavity wall insulation,

- PAS 2035 retrofit assessor and coordinator costs (although this could also be considered as a capital cost),
- High Rise Insurance Backed Guarantees,
- Search costs associated with resident recruitment, low-income verification for eligible owner occupier and private rental sector tenants and sign-up including communication activities, and
- After-care services to ensure households know how to use any new technology.

Capital costs may include:

- Installer and designer labour costs
- Costs for scaffolding
- PAS2035 on-site costs such as airtightness tests, ventilation updates, SAP measurements
- Materials and transportation
- TrustMark or equivalent lodgement fees, and
- PAS 2035 retrofit assessor and coordinator costs (although this could also be considered an admin cost).

2.11.4 Value for Money

Ensuring value for money is a critical objective of this project that reflects BEIS' obligation to ensure it is spending taxpayer's money as effectively and efficiently as possible. The assessment criteria and process for the competition have therefore been designed to assess the value for money of each project on an individual basis, ensuring overall value for money for the programme can be assured.

Value for money will assess the measures to be installed, a detailed cost breakdown, and a justification of this cost breakdown including evidence of costs provided.

Measures to be installed:

Applicants are expected to propose cost effective measures appropriate for their chosen stock which align with the SHDF Wave 2.1 objectives and strategic approach. Applications installing measures that are not making cost effective progress towards the SHDF's strategic objectives are likely to receive a low score in the 'Value for Money' section of the assessment, particularly where these measures are accountable for a significant proportion of the spend.

Detailed Cost Breakdown and Justification:

Applicants are expected to detail the costs of the project including non-recoverable VAT and excluding VAT including a breakdown of capital costs for retrofit works and administration and ancillary costs. Applicants must provide a breakdown of requested SHDF grant funding for capital costs to retrofit by EPC Band, wall type, and whether the home is on or off the gas grid. Applicants must justify their proposed capital costs for retrofit works and associated administration. Some factors that may affect costs are: spread of dwellings, cost of materials, cost of installers, supply chain infrastructures, archetypes treated/inclusion of hard-to-treat properties and level of funding required to meet SHDF performance outcomes.

Applicants are expected to provide an accurate cost breakdown that is based on engagement with suppliers. BEIS will carry out a cost benchmarking exercise (i.e. comparing equivalent costs against costs seen in other bids) - with the aim of ensuring that bids represent good value for money but also are evidenced based. Bids with poor cost justification, particularly those with relatively very high or very low costs, will receive a low value for money score.

Applicants are requested to state their overall co-funding contribution, which must be a minimum of 50% of eligible project costs. Applicants must also confirm the source of funds for co-funding and are expected to provide evidence of secured co-funding such as board sign off, minutes from meetings or letters of commitment. The co funding value shown in evidence should match the value input to the application form.

Applicants are not expected to maximise the available grant funding for retrofit works for every home (as outlined in Section 2.11.2) and should request grant funding based on the costs required to upgrade homes to SHDF performance outcomes.

2.12 Interaction with other Energy Efficiency Schemes

Both successful and unsuccessful Applicants who have previously applied to the SHDF Demonstrator may apply for funding under this Wave 2.1 competition, subject to their new proposal complying with the eligibility criteria for this competition set out in Section 2 of this document.

Applicants may use funding from other government schemes, such as the Energy Company Obligation (ECO), Sustainable Warmth competition (SW), or the Home Upgrade Grant (HUG), to support works on the same home but funding from multiple government schemes cannot be used to fund the same individual measure twice. It is the Applicant's responsibility to ensure that any blending of funding is compliant with each individual scheme and the respective requirements and objectives for each fund is met.

3. Tenants

3.1 Consideration of Tenants

The SHDF Wave 2.1 competition will aim to improve the comfort, health, and well-being of Social Housing tenants by delivering warmer and more energy-efficient homes. Applicants should demonstrate how tenant needs will be considered throughout the project and comment on any tenant engagement undertaken.

Learnings from the SHDF Demonstrator have highlighted the importance of tenant engagement and securing tenant 'buy-in'. Poor engagement is likely to be a challenge to successful delivery of projects, leading to refusal of access or tenants withdrawing from the project at a later stage. BEIS expects tenant engagement to go beyond leafleting and cold calling, which BEIS does not consider to be sufficient methods of tenant engagement when implemented in isolation.

Applicants are expected to outline how suitable support and information will be provided both during retrofit and occupancy so that tenants are able to maximise benefits from installations. Reasonable adjustments should be made to minimise negative impacts and inconvenience to tenants (especially those of a protected characteristic covered by the Equality Act 2010) where appropriate, and ensure work is delivered in a COVID-19 secure manner. Applicants may also wish to consider whether properties containing tenants who are particularly vulnerable to the cold are best to target for retrofit.

Applicants should consider their responsibilities under the Public Sector Equality Duty (PSED) and conduct an equality assessment or analysis if they deem necessary.

PSED applies to public sector organisations and any organisation where it is carrying out a public function.

In the event funds have to be repaid to BEIS, this should not affect the tenants. Where possible, funding should also not be raised through the sale of social housing.

4. Support for Applicants

4.1 Technical Assistance Facility

BEIS has established a Technical Assistance Facility to provide technical support for all Applicants interested in accessing funding from the SHDF Wave 2.1 competition. This technical assistance will be available to all Applicants across England who intend to apply to the Wave 2.1 competition.

Technical assistance for the Wave 2.1 competition will be delivered under the name of the Social Housing Retrofit Accelerator (SHRA) through our commercial technical support partner Turner and Townsend Consultancy. Technical support from SHRA for Wave 2.1 will be available to Applicants in any stage of their project development, either through group support or one to one consultancy support - further detail is available on the SHRA website which is accessible via www.socialhousingretrofit.org.uk and contactable via info@socialhousingretrofit.org.uk.

This technical support comprises:

- A comprehensive knowledge hub providing support and information to guide an Applicant through a retrofit project life cycle. The information draws together industry best practice and guidance.
- Workshops, seminars and drop-in sessions on specific focus areas.
- Examples of some of the types of support offered:
  - Data collection and stock analysis, business case development, developing delivery models, scoping and specification of the project, internal governance, application writing and tenant engagement.

Applicants intending on applying for Wave 2.1 competition funding do not need to have applied for/and received support from SHRA to apply for Wave 2.1 funding. Receiving support from SHRA does not guarantee that the application to the SHDF Wave 2.1 funding will be successful. The Applicant remains responsible for ensuring the application meets SHDF Wave 2.1 eligibility requirements.

5. Digitalisation of Retrofit

Innovation funding

In order to help scale the retrofit sector, BEIS wish to encourage efficiency through support of the digitalisation of retrofit in the social housing sector. As such, BEIS have set aside an optional innovation support of up to 2% of capital spend per bid, or a maximum of £600k per bid (including grant and co-funding) (whichever is smallest), to assist in the digitalisation of retrofit. This funding is in addition to the cost caps outlined in section 2.11.2.

The award of this innovation funding is dependent upon assessment of an innovation funding question in the form, which will be scored independently from other questions. Applying for innovation support is optional, and consequently, no Applicant to SHDF Wave 2.1 will be penalised for their answers to the digitalisation question, nor for leaving their response blank. It is expected that Applicants applying for digitalisation support will have an existing digitalisation strategy.

Digitalisation funding Applicants will be required to share data and may be required to provide additional reporting with BEIS. This may include stock data or monitoring data that is collected as a result of digitalisation funding.

Eligible measures

A bid is eligible for the innovation funding if they demonstrate effective understanding and utilisation of an aspect of the digitalisation of retrofit within question 5.1. The definition of the digitalisation of retrofit considered for SHDF Wave 2.1 funding encompasses:

1. The usage of smart technology, sensors and monitoring platforms to collect relevant real-world data (from the properties being retrofitted) for the assessment of properties to enable retrofit, or after retrofit for monitoring and evaluation purposes.
2. The usage of building information modelling technology to design retrofit solutions using real world data from the properties being retrofitted.
3. The usage of energy efficiency measurement and electricity demand management tools to optimise energy usage, including reducing peak demand.
4. Other innovative digital technologies may be considered where they are clearly distinct from typical retrofit practice (where typical practice includes conventional stock modelling) and drive benefits in cost or time efficiency, scalability, or quality of information. Applicants using this definition should define why the technology is innovative, what the benefits are, and how they will adopt them.

Routine stock modelling, using modelled expected data for archetypes has a valuable role within retrofit. However, the data processing of modelled data is excluded from this definition of the digitalisation of retrofit.

Any project which incorporates (1), (2), (3) or (4) is eligible for the additional funding. Even if a project employs multiple aspects of digitalisation, grant funding remains capped at the stated level.

The expectation is that this digitalisation funding is used by applicants for delivery of digitalisation spend as outlined above.

Due to the innovative nature of digitalisation funding, BEIS reserves the right to consider variety and mix of approaches in proposals in the decision making process on successful proposals for digitalisation funding. It is expected that only a relatively small number of proposals will be successful in receiving digitalisation funding.

6. Other Information

6.1 VAT

The grant funding to the Lead Applicant falls outside of scope of VAT. This is because the provision of the grant is not a consideration of supply for VAT purposes.

If the Lead Applicant enters a third-party contractual relationship with a supplier (per the terms of BEIS issuing the grant), and incurs non-recoverable VAT on the supply provided, the Lead Applicant should ensure this does not exceed the total grant BEIS provided. This means recoverable VAT should not be included in the grant requested in the application.

In the case of a consortium, there may be different VAT implications depending upon the organisation(s) involved in the consortia applying for SHDF Wave 2.1. To ensure consistent treatment in the application assessment process, all costs will be assessed excluding VAT in the Value for Money section of the application assessment.

When working out the VAT costs for retrofit works, Applicants should consider what is being supplied. Is there a single supply of a mixture of services which will attract a single VAT liability or are there a number of separate supplies each attracting their own individual VAT liability?

If you are uncertain you may wish to confirm with your supplier the amount of VAT they will charge you before submitting a bid. BEIS expects VAT implications of works to have been considered prior to bid submission, to ensure costings are accurate.

BEIS recommends that Applicants procure their own VAT advice where there is uncertainty to ensure that the current application of VAT rules applies to the works that are being completed.

6.2 Financial Viability of Applicants

Applicants must satisfy the due diligence, financial and organisational checks that will be carried out by BEIS, prior to receiving public funds. This will assess trustworthiness, suitability, and track record of Applicants. Where required, robust due diligence will be carried out to assess financial health, available project funding, and potential fraud and error.

6.3 Conditions of Payment

This payment process will begin once the Grant Funding Agreement (GFA) has been signed by both parties.

Payment Process

1. On the 10th working day of each month, Lead Applicants will be required to:
    a. Submit their delivery report, including an up-to-date financial forecast report for the project. This forecast should be based on previously received payments and their knowledge of spend to date. The forecast should show overall spend and the proportion being requested as grant funding, recognising that grant spend should be in line with the provision in the GFA - see below.
    b. Submit a grant drawdown request for that month equal to the amount forecasted in the preceding month's delivery report.
2. Lead Applicants will be paid by the end of each month, following receipt of the grant drawdown request.
3. If the grant drawdown request is not submitted by the 10th working day, BEIS cannot guarantee payment by the end of the month.
4. Until kick-off meetings have taken place, payments will be made on the basis of the forecast set out by Lead Applicants in their application form (table 10).
5. The final payment will be made once all grant spend has been reconciled and accounted for.

Monthly payment process (before kick-off meeting):

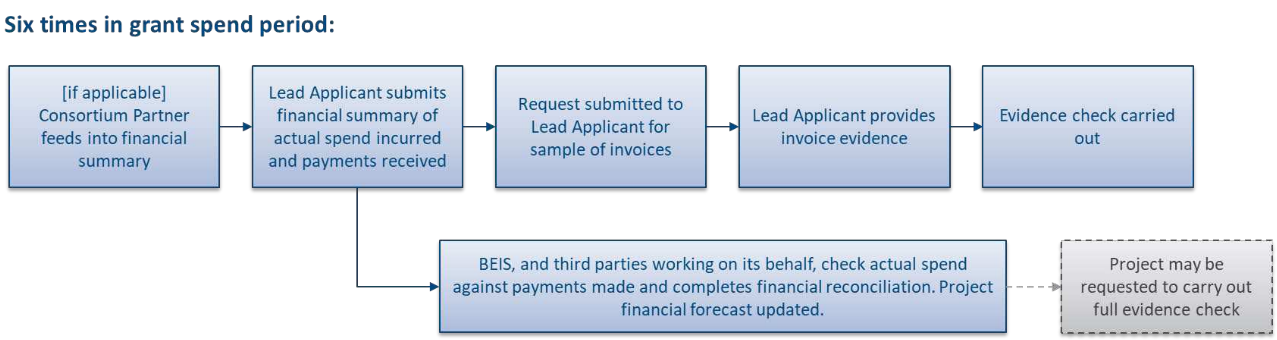
Monthly payment process (post kick-off meeting):

Reconciliation

1. Three times a year, Lead Applicants will be required to submit a summary statement of the actual eligible expenditure that has been incurred to date.
2. This summary statement should contain a high-level overview of payments that the Lead Applicant has made in relation to delivery of Wave 2, including to consortium partners and as part of any work on their own stock.
3. Based on the reconciliation, the forecast for the remainder of the project will need to be updated in line with the process outlined above.
4. A template for the summary statement will be provided and will require high level overview of payments as per point 2.

Evidence Check

1. At the end of every reconciliation exercise, BEIS, and third parties working on its behalf, will conduct an evidence check.
2. A sample of invoices will be requested from each Lead Applicant, who will have 5 working days to provide the invoice evidence to be checked. BEIS, and any third parties working on its behalf, will work proactively with the Lead Applicant during this time.
3. To assist this process, alongside any checks required by the Lead Applicant's own governance, we require all information pertaining to costs incurred during the project are recorded and evidenced.
4. BEIS reserves the right to request a full evidence check at any point during delivery and will work proactively with the Lead Applicant to carry this out in appropriate timescales.



Grant Funding Agreement

Payments will be only made by BEIS after the Grant Funding Agreement (GFA), Grant Offer Letter (GOL), and associated agreements have been signed between the Lead Applicant (Grant Recipient) and BEIS. Further details on payments and financial requirements will be provided by

BEIS as part of the GFA. These will include the requirement for detailed statements of expenditure and requests for funds in a specified format. Applicants must satisfy the due diligence, financial and organisational checks required prior to receiving public funds.
A draft GOL and GFA have been provided as part of the competition process for Lead Applicants to review. Some key provisions that are included in the GFA are outlined below:

1. Grant funding awarded to each Lead Applicant must be spent by 31st March 2025, and Lead Applicants will lose their opportunity to claim grant funding after this date.
2. Lead Applicants are required to plan to spend around 40% of their grant funding in FY23/24 and around 60% of their grant funding in FY24/25. The exact percentage split for each project will be subject to agreement between BEIS and the Lead Applicant, and reflected in the GFA agreed outputs, before execution.
3. Lead applicants that underspend against their agreed baselined grant funding in each financial year may not receive this underspent grant funding in the following financial year, and requests to move funding between financial years will be dealt with on a case-by-case basis.
4. Eligible costs incurred between the launch of the Wave 2.1 competition and the signing of the GFA may be counted towards a project's co-funding requirement, should the project be successful. This spend will be at risk of the Lead Applicant and evidence of eligible co-funding spend will be required by BEIS once the GFA has been signed.
5. Where there is reasonable and explicit need, a one-off upfront payment of up to 10% of the project grant funding or £1m, whichever is smaller, may be made. BEIS will consider requests for a one-off upfront payment on a case-by-case basis and in line with Managing Public Money guidance. If approved, this payment will be made within 7 working days of signing the GFA.

Additional information

1. These processes will be reviewed after 8 and 18 months as a minimum and may be reviewed more frequently if required.
2. Eligible expenditure must have been incurred by the Lead Applicant or approved Consortium Partners (i.e. paid or invoiced, not solely contracted).
3. Lead Applicants must confirm expected in-year financial spend by the end of February in each FY to enable BEIS to manage spend across financial years.

BEIS reserves the right to pause or reduce payments subject to poor delivery performance. This will be based on an assessment by the Delivery Partner based on the monthly reporting data and other performance indicators and will be signed off by BEIS. The Lead Applicant is expected to work with the Delivery Partner and relevant consortium partners to resolve issues.

7. Information Management

7.1 Applicant Contacts

Provision of your contact details to be held in BEIS's Customer Relationship Management platform

Applicants will be required to provide a name and contact details for at least one named person to BEIS (including their nominated single point of contact). We would suggest one or more contact(s) who is/are the project lead, communications lead, finance lead, legal lead or CEO. We will use this information to communicate scheme updates, training notices, information on future schemes and opportunities and invitations to relevant events. Details of how this information will be held and used will be set out in the SHDF Wave 2.1 Data Sharing Agreement.

7.2 Monitoring and Evaluation

Key Performance Indicators (KPIs)

Applicants must provide baselines and forecasts on a number of key performance indicators (KPIs). These are used to appraise project proposals and to monitor project progress upon grant award.

Scheme administration

Grant recipients must have a system in place across their delivery teams to ensure they can fulfil the monitoring and reporting requirements as outlined in the GFA with BEIS. The DSA is an essential document grant recipients must sign and return to support the GFA. It specifies data sharing necessary to deliver and evaluate SHDF Wave 2.1.

Project leads must supply data to BEIS on a routine basis, following the reporting cycle outlined in the final GFA and DSA. In addition, they are expected to support requests which may be issued outside of this schedule to manage delivery as needed.

Grant recipients must work with BEIS-appointed monitoring officers to ensure that project reporting – including milestone claims, change requests or issue escalations – are clearly communicated. BEIS will also assist with ensuring good quality of data, by providing successful projects with webinar inductions on monitoring frameworks following grant award.

Independent evaluation and official statistics

To effectively manage public spend, BEIS commissions research, official statistics and independent evaluation of SHDF.

In accordance with its responsibilities as independent Controller, BEIS has identified the lawful basis for BEIS and its third parties to process SHDF Wave 2.1 Administrative Data for evaluation, research and statistical purposes as public task (UK GDPR Article 6(1)(e)), where processing is necessary for the Secretary of State's responsibility to report and evaluate the effectiveness of its policies.

The use of anonymised or pseudonymised data will be considered as the primary form of data sharing with parties outside of BEIS. Only where the public task legal purpose cannot be achieved using anonymised or pseudonymised data will personal data be shared.

Designated teams within BEIS may use SHDF Wave 2.1 Administrative Data to generate research and official statistics concerning SHDF, national housing stock, and other BEIS schemes. Results will be reported in an anonymised, aggregated format.

BEIS will commission an independent evaluation of SHDF Wave 2.1. Evaluation partners will process SHDF Wave 2.1 Administrative Data shared by BEIS to invite participants and beneficiaries to take part in research, on a public task legal basis. By taking part in research, data subjects give their consent to BEIS' evaluation partner to process their responses as SHDF Wave 2.1 Research Data (UK GDPR Article 6(1)(a)).

Grant award recipients must support research activities by:

- Facilitating on-site and in-person interviews and fieldwork with selected project leads, their delivery partners and project beneficiaries.
- Issuing BEIS SHDF Wave 2.1 Privacy Notice, and their own Privacy Notice, to their project participants and beneficiaries (i.e. tenants, PAS2035 roles and installers), informing them that they may receive a survey invitation from BEIS for feedback on their experience.
- Where applicable, sharing additional project-level data with BEIS and its research partners to supplement secondary desk research.

Further information on data required to deliver research, statistics and evaluation are outlined in the Data Sharing Agreement.

7.3 Managing Potential Fraud

BEIS requires Applicants to adopt a proactive, structured, and targeted approach to managing the risk of fraud. To ensure the safe administration of funding, Applicants are expected to have appropriate measures in place to mitigate against the increased risks of both fraud and payment error. The Internal Audit Service of the Lead Applicant is expected to be engaged throughout delivery of the project.

Applicants are reminded of their responsibility to ensure that steps are taken to mitigate risks, which may include but not limited to the following:

- A provider using the funding for purposes outside of the grant conditions.
- Work not carried out, funds diverted, ineligibility not declared.
- False application or payment of grants to any person, agency or organisation.
- Spurious claims based on fiction e.g., claims made for empty properties and funding pocketed or upgrades sold on.
- Conflicts of interest/collusion through illegitimate procurement or price inflation.

A range of measures to prevent and detect fraud will be utilised by the scheme. BEIS will utilise data matching between energy efficiency schemes to monitor that the same measure installed in the same home is not claimed for under different schemes. BEIS will be managing fraud and conducting targeted spot checks via its delivery partner. Further information on data required to mitigate fraud, funding duplication and non-compliance is outlined in the Data Sharing Agreement.

BEIS has a zero tolerance to fraud, as such we reserve the right to withdraw or claw back funding if the scheme requirements/eligibility criteria are not met. BEIS reserves the right to audit/inspect any aspect of the work funded under the scheme and participants must allow us to inspect the work, at any given time during the project, to confirm that it has been undertaken in compliance with scheme rules.

BEIS will undertake due diligence checks whilst assessing applicants, whereby the applicant may be asked to provide more information and is expected to comply with the additional checks. During the length of the project, BEIS will reserve the right to audit the installations at any time.

7.4 Publication Process

BEIS may wish to publicise the results of the scheme, which may involve engagement with the media, including press, social media, and other channels. At the end of the application and assessment process and upon signing of the Grant Offer Letter and Grant Funding Agreement, BEIS may issue a press release or publish a notice on its website. These public documents may, for example, outline the overall results of competitions and describe some of the projects to be funded. BEIS may wish to publish the following information:

- Identity of the participant and its partners;

- Project summary information including aims and expected outcomes of the project as well as the technologies they propose to install;
- Locations of where the properties are that the project will undertake works on (designated by county or city); and,
- Total award value.

Some organisations may want the detail of their projects to remain confidential and Applicants will be given a chance to opt out of any involvement in media relations activity and further case study coverage of projects, should they see this as being absolutely necessary. However, the public description of the project that the Lead Applicant provides in their application will be made available in the public domain if their application is successful, and the Applicants may not opt out of the basic project description being published.

Please note that there will be an embargo placed upon the details of successful projects until BEIS has made the formal grant award announcement. Following this, we would encourage projects to publicise their plans, achievements and lessons learned throughout the project lifecycle. Projects must include a reference to the SHDF funding in their publications, and where the BEIS logo is used, projects are required to notify the SHDF stakeholder engagement and comms team to obtain permission beforehand. All grant recipients must make clear in all publicity arrangements, marketing materials and during tenant engagement that funding for these works has been provided (in part) by UK Government/BEIS. These materials must make reference to any BEIS provided branding, should this be proposed.

Following completion of the funded projects, BEIS will publish on its website a summary of the funded activities and the outcomes achieved. This may include a final summary report detailing key achievements from each project. BEIS may also publish outputs from the independent evaluation research that it will be conducting. These outputs will be high-level summaries of research findings generated through surveys and interviews, covering Wave 2.1. Any research findings published will be anonymised in line with the terms of UK-GDPR.

BEIS however recognises the need to maintain confidentiality of commercially sensitive information. BEIS will consult Applicants regarding the nature of information to be published, to protect commercially sensitive information.

8. Project Management and controls

Lead Applicants must develop evidenced project plans showing their ability to complete projects by the agreed date and consider any risks to this plan. It is the Lead Applicant’s responsibility to understand and implement the necessary Project Management techniques for the successful delivery of the project. Detail of the level of information BEIS expects to see at application stage can be found in the application form guidance.

BEIS will use core milestones to track the delivery of all SHDF Wave 2.1 projects. These milestones will be common to all projects and will be used to track and compare projects. They are not meant to replace the more thorough, detailed and specific set of milestones that each project should have as part of its internal project planning. These milestones can be found in Annex 6 of the Grant Funding Agreeement.

BEIS may take into consideration the performance and risk rating of Applicants participating in the SHDF Demonstrator or SHDF Wave 1 projects. BEIS reserves the right not to award grant funding to Applicants whose SHDF Demonstrator or SHDF Wave 1 projects are currently performing poorly against the respective scheme objectives and outputs, and where BEIS deems these projects to be at a high delivery risk for Wave 2.1.

8.1 Lessons learned from SHDF Demonstrator and SHDF Wave 1

BEIS have identified lessons learned from the SHDF Demonstrator and Wave 1 projects, which are set out below. These points have been reflected within the Wave 2.1 application form, which applicants will be assessed on at bid stage.

- A comprehensive tenant engagement plan should be designed to ensure that tenants are bought into the retrofit approach and consent to access to their home. Cold calling and postal correspondence are not sufficient, and BEIS expects tenant engagement plans to go beyond these methods.
- Applicants should engage with their Local Authority’s planning department as soon as possible. BEIS expects this to form a key element of the delivery plan proposed. Applicants are advised to begin engagement prior to submitting an application to SHDF Wave 2.1.
- Applicants are expected to have engaged with suppliers prior to submitting a bid to ensure that they have a good understanding of market prices and timelines. BEIS expects Applicants to demonstrate a strong cost confidence within their bid, therefore Applicants are advised to engage with their organisation’s procurement team as soon as possible.
- Applicants are expected to factor in contingency into their project plans, both in terms of eligible homes (in the case where homes planned for in the original bid are refused works by tenants, found to be ineligible etc.) and funds (in the case where project costs go up despite well-informed planning and market engagement at application stage. This is important in all situations – but particularly when applying with a project without opportunity for reduction in number of homes if costs increase e.g. a single block of homes, requiring a whole block approach to retrofit, making up an entire application).

- Applicants are expected to have a good understanding of PAS requirements prior to submitting a bid.
- Applicants should consider how they will resource their project team. BEIS expects Applicants to have a project team in place, with the appropriate level of skills and expertise, ahead of entering into the agreement with BEIS through the GOL and GFA.
- Applicants applying with high rise blocks should ensure they have factored the cost of High Rise Insurance Backed Guaranties into their application, which are a requirement of Trustmark.
- Applicants are expected to demonstrate that their application is aligned to their organisation’s long-term net zero strategy. Applicants that do not have an organisational long-term net zero strategy are advised to begin preparing one as soon as possible.
- Applicants should plan for the movement of services e.g. power cables, meter boxes, energy suppliers and UK Power Networks where necessary, for example when installing external wall insulation.

8.2 Guidance to Consortia

Consortia applications, as well as single bidder applications, are accepted for SHDF Wave 2.1. BEIS has prepared guidance to support consortia leads in applying for funding and forming their answers in the application form. BEIS has also prepared guidance to support consortium leads to complete the application form, which is detailed in section 9.3 of this document. Consortia applications will not score higher than single bidder applications based on the fact the application comes from a consortium. For guidance and support in setting up or leading a successful consortium, consortium leads are encouraged to consult the SHRA.

BEIS recognises that there are a range of drivers and benefits in forming a consortium when applying for SHDF funding and delivering a social housing retrofit project, and therefore organisations that are forming consortia are encouraged to develop an approach that best fits their objectives, in full knowledge that any approach will not be marked down by BEIS if it is strategically coherent and well thought through.

There are some consortium behaviours that should be adopted and evidenced to ensure delivery of the grant funding and relationship with BEIS progresses smoothly. These behaviours are as follows:

- **Grant agreements:** BEIS will sign a Grant Funding Agreement (GFA) with only the Lead Applicant. Therefore, agreements *between* consortium members and between the consortium lead and other consortium members will need to be managed by the Lead Applicant. The consortium lead will need to ensure that all members understand the terms of the GFA with BEIS and are content to proceed to delivery. The consortium lead will also need to ensure a robust process is set up to manage these agreements once BEIS share the final GFA for signature, to minimise delays in project kick off. BEIS will make the template GFA available to the sector ahead of competition launch, to provide enough time for these agreements to be managed effectively. ‘Competition launch’ means the date on which the final set of competition and grant documents are published (29th September).

- **Due Diligence on members:** BEIS will have limited opportunity to assess individual consortium members for deliverability before awarding grant funding to the consortium. The consortium lead will be responsible for ensuring deliverability of each member’s project, including appetite and commitment from the organisation to deliver as per the GFA terms, availability of co-funding to complete delivery, and any other due diligence checks necessary.

- **Contingency Plans in case of withdrawals:** Consortia may benefit from being able to manage scope reductions or withdrawals between the consortium members. For example, if one member can no longer treat the number of homes they set out to do, another member may increase the number of homes they are treating and absorb the grant funding, providing co-funding requirements are upheld. BEIS will hold the consortium lead accountable for delivery against the total number of homes in the original consortium application. Consortia are expected to have a plan to continue to deliver the same number of homes as in the GFA should a member(s) choose to withdraw. This should be managed as necessary by the consortium, including bringing new organisations into consortia where appropriate. Should a consortium not be able to deliver on its targets as per their application, this will be managed by a change request and/or grant variation, likely resulting in a reduction in overall grant funding available.

- **Data and Reporting:** A Data Sharing Agreement (DSA) will be signed between BEIS and the consortium lead as part of the GFA, and in signing this the consortium lead will be acting on behalf of all its members. Consortium leads will be responsible for signing data agreements amongst consortium members where necessary, in line with the obligations of the overall DSA. The Data Management System BEIS will use has not yet been finalised, however it is possible that BEIS will rely solely on the consortium lead to input all data and ensure all data and reporting requirements for consortium members are met. Therefore, the consortium lead should have a strategy for collecting, checking, and summarising financial and delivery data received from all members in a timely and effective manner. BEIS may need to deep dive into certain projects within the consortium bid during delivery, and so project-specific data should be held by the consortium lead and made available to BEIS on request.

- **Governance:** consortia should not be formed ‘in name only’ and a level of joint governance and shared working is expected to be evidenced. This is necessary to assure BEIS that any shared risks or approaches can be agreed, there is clear communication between members and joint decision-making can be effective.

9. The Application Form

9.1 Key Dates

The following table outlines indicative dates for SHDF Wave 2.1 milestones.

Milestone	**Indicative date**
Guidance and FAQs published / clarification period begins	18th July 2022
Application form, further FAQs, Grant Funding Agreement, Grant Offer Letter and Data Sharing Agreement published	2nd August 2022
Clarification period ends	12th August 2022
Final documents (guidance, FAQs, application form) published post clarification period	29th September 2022
Competition launch	29th September 2022
Application submission details published	October 2022
Application submission opens	At least 5 working days before competition close
Competition close	18th November 2022
Bid assessment ends	December 2022
Successful projects notified	Late February/Early March 2023
Grant funding agreements signed with successful Lead Applicants / projects start	From March 2023

9.1.1 Post-Launch Webinars and FAQs

Following on from the pre-launch webinars, BEIS will host ‘Bid Development Masterclasses’ during the competition window, arranged and run through the Social Housing Retrofit Accelerator. These ‘Bid Development Masterclasses’ will provide details of the SHDF Wave 2.1 competition guidance and the application process. These are open to Applicants, representatives of the supply chain and delivery partners.

There will be a clarification period ending on 12th August 2022 for Applicants to ask further questions. All queries should be addressed to SHDFWave2.Applications@BEIS.gov.uk after which all documents will be updated and re-uploaded to gov.uk page.

9.2 Application Process

Once Applicants are satisfied that they meet the Strategic Fit, Delivery Assurance and Value for Money aims (see Section 9.4 below) of the SHDF Wave 2.1 competition, the Lead Applicant can complete the SHDF Wave 2.1 competition application form which is available to download on the SHDF Wave 2.1 webpage.

Details provided in the proposal submitted by the Lead Applicant will be used as the basis for BEIS to work with successful Applicants and their delivery partners to implement the schemes; all Applicants should therefore be mindful that the eligibility criteria, homes to be targeted and upgrades will be the basis of the Grant Offer Letter/Grant Funding Agreement, upon which grant funding is issued.

The submission of applications will open at least 5 working days before the close of the competition. Details of the submission process will be made available in October 2022 on the SHDF Wave 2.1 webpage. Applications must be submitted by the Lead Applicant as defined in Section 2.1. All completed application forms and required attachments must be submitted by 23.59 on the bid submission deadline, on 18th November 2022. Proposals received after the application deadline will not be considered.

Applicants are requested to follow the guidance within the application form regarding formatting and number of words per section. Applicants should refer to this guidance document where necessary and ensure that they have complied with all the competition requirements.

BEIS officials will first review applications through an initial sift compliance check and may wish to complete some initial clarifications following this sift; followed by a full review of compliant applications. All assessments including the initial compliance sift will be quality assured and a moderation process will be undertaken. Proposals that are shortlisted for funding through the review process, will then require approval via the relevant governance boards and then Ministerial final approval.

BEIS expects to be able to notify Lead Applicants of the outcome of their application by late February/ early March 2023. In the case of successful applications, BEIS will set out the level of funding being approved, and a GFA will be agreed with the Lead Applicant.

For any queries on submitting applications, please contact SHDFWave2.Applications@BEIS.gov.uk

9.3 Applications from consortia

Consortia Applicants should submit a single application to BEIS, which is coordinated by the consortium lead. The responses in the application form should focus on the consortium lead's approach, with high level information about the approach taken by other consortium members. Where it is not appropriate for the consortium lead alone to draft the response submitted (e.g. they are not stock-holding or have a comparatively small project to other members), the consortium lead should work jointly with the largest consortium member (in terms of number of homes being treated) to draft the response submitted. The responses should give a more detailed view of the largest consortium member project, while still giving high level information about the other consortium members. Where consortia choose to adopt a unified approach to a particular topic, this should be detailed in the response to BEIS. Consortia applicants will be granted an extended word count allowance to convey these additional details in their response.

All consortia members will be required to provide individual data on the stock they are applying with, the retrofits proposed, and the modelled outcomes of those retrofits. When completing the supplementary tables to the application form, each consortia member should input their own data in individual tabs provided. The consortia lead is responsible for ensuring that the data summary correctly encompasses the data from each consortia member's individual tab.

9.4 Evaluation of Proposals & Assessment Criteria

Applications for funding will be judged by BEIS officials against a set of criteria on a non-linear scale (0, 1, 3, 7, 10). This assessment criteria is set out below:

- **Strategic Fit:** how well the proposal fits with the aims, desired outcomes and eligibility criteria of the SHDF Wave 2.1 competition.
- **Delivery Assurance:** an assessment of the feasibility and credibility of the project including detail on delivery forecasts, key milestones and the planning and scheduling

process; resource capability and capacity and organisational design; risk and issues management; management of conflict of interests; commercial agreements and procurement activities including supply chain management.

- **Value for Money:** the proposed measures to be installed and their costs; a cost breakdown of the project; and justification for the cost of the project.

Eligible proposals will be ranked based upon their total score. In general, applications with higher scores will qualify for funding ahead of those with lower scores, with funding provided to as many applications judged as suitable within the budget available. After assessment, there will be a moderation process and a portfolio review, including review of the suitability of applications that score including review of the suitability of applications that score well overall but poorly on one or more individual question(s).

In support of the levelling up agenda, BEIS also reserves the right to review the distribution of funding across England comparative to the number of social homes per region and allocate funding in line with this.

In the event that BEIS receives more funding applications than funding available, BEIS may place eligible applications on a reserve list to be contacted about any future grant funding opportunities.

BEIS reserves the right to terminate the competition at any time, and may decide not to award any grants, or to award grants for less than the total funding available under SHDF Wave 2.1. Depending upon the nature of applications received, BEIS reserves the right to vary the allocation of grant funding, taking account of the scheme criteria and the number and size of Value for Money proposals it receives.

BEIS will not be liable for any costs incurred in the preparation or submission of applications.

Appendix A: SHDF Wave 2.1 Project Plan Guidance

Question 3.1 of the SHDF Wave 2.1 application requires a project plan to be attached as Annex F. Below, please find guidance on what BEIS expects to see in a good project plan.

Content

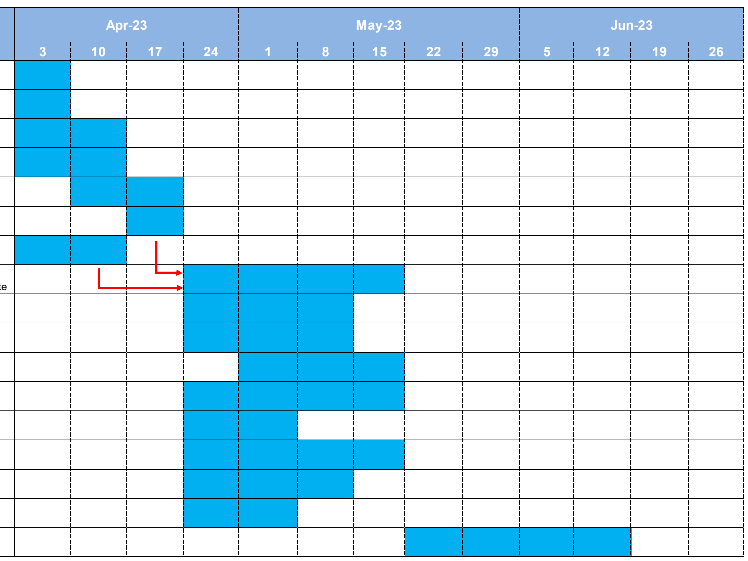
- Applicants may structure plans however they see fit, **but as a minimum**, BEIS expects plans to include the following:
  - Key project stages broken down into specific tasks
  - Details of project set up and project team establishment
  - Details of all necessary procurement activity
  - Details of tenant engagement activity before, during and after works have been completed
  - The steps needed for project design and coordination, including PAS2035 risk assessments, planning permissions, and building surveys
  - Details of installation
  - Details of post-installation activities and handover
- Plans should be tailored to the project and should not use a generic list of tasks. For example, any building surveys, procurement activity, and tenant engagement steps should all be relevant to the specific measures and buildings involved in the project.
- Plans must embed references to the 9 BEIS core milestones which were released at competition launch, as well as the full PAS2035 process. References to the BEIS core milestones should reflect the information provided in Table 9 of the main application form.
- If the project plans to install measures in a phased approach, the plan must include detail of this.
- Consortia bidders should provide a detailed consortia plan, as well as a plan on a page for each consortium member. Plans for consortium bids are likely to take a programme management approach, outlining areas such as governance, controls, and timelines which cover the whole consortium. The plan should also include specific member-level detail as required, outlining as a minimum the spread of delivery across the consortia.

Structure/Format

- Plans should be created in Microsoft Project, Excel, or similar software, and included as Annex F as a PDF file.
- Plans should list tasks line-by-line, including forecast start and end dates, durations, the BEIS core milestone they contribute towards, and owners for each line. A Gantt chart should also be included in the plan.
- The plan should clearly show dependencies. Applicants may add a column to note these, or use arrows on a Gantt chart.
- An extract of an example plan is included below as a guide to demonstrate how applicants may incorporate line-by-line tasks, dependencies, and the BEIS core milestones. Plans should include at least the level of detail shown below but the exact structure is at the bidder's discretion.

Plans which only use the BEIS core milestones, or do not include specific, broken-down tasks, are likely to receive a low score in the 'Delivery Assurance' section of the assessment.

Milestone			Forecast start	Forecast end	Duration	Relevant BEIS Core Milestone(s)	Dependencies
Line	**Project Stage**	**Task**					
1	**(MS1) Project team establishment**	Job profiles created for each team member	03/04/2023	09/04/2023	1 week	MS1	
		Retrofit Coordinator appointed	03/04/2023	09/04/2023	1 week	MS1	Market availability of Retrofit Coordinators
		Resident Liaison Officer appointed	03/04/2023	14/04/2023	2 weeks	MS1	
	Project design and surveys	Desktop Analysis and archetyping of properties	03/04/2023	14/04/2023	2 weeks	MS5	
2		**(MS4)** Undertake PAS2035:2019 Risk Assessments	10/04/2023	21/04/2023	2 weeks	MS4	
3		Agree survey format	24/04/2023	26/04/2023	3 days	MS5	
4		Book archetype surveys	03/04/2023	14/04/2023	2 weeks	MS5	
5		**(MS5)** Detailed individual property surveys (PAS 2035 Retrofit Assessment)	24/04/2023	19/05/2023	4 weeks	MS5	BEIS MS1 (project team established) must be complete
6		Carry out Pull tests for EWI	24/04/2023	12/05/2023	3 weeks	MS5	
7		Archetype structural surveys	24/04/2023	12/05/2023	3 weeks	MS5	
8		Undertake CWI adequacy fill tests	01/05/2022	19/05/2023	3 weeks	MS5	
9		Carry out design & energy modelling (by Archetype)	24/04/2023	19/05/2023	4 weeks	MS5	
10		Procure and agree measure specification	24/04/2023	07/05/2023	2 weeks	MS5	
11		Complete asbestos surveys	24/04/2023	19/05/2023	4 weeks	MS5	
12		Complete pre gas surveys	24/04/2023	12/05/2023	3 weeks	MS5	
13		Complete environmental surveys	24/04/2023	07/05/2023	2 weeks	MS5	
14		Complete damp surveys	22/05/2023	18/06/2023	4 weeks	MS5	



This publication is available from: www.gov.uk/government/publications/social-housing-decarbonisation-fund-wave-2

If you need a version of this document in a more accessible format, please email SHDFWave2.Applications@BEIS.gov.uk. Please tell us what format you need. It will help us if you say what assistive technology you use.

Department for
Business, Energy
& Industrial Strategy

Social Housing Decarbonisation Fund Wave 2.1 Application Form

Guidance to Applicants:
Please read the Competition Guidance Notes carefully before completing this form and provide sufficient information to demonstrate compliance with the Eligibility Criteria and the Evaluation Criteria.

Applicants are encouraged to write self-contained responses, within the word count given to limit the size of the application. Applicants are requested to maintain the structure of the application form.

Scoring of Responses:
This application form contains three types of questions:

1. Questions that are assessed and weighted to contribute towards the application score (these questions will be flagged as 'assessed and weighted')
2. Binary questions that are not weighted and do not count towards the overall score. These will still be assessed and responses will either pass or not pass that individual question (these questions will be flagged as 'assessed but not weighted'). Binary questions will form part of moderation and will be considered as part of the suitability review.
3. Questions that are for information only and will not be assessed (these questions will be flagged as 'for information only') – whilst not marked, this information will help BEIS understand necessary information on projects, and therefore enable facilitation of effective delivery.

Eligible proposals will be ranked based upon their total score. In general, applications with higher scores will qualify for funding ahead of those with lower scores, with funding provided to as many applications judged as suitable within the budget available. All applications will be moderated after assessment, and a portfolio review will be undertaken, including a suitability review of applications that score well overall but poorly on one or more individual question(s). For clarity, this suitability review includes both applications scoring poorly on a question weighted to contribute towards the application score, and applications not 'passing' a binary question. The outcome of the suitability review may result in a change in the eligible proposal ranking or a proposal no longer being regarded as eligible.

Guidance to Consortia Applicants:
Consortia Applicants should submit a single application to BEIS, which is co-ordinated by the consortium lead. The consortium lead is responsible for ensuring

that the information provided in this application form is correct, including the information provided on other consortia members. The supplied draft Grant Funding Agreement sets out full information on the responsibilities of the consortia lead.

The responses in the application form should focus on the consortium lead's approach, with high level information about the approach taken by other consortium members. Where it is not appropriate for the consortium lead alone to draft the response submitted (e.g. they are not stock-holding or have a comparatively small project to other members), the responses in the application form should focus on the largest consortium member's approach (in terms of number of homes being retrofitted). The responses should give a more detailed view of the largest consortium member project, while still giving high level information about the other consortium members. Where consortia choose to adopt a unified approach to a particular topic, this should be detailed in the response to BEIS. Consortia applicants will be granted an extended word count allowance to convey these additional details in their response. Questions 3.1, 3.2 and 3.3 have specific guidance to consortia applicants, which differs to this approach and should be noted.

Within the supplementary tables provided, all consortia members will be required to provide individual data on the stock they are applying with, the retrofits proposed, and the modelled outcomes of those retrofits. When completing the supplementary tables to the application form, each consortia member should input their own data in individual tabs provided. The consortia lead is responsible for ensuring that the data summary correctly encompasses the data from each consortia member's individual tab.

Application Submission Details:
The submission of applications will open at least 5 working days before the close of the competition. Details of the submission process will be made available in October 2022 on the SHDF Wave 2.1 webpage. Applications must be submitted by the Lead Applicant as defined in Section 2.1. All completed application forms and required attachments must be submitted by 23.59 on the bid submission deadline, on 18th November 2022. Proposals received after the application deadline will not be considered.

Declarations

Declarations	
I have the express authority to fill out this application on behalf of the lead applicant and its project partners.	Yes
The lead applicant acknowledges that, if successful, it will be expected to deliver the project as outlined in this proposal.	Yes
I have read the accompanying guidance document and other related documents for completing this proposal.	Yes
To the best of my knowledge, this proposal is legally compliant with any commercial agreements it uses.	Yes
The directors of the lead applicant do not have a financial interest in any suppliers they plan to use.	Yes
To the best of my knowledge, the proposed project is compliant with the UK Public Contract Regulations 2015.	Yes
I confirm that the VAT position on this application form has been signed off by a relevant financial officer.	Yes
The Lead Applicant confirms that all homes/ upgrades included in this project are intended to fit wholly within the specifications outlined in the accompanying guidance document.	Yes
The Lead Applicant will introduce controls designed to ensure that SHDF competition funding will not be blended with other government schemes such as ECO for the funding of the same individual measure.	Yes
The Lead Applicant has consulted their Data Protection Officer and built-in plans to ensure deliverability of data sharing requirements with BEIS, including the completion of a Data Protection Impact Assessment.	Yes
The Lead Applicant will ensure that tenants, installers and delivery partners receive both BEIS' and their own project-specific Privacy Notice, outlining how their personal data will be processed within the project and wider programme, in line with the terms of GDPR.	Yes
The Lead Applicant agrees to acknowledge BEIS's funding in all communications regarding the project, with reference to any branding stipulated by BEIS, and support collection of case studies, as well as dissemination of case studies subject to BEIS approval.	Yes
The Lead Applicant acknowledges that BEIS will contact a sub-sample of tenants, installers and delivery teams as part of the independent evaluation of the SHDF and will incorporate this as part of their project Privacy Notice.	Yes

The Lead Applicant agrees to collate and transfer data, including personal data, as described in the Data Sharing Agreement, necessary to manage benefits and deliver evaluation of the programme.	Yes
The Lead Applicant agrees to the performance management requirements outlined in the guidance document.	Yes
The Lead Applicant will ensure projects are carried out to strict safety standards and that all work conducted through the SHDF will be compliant with all specifications and requirements set out in PAS2035 and appropriate safety and construction standards, including Construction, Design and Management (CDM) regulations and any statutory requirements for Principal Designs to be appointed.	Yes
Please confirm the Lead Applicant understands and acknowledges the terms and conditions of the supplied [draft] Grant Funding Agreement.	Yes
Please confirm that the Lead Applicant understands that funding not spent in the required timeframe is not guaranteed and applicants may have to take on any costs themselves in such instances, as set out in the supplied [draft] Grant Funding Agreement.	Yes
The Lead Applicant confirms that energy bills will not increase for tenants owing to works carried out through SHDF Wave 2.1.	Yes
[For optional Digitalisation funding applicants only] If accessing digitalisation funding, the Applicant agrees to share information with BEIS and any appointed third party evaluation partner.	Yes
Please provide an explanation if you have answered “no” to any of the above statements.	**Answer:** N/A

Subsidy control questions (for information only)

- These questions are to help us understand how you fit into our obligations to control and report on subsidies.
- Your answers to these questions will not affect whether or not you are eligible for or receive funding.
- Please answer the questions for either single applicants or consortiums, depending on which applies to you.

For single applicants	
I have the express authority to fill out this application on behalf of the lead organisation and its project partners.	Yes
For consortium applicants	

I have the express authority to fill out this application on behalf of the lead organisation and its project partners.	Yes

1. Application Details

Section A: Details of Lead Applicant

All questions in section A are for information only.	
Name of lead applicant and type of body: *Name of the lead, e.g. Local Authority, Combined Authority, registered provider of social housing, or registered charity. Please ensure that names are listed here as they appear in the gov.uk list of registered providers[1] or register of charities[2].*	South Derbyshire District Council
Company number of lead applicant (if applicable): *If the lead applicant is a Housing Association, please include your company number and DUNS number:*	N/A
Charity number of lead applicant (if applicable): *If the lead applicant is a Charity, please include your registered charity number.*	N/A
Is this a consortium application? *A consortium is an application containing more than one social landlord.*	No
Is your application subject to UK Subsidy Control Requirements?	No

[1] https://www.gov.uk/government/publications/registered-providers-of-social-housing/list-of-registered-providers-14-april-2022-accessible-version
[2] https://register-of-charities.charitycommission.gov.uk/charity-search

Please provide brief evidence to support this position. Further information can be found in section 2.3 of the competition guidance document.	
Are there private properties (private rental sector or owner occupier) included in your application as well as social homes? And if so, have you/will you seek a declaration from the relevant economic sector that they do not exceed the Small Amounts of Funding Exemption in respect of elements of the bid that related to non-social homes[3]? *Please provide brief evidence to support this position.*	Yes
***[Individual applications only]* In any three-year consecutive fiscal period and not including any SHDF funding applied for, will/have you received state support of under 325,000 Special Drawing Rights?** *If the answer is yes, please state the amount of state support given.*	No
***[Consortium applications only]* Name(s) and organisational type of consortium partners in application:** *Consortium partners can be Local Authorities, Combined Authorities, Registered Providers of social housing, Arms-Length Management Organisations or Registered Charities. Please specify whether each organisation is a Local Authority, Combined Authority, Housing Association or other type of organisation and whether each organisation is a registered provider. (Further information can be found in the guidance, section 2.1)*	N/A

[3] See section 2.3 of the competition guidance document for further information.

***[Consortium applications only]* Contact details of consortium partners in application:** *This question is only required for consortium applications. You should provide an email address for each consortium partner.*	N/A
***[Consortium applications only]* In any three year consecutive fiscal period and not including any SHDF funding applied for, have/will the members of the consortium together receive/have received state support of under 325,000 Special Drawing Rights?** *If the answer is yes, please provide the amount of state support, broken down into each consortium member.*	N/A
Lead applicant town/ city: *You should enter the town/ city in which the lead applicant is located. You will also be required to enter the postcodes of targeted properties in the supplementary tables provided.*	South Derbyshire
Lead Applicant Region: *Please select: North West, North East, Yorkshire and the Humber, East Midlands, West Midlands, East, London, South East, South West, Nationwide (if Nationwide, please also state the region with the highest stock holding).*	East Midlands
Name and role of the individual drafting this proposal: *This individual will be considered the main contact. BEIS will contact this individual if we have any questions or updates on the status of the application. You may provide*	Paul Whittingham Head of Housing

more than one contact name if helpful for resilience purposes.	
Email address of the individual drafting this proposal: *BEIS will use this email address to provide confirmation and receipt of the submitted application form. BEIS will use this email address as the primary source for any updates to the lead applicant on the status of their application. You may provide more than one email address if helpful for resilience purposes.*	Paul.Whittingham@southderbyshire.gov.uk
Phone number of the individual drafting this proposal: *This is an optional field; this information is requested in case BEIS are unable to reach the Applicant by email. You may provide more than one phone number if helpful for resilience purposes.*	07786841160 / 01283 595984
Partner Organisations: *Please provide the names of any partner organisations contributing to this application, and their roles within your project's delivery model.*	Novus Property Solutions – Contractor Energy Specifics – Retrofit Coordinator Constructive Thinking Studios – Retrofit Designer
Comms and Media Contact: *Please provide a designated PR and Comms contact for your organisation for media-related enquiries.*	James Taylor – Communications Manager James.taylor@southderbyshire.gov.uk

Section B: Summary Information

All questions in section B are for information only.	
Public description of project: *If this application is successful, BEIS may wish to publicise the results of the scheme which may involve engagement with the media. At the end of the application and assessment process, BEIS may issue a press release or publish a notice on its website. Applicants should summarise their project goals and ensure the summary is suitable for public disclosure. Applicants could include information including:* • *Project title* • *Lead and consortia members* • *Region* • *Number of homes treated* • *Project cost* *BEIS reserves the right to amend the description before publication if necessary but will consult the applicant about any changes.* *Single bidder word limit – 100, consortia bid word limit – 150*	The South Derbyshire District Council (SDDC) SHDF project aims to improve the energy efficiency of approximately 103 homes for our customers. The homes are situated in South Derbyshire and all have an EPC below 'C'. The aim of the project is to improve the comfort, health, and well-being of our customers, and reduce their fuel poverty potential by delivering warmer and more energy-efficient homes. This also feeds into SDDC's aim to be carbon-neutral by 2030. The total project cost is £1,751,672.08 funded on a 50/50 basis through the SHDF scheme.
Total project costs:	Including non-recoverable VAT: £1,751,672.08 Excluding VAT: £1,401,338.00
***[Consortium applications only]* Total project costs, split by consortia member:** *This question is only required for consortium applications.* *Please add additional organisation name/costs depending on the size of your consortium.*	Organisation Name: Including non-recoverable VAT: Excluding VAT: Organisation Name: Including non-recoverable VAT: Excluding VAT:

Total SHDF Wave 2.1 grant funding applied for:	Including non-recoverable VAT: £875,836.04 Excluding VAT: £700,669.00
***[Consortium applications only]* Total SHDF Wave 2.1 grant funding applied for, split by consortia member:** *Please add additional organisation name/costs depending on the size of your consortium.*	Including non-recoverable VAT: Excluding VAT:
Total co-funding contribution:	Including non-recoverable VAT: £875,836.04 Excluding VAT: £700,669.00
***[Consortium applications only]* Total co-funding contribution, split by consortia member:** *Please add additional organisation name/costs depending on the size of your consortium.*	Including non-recoverable VAT: Excluding VAT:
Blended Funding: Are you intending to use funding secured from another Government scheme alongside SHDF funding? ***Funding must be secured by the point of application to SHDF.***	No Scheme Name: Amount (£):
[If the Lead Applicant or any consortia member is not a Registered Provider]: The Lead Applicant confirms that properties included in this application fall under the definition of social housing[4] (except for non-social housing included for the purposes of infill) and has provided evidence in Annex A. Evidence should include rent rates for the properties being considered for retrofit, with a market rate comparison. This is recommended to be attached as a spreadsheet.	[N/A]

[4] as defined by the Housing and Regeneration Act 2008 (sections 68-70)

Please state whether the following annexes are included in your application: *BEIS expects applicants to supply all annexes relevant to their bid unless sufficient justification in answers negates the need for this.* *Annexes should be used to provide further information, such as screenshots of modelling or evidence of quotes, to further illustrate the written justification provided within this document. Applicants should not use the annex as a way of negating the word count.* *A guideline annex length has been provided in the table below for each annex. There is no upper limit on annex lengths, however BEIS expects applicants to keep annexes as concise as possible and only include the information requested. BEIS will take a proportionate approach to the assessment of annexes exceeding the guideline length, and annexes that exceed the guideline length provided may not be assessed in full.* *Consortia bidders should abide by the guidelines to consortia when supplying annexes: the responses in the application form should focus on the consortium lead's approach, with high level information about the approach taken by other consortium members. Questions 3.1, 3.2 and 3.3 require annexes and have specific guidance to consortia applicants, which differs to this approach and should be noted.*	
Annex A: Evidence that properties fall under social housing definition [mandatory annex for applicants who are non-registered providers only] *Guideline annex length: one spreadsheet tab per applicant who is not a registered provider.*	[No]
Annex B: stock identification and steps taken to ensure data provided in table 1 is accurate. *Guideline annex length: single bidder – up to 3 pages, consortia – up to 5 pages*	[yes]
Annex C: modelling methodology used to identify the measures proposed in table 2, and the outputs of retrofits outlined in table 3 *Guideline annex length: single bidder – up to 1 page, consortia – up to 2 pages*	[yes]
Annex D: evidence that bills will not increase as a result of works [mandatory annex in homes	[No]

where low carbon heating is proposed, optional annex in homes without low carbon heating] *Guideline annex length: single bidder – up to 2 pages, consortia – up to 3 pages*	
Annex E: justification where EPC F/G homes are not expected to meet EPC C *Guideline annex length: single bidder – up to 2 pages, consortia – up to 3 pages*	[No]
Annex F: project plan	[Yes]
Annex G: risk and issues register	[Yes]
Annex H: project team capacity and capability *Guideline annex length: single bidder – up to 2 pages, consortia – up to 3 pages*	[Yes]
Annex I: evidence to support your confidence in delivering this project *Guideline annex length: single bidder – up to 1 page, consortia – up to 2 pages*	[Yes]
Annex J: proof of cost justification *Guideline annex length: single bidder – up to 4 pages, consortia – up to 6 pages*	[yes]
Annex K: proof of co funding *Guideline annex length: single bidder – up to 5 pages, consortia – up to 8 pages*	[yes]

2. Strategic Fit

Worth 35% of the total marks	
	Proposed works to social homes
2.1.a) *Assessed*	**Please complete tables 1-3 in the accompanying document.**

and weighted	*Tables 1-3 will request information for homes starting below EPC C. This will include the starting characteristics of selected stock, the proposed measures to be installed, and the expected performances outcomes of the retrofit work. Questions 2.1.b – 2.6 will provide the opportunity to justify the retrofit approach proposed.*
2.1.b) *Assessed and weighted*	**How have you identified the stock and made sure the data you have provided in table 1 is accurate? Evidence may be submitted as Annex B.** *Applicants should explain the stock assessment process that was used to identify these homes as being suitable for this application. Please outline the approach that has been taken to provide accurate data, including any steps taken to mitigate against reliance on poor quality data.* *The starting point for this is expected to be SAP, RdSAP or PHPP. This must be evidenced in annex B (e.g. through EPC certificates of an appropriate sample of stock. Applicants are not required to provide evidence in annexes for all homes included in their bid but are expected to provide evidence for at least one home representative of each archetype included in the bid. All homes must still meet SHDF Wave 2.1 requirements). It is acceptable to use recent EPC certificates combined with stock analysis at the application stage of the proposal.* *For those applicants wishing to use modelling to demonstrate the starting condition of the stock, BEIS expects a clear explanation of the modelling process that was used. Applicants may choose to supply a screenshot of any modelling carried out as annex B, to further illustrate the written justification. If a home is EPC C or above pre-retrofit according to a valid EPC, then it cannot be included in an application unless pre-application an EPC assessment is carried out showing that it is below EPC C, or if a retrofit assessment is carried out and as part of the retrofit assessment process the property is evidenced to be below EPC C. Acceptable evidence as part of the retrofit assessment process must be based on government approved SAP 2012 or SAP 10.2 software.* *Any application containing void properties should outline the modelling used to choose an appropriate selection of voids that will be deliverable during the SHDF Wave 2.1 delivery window, alongside what evidence was used to provide accurate information in Table 1 for this selection of properties. See the published clarification questions for further detail about consideration of voids.*

	Detail should be provided on the proportion of stock in the bid covered by the methodology used to provide data on the starting condition of homes, and the proportion of stock in the bid where assumptions have been made on starting condition based on data from similar properties (i.e. gap data). An assessment should be made of how the proportion of gap data included impacts the overall quality and accuracy of bid data. *The best answers will provide additional confidence on the real-world condition of properties, beyond just the use of SAP/RdSAP/PHPP and any stock modelling that may have been done.* *Single bidder word limit – 250, consortia bid word limit – 350* *Guideline annex length: single bidder – up to 3 pages, consortia – up to 5 pages*
	Answer: Using expertise of our partners Constructive Thinking Studio and Energy Specifics, we have undertaken analysis to ensure high levels of data quality: 1. **Reviewed asset list** and identified main archetypes, 2. **Used geographic and fuel poverty overlays** to identify primary areas using Locarla (directory of information on 2900 Housing Associations and Local Authorities, including analysis/overview of stock data), 3. **Undertook retrofit assessments (**see **Annex B), air pressure testing and created Retrofit Coordinator reports** for main archetypes and a relevant percentage of the stock (10%), based on real-world site visits (to increase accuracy and data quality, evidenced by photographs), suitable for installation works and future submission to Trustmark, 4. **Completed high-level energy modelling** based on LidAR scanning (completed during site visits) and existing, proven methodology of Scan-BIM-Energy Modelling (digital-twinning). The resultant point cloud outputs were processed in Leica's Cyclone software, and outputs exported to the BIM modelling software Archicad. This is flexible so external scans, Retrofit Assessment floor plans and associated building data, enables each property to be accurately modelled. This demonstrates compliance with the energy target of 90 KwHr/m2/pa, energy performance data for estimated fuel bills, and provides the Net Zero path for each property, enabling the work to integrate with planned and strategic asset management decisions in the future. 5. **Worked with Elmhurst** to agree a methodology for re-assessing existing EPC ratings and re-lodged old EPC "C" rated properties ahead of the bid, where our modelling proved RdSAP ratings to be incorrect.

2.1.c) *Assessed and weighted*	**What modelling methodology have you used to identify the measures that you have proposed in table 2, and the outputs of those retrofits outlined in table 3? Evidence may be submitted as Annex C.** *Examples of acceptable evidence can include the outputs from stock modelling and energy efficiency planning using a SAP, RdSAP or PHPP based modelling tool or calculator. We would also expect a description of the modelling process – including any headline parameters included in the modelling. You may also wish to provide further evidence on any additional modelling/work you have done to provide further certainty. Applicants are expected to include a screenshot of the modelling undertaken as annex C, to further illustrate the written justification. Applicants are not required to provide evidence in annexes for all homes included in their bid but are expected to provide evidence for at least one home representative of each archetype included in the bid. All homes must still meet SHDF Wave 2.1 requirements.* *This does not replace the requirements for dwelling assessments under PAS2035. (Further information can be found in the guidance, section 2.9 and 2.10).* *Single bidder word limit – 250, consortia bid word limit – 350* *Guideline annex length: single bidder – up to 1 page, consortia – up to 2 pages*
	Answer: We have incorporated lessons-learned from Wave 1 and been proactive in modelling archetypes pre-bid. As per BEIS guidelines, we have not over-specified, and have instead targeted the most cost-effective, fabric-first path to EPC C for as many properties as possible. Our partners Constructive Thinking Studio and Energy Specifics, have a proprietary modelling process using Scan-BIM-Energy Modelling. 10% of properties have been energy-modelled pre-bid. Air pressure test results (per archetype) informed the retrofit design. ECO Designer is used for energy modelling to ensure stated heat requirements are met. This allows for a range of fabric measure specifications to be tested efficiently and an optimum design package produced. Identification of cold bridging is central to our energy modelling

	approach and subsequent design solutions. This is how we decided what measures were best suited to each property, through optimised design, taking a fabric-first approach in readiness for future low-carbon heating solutions. We prioritised resident comfort in selecting measures are minimally disruptive, whilst giving maximum impact, at minimum cost. This is so we can extend the scheme to as many properties as possible in Wave 2 and improve the environment of as many residents as possible, therefore reducing fuel poverty potential. Measures identified are primarily loft insulation, cavity wall, windows, doors, low voltage fans, some below DPC EWI, general draft-proofing. The process is tried and tested on 3000+ properties (SHDF, LADS, ECO), and is totally scalable, whilst not reducing quality. Outputs include full construction drawings/specifications, data transfer to asset management systems, full BIM capability.
2.2) *Assessed but not weighted*	**How you will ensure that bills will not increase as a result of the retrofit works, relative to what they would otherwise have been. Evidence of this modelling may be supplied as Annex D.** *Evidence of bill decrease should be based upon modelling via SAP, RdSAP or PHPP as an alternative. The modelling methodology used needs to be the same before as after retrofit – for instance, if using SAP 2012 before retrofit then this also needs to be used post retrofit. This does not replace the requirements for dwelling assessments under PAS2035.* *Projects proposing low carbon heat installations are required to demonstrate that bills will not increase as a result of the retrofit works, on a detailed basis for all archetypes – this should include a screenshot in Annex D of the modelling undertaken which should highlight SAP score pre-retrofit, modelled SAP score post retrofit, and modelled bill difference between pre and post retrofit. (Further information can be found in the guidance, section 2.9). Applicants are not required to provide evidence in annexes for all homes included in their bid but are expected to provide evidence for at least one home representative of each archetype included in the bid. All homes must still meet SHDF Wave 2.1 requirements.* *Single bidder word limit – 250, consortia bid word limit – 350* *Guideline annex length: single bidder – up to 2 pages, consortia – up to 3 pages*

	Answer: Through our processes and methodology set out below, we are confident that bills will not increase as a result of these retrofit works. The energy modelling process uses On Construction SAP, based on LiDAR scanning (digital twinning) for each property. This outputs current property energy demand based on configuration, occupancy, and performance. Once various measures have been evaluated and modelled based on the PAS 2035 Retrofit Coordinator recommendations, the best-fit Retrofit Design package will be finalised and agreed between SDDC, Coordinator Energy Specifics, Designer Constructive Thinking, and our contractor Novus. The modelling process allows for detailed design solutions for cold bridging elements and surface temperature factor calculations, as well as the output SAP-rating for that design. Thus, the pre- and post-SAP scores are very accurately calculated, and we can confirm bills will not increase. Given extraordinary times we are living in with regards to fuel costs, and the three-monthly review of the fuel-cap by OFGEM, we can demonstrate with certainty the proposed fuel demand and a robust percentage improvement (i.e. decrease) over the existing property performance to ensure bills will not increase. Tenant behaviour plays a key role in this, and we will provide a detailed handover, and energy efficiency guide bespoke to works delivered, to optimise benefits of installed measures e.g., leave fans running after show, ventilate property regularly.	
2.3.a) *Assessed but not weighted*	**Please confirm that all EPC Band D or E homes in your bid are expected to reach at least EPC Band C.**	[Yes]
2.3.b) *Assessed but not weighted*	**If EPC Band F or G properties are not expected to be able to meet EPC Band C, please provide a clear justification as to why. Evidence of this justification may be supplied as Annex E.** *Applicants must improve their social homes (through a fabric first approach suitable for the building type) to at least a minimum energy efficiency rating threshold of EPC Band C; except for those EPC Band F/G homes that cannot reach this level, which would need to reach EPC Band D and provide strong justification as to why they could not reach EPC Band C*	

	(evidence should be based upon modelling via SAP, RdSAP or PHPP as an alternative. The modelling methodology used needs to be the same before as after retrofit – for instance, if using SAP 2012 before retrofit then this also needs to be used post retrofit. Applicants should show starting SAP score and modelled end SAP score.) Applicants are expected to include a screenshot of evidence supporting their justification as annex E, eg EPC certificates, or modelling, to further illustrate the written justification. Applicants are not required to provide evidence in annexes for all homes included in their bid but are expected to provide evidence for at least one home representative of each archetype included in the bid. All homes must still meet SHDF Wave 2.1 requirements *Single bidder word limit – 250, consortia bid word limit – 350* *Guideline annex length: single bidder – up to 2 pages, consortia – up to 3 pages*
	Answer: N/A
2.4) *Assessed but not weighted*	**If alternative low carbon heating solutions to low temperature heat pumps have been proposed, please provide a clear justification as to why.** *If no alternative low carbon heating is proposed in this application, leave this box blank. Further information can be found in the guidance, section 2.10.1* *Single bidder word limit – 250, consortia bid word limit – 350*
	Answer: N/A
2.5) *Assessed but not weighted*	**If you have applied to utilise the solid wall cost cap on some or all homes in your retrofit, please provide a justification as to why.** *Please note the cost of cavity wall insulation on its own is not an acceptable justification. If only utilising the cavity wall cost cap, please leave this response blank. (Further information can be found in the guidance, section 2.11)*

	Any home that is not classed as 'cavity' in the SAP wall type categorisation may use the solid wall cost cap if appropriate to do so. This includes brick, stone (granite, sandstone, or whinstone), timber, system build, or curtain walls. *Single bidder word limit – 250, consortia bid word limit - 350*
	Answer: N/A
2.6) *Assessed and weighted*	**Please outline how the approach proposed is appropriate to your stock that you have applied with.** This could include: • *Why the measures proposed for the stock applied with are an appropriate fabric first and lowest regrets approach to your stock that you have applied with. You may choose to build on the response to Q2.1 about modelling, and include information about your understanding of your stock, including retrofits that have been previously carried out.* *If no fabric measures have been applied with, please provide a clear justification as to why.* • *Applicants are expected to propose cost effective measures appropriate for their chosen stock which align with the SHDF Wave 2.1 objectives and strategic approach. Applications installing measures that are not making cost effective progress towards the SHDF's strategic objectives are likely to receive a low score in the 'Value for Money' section of the assessment, particularly where these measures are accountable for a significant proportion of the spend. See guidance sections 2.10 and 2.11 for further information.* • *How the 90kwh/m2/year level outlined in the guidance was considered as part of the retrofit - including justification on the end level of space heating demand, considering reasonableness of retrofit and cost effectiveness. Note, applications should not look to implement a retrofit that reaches 90kwh/m2/year without considering these factors at the forefront of retrofit design.* • *How it is in alignment with your organisation's net zero strategy?* *Single bidder word limit – 600, consortia bid word limit - 800*

Answer:

Our proposed approach is appropriate to the applied stock. Measures identified are aligned to our strategy to improve the health and wellbeing of tenants, reduce the risk of fuel poverty, and decarbonize our stock, whilst causing minimum disruption to vulnerable tenants.

Following initial data collection exercises, we undertook PAS2035 retrofit assessments including modelling and designs of 10 archetype properties (outlined under 2.1c), to confirm proposed measures are accurate.

Fabric First Approach

Properties are batched for ease of delivery/logistical efficiency, most with alternative fuel sources and traditional cavity construction meaning an easily achievable EPC C, at a relatively low cost per property.

Our rationale for selecting 103 properties is:

- 7 clustered properties that have low carbon heating on Tower Road/Main Street. They should have had a fabric-first approach initially to make sure they are energy-efficient to ensure the air source heat pumps are fully effective and reduce energy bills. The installation of low-carbon heating was complete as part of an earlier scheme (predominantly 2016/17), which did not stipulate a fabric-first approach. In hindsight this was an oversight and has been a key learn for decarbonisation strategy within the council thereafter which we are keen to now rectify for affected residents as part of this scheme. These are pre-1941 cavity wall properties.
- 17 flats in brook street that have ground source heat pumps (low-carbon heating), all the same property type, clustered around Brook Street, Swadlincote need a fabric-first approach for the same reasons as above.
- 2 properties that have biomass boilers (low carbon heating), so need a fabric-first approach for the same reason as above.
- 6 coal-fired properties need a fabric first approach, so that the next stage is to install a low-carbon heating system to get the off-coal.
- 3 properties heated by oil burners for the same reason as above.
- 43 Worst-first/ low-energy performing clustered properties with D/E EPC ratings.
- The remaining 25 properties are made-up of overflow from Wave 1 (sheltered bungalows with vulnerable tenants below EPC C).

Cost-Effectiveness

The Scan-BIM-Energy Modelling process allows Constructive Thinking Studio to evaluate multiple design options, always fabric first. By

	undertaking this level of energy and measure analysis, maximising value for money, factoring in industry bench-marking and inflationary considerations will be central to the design. Tier 1 contractors can drive cost efficiencies when supplied with full construction packs and schedules. **Energy Target 90 KwHr/m2/pa** By using proprietary energy modelling software, we can assess multiple measure combination options, all calculated with On-Construction SAP. We can design out internal dew points and produce appropriate design detailing for identified thermal bridging. Under the SHDF Demonstrator, we successfully modelled to 50 KwHr/m2/pa on most properties and achieved required targets for SHDF Wave 1 properties. There are a minority of properties that won't meet 90kWh/m2 target as the installation of additional measures to reach 90kwh/m2/year would not be good value for money for all properties applied with, however, they still achieve EPC C and reduction in fuel bills. **Net Zero Strategy** We are targeted to be carbon neutral by 2030, see here. Use of energy modelling software is a perfect strategic tool for furthering this strategy. SHDF Wave 2 will help us achieve our ambitions by bringing the worst-first homes to pathway; we can then look to install Low-Carbon Heating measures in later schemes. There is a strong correlation between development, adoption and implementation of a Net Zero strategy with PAS 2035 and using BIM and digital-twinning of assets adds strong data to inform and back-up Net Zero pathways.	
2.7) *Assessed but not weighted*	**Will any homes within your application go beyond the performance outcomes for SHDF Wave 2.1 (EPC Band C, with appropriate consideration of 90 kwh/m2/year)?**	[No]
2.8) *Assessed but not weighted*	**If you answered yes to question 2.7, please confirm that you will only use grant funding to fund a maximum of 50% of the eligible costs to reach EPC Band C, with appropriate consideration of 90kwh/m2/year, and that all**	[N/A]

	other funding will need to come from co-funding. *See section 2.11.2 of the competition guidance for further information.*	
Proposed infill works *The focus of SHDF Wave 2.1 is on improving social homes currently below EPC C at scale. BEIS recognises that in some instances, Applicants may wish to carry out works to a block comprising mostly social homes below EPC C, but some homes in the block may be non-social homes, or social homes at EPC C or above. These homes may be eligible for infill funding for whole-block measures, such as external wall insulation, however such instances need to be strongly justified.*		
2.9) *Assessed but not weighted*	**Does your application contain any social homes starting at EPC Band C or above?**	[No]
2.10) *Assessed but not weighted*	**If you answered yes to question 2.9, please complete table 4 and 5 (and proceed to respond to question 2.11). If you answered no to question 2.9, please skip to question 2.12.** N/A	
2.11) *Assessed but not weighted*	**Please justify the inclusion of any social homes at EPC Band C or above in this application, including why the proposed measures are vital for infill.** *Funding is limited to situations in which social homes below EPC Band C would be adversely affected without it, for example cases where these social homes would not be able to meet EPC C with appropriate consideration of 90kwh/m2/year, bearing in mind reasonableness and cost effectiveness (see 'Performance Outcomes' section 2.9 of the competition guidance document), or where works must be undertaken on a whole block for planning or logistical reasons.* *Funding is available for insulation and associated ventilation. Applicants may include additional measures on an exceptional basis if a justification is given as to why a whole block approach is essential for the attainment of SHDF Wave 2.1 performance outcomes (see section 2.9) for the below EPC Band C homes. Any Applicant wishing to install a measure that is not*	

	an infill measure onto these homes must do so out of their own money, separately to their co-funding contribution. *Single bidder word limit – 300, consortia bid word limit - 400*	
	Answer: N/A	
2.12) *Assessed but not weighted*	**Does your application contain non-social homes?**	[No]
2.13) *Assessed but not weighted*	**If you answered yes to question 2.12, please complete tables 6 and 7 (and then proceed to respond to questions 2.14 and 2.15). If you answered no to question 2.12, please skip to question 2.16.**	
2.14) *Assessed but not weighted*	**Please justify the inclusion of non-social homes in your bid, including why the proposed measures are vital for infill.** *Funding limited to situations in which social homes would be adversely affected without it, for example cases where social homes would not be able to meet EPC C with appropriate consideration of 90kwh/m2/year, bearing in mind reasonableness and cost effectiveness (see 'Performance Outcomes' section 2.9 of the competition guidance document), or where works must be undertaken on a whole block for planning or logistical reasons.* *Funding is available for insulation and associated ventilation. Applicants may include additional measures on an exceptional basis if a justification is given as to why a whole block approach is essential for the attainment of SHDF Wave 2.1 performance outcomes (see section 2.9 of the competition guidance document). Any Applicant wishing to install a measure that is not an infill measure onto these homes must do so out of their own money, separately to their co-funding contribution.* *Single bidder word limit – 300, consortia bid word limit - 400*	
	Answer: N/A	
2.15)	**Please explain what low-income eligibility criteria will be used to determine the proportion of funding that homes are eligible for.**	

Assessed but not weighted	**Applicants should describe the steps they have taken to provide accurate data.**
	
	• *The SHDF Wave 2.1 competition will fund 100% of costs of the infill measure for low-income owner occupier homes. These homes are considered as:*
	  ○ *Homes with an annual income of no more than £31,000 gross, before housing costs and where benefits are counted towards this figure*
	  ○ *We expect many* Applicants *to use receipt of means tested benefits as a proxy for low-income and would expect* Applicants *using non-means tested benefits to set out additional income verification. Other methods to verify eligibility may include using data such as existing processes on Council Tax reductions for those on lower incomes, residents on the social housing waiting list, or more innovative approaches such as advanced statistics and machine learning (e.g. Experian or CACI Paycheck), where Applicants can demonstrate these will target low-income households. Self-declarations will not be acceptable methods of verification.*
	
	Single bidder word limit – 250, Consortia bid word limit - 350	

	Answer: N/A	
Additional information		
2.16) *Assessed but not weighted*	**Please confirm that you will be using Trustmark registered (or an equivalent body) businesses in line with the installer eligibility requirements, to ensure appropriate installation of measures to appropriate standards and quality [PAS2035].**	[Yes]
2.17) *For information only*	**Have you identified a PAS2035 retrofit coordinator? Please state your preferred route to market for procuring a retrofit coordinator: independent, contractor led, or in house.**	[Yes] Preferred route to market: Our preferred route to market is contractor led as Novus have an established relationship and

		developed processes with Energy Specifics Ltd (ESL).
2.18) *For information only*	**If applicable, please set out how your project will add social value, for example any plans to work with local colleges or provide apprenticeships to upskill the supply chain. Please note that SHDF Wave 2.1 grant funding may not be used beyond eligible costs set out in the Competition Guidance.** *Single bidder word limit – 300, Consortia bid word limit – 400*	
	Answer: Per the Social Value Act 2012, we consider how our procurement activities might improve economic, social, and environmental well-being. Novus has committed to collaborating on social value delivery with a focus on our objectives: • Reduce fuel poverty • Promote health and wellbeing • Make South Derbyshire District Council carbon neutral by 2030 We will collaborate with our supply chain to prioritise the most meaningful and impactful initiatives in the local community, whether through charity fundraising, donating to food banks, or providing support on fuel bills. This could include: • **Heating fuel provision**, energy efficient white goods or other low-cost energy efficiency measures to support households experiencing a heating crisis • **Emergency support** for food, energy and goods for those struggling • **Launch national foodbank appeal** encouraging employees to donate to local foodbanks • **Undertake community improvement-projects** via Build Back Better schemes • **Encouraging employees to volunteer** during work hours ('Volunteer Hero' initiative) • **Donation** of materials/in-kind goods • **Allocate small grants** to customers who may be struggling with their energy bills • **Distribute Energy-saving advice booklets** to every customer Novus has agreed to work with Burton & South Derbyshire College to	

	provide work experience opportunities in relevant trades in the supply chain. Through Novus' Think Local approach, we will maximise local labour on this project including subcontractors, manufacturers, materials, services. They will engage local supply chains through "Meet the Buyer" Events, Press and Internet campaigns, and through our recommendations. This is part of their supply chain commitment to us and will be reported against: • Employing local subcontractors in 20 miles • Offer real Living Wage • Skills buildings for those NEET e.g., workshops, training, apprenticeships • Employ SMEs and social enterprise • Provide work experience opportunities • Training and skills for local people • Prompt payment, within 27 days • Novus will assign a team member to be a 'business mentor' for each SME engaged

Delivery Assurance

Worth 35% of the total marks.	
3.1) *Assessed and weighted*	**Please provide a project plan for your project and attach this as Annex F. As a minimum, BEIS expects plans to include the following:** • *Key project stages broken down into specific tasks* • *Details of project set up and project team establishment* • *Details of all necessary procurement activity* • *Details of tenant engagement activity before, during and after works have been completed* • *The steps needed for project design and coordination, including PAS2035 risk assessments, planning permissions, and building surveys* • *Details of installation* • *Details of post-installation activities and handover* • *The 9 BEIS core milestones included in Table 9 of the application form should be integrated into the plan* *Appendix A of the competition guidance document provides further guidance to applicants on how to structure plans, as well as an example.*

	Consortia bidders should provide a detailed consortia plan as per the guidance in Appendix A of the competition guidance. Additionally, each consortia member should submit a plan on a page. The annex containing all plans should be submitted as a single document.
3.2) *Assessed and weighted*	**Please provide a Risk and Issue Register for your project. The register must be completed in the supplementary template, titled "Annex G - SHDF Wave 2.1 Risk Register Template", which can be downloaded from the SHDF Wave 2.1 webpage. All fields in the register should be completed to outline the risks and issues for the overall retrofit project and demonstrate mitigations you are putting in place to minimise the likelihood (in case of risks) and potential impact (both risks and issues). The Register should also include contingency plans should a risk materialise. Please attach the Risk and Issue Register as Annex G.** *Project Risk and Issue Registers should include, as a minimum, an assessment of the following risks:* • *Tenants (both social and non-social) refuse works being carried out on their homes, including due to COVID-19* • *Planning permission from the relevant department is not received in time* • *Properties that are deemed eligible at application stage are found to be ineligible (EPC C or above)* • *Leaseholders within mixed blocks refuse to finance works for infill homes* • *Specific materials and supplies are not available in time (e.g., steel, heat pumps)* • *Contracts, for retrofit coordinators or other necessary resources, are not in place in time to support delivery, due to delayed procurements, changing requirements, or lack of supply chain capacity* • *There is variation between costs during delivery compared to those used at application stage* *The list above provides a list of some of the most common risks. BEIS expects Risk and Issue Registers to also include risks specific to each project.* *Consortia bidders should aim to capture risks and issues for the whole project, but are encouraged to still include specific risks that apply only to specific consortium members, making clear where this is the case.*
3.3.a)	**Please provide the following to evidence the capacity and capability of your project team. This should be attached as Annex H.**

Assessed but not weighted	• *Organisational Design Map: This should comprise of a visual representation of the individuals forming your project team as well as the relationships between them. It should also show the contractors/suppliers (potentially) involved in the project, consortia members (if applicable) and who in your team will engage with BEIS/any BEIS appointed third parties.*
	• *Profiles and mini-CVs for key personnel. This must include:*
	    ○ *A named Project Sponsor*
	    ○ *Project Manager*
	    ○ *Reporting lead*
	    ○ *Retrofit co-ordinator/assessor*
	    ○ *Quantity surveyor*
	
	Consortia bidders should include details on the project or governance team for the consortia, which should include a clear overview of how the consortia works, and the roles within it including the senior responsible officer for each consortia member. A short overview of the project teams for individual consortia member projects should be included.
	
	Guideline annex length: single bidder – up to 2 pages, consortia – up to 3 pages	

3.3.b) *Assessed but not weighted*	**Please confirm that the project team as outlined in question 3.3.a will be sufficiently resourced, including specifically for providing regular monthly data and reporting to BEIS.**	[Yes]
3.4) *Assessed and weighted*	**Please give an overview of how you will manage your project to deliver to time, cost, and quality.** *Your answer should include any Project Management methodologies, systems, and practices you plan to use. Your answer should also include any additional information you wish to provide relating to the documents and plans you have provided for question 3.1, 3.2 and 3.3. Your answer should reference but not be limited to the following: project planning, governance and controls, data and reporting, and risk and issue management (including fraud risk management and reporting). The internal governance process for handling cost variances within your project should be outlined here, but details on specific approaches taken to addressing cost variances should be covered in your answer to question 3.5.* *Single bidder word limit – 600, consortia bid word limit – 800*	

	Answer: Novus, Energy Specifics Ltd, and Constructive Thinking Studios Ltd, will collaborate to manage works on time, to quality, with cost certainty, in compliance with the SHDF. All organisations have an established relationship and have developed tried-and-tested joint processes through delivery of SHDF Demonstrator and Wave 1 projects. This team will be assigned to Wave 2 and use these lessons and tried-and-tested processes to deliver to time, cost, quality per BEIS milestones. We will assign a dedicated, trained project management team, to assign accountabilities, ensure everyone works to deadlines, place strict governance in place to enable seamless, compliant delivery from day one, maximise allocated funds, achieve intended outcomes. **TIME:** 1. **BEIS template** 2. **Use Project Plan,** attached in **Annex F**, (& Table 9) created by their dedicated Planner using Asta software, incorporating BEIS key milestones; we build contingency into our programme for unexpected circumstances 3. **Identify risks** and mitigation e.g., clearly communicate required material delivery dates, avoid bad weather conditions in programme 4. **Maximise operational efficiency** so workforce work productively e.g., trade continuity by giving individual trades a steady workload (eliminating need for subcontractors leave/return to the project) 5. **Focus on resident liaison/buy-in** to enable property-access 6. **Monitor plan adherence** through on-site supervision and digital tablets on-site to 'sign-off' key tasks/update master plan in real-time. Oneserve (Novus IT Management Software) will issue early warnings if plan is not being met, so mitigation measures are implemented. There will be weekly programme reviews to ensure we are on-track. **COST:** 1. **Identifying risks** in project risk register, so controls can be implemented. Novus has expert understanding of retrofit-risks and mitigation e.g., commercial/**fraud risks** associated with funding allocation, mitigated through Novus' management process to evidence work delivered, (e.g. before/after photos). Novus will assign specialist owners to each risk to maintain accountability, with ongoing monitoring (e.g., weekly reviews). 2. **Conducting robust retrofit surveys, assessments, designs**, with cost confidence guaranteed from outset and all activities in the plan.

	3. **Partnering with PAS-2030 certified subcontractors and material suppliers**, outlining delivery dates, agreeing fixed costs where possible, ensuring availability/capacity to deliver. 4. **Ordering materials at survey/design stage**, including bulk-buying materials to reduce costs/lead-in times. 5. **Supply chain benchmarking** across similar retrofit projects, so prices are regularly reviewed/renegotiated providing value. 6. **Maintain budget compliance**, through digital Spend Tracker, to review 'predicted vs actual' spend, detailing proposed budgets for each work element, preliminaries, for individual properties. **QUALITY STANDARDS (including Trustmark):** **1. Creation of ISO 9001-certified quality plan** by Novus detailing controls **2. Novus project teams** to manage and oversee quality standards, **3. Team training,** e.g., PAS 2035, PAS 2030 etc. to comply with quality standards **4. Strict supply chain selection, management**, training, accreditation, **5. Daily briefings** providing site teams clear instructions on standards, **6. Inspections** e.g., daily supervisor checks, key-stage inspections, **7. Data collection/reporting,** throughout the project/upon completion, to evidence delivery is on track and compliant with funding T&Cs. Novus has a reporting pack for government-funded SHDF projects, to be amended to meet Wave 2 reporting requirements. Data will be collected digitally on-site, integrated with Oneserve to support an auditable digital trail (including photographs, certification). Reports will be stored on a secure, GDPR compliant, shared drive with SDDC, exportable in multiple formats. Reporting/administration will remain up-to-date, supporting seamless lodging-process/funding-release. **8. Conducting joint handover-inspections,** upon completion of each including robust testing and commissioning as per PAS 2035 for each measure (if there are multiple measures they will be commissioned together). Novus will confirm tenants are happy with the works (and understand how to operate systems) before leaving their homes. **9. Resident monitoring/evaluation,** 3, 6, 9 months post-completion,
3.5) *Assessed but not weighted*	**Please give an overview of how you plan to approach any cost variations to those levels applied with throughout the life cycle of your project. Your answer should include:** • **How you will approach any changes to costs that occur after bid stage. This may include:** **1. Any potential/plans for using organisational contingency funding. Please note, costs applied with as part of the**

	SHDF application should be realistic costs for delivery of the project in the current environment. By contingency funding in this question, BEIS means applicant funding available in addition to these realistic levels included elsewhere in this application form. **2. If there are unexpected cost increases beyond those levels applied with, and insufficient availability of any contingency funding to cover such cost increases, how applicants would consider the suitability of the measure mix and number of homes to be retrofitted, while still bearing in mind the key SHDF principles of delivering a fabric first approach to EPC C at scale. How any decreases in costs from those applied with would be approached, including any considerations on delivery of additional homes.** **3. Any provisions that you have in existing contracts or mechanisms that you will include in contracts that will be procured to address cost variation including those driven by inflation.** *In response to this question, you may wish to cross reference the rate of inflation you have included in your costings, as detailed in question 4.2.* *Single bidder word limit – 250, consortia bid word limit – 350*
	Answer: Through cooperation with Novus and an open-book approach we will be reactive to cost-increases and follow strict variation processes. A lesson from Wave 1 was underestimating enabling works involved, which further emphasised the importance of having better understanding of housing stock. We have therefore been proactive in modelling upfront to archetype properties to provide cost-certainty. Novus also uses CPIs to calculate inflation levels from The National Office of Statistics, providing transparency. We will capitalise on economies and be collaborative in our approach to budget adherence:

Risk	Contingency
Measure costs increase	Novus and Retrofit Designers would 'design-out' using economically viable alternatives.

	Increasing inflation	Novus would prioritise more expensive works to mitigate inflationary pressures. If reductions were envisaged we may delay to more advantageous time
	Proposed works exceed budget	Reschedule and/or reduce measures or properties, focussing on properties most feasible to achieve EPC C, for minimum cost) or leverage other maintenance provisions to mitigate unforeseen increases.

Identifying back-up properties is part of our ongoing asset management strategy to address potential cost decreases, pending detailed stock condition surveys in 2023, prioritised moving forward.

Where unforeseen circumstances arise, we would follow agreed variation procedures, supported by data from Novus' Oneserve system:

1. Variation identified (Novus)
2. Photographs taken, sent to Surveyors (Novus)
3. Surveyors view and quote variation price (Novus)
4. Variation evidence/quote emailed to us for approval (Novus)
5. Variations approved or sent back to re-quote (SDDC)
6. Novus operations team authorised to proceed with works

3.6) *Assessed but not weighted*	**Please provide a statement detailing your confidence in delivering this project. Where possible, this should be done through the provision of evidence of successful delivery of at least one past construction and or/ energy efficiency project of a similar size, scale, and complexity. Further information may be included as Annex I.** *Applicants should provide a clear narrative, supported by evidence as to their confidence in delivering this project. Applicants may include evidence such as case studies, references from past projects, or screenshots of monitoring as annex I to further illustrate the written justification provided.* *Evidence can include the following:* • *An overview of the project and its objectives, and robust evidence of delivery performance including but not limited to: KPIs and milestones achieved; measures completed in line with original project baseline; Budget/VFM, and benefits achieved. Where applicants have participated in relevant BEIS and DLUHC grant schemes should use these schemes as their primary evidence base but may include other additional examples.* • *Narrative on past delivery challenges with a clear demonstration of how these issues were addressed and will be mitigated*

	against during the delivery of the SHDF project, specifically referencing how lessons have been learned by the organisation. • *Use of case studies; references from past projects; monitoring or/and final reports.* *Where an applicant is unable to answer this question with an example, they should outline the processes that have been put in place to ensure they are equipped to deliver this project, and may cross reference to other responses given within this application form.* *BEIS reserves the right to utilise applicant performance evidence sourced internally from the delivery teams managing the BEIS/other department schemes including but not limited to: monitoring or/and final reports; performance statement from Project Director; report by Scheme Administrator; 3rd party Technical Consultants reports. If an applicant's past performance would impact BEIS's confidence in their ability to deliver the project, the narrative on past delivery challenges or references to the appropriate mitigations in the Risk and Issues register should give BEIS the confidence that any such failure or issue will not recur if that applicant were to be awarded grant funding.* *Single bidder word limit – 500, consortia bid word limit – 700* *Guideline annex length: single bidder – up to 1 page, consortia – up to 2 pages*
	Answer: Under SHDF Wave 1, we are currently in the process of delivering 'whole house' retrofit to 120 properties to varying degrees dependent on the EPC rating and recommended improvement package for each property: for Loft Insulation, cavity wall, windows & doors, low voltage fans, some below DPC EWI, and general draft-proofing. This project is in the early stages of delivery. The project team for this scheme is largely the same as we would opt to use for Wave 2.1 and has informed our project approach. We are confident that having a team that is familiar and experienced with the processes and programme will give us an added advantage. Due to lessons learned Novus have employed a new Senior Project Manager with vast retrofit experience, Carl Wright. Barry Hill (trained L5 co-ordinator) is now in an advisory role to add a further layer of assurance. We have included a case study for an alternate scheme delivered by Novus for Redditch Borough council to evidence their capabilities in delivering compliant works to conclusion with intended outputs delivered. See detailed case study attached as **Annex I**.

	Collaboratively, the Novus sustain centre of excellence in collaboration with Energy Specifics and Constructive Thinking, has contributed to projects for over 500 social housing properties, with 1000 undergoing assessment, and over 5000 Trustmark lodgements to date. Further examples of where Novus/ESL (Energy Specifics Ltd)/CTS (Constructive Thinking Studios Ltd) have successfully delivered fabric-first decarbonisation projects: • **Brent PAS2035 Retrofit pilot:** EWI, windows, internal wall insulation, high-heat retention heaters • **Northampton Partnership Homes:** SHDFd & SHDF Wave 1 EWI, loft insulation and associated works (e.g. Solar PV, air source heat pumps, ventilation, installation of smart meters • **Stevenage Local Authority Delivery LADS 2 & SHDF Wave 1:** CWI, loft insulation, photovoltaics, low energy lighting, and installation of GSM meters • **London Borough of Enfield LADS 1B & SHDF Wave 1:** EWI, loft insulation and mechanical fans • **Dacorum LADS 2 & SHDF Wave 1:** EWI, windows, flat roof, PV • **Chester – Guinness SHDF Wave 1:** EWI, Windows, loft • **Stonewater (Batches 1-4)LADS 2 & SHDF Wave 1:** B1 and 2 - CWI + associated • **Nottinghamshire W1 & 2 SHDFd & SHDF Wave 1:** EWI, windows, loft
3.7) *Assessed and weighted*	**Please describe in detail your commercial and procurement strategy to support the delivery of the project including already established supply chains and how you will support supply chain development. Please complete table 8 as part of this question.** *Applicants should include commercial and procurement strategies considering all contracts (or planned contracts) that will be placed using grant funding, and/or details of any amendments to existing contracts to deliver the project. This should include timelines, market engagement strategies, contract route, contract management and performance plans, pricing model, evaluation/award criteria and other information. Applicants should describe how they will support the delivery of HM Government policies with a focus on Social Value, supporting SMEs, Prompt Payment, Modern Slavery and Carbon Reduction Plans.* *If new procurements are required and these are not known at the time of application, applicants should provide an indication of planned contracts to be placed to deliver the grant funding (e.g by value, type). Details not known at the time of application should be itemised in the*

	risk register, along with planned actions and milestone dates for resolution in the project plan. *If existing procurements are amended or extended, applicants should consider any procurement risks of increasing volumes of work and values through existing contracts or frameworks, especially where subject to project change requests.* *Single bidder word limit – 600, consortia bid word limit – 800*
	Answer: We have procured Novus' services via the Fusion21 Framework for delivery of the Wave 1 scheme and will continue to use this Framework or equivalent for the delivery of the Wave 2 scheme, opting to direct award via a new call-off contract to accommodate a completion date in 2025. The current Contract is a "whole house" contract including all major/planned/responsive works to Council properties. Through this framework we went out to competitive tender with two qualifying contractors. Novus Property Solutions Ltd (Novus) were the successful bidder in terms of both price and quality. The contract was let under a JCT MTC commencing June 2019 for 3 years with an option to extend for 2 years which was agreed. For the remaining year of the SHDF Wave 2, we would look to procure Novus' services again through an appropriate framework, options for which are outlined below. Novus have several existing procurement frameworks which we can directly award through, following an OJEU compliant procurement process. These all have no geographical restrictions. Frameworks/DPS' they can utilise include; • Procure plus holdings limited, Retrofit Programme Delivery Services DPS • Prosper (ne) procurement limited, Decarbonisation Retro-Fit Framework (including Refurbishment works) • Communities and housing investment consortium ltd (CHIC), National Optimised Retrofit Installations DPS 2022 • Fusion 21 limited, Decarbonisation Framework • Efficiency east midlands, Decarbonisation Framework • Efficiency North, Whole House Installation Works Under £2m • CPC, Whole House WH2 framework **Direct award via an appropriate framework**

	Direct awards can be made under multi-supplier framework arrangements which set out all the terms under which contracts may be called off without further agreement. In these circumstances, the specific contract will be offered to the supplier who will be able to fulfil the order most efficiently. Novus enable us to establish a compliant contract with a trusted partner, at speed to ensure the contract timescales can be met. From our discussions with Novus, and their relationships with Framework Consortiums, we understand that contracts could be signed within 2 weeks of confirmation of funding award, with a Value for Money Statement produced should there be a requirement, based on the above parameters. We are satisfied that Novus has the resource to provide a turnkey solution as our preferred contractor and that they have procured the relevant supply chain including: Retrofit Coordinator/Assessor/Evaluator: Energy Specifics Ltd – Multiple Level 5 Qualified persons Retrofit Designer: Constructive Thinking Studios Ltd – RIBA & RICS qualified Architects Approved installers: Novus has been continuously procuring Trustmark/MCS or equivalent installers throughout 2021/22 and have successfully onboarded local, capable and compliant installers to carry out the proposed measures. Installers include Emmott Pierce, and Phoenix Renewables. This pre-established, partnership approach will aid the delivery of this project within the challenging timeline. **Support the delivery of HM Government policies** We will support the delivery of HM Government policies with a focus on Social Value, supporting SMEs, Prompt Payment, Modern Slavery and Carbon Reduction Plans throughout the delivery of this programme and have commitment from our supply chain to invest in our initiatives as part of contract KPIs. In order for us to engage with a supplier, they must supply their relevant policies and sign up to our minimum standards regarding

	supplier payment, carbon reduction, and modern slavery. Suppliers are incentivised to exceed upon minimum benchmarks. We have a zero-tolerance policy regards to Modern Slavery in the supply chain and robust escalation procedures. Please see 2.18 for our social value commitments which include prioritisation of local employees and SMEs, Environmental commitments, prompt payment and community benefits.
3.8) *Assessed and weighted*	**Please provide a comprehensive and proactive plan detailing your approach to considering the needs of tenants and overall tenant engagement.** *BEIS expects applicants to detail all tenant interaction relevant to the SHDF, including engagement/planning carried out prior to application submission.* *Applicants should detail the methods and materials to be used for tenant engagement. Applicants should describe how they will secure buy in from tenants on both the proposed retrofit approach to the home and entry to the home to undertake any necessary surveys and to carry out works. BEIS expects tenant engagement to go beyond leafleting and cold calling, which BEIS does not consider to be sufficient methods of tenant engagement when implemented in isolation. Tenants should have access to a communications platform where they can have questions answered and concerns resolved with the Landlord.* *Applicants should also demonstrate that individual vulnerabilities and tenant concerns have been considered with explicit reference to protected characteristics listed under the Equality Act 2010. Applicants should demonstrate that they have considered tenant comfort, wellbeing and satisfaction both during and post works, and provide a follow up plan including how you will educate tenants around new measures and technologies after works have been completed.* *Learnings from the SHDF Demonstrator scheme are that poor tenant engagement is a particular blocker to successful delivery.* *Single bidder word limit – 500, consortia bid word limit – 700*
	Answer: We will work with Novus, to maintain tenant engagement. Novus are PAS2035 certified, TrustMark registered, TPAS members, hold

ISO9001 policies/procedures, maintain average 97.7% customer satisfaction across all contracts.

Considering lessons from Wave 1, we have been proactive with tenant engagement and are implementing further measures for Wave 2.1, including open-house property set-up as an office in a central/accessible location, community meetings, parish-council meetings, local counsellors to promote work.

Pre-Works. Novus will:

1. **Appoint dedicated Customer Liaison Officers (CLOs)** to provide support/advice to tenants and leaseholders, be key points of contact (24/7/365), engage with adjoining neighbours,
2. **Train tenant-facing staff on carbon literacy** to support tenant engagement (*Novus delivered Retrofit Academy PAS 2035 and Environmental Awareness training)*
3. **Create project-specific tenant engagement plan**, engaging with our housing team/local tenant groups considering local community needs, detailing ways to maximise wellbeing/comfort/satisfaction.
4. **Identify tenant needs, particularly those with vulnerabilities or Equality Act 2010 protected characteristics** in tenant one-to-ones to understand their requirements and formulate individual Customer Care Plans including extra support (recording digitally on Oneserve):
    - Respite/chaperones and/or engagement with family/carers,
    - Enhanced communication e.g., interpreters, braille, large-print, NGT (also key to ensuring tenants understand handovers)
    - Specific work-methods e.g., extra assurance for those with learning difficulties, access-routes,
5. **Secure tenant's buy-in**:
    - **Consultation,** virtually/in-person (in accessible locations) to promote retrofit benefits and discuss programmes.
    - **Tenant champions,** trained by Novus, to champion the work and provide retrofit support to tenants/communities,
    - **Pilots,** at project-start, showcasing proposed works to tenants, inviting champions early-on to relay information to wider groups
    - **Visits to existing retrofit projects** to demonstrate approach,
    - **Case studies**/success stories on positive impacts
    - **Showcasing retrofit measures** using unit samples
    - **Hand-deliver letters/simplified retrofit materials (i.e., factsheets) to tenants**, providing early opportunity to answer queries, provide retrofit advice, arrange surveys/one-to-ones.
6. **Send appointment reminders to maximise entry**:
    - Letters sent 14-days/seven-days before works start
    - Reminder messages sent the day before appointments,

	○ Texting/calling tenants whilst en-route. **<u>During Works.</u>** Novus will: 7. **Support tenants during Whole Dwelling Assessments,** with CLOs present to discuss intended outcomes and explain how behaviours influence long-term success. 8. **CLO visits day before work-start**, checking tenants are comfortable with upcoming works, supporting with preparation e.g., clearing lofts. 9. **Maintain active communication during works to ensure ongoing wellbeing, comfort, satisfaction**, tailored to suit individual tenants: • Daily Site Manager briefings with tenants before work start, • Daily CLO contact to ensure tenant comfort/wellbeing, • 24/7/365 contact-number, • Key stage updates e.g., notifying disruptions to services, • Open-door policies for tenants at site offices, • Regular tenant consultation to gain ongoing feedback, • Monthly newsletters, detailing overall progress. **<u>Post Works.</u>** Novus will: • **Educate tenants** on installed measures/technologies, advising on how to operate efficiently and maximise benefits • **Provide dedicated after-care number,** providing ongoing access, including active follow-up calls at 3/6 months post-work • **Provide tenant user**/energy-saving manuals in easy-to-read format, • **Capture tenant feedback/measure satisfaction,** using preferred communication methods for individual tenant. Novus will incorporate lessons learnt from Demonstrator/W1 projects into Wave 2 delivery, to continuously improve tenant experience.
3.9) *Assessed but not weighted*	**Please provide a baseline estimate for total volume of properties per month against milestones. Please include your plan for both volume and cost, including any contingency you have accounted for.** *Applicants should insert numbers to Table 9 where applicable to indicate how many properties will complete each milestone per month. This should be as total volume.*
3.10) *Assessed but not weighted*	**Please provide a baseline estimate for how much money, including co-funding, will be spent per milestone per month.** *Applicants should complete Table 10 outlining how much money, including co-funding, will be spent per month. The information supplied should be inserted in numerical £ value.*

3.11) *Assessed but not weighted*	**Will a partial upfront payment at the start of the delivery window be needed to quickly mobilise the project and ensure on-time delivery?** *Please note that upfront payment is not guaranteed and will be considered on a case-by-case basis.* If yes, please outline why. *Single bidder word limit – 200, consortia bid word limit – 300*	
	Answer: No	
3.12) *Assessed but not weighted*	***[Consortium applications only]*** **Please outline why you have brought this consortium together. You should include the strategic purpose of this consortium and what you are aiming to achieve as a consortium.** *Consortia bid word limit – 350*	
	Answer: N/A	
3.13) *Assessed but not weighted*	***[Consortium applications only]*** **Will you arrange for legally binding agreements between your consortium members, as per the competition guidance and requirements of the Grant Offer Letter?**	N/A
3.14) *Assessed but not weighted*	***[Consortium applications only]*** **Have you conducted appropriate due diligence on the organisations and projects within your consortium, as per the competition guidance?**	N/A
3.15) *Assessed but not weighted*	***[Consortium applications only]*** **How do you plan to manage the delivery of the project across consortium members?** *Please refer to governance arrangements, data reporting and data sharing agreements, ways of working and any flexible approaches to project outcomes you will apply. Please also discuss the differing*	

	supply chains and contractors used across the projects within the consortium. *Consortia bid word limit – 400*	
	Answer: N/A	
3.16.a) *For information only*	**To effectively manage public spend, BEIS will commission an independent evaluation of SHDF Wave 2.1. Do you have plans to evaluate the progress and impact of your project independently of/ in addition to the BEIS- commissioned evaluation?**	No
3.16.b) *For information only*	**If yes, please give a brief overview of how you will evaluate your project, including:** • *the research aims* • *the research timeframe* • *if you plan to carry out primary data collection, the type of data collection (survey, interviews etc.), and with whom.* *If you intend to commission your evaluation to a third-party (such as a University or Research Institution), please refer to this in your response.* *Please note that there is no requirement for grant award recipients to conduct independent monitoring or evaluation of their projects beyond compliance with the requirements set out under Declarations below and in Section 7.2 of the Competition Guidance.* *For further information on BEIS' monitoring and evaluation requirements, please see Section 7.2 in the Competition Guidance.* *Single bidder word limit – 300, consortia bid word limit – 400*	
	Answer: N/A	

Value for Money

Worth 30% of the total marks	
4.1) *Assessed and weighted*	**BEIS will carry out a value for money assessment based on the mix of measures proposed, which will be scored.** *Please ensure the information entered into table 2 is correct. Applicants are expected to propose cost effective measures appropriate for their chosen stock which align with the SHDF Wave 2.1 objectives and strategic approach. Applications installing measures that are not making cost effective progress towards the SHDF's strategic objectives are likely to receive a low score in the 'Value for Money' section of the assessment, particularly where these measures are accountable for a significant proportion of the spend.*
4.2) *Assessed and weighted*	**Please complete tables 11, 12, 13 and 14 to provide a detailed cost breakdown of the project, then fully justify the cost breakdown provided below. Evidence may be supplied as Annex J.** *Please outline why the proposal represents good value for money.* *Applicants are not expected to maximise the available grant funding for retrofit works for every home (as outlined in Section 2.11.2) and should request grant funding based on the costs required to upgrade homes to SHDF performance outcomes.* *Applicants must justify their proposed capital costs for retrofit works and associated A&A. Some factors that may affect costs are: spread of dwellings, cost of materials, cost of installers, how effective existing contracts were or new procurements will be at achieving value for money, supply chain infrastructures, archetypes treated/inclusion of hard-to-treat properties and level of funding required to meet SHDF performance outcomes.* *Poorly evidenced costs at bid stage are a clear challenge to effective delivery. Applicants should justify why the cost breakdown provided is an accurate reflection of actual costs that will be seen in delivery. As a minimum, bidders should engage with the supply chain, and outline this engagement in the response, along with how it has given confidence to the costs provided. Bidders should also factor in any estimates of inflation, outlining the level incorporated into the bid. Applicants should justify these estimates. The rate at which inflation is factored in will be left at the discretion of the bidder but must be supported by evidence which may*

	include, but is not limited to, recent experience on construction projects, or recent price changes seen in the market. *To supplement this, applicants may also wish to consider additional information as appropriate, eg consultations with Accounting Officers, further cost research, etc.* *Applicants are expected to provide evidence of cost research, eg quotes from suppliers, as annex J.* *BEIS will carry out a value for money assessment of bids, including a cost benchmarking exercise (i.e., comparing equivalent costs against costs seen in other bids) – with the aim of ensuring that bids represent good value for money but also are evidence based. Bids with poor cost justification will receive a low value for money score. The value for money assessment, including cost benchmarking, will be considered at portfolio review stage, to supplement the written response to this question – with the suitability of bids exhibiting relatively very high costs (i.e. potentially not exhibiting value for money) or very low costs (i.e. potentially not exhibiting evidence based/realistic costs) in particular likely to be considered.* *Administration and ancillary (A&A) costs are expected to be as low as possible. Grant funding on A&A must be less than 15% of total grant funding - the expectation is that A&A spend should make up less than 15% of total costs. There is not scope to increase this proportion of grant funding used on A&A; however, in exceptional circumstances there may be scope for landlords to use slightly more than 15% of overall project costs for A&A purposes through spending slightly greater than 15% of the co-funding contribution on A&A. Applicants should justify the level of A&A costs requested.* *Single bidder word limit – 650, consortia bid word limit – 850* *Guideline annex length: single bidder – up to 4 pages, consortia – up to 6 pages*
	Answer: **Due diligence undertaken in developing proposals:** Novus are currently delivering numerous PAS 2035 compliant schemes across the UK, meaning they have been able to accurately benchmark costs and provide high levels of cost-certainty, alongside considering the current market and inflation risk.

	They managed a concurrent tender process to ensure contractors are aware of all key parameters, to ensure they ascertained the most competitive and to ensure 100% compliance with PAS2035. Proper due diligence has been executed in engaging only with contractors who are Trustmark registered and able to supply the requisite PAS2030 certifications. Subcontractors were pre-qualified on this basis and required to submit tenders with a 60% quality/40% cost split. Offers were benchmarked accordingly to ensure the most economically advantageous proposal to feed into our final tender submission. See **Annex J.** Their costs have been proposed with cost savings/efficiencies in mind (whilst not compromising quality, safety, tenant satisfaction) so they submit a value for money (VFM) price. Their Commercial and Estimating teams have considered spread of dwellings, material costs, installer costs, supply chain infrastructures, property archetypes including hard-to-treat dwellings. Constructive Thinking Studios have undertaken detailed retrofit designs per the PAS 2035 standard using energy modelling. By capturing requirements accurately through retrofit assessments and designs, there will be 'no surprises'/scope changes, so we can be confident in the costs agreed. We ensured the proposal represents good value for money by: • Obtaining accurate EPC data • Interrogating designs • Obtaining 'firm costs' from supply chain ensuring costs they quote are fixed for contract • Feeding into asset management strategy • Holding value-engineering workshops • Sourcing the market for compliant products that maximise cost/benefit • Benchmarking suppliers to ensure the most competitive rates To provide cost-certainty and minimise variations, we will follow strict procedure: 1. Ensure Retrofit coordinator undertakes initial technical surveys as soon as practicable to establish property condition and EPC rating 2. Constructive Thinking will produce a Complete Retrofit Design and formulate complete specification in line with PAS requirements 3. Novus team will interrogate the design and challenge areas as necessary before jointly appraising and confirming specification 4. They will then quantify using our agreed pricing matrices aligned with the contract 5. We will then have the opportunity to challenge/approve **Why Novus' proposal represents VFM:**

	Novus' commercial proposal and overall delivery methodologies embed VFM, through: • **Early supply chain engagement**, driving value from the outset. Novus' supply chain will already be engaged and understand requirements of the project, contributing to their ability to provide sustainable, compliant prices that maximise value. Novus prioritise using local suppliers wherever possible, guaranteeing reduced costs for deliveries and lead-times, with agreements in place with large national suppliers (e.g., Travis Perkins) which guarantee fixed, competitive prices. • **Competitive commercial submissions.** Novus' Estimating team have sent enquiries to numerous local PAS2030 certified suppliers (on a preferred supplier list), based on our requirements. For each trade, they received at least three quotations to drive VFM. They incorporate a quality element into the process, ensuring suppliers hold relevant certification and commit to wider social value and environmental benefits. • **Conducting supply chain benchmarking exercises**, across similar PAS 2035 retrofit projects to ensure supply chain prices are regularly reviewed and renegotiated. • **Assigning dedicated Commercial team to the project,** comprised of Commercial Manager Paul Grant, and Quantity Surveyor Sean Ritchie to oversee budget management and evaluate a variety of measures and options to drive VFM. • **Sharing project cost data with supply chain,** to identify efficiencies collaboratively and lower costs throughout the project duration. • **Incorporating strategic asset management processes,** to identify where repairs and maintenance can be incorporated within the works to improve overall life-cycle costings, whilst keeping repairs costs low through making use of scaffolding/plant in-situ. • **Embedding innovation,** by engaging the Novus Innovation Network to identify innovative products/new ways of working. **Admin & Ancillary costs** Our admin and ancillary costs are 6%. These costs include: • Project management, reporting, and governance costs • PAS 2035 retrofit assessor and coordinator costs
4.3) *Assessed but not weighted*	**Please complete table 15 with the amount of co funding you will input, then confirm the source of funds for co funding. (Further information can be found in the guidance, section 2.11). Supporting evidence of secured co-funding, and of any blended funding to be utilised, should be provided as Annex K**

	Applicants are requested to state their overall co-funding contribution, which must be a minimum of 50% of eligible project costs. Applicant should also outline any blended funding to be utilised (see guidance section 2.12). *Applicants should outline the source of funds for co-funding and are expected to provide evidence of secured co-funding such as board sign off, minutes from meetings or letters of commitment, as annex K. Applicants are required to provide evidence that co-funding has been signed off at CFO level. The co-funding value shown in evidence should match the value input to table 15 of the application form.* *Single bidder word limit – 200, consortia bid word limit – 300* *Guideline annex length: single bidder – up to 5 pages, consortia – up to 8 pages*
	Answer: The SDDC 50% contribution of £875,836.04 has been provisionally approved and evidence attached in Annex K.
4.4) *For information only*	**Please indicate in the table below which benefits you foresee for your project, including highlighting which benefits are monetised for the project, and which are non-monetised/qualitative benefits.** To further build understanding, BEIS wishes to get comprehensive feedback on what benefits of social housing retrofit are included by landlords as part of their internal value for money calculations for internal approvals processes, as well as any other benefits included by landlords as part of their internal approvals processes. This question is for information only and will not be assessed. *The government's Green Book sets out guidance on the valuation of benefits, but recognises that there may be additional benefits beyond those for which there is a formal methodology for monetisation.* *The following table highlights a selection of potential benefits from the project. This list is not intended to be exhaustive.* *For consortia, please include benefits that are considered by any member.*

Benefit	Monetised (Yes /No)	Non-monetised/ qualitative (Yes/ No)
Energy savings/bill savings for tenants	Yes	No
Carbon savings	Yes	No
Improved air quality	No	Yes

	Improved comfort for tenants	No	Yes
	Improved health outcomes for tenants	No	Yes
	Removing homes from fuel poverty	Yes	No
	Supporting green jobs	No	Yes
	Reducing strain on the NHS	No	No
	Developing the retrofit supply chain	No	Yes
	Innovation/developing new technologies	No	Yes
	Reduction in demolitions	No	No
	Supporting groups with protected characteristics	No	Yes
	Improving the market value of social housing	Yes	No
	Contributing to the levelling up agenda	No	Yes
	Improving building standards through PAS2035	No	Yes
	Improving building safety	No	No
	Increasing affordability for tenants	Yes	No
	Other (please specify)	Yes	No

Optional question: Digitalisation of retrofit innovation funding

- This question is optional. Applicants wishing to apply for supplementary digitalisation of retrofit innovation funding should complete the question below.
- It is expected that applicants applying for digitalisation support will have an existing digitalisation strategy.
- It is not expected that all applicants will apply for digitalisation funding – and not doing so will not adversely affect an application at assessment stage.
- Further information can be found in section 5 of the competition guidance document – which should be read before answering this question.

Responses to this question will be assessed separately to the main application to SHDF Wave 2.1	
5.1) *Optional question: assessed separately to the rest*	**Please complete table 16.** **Below, please outline how:** • **You wish to incorporate aspects of the digitalisation of retrofit within your project, including specific technologies or suppliers and the long- and short-term benefits this will provide to your SHDF Wave 2.1 project.**

of your application	• **This aligns with your existing digitalisation strategy, and makes further progress towards 'end-to-end' digitalisation of retrofit (such as digitalisation throughout retrofit projects, streamlining of processes).** • **This will allow for future delivery at scale – both in terms of how you envision it influencing your future retrofit strategy, and in terms of how it will benefit the wider social housing/retrofit sector.** *Further information can be found in the guidance, section 5.* *Single bidder word limit – 500, consortia bid word limit - 700*
	Answer: N/A

Approval

Individual within lead applicant responsible for leading this project:	
Name	
Title and role	
Email	
Phone number	
Signature	

Individual within lead applicant that approved this proposal for submission:	
Name	
Title and role	
Email	
Phone number	
Signature	

REPORT TO:	**FINANCE AND MANAGEMENT COMMITTEE (SPECIAL – BUDGET)**	**AGENDA ITEM: 12**
DATE OF MEETING:	**12 JANUARY 2023**	**CATEGORY: DELEGATED**
REPORT FROM:	**STRATEGIC DIRECTOR (CORPORATE RESOURCES)**	**OPEN**
MEMBERS' CONTACT POINT:	**KEVIN STACKHOUSE (EXT 5811)** kevin.stackhouse@southderbyshire.gov.uk	**DOC:**
SUBJECT:	**COMMITTEE WORK PROGRAMME**	**REF:**
WARD(S) AFFECTED:	**ALL**	**TERMS OF REFERENCE: G**

1.0 Recommendations

1.1 That the Committee considers and approves the updated work programme.

2.0 Purpose of Report

2.1 The Committee is asked to consider the updated work programme.

3.0 Detail

3.1 Attached at Annexe 'A' is an updated work programme document. The Committee is asked to consider and review the content of this document.

4.0 Financial Implications

4.1 None arising directly from this report.

5.0 Background Papers

5.1 Work Programme.

Annexe A

Finance and Management Committee
Work Programme for the Municipal Year 2022/23

Work Programme Area	Date of Committee Meeting	Contact Officer (Contact details)
Corporate Resources & Chief Executive Service Plans 2022/23	9 June 2022	Fiona Pittam (Head of Organisational Development & Performance) Fiona.pittam@southderbyshire.gov.uk (07480 836879)
Corporate Plan Performance Monitoring 2021/22: Quarter 4	9 June 2022	Fiona Pittam (Head of Organisational Development & Performance) Fiona.pittam@southderbyshire.gov.uk (07480 836879)
Compliments, Comments, Complaints and FOI Requests: October 2021 to March 2022	9 June 2022	Kevin Stackhouse (Strategic Director) Kevin.stackhouse@southderbyshire.gov.uk (01283 595811)
Energy Rebate: Proposed Policy for Distributing Government Funding under a Discretionary Scheme	9 June 2022	Lizzie Barton (Head of Customer Services) Elizabeth.barton@southderbyshire.gov.uk (07552 248759)
Final Revenue Budget Outturn 2021/22	21 July 2022	Charlotte Jackson (Head of Finance) Charlotte.jackson@southderbyshire.gov.uk
Treasury Management Annual Report 2021/22	21 July 2022	Charlotte Jackson (Head of Finance) Charlotte.jackson@southderbyshire.gov.uk

Final Capital Outturn 2021/22	21 July 2022	Charlotte Jackson (Head of Finance) Charlotte.jackson@southderbyshire.gov.uk
Equality, Diversity, and Inclusion Strategy and Action Plan 2021 to 2025 – Proposed Resourcing	21 July 2022	Fiona Pittam (Head of Organisational Development & Performance) Fiona.pittam@southderbyshire.gov.uk (07480 836879)
Annual Training Report 2021/22 and Priorities for 2022/23	21 July 2022	Fiona Pittam (Head of Organisational Development & Performance) Fiona.pittam@southderbyshire.gov.uk (07480 836879)
Discretionary Housing Payment Fund Enhancements 2022/2023	21 July 2022	Lizzie Barton (Head of Customer Services) Elizabeth.barton@southderbyshire.gov.uk (07552 248759)
Corporate Plan Performance Monitoring 2022/23: Quarter 1	25 August 2022	Fiona Pittam (Head of Organisational Development & Performance) Fiona.pittam@southderbyshire.gov.uk (07480 836879)
General Fund Revenue Financial Monitoring 2022/23	25 August 2022	Charlotte Jackson (Head of Finance) Charlotte.jackson@southderbyshire.gov.uk
Collection Fund Position 2022/23	25 August 2022	Charlotte Jackson (Head of Finance) Charlotte.jackson@southderbyshire.gov.uk
Housing Revenue Account Monitoring 2022/23	25 August 2022	Charlotte Jackson (Head of Finance) Charlotte.jackson@southderbyshire.gov.uk

Capital Financial Monitoring 2022/23	25 August 2022	Charlotte Jackson (Head of Finance) Charlotte.jackson@southderbyshire.gov.uk
Treasury Update 2022/23	25 August 2022	Charlotte Jackson (Head of Finance) Charlotte.jackson@southderbyshire.gov.uk
Transformation Plan Update	25 August 2022	Anthony Baxter (Head of Business Change and IT) Anthony.baxter@southderbyshire.gov.uk
Financial Contribution Towards an Active Schools Partnership PE & School Sport Apprentice Through Amber Valley School Sport Partnership (AVSSP)	25 August 2022	Ian Gee (Active Schools Partnership Officer) Tony.gee@southderbyshire.gov.uk
Corporate Plan Performance Monitoring 2022/23: Quarter 2	24 November 2022	Fiona Pittam (Head of Organisational Development & Performance) Fiona.pittam@southderbyshire.gov.uk
General Fund Revenue Financial Monitoring 2022/23	24 November 2022	Charlotte Jackson (Head of Finance) Charlotte.jackson@southderbyshire.gov.uk
Housing Revenue Account Monitoring 2022/23	24 November 2022	Charlotte Jackson (Head of Finance) Charlotte.jackson@southderbyshire.gov.uk
Collection Fund Position 2022/23	24 November 2022	Charlotte Jackson (Head of Finance) Charlotte.jackson@southderbyshire.gov.uk
Capital Financial Monitoring 2022/23	24 November 2022	Charlotte Jackson (Head of Finance) Charlotte.jackson@southderbyshire.gov.uk

Treasury Update 2022/23	24 November 2022	Charlotte Jackson (Head of Finance) Charlotte.jackson@southderbyshire.gov.uk
A Review of Earmarked Reserves	24 November 2022	Kevin Stackhouse (Strategic Director) Kevin.stackhouse@southderbyshire.gov.uk
Compliments, Comments, Complaints and FOI Requests: April 2022 to September 2022	24 November 2022	Kevin Stackhouse (Strategic Director) Kevin.stackhouse@southderbyshire.gov.uk
Annual Health and Safety Report 2021-22 and Action Plan 2022-23	24 November 2022	David Clamp David.clamp@southderbyshire.gov.uk
Recruitment and Selection Panel Appointment	24 November 2022	Frank McArdle (Chief Executive) David.clamp@southderbyshire.gov.uk
D2N2 Funding Programme for a pilot hydrogen fuelled waste collection service – amended recommendation.	24 November 2022	John Kinderman (Climate & Environment Officer) john.kinderman@southderbyshire.gov.uk
Service Base Budgets 2023/24	12 January 2023	Charlotte Jackson (Head of Finance) Charlotte.jackson@southderbyshire.gov.uk
Council Tax Base 2023/24 and Collection Fund Surplus 2022/23	12 January 2023	Charlotte Jackson (Head of Finance) Charlotte.jackson@southderbyshire.gov.uk

Proposed Local Council Tax Support Scheme 2023/24	12 January 2023	Catherine Grimley (Head of Customer Services) Catherine.grimley@southderbyshire.gov.uk
Decarbonisation: Wave 2.1 Grant Bid	12 January 2022	Paul Whittingham (Head of Housing) Paul.whittingham@southderbyshire.gov.uk
Annual Statement of Accounts 2020/21	12 January 2022	Charlotte Jackson (Head of Finance) Charlotte.jackson@southderbyshire.gov.uk
Proposed Policy for Paying Market Supplements	9 February 2023	Fiona Pittam (Head of Organisational Development & Performance) Fiona.pittam@southderbyshire.gov.uk
General Fund Consolidated Budget 2022/23 and MTFP to 2028	9 February 2023	Charlotte Jackson (Head of Finance) Charlotte.jackson@southderbyshire.gov.uk
Housing Revenue Account Budget 2023/24 and Financial Plan to 2033	9 February 2023	Charlotte Jackson (Head of Finance) Charlotte.jackson@southderbyshire.gov.uk
Capital Programme Budget and Financing 2023 to 2028	9 February 2023	Charlotte Jackson (Head of Finance) Charlotte.jackson@southderbyshire.gov.uk
Corporate Plan Performance Monitoring 2022/23: Quarter 3	16 March 2023	Fiona Pittam (Head of Organisational Development & Performance) Fiona.pittam@southderbyshire.gov.uk (07480 836879)

General Fund Revenue Financial Monitoring 2022/23	16 March 2023	Charlotte Jackson (Head of Finance) Charlotte.jackson@southderbyshire.gov.uk
Housing Revenue Account Financial Monitoring 2022/23	16 March 2023	Charlotte Jackson (Head of Finance) Charlotte.jackson@southderbyshire.gov.uk
Collection Fund Position 2022/23	16 March 2023	Charlotte Jackson (Head of Finance) Charlotte.jackson@southderbyshire.gov.uk
Capital Financial Monitoring 2022/23	16 March 2023	Charlotte Jackson (Head of Finance) Charlotte.jackson@southderbyshire.gov.uk
Treasury Update 2022/23	16 March 2023	Charlotte Jackson (Head of Finance) Charlotte.jackson@southderbyshire.gov.uk