



**F. McArdle**  
**Chief Executive**

Civic Offices, Civic Way,  
Swadlincote, Derbyshire DE11 0AH

[www.south-derbys.gov.uk](http://www.south-derbys.gov.uk)

**Please ask for: Democratic Services**  
Phone: (01283) 595722 / 595848  
Minicom: (01283) 595849  
DX 23912 Swadlincote  
Email :  
[democraticservices@south-derbys.gov.uk](mailto:democraticservices@south-derbys.gov.uk)

Date: 14 September 2016

Dear Councillor,

**Finance and Management Committee**

A Meeting of the **Finance and Management Committee** will be held in the **Council Chamber (Special)**, on **Thursday, 22 September 2016** at **17:00**. You are requested to attend.

Yours faithfully,

Chief Executive

To:- **Conservative Group**

Councillor Harrison (Chairman), Councillor Mrs. Plenderleith (Vice-Chairman) and Councillors Atkin, Mrs. Coe, Mrs. Coyle Hewlett, Smith, Watson and Wheeler.

**Labour Group**

Councillors Rhind, Richards, Southerd and Wilkins.



## **AGENDA**

### **Open to Public and Press**

- 1** Apologies and to note any substitutes appointed for the Meeting.
- 2** To note any declarations of interest arising from any items on the Agenda
- 3** To receive any questions by members of the public pursuant to Council Procedure Rule No.10.
- 4** To receive any questions by Members of the Council pursuant to Council procedure Rule No. 11.
- 5** Reports of Overview and Scrutiny Committee
- 6** ACCOUNTS AND FINANCIAL STATEMENTS 2015-16 **3 - 121**

### **Exclusion of the Public and Press:**

- 7** 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.
- 8** To receive any Exempt questions by Members of the Council pursuant to Council procedure Rule No. 11.

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<b>REPORT TO:</b>	<b>FINANCE and MANAGEMENT COMMITTEE - SPECIAL</b>	<b>AGENDA ITEM: 6</b>
<b>DATE OF MEETING:</b>	<b>22<sup>nd</sup> SEPTEMBER 2016</b>	<b>CATEGORY: RECOMMENDED</b>
<b>REPORT FROM:</b>	<b>DIRECTOR OF FINANCE and CORPOARTE SERVICES</b>	<b>OPEN</b>
<b>MEMBERS' CONTACT POINT:</b>	<b>KEVIN STACKHOUSE (01283 595811)</b> <a href="mailto:Kevin.stackhouse@south-derbys.gov.uk">Kevin.stackhouse@south-derbys.gov.uk</a>	<b>DOC:</b> u/ks/accounts/finalaccounts1516/state ment/ approval of accounts report sept 2016
<b>SUBJECT:</b>	<b>ACCOUNTS and FINANCIAL STATEMENTS 2015/16</b>	<b>REF:</b>
<b>WARD(S) AFFECTED:</b>	<b>ALL</b>	<b>TERMS OF REFERENCE: FM 08</b>

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## **1.0 Recommendations**

1.1 That the Council's Audited Accounts and Financial Statements for 2015/16 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 (i.e. Ernst and Young (EY) LLP).
- 2.2 Their findings were contained in a report which was presented to the Audit Sub-Committee on 21st September.
- 2.3 Some disclosure amendments were identified and agreed with the Council during the Audit to ensure that the final published document is fully compliant with accounting and financial disclosure standards.
- 2.4 There was one material misstatement which was adjusted in the final accounts together with one unadjusted misstatement. These are detailed later in the report.
- 2.5 No material issues were found an unqualified opinion was given on the Final Accounts.
- 2.6 The Final Accounts and Financial Statements for publication are now presented for approval. A final proof and reference check is being made prior to publication on 30<sup>th</sup> September.

### **3.0 Detail**

- 3.1 A full copy of the accounts is enclosed alongside this covering report. They will also be available on the Council's web-site at:  
[http://www.south-derbys.gov.uk/council\\_and\\_democracy/council\\_budgets\\_spending/statement\\_of\\_accounts/default.asp](http://www.south-derbys.gov.uk/council_and_democracy/council_budgets_spending/statement_of_accounts/default.asp)
- 3.2 The accounts will also be distributed to a selection of community points around the District but the printed version is only available in limited circumstances or if specifically requested. Their availability will be publicised on the Council's website and through the local media.
- 3.3 The Committee considered the budget out-turn for 2015/16 in a separate report in June. There were 2 adjustments to reserve balances following the Audit, although these were not material and are noted later in the report.
- 3.4 Summary financial information is being published in the Council's Annual Report for 2015/16 which is being reported separately to Full Council prior to publication.
- 3.5 The budget out-turn reports and the Annual Report, provide information regarding the Council's income and expenditure performance (against budget) for the year, together with the level of Reserves and Balances at the year end.
- 3.6 The Statement of Accounts is a much more complex and technical document that is prepared to meet wider accounting and financial standards. It acts as the statutory report on the Council's financial position
- 3.7 It is a much more in depth analysis of the Council's accounts, including its assets and 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)**

- 3.8 The Accounts for 2015/16 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**

- 3.9 A summary of each of the main sections contained within the accounts is set out in the following sections.

#### **Narrative Report**

- 3.10 This sets out a summary to explain in more non-technical terms, the most significant matters reported in the Accounts. It gives an overview of the year's performance in terms of both revenue and capital spending.

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

### **Governance Statement**

- 3.12 This sets out the local governance framework comprising the systems and processes, cultures and values by which the Council is directed and controlled. It also lays out how it accounts to and engages with the local community.
- 3.13 The Governance Statement reports on the effectiveness of the framework for 2015/16 and highlights any issues that need to be addressed to strengthen the internal control environment. The statement was considered and approved by the Audit Sub-Committee in June 2016 for inclusion in the accounts.

### **Comprehensive Income and Expenditure Summary (CIES)**

- 3.14 This is a summary that reports the accounting cost for the year of all functions for which the Council is responsible. However, the net expenditure is not the amount that is funded from taxation.
- 3.15 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.
- 3.16 Further analysis of the figures reported in the CIES is contained within the disclosure notes that follow later in the document.

### **Movement in Reserves Statement**

- 3.17 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 local Rent Payer. It reconciles the accounting cost in the CIES to the cost of services funded through taxation.
- 3.18 The bottom line balance as at 31<sup>st</sup> March 2016 reflects the level of resources available whether unallocated or held within earmarked reserves, i.e. *usable reserves*. Other reserves such as the revaluation reserve reflect accounting transactions and are not available for spending, i.e. they are *unusable reserves*.

### **Balance Sheet**

- 3.19 This shows the Council's overall financial position as at 31<sup>st</sup> March 2016 with a comparison to the previous year. It effectively shows the worth of the Council's assets and liabilities as currently valued. This includes the value of land and

property, money owing to and from the Council, together with its reserves and provisions.

- 3.20 It also reports the value of the Council's current pension liability under long-term liabilities. Again, further analysis is contained within the various disclosure notes that follow.

### **Increase in Net Assets**

- 3.21 The overall value of the Council's Net Assets increased in 2015/16 by approximately £8.4m, from £37.479 million to £45.908 million. Firstly, there was an overall increase in the Council's land and property holdings as valued by the District Valuer. This was mainly due to the 40 new council homes under construction at the year-end.
- 3.22 Secondly, there was a decrease in the Pension Fund deficit in 2015/16. The overall deficit was still projected at just under £24m as at March 2016, although this was approximately £6m lower than the previous year.
- 3.23 Although the return on investments in the Fund was lower than expected, this was more than offset by more optimistic assumptions being made by the Fund's actuary. In particular, the net discount rate which is used to measure future returns on investments was increased and this is favourable compared to the continuing level of low inflation.
- 3.24 Clearly, estimating future assets and liabilities depends on the accuracy of longer-term assumptions. However, the purpose of the valuation is to show that in the longer-term, the Council potentially faces a deficit.
- 3.25 In practice, statutory arrangements for funding the deficit mean that the financial position of the Council is not affected in any one year. Effectively, the deficit on the Pension Fund is being met over the long-term by increased contributions from employees and reducing benefits for future pensioners.
- 3.26 These are part of on-going changes to the Local Government Pension Scheme to ensure that pension deficits are funded with minimal impact on the Council Tax Payer.

### **Cash Flow Statement**

- 3.27 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**

- 3.28 These are designed to provide further explanation of the headline figures shown in the preceding statements. The notes are required under the Code of Practice to give added clarity and understanding for readers and users of the accounts.
- 3.29 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**

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

## **Glossary**

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

## **Changes and Adjustments**

3.32 Two small amendments to Reserve Balances were made prior to the Audit commencing as follows:

- A transfer from the Capital Financing Account to the General Fund Reserve of £59,000. This was due to a reversal of capital charges which was overstated in the draft accounts. This increased the final General Fund Reserve Balance from £6.929m to £6.988m as at 31<sup>st</sup> March 2016.
- Vehicle replacement costs of £15,000 were charged to the Asset Replacement Reserve after the year-end, which related to 2015/16. This reduced the balance on the Asset Replacement Reserve from £996k to £981k as at 31<sup>st</sup> March 2016.

## **Adjusted Misstatement**

3.33 This related to income received from Section 106 contributions. Section 106 income is held in an earmarked reserve pending payments to other agencies and to pay for Council services, in accordance with the various Section 106 agreements. The Council effectively acts a custodian of the funds as the Planning Authority until they are drawn down.

3.34 However, this income is accounted for in the Council's Income and Expenditure Account and then transferred to the Earmarked Reserve; it does not sit in the Council's General Reserves nor does it affect the level of expenditure and funding.

3.35 In one particular case in 2015/16, the Council billed a developer (in accordance with the Section 106 agreement) for £900,000. However, a proportion of this income (£400,000) was due directly to a neighbouring authority and this came to light after the Accounts were submitted for Audit.

3.36 Although this has been corrected in 2016/17, the Council's income in 2015/16 was overstated by approximately £500,000. This was a timing difference and although the Council's Accounts were adjusted accordingly in 2015/16 to reflect this transaction, there was no effect on the Council's reserves.

## **Unadjusted Misstatement**

- 3.37 This was in relation to the Collection Fund where the bad debts provision for Council Tax arrears was potentially understated by £279,000. This was due to an error in the calculation.
- 3.38 The amount is relatively insignificant (1/2%) in terms of the overall Council Tax due of £45.5m and its impact, being an estimate, on the Council's Accounts. Therefore, as the amount and its impact are not considered to be material, it was not adjusted in the final accounts.

## **Council Tax Arrears and the Provision**

- 3.39 The provision for bad debts is a subjective calculation, although it does have a formula basis which takes into account the age of the debt and type of debtor with arrears. The formula is applied on a consistent basis year-on-year. The calculation is the best estimate of the provision required in lieu of the arrears having to be written-off at a future date.
- 3.40 Any potential under-provision will be corrected in the Collection Fund in 2017/18 when the provision is recalculated as at 31<sup>st</sup> March 2017. The provisional amount can vary between years based on the performance in collecting arrears.
- 3.41 As at 31<sup>st</sup> March 2016, Council Tax arrears outstanding stood at approximately £4.6m. Of this amount, the provision (excluding the under-provision of £279,000) totalled just over £3m or 2/3rds of all arrears outstanding.
- 3.42 The provision assumes that none of the debt, which relates to 2010 and prior years (totalling £1.26m) will be collected. Where arrears are collected across any year, this reduces the provision required in future years. This is considered to be a prudent measure to reduce the risk of a large liability impacting upon the Council's Accounts in any one year.
- 3.43 The impact upon individual preceptors is also considered immaterial. Of the £279,000, approximately £30,000 is directly attributable to South Derbyshire. In addition, the overall Collection Fund remains in surplus. It is considered likely that any under-provision in 2016/17 will be contained in the Collection Fund without it directly impacting upon the General Funds of the Preceptors.
- 3.44 However, given this issue, the procedures for undertaking the calculation have been reviewed and will be strengthened for future years. The basis of the formula will also be reviewed ahead of the Final Accounts for 2016/17.

## **Value for Money and the Use of Resources**

- 3.45 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". For 2015/16, this is 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.”*

3.46 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.

3.47 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.”*

3.48 The assessment supports the Auditor’s view on whether they are able to deliver a safe conclusion on the Council’s arrangements to secure value for money.

3.49 As reported to the Audit Committee on 21<sup>st</sup> September, the Auditors have given an unqualified opinion on the Council’s value for money arrangement and have raised no issues, although they did highlight the fact that the Council will need to make budget savings over the life of the current MTFP.

#### **4.0 Financial Implications**

4.1 None.

#### **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 Basically, it gives electors, those subject to locally levied taxes and charges, members of the Authority, employees and other interested parties detailed information about the Council’s Accounts and financial position.

#### **7.0 Background Papers**

- Code of Practice on Local Authority Accounting in the United Kingdom 2015/16



**South  
Derbyshire  
District Council**

# DRAFT STATEMENT OF

## ACCOUNTS

2015/16

As at 30<sup>th</sup> June 2016 (Subject to Audit)



INVESTOR IN PEOPLE

# Contents

Narrative Report	3
Statement of the Council's and Chief Financial Officer's Responsibilities for the Statement of Accounts	13
Governance Statement	14
Certificate of the Chief Financial Officer	33
Independent Auditor's Report	34
Council Approval of Statement of Accounts	36
Comprehensive Income and Expenditure Statement	37
Movement in Reserves Statement	38
Balance Sheet	41
Cash Flow Statement	42
Notes to the Financial Statements	
1. Accounting Policies	43
2. Accounting Standards that have been issued but have not yet been adopted	54
3. Critical Judgements	54
4. Assumptions made about the future and other major sources of uncertainty	55
5. Material Items of Income and Expense	56
6. Other Operating Expenditure	56
7. Financing and Investment Income and Expenditure	57
8. Taxation and Non Specific Income	57
9. Property, Plant and Equipment	59
10. Investment Properties	62
11. Financial Instruments	63
12. Debtors	67
13. Assets Held for Sale	68
14. Cash and Cash equivalents	68
15. Creditors	69
16. Provisions	69
17. Transfers to/from Earmarked Reserves	70
18. Usable Reserves	70
19. Unusable Reserves	72
20. Adjustments between Accounting Basis and Funding Basis under Regulations	75
21. Amounts Reported for Resource Allocation Decisions	79
22. Agency Services	83
23. Members' Allowances	83
24. Officers' Remuneration	83

# Contents

25. External Audit Fees	84
26. Grant Income	84
27. Related Parties	85
28. Capital Expenditure and Capital Financing	86
29. Defined Benefit Pension Schemes	86
30. Leases	92
31. Prior Year Adjustment	93
32. Events after the Balance Sheet Date	93
33. Contingent Liabilities	93
Housing Revenue Account – Income and Expenditure Account	95
Movement on the Housing Revenue Account	96
Notes to the Housing Revenue Account	
1. Introduction	97
2. Housing Stock	97
3. Major Repairs Reserve	97
4. Property, Plant and Equipment	98
5. Capital Expenditure	100
6. Capital Receipts from Disposal of Land, Houses, and Other Property	100
7. Rent Arrears	100
8. Provision for Bad and Doubtful Debts	100
9. Depreciation and Impairment of Fixed Assets	100
10. Pension Costs	101
Collection Fund Account	102
Notes to the Collection Account	
1. Council Tax	103
2. Council Tax Valuation Bands	103
3. Council Tax Base	103
4. Council Tax Precepts & Demands	104
5. Non -Domestic Rates	105
6. Non-Domestic Rates Demands	105
Glossary	106

# Narrative Report

## INTRODUCTION

The Council's financial performance for the year ended 31 March 2016 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 foreword 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 explains reasons for the major changes in the Council's financial position from that reported in the previous year, 2014/15.

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 below.

## THE ACCOUNTING 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.

## Narrative Report (continued)

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<sup>st</sup> March 2016. 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. However, the Council adopted IFRS 13 for 2015/16 which values certain assets at a "Fair Value." Besides the categorisation of some of the Council's assets as being "surplus" there are no material effects for the Council's accounts. The impact has been assessed in **Note 4** to the Financial Statements.

### Financial Report

This narrative report now goes on to explain the broad facts and figures regarding the Council's financial performance and position for 2015/16.

## OVERVIEW OF SERVICE SPENDING

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 Council on 21<sup>st</sup> June 2016.

## Narrative Report (continued)

These reported 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. The report is available at:

<http://south-derbys.cmis.uk.com/south-derbys/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/1987/Committee/416/Default.aspx>

### INCOME and EXPENDITURE

A summary of the Comprehensive Income and Expenditure of the Council for 2015/16 is shown in the following table:

Income and Expenditure 2015/16 £000's	2014/15	2015/16	Change
Cost of Services	4,172	8,316	4,144
Other Operating Income (-) / Expenditure	(773)	447	1,220
Interest Payable (net of Investment Income)	2,333	1,706	(627)
Taxation and Grant Income	(12,146)	(12,235)	(89)
<b>Net Surplus on Services</b>	<b>(6,414)</b>	<b>(1,767)</b>	<b>4,648</b>
Accounting (Surplus) / Deficit on Revaluation of Assets	(1,531)	436	1,967
Accounting change in Pensions Liability	6,241	(7,098)	(13,339)
<b>Net Surplus on Provision of Services</b>	<b>(1,704)</b>	<b>(8,429)</b>	<b>(6,725)</b>

The income and expenditure shows the accounting cost, or in the Council's case, the accounting surplus of providing services. This is before adjustments are made for capital transactions, for example, the cost of financing major repairs in Council Housing. This expenditure is not directly shown in this Statement as it is capitalised and increases the value of Council Housing assets in the Balance Sheet. The financing of actual cash expenditure is adjusted through the Movement in Reserves Statement.

#### Net Surplus on Services – Accounting Basis

The decrease in the "Net Surplus on Services" of £4.6m between 2014/15 and 2015/16 was due to some significant income being received in 2014/15 compared to 2015/16. This income related to "one-off" receipts in 2014/15 of firstly, £3m of Section 106 Developer Contributions, associated with new residential development. These funds were earmarked and set aside in a ring-fenced reserve pending draw down to meet costs associated with new infrastructure – health and leisure facilities, etc.

Secondly, a capital receipt of approximately £1.4m (net of disposal costs) was received in 2014/15 from the sale of development land which is part of a major regeneration project in the District. Those sale proceeds were transferred to an earmarked reserve as they are committed to financing the cost of a new Works Depot.

## Narrative Report (continued)

### Overall Surplus – Accounting Basis

However, the overall surplus on the provision of services increased in 2015/16 on an accounting basis. This was due to a decrease in the Pension Fund Deficit as valued by the Fund's Actuary. In 2014/15, the Deficit had increased compared to the previous year 2013/14, due to more pessimistic assumptions regarding future asset returns. However, in 2015/16, the net discount rate on returns increased compared to the rate of inflation, which continues at historically low levels. This reduced the current service cost of the Pension Fund by £6.6m compared to 2014/15.

### COUNCIL RESERVES

After accounting adjustments and transfers between reserves, the balance of Council funds as at 31<sup>st</sup> March 2016 is shown in the following table:

Movement in Reserves 2015/16	Usable Revenue Reserves	Usable Capital Reserves	Total Usable Reserves	Unusable Reserves	Total Reserves
£000's					
<b>Balance as at 31st March 2015</b>	<b>14,692</b>	<b>9,041</b>	<b>23,733</b>	<b>13,747</b>	<b>37,479</b>
Add: Net Surplus on Services	1,767	-	1,767	6,662	8,429
Adjustments between accounting and funding basis	(2,924)	(1,145)	(4,070)	4,070	-
Transfers between Reserves	250	(250)	-	-	-
Movement in the Year	(907)	(1,395)	(2,303)	10,732	8,429
<b>Balance as at 31st March 2016</b>	<b>13,785</b>	<b>7,645</b>	<b>21,430</b>	<b>24,478</b>	<b>45,908</b>

The above table shows that the Council's Usable Reserves have decreased in the year from £23.7m to £21.4m as these were used to fund expenditure in the year, in particular on building new Council Housing.

Unusable reserves increased, mainly due to the adjustment on the Pension Fund as highlighted above on the previous page. An analysis of Usable Reserves is shown in the following table:

Change in Usable Reserves	As at 31st March 2015	As at 31st March 2016	Change
£000's			
<b>Revenue Reserves</b>			
General Fund	6,134	6,988	854
Housing Revenue Account	2,381	1,426	(955)
Earmarked Reserves	6,174	5,371	(802)
<b>Total - Revenue Reserves</b>	<b>14,689</b>	<b>13,785</b>	<b>(904)</b>
<b>Capital Reserves</b>			
Capital Receipts Reserve	5,179	3,548	(1,631)
Capital Grants Unapplied	2,157	2,393	236
Major Repairs Reserve	1,703	1,703	0
<b>Total - Capital Reserves</b>	<b>9,039</b>	<b>7,645</b>	<b>(1,394)</b>

## Narrative Report (continued)

The increase in the General Fund reserve was due to an overall surplus on income and expenditure for 2015/16. The reduction in the Housing Revenue and Capital Receipts reserves was due to planned capital expenditure being financed from earmarked resources.

### Key Indicator

As part of the Council's Financial Strategy, a minimum unallocated contingency balance of £1m is maintained on the General Fund and Housing Revenue Account reserves. This represents approximately 10% of net revenue expenditure. The balance on the General Fund of £6.9m comfortably exceeded this amount as at 31<sup>st</sup> March 2016; the balance of the Housing reserve at £1.4m was much tighter.

### HOUSING REVENUE ACCOUNT (HRA)

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.

The costs within the HRA must be met by the income it receives from tenants, i.e. housing rents. Any surplus or deficit is adjusted through the Housing Revenue Account Reserve which has to remain "ring-fenced" from other Council reserves. Performance on the HRA account for 2015/16, with a comparison to 2014/15, is shown in the following table.

HRA Income and Expenditure 2015/16 £000's	2014/15	2015/16	Change
Supervision and Management	5,885	5,702	(183)
Repairs and Maintenance	3,305	3,372	67
<b>Total Expenditure</b>	<b>9,190</b>	<b>9,074</b>	<b>(116)</b>
Less: Rent and other Income	(12,887)	(13,083)	(196)
<b>Net Cost of HRA Services</b>	<b>(3,697)</b>	<b>(4,009)</b>	<b>(312)</b>
HRA share of central costs	144	144	-
Interest and capital charges	1,793	1,635	(158)
Accounting change in Pensions Liability	195	216	21
<b>Net Surplus on HRA Services (before adjustments)</b>	<b>(1,565)</b>	<b>(2,014)</b>	<b>(449)</b>

The above table shows that the HRA achieved a surplus in 2015/16 greater to that for 2014/15. Income increased due to an average rent increase of 2% being applied in 2015/16. Capital charges reduced due to a lower interest rate on loans outstanding.

### Effect on the HRA Reserve

After adjustments between an accounting and funding basis, a deficit for the year of £955k was charged to the HRA Reserve. This is shown in the following table.

## Narrative Report (continued)

HRA- Funding Deficit 2015/16 £000's	2015/16
Net Surplus on Services before Accounting Adjustments	(2,014)
Reverse Depreciation and Accounting Charges	(3,523)
Contribution to Capital Works	4,205
Contribution to New Build Reserve	2,287
<b>HRA Deficit on a Funding Basis</b>	<b>955</b>

The contributions to Capital Works and the New Build Reserve are annual contributions to meet major improvements to the existing housing stock and to provide new Council homes.

### THE COLLECTION FUND

The Collection Fund is the statutory account that records the collection of Council Tax and Business Rates and shows how that income has been distributed to the Government and other Preceptors on the Fund, including this Council. Similar to the HRA, the financial transactions are recorded in a supplementary accounting statement.

Performance on the Collection Fund for 2015/16, with a comparison to 2014/15, is shown in the following table.

Collection Fund Account 2015/16 £000's	2014/15	2015/16	Change
Council Tax Income	45,729	47,471	1,742
Business Rates Income	22,823	23,351	528
<b>Total Income</b>	<b>68,552</b>	<b>70,822</b>	<b>2,270</b>
Council Tax Precepts	44,822	47,013	2,191
Business Rates Precepts	21,080	21,980	900
Transitional Protection Payments	-	26	26
Previous Year's Surplus Paid to Preceptors	173	1,221	1,048
Cost of Collection	91	92	1
Provision for Write-offs	460	338	(122)
Provision for Appeals	54	1,489	1,435
<b>(Deficit) / Surplus on the Fund</b>	<b>1,872</b>	<b>(1,337)</b>	<b>(3,209)</b>
Fund Balance Brought Forward 1/4/15	(528)	1,344	1,872
Surplus / (Deficit) on the Fund (as above)	1,872	(1,337)	(3,209)
<b>Fund Balance as at 31st March 2016</b>	<b>1,344</b>	<b>7</b>	<b>(1,337)</b>
Council Tax Element	696	407	(289)
Business Rates Element	648	(400)	(1,048)

## Narrative Report (continued)

The increase in income on the Collection Fund for 2015/16 was due to an overall increase in Council Tax of 1.8%, together with continuing growth in the number of both residential and commercial properties, i.e. the Council's Tax Base. The increase in Council Tax was due to other Preceptors; South Derbyshire froze its level of Tax in 2015/16 for the fifth consecutive year.

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

Due to the cumulative surplus on the Fund as at 31<sup>st</sup> March 2015 of £1.34m, additional payments were made in 2015/16 to all Preceptors to redistribute this surplus. The largest cost on the Fund for 2015/16 was the increase in provision for Business Rate appeals. This pushed that part of the Fund into deficit as at 31<sup>st</sup> March 2016.

An additional provision was 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.

It is considered that the deficit balance will be offset during 2016/17 due to an anticipated increase in business rates receipts.

### Key Performance Indicators

The Council monitors its performance in collecting Council Tax and Business Rates and benchmarks these against other councils. The collection rates in 2015/16 with a comparison to the previous 2 years are shown in the following table.

Collection Rates	Actual 2013/14	Actual 2014/15	Actual 2015/16
Council Tax in-year Collection	97.80%	98.10%	98.20%
Business Rates Collection	98.10%	98.40%	98.70%

The collection rates have steadily improved over the last 3 years.

The average collection rate for Shire District Councils across England for 2014/15 was 97.9% for Council Tax and 98.4% for Business Rates. The rate of Council Tax collected has fallen on average across shire districts since 2013/14 when it was 98.2%. The average rate of collection for Business Rates has remained unchanged.

### 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.

The Council spent approximately £11.8m on capital schemes during 2015/16, compared to £7.5m in 2014/15. A significant part of this spend was invested in improvements to existing Council homes (£4.2m) providing new Council homes (£4.1m) with a further £2.5m being invested in upgrading leisure and recreational facilities.

# Narrative Report (continued)

## BORROWING AND INVESTMENTS

The Council had debt outstanding of approximately £57.5m as at 31<sup>st</sup> March 2016, unchanged from 2014/15. This is all associated with its Housing Stock and is due to be repaid in instalments over the next 20 to 25 years. There are 6 individual loans outstanding all with the Government's Public Works Loan Board.

Besides £10m, all of this debt is at fixed interest rates, with the average being 3.17%. The interest rate on the variable rate debt in 2015/16 was 0.67% (0.75% in 2014/15). The debt outstanding is below the Council's Capital Financing Requirement (or Debt Cap) of £68m. The Council services the debt outstanding and makes provision to repay this debt within its accounts each year.

As at 31<sup>st</sup> March 2016, the Council had £11m (£12m in 2014/15) on short-term deposit. This money was placed with other local authorities earning an average interest rate of 0.47% (0.48% in 2014/15). The Council has no long term investment portfolio with all fixed term deposits being for less than 364 days.

### Benchmark Indicator

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

Over the last 3 years, this has not been achieved. During 2015/16, the average investment rate returned was 0.32%, compared to a market average of 0.50%. The average rate earned from the Government's Debt Management Office (DMO) was 0.25%, whilst that earned from other local authorities was 0.47%.

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, 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.

Full details of the Council's borrowing and investments for 2015/16 are detailed in its Annual Treasury Management Report which is available at:

<http://south-derbys.cmis.uk.com/south-derbys/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/1987/Committee/416/Default.aspx>

## THE COUNCIL'S BALANCE SHEET

The Balance Sheet shows the value, as at 31<sup>st</sup> March 2016, 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. A summary of the Balance Sheet is shown in the following table.

Summary Balance Sheet 2015/16 £000's	2014/15	2015/16	Change
Value of Fixed Assets (Property, Plant, etc.)	112,176	118,045	5,869
Current Assets (Cash on Deposit, etc.)	18,758	14,580	(4,178)
<b>Total Assets</b>	<b>130,934</b>	<b>132,626</b>	<b>1,692</b>
Less Liabilities (Debt, Provisions and Pensions)	(93,455)	(86,718)	6,737
<b>Net Assets</b>	<b>37,479</b>	<b>45,908</b>	<b>8,429</b>

## Narrative Report (continued)

The overall value of the Council's Net Assets increased in 2015/16 by approximately £8.4m. This arose from a combination of an increase in fixed asset values, together with a decrease in liabilities.

### Total Assets

The increase was due to an overall increase in the value of the Council's land and property holdings as valued by the District Valuer. Primarily, this recognised that the Council had around 40 new council homes under construction at the year end, valued at approximately £4.1m. The reduction in current assets was due to less cash being held on deposit and in bank accounts. Cash and cash equivalents was still over £11m as at 31<sup>st</sup> March 2016.

### Liabilities

The reduction in liabilities was largely due to the value of the Pension Fund Deficit reducing in 2015/16, compared to 2014/15. The deficit is still projected to be approximately £24m highlighting that there is still an underlying liability in the longer-term regarding retirement benefits.

The net decrease in the deficit in 2015/16 was approximately £6m, compared to an increase of £7m in 2014/15. Although the return on investments in the Fund was lower than expected, this was more than offset by more optimistic assumptions being made by the Fund's Actuary. In particular, the net discount rate which is used to measure future returns and liabilities was increased and this is favourable compared to the continuing level of low inflation.

Clearly, estimating future asset returns and liabilities depends on the accuracy of longer-term assumptions. The amounts in the Accounts are accounting adjustments which are reversed out in unusable reserves. Their purpose is to show that in the longer-term, perhaps in 20 to 25 years, the Council potentially faces a pension's deficit.

However, in practice, statutory arrangements for funding the deficit mean that the financial position of the Council is not affected in any one year.

The deficit on the Pension Fund is being met over the long-term by increased contributions from employees and reducing benefits for future pensioners. These are part of on-going changes, nationally, to the Local Government Pension Scheme, to ensure that pension deficits are funded with minimal impact on the Council Tax Payer.

### MATERIAL FINANCIAL TRANSACTIONS

There were no material transactions in 2015/16, although further capital receipts of £276k were received from the sale of land as part of a regeneration project.

In 2013/14, the Council entered into a contract to sell land, on the outskirts of the Town Centre in Swadlincote, for development. This development is part of a major regeneration project which is providing new housing and leisure facilities, together with the relocation of the Council's main works Depot to a new purpose built facility.

The Council owns land which was valued for sale at approximately £3.5m. The land is being sold in 3 phases as part of the redevelopment. The first phase was sold during 2014/15 and the Council received a net sum (after costs) of approximately £1.4m. The receipts received in 2015/16 relate to Phase 2 and part of Phase 3. Proceeds from the sale of the remainder of Phase 3 land will be received in September 2017.

# Narrative Report (continued)

## COUNCIL SPENDING & FUTURE FINANCIAL POSITION

The Council's detailed budget and spending plans for 2016/17 and the projected medium-term financial position to 2021 is available at:

<http://south-derbys.cmis.uk.com/south-derbys/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/1859/Committee/391/Default.aspx>

The Council was able to set a balanced budget for 2016/17 and is estimated to generate a surplus in this year. Following several years of budget reductions, the Council's financial position has steadily improved over the last 3 years and has continued to stabilise.

However, the current Medium Term Financial Plan (MTFP) highlights budget deficits from 2017/18 onwards. Current base 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.

The 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 growth. These income streams can be volatile and not guaranteed, being subject to external factors. Some of this income is being reinvested back into services to meet increased demand.

### Future Deficits

The Council is forecasted to slip back into deficit over the final 3 years of the current MTFP to 2021. The MTFP forecasts net service expenditure will grow by approximately £1.3m (12%) over the 5 year planning period, 2016 to 2021.

In contrast, core funding is estimated to decrease by up to £1.6m (13%) over the same period. This is due to further reductions in overall funding for local councils announced by the Government in its 2015 Spending Review.

## CORPORATE GOVERNANCE

Besides the financial facts and figures contained in these Accounts, the Council sets out (in its Annual Governance Statement – "AGS") how it approaches and aims to continually strengthen its governance arrangements. This shows how the Council ensures that it does the right things, in the right way, for the right people in a timely, inclusive, open and accountable manner. As such, it comprises the systems, processes, culture and values by which it is directed and controlled and through which it accounts to, engages with and leads its local community.

## AND FINALLY

The following sections set out the Council's Accounts and Financial Statements for 2015/16. As highlighted earlier, to meet accounting standards, they are necessarily detailed and technical in nature.

Further information is available from the Council at [www.south-derbys.gov.uk](http://www.south-derbys.gov.uk) or by e-mail to [customer.services@south-derbys.gov.uk](mailto:customer.services@south-derbys.gov.uk) referencing any queries as ***Statement of Accounts***.

# Statement 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 Director of Finance & Corporate Services;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- Approve the Statement of Accounts.

## The Director of Finance and Corporate Services' Responsibilities

The Director of Finance and Corporate Services 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 Great Britain ('the Code of Practice').

In preparing this Statement of Accounts, the Director of Finance and Corporate Services 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 Director of Finance and Corporate Services 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 Director of Finance and Corporate Services

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 2016, and its income and expenditure for the year ended on that date.

SIGNED



# Governance Statement

## A SCOPE OF RESPONSIBILITY

South Derbyshire District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act, 1999, to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

Consequently, the Council has formulated a 'Local Code of Corporate Governance', which is consistent with the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government'. This Code is subject to a half-yearly review and is monitored by the Council's Audit Sub-Committee. The Sub-Committee approved the Code for 2015/16 in June 2016 and this is at:

<http://south-derbys.cmis.uk.com/south-derbys/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/1942/Committee/412/Default.aspx>

This Annual Governance Statement explains how South Derbyshire District Council has complied with the Local Code of Corporate Governance and also meets the requirements of Regulation 4(2) of the Accounts and Audit Regulations 2003, as amended by the Accounts and Audit (Amendment) (England) Regulations 2006, in relation to the publication of a Statement on Internal Control.

## B THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The Governance Framework comprises:

- The systems and processes, culture and values, by which the Council is directed and controlled.
- The activities through which it accounts to, engages with and leads the community.

It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate economical, efficient and effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can, therefore, only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is also based on an on-going process, designed to identify and prioritise the risks to the achievement of the Council's policies, aims and strategic objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, in order to manage them efficiently, effectively and economically.

The Governance Framework detailed in this Statement has been in place at South Derbyshire District Council for the year ended 31st March 2016, up to the date that the Annual Report and Statement of Accounts were approved.

# Governance Statement

## C THE GOVERNANCE FRAMEWORK AT SOUTH DERBYSHIRE

The key elements of the systems and processes that comprise South Derbyshire District Council's Governance Framework are set out in the following sections.

### Decision Making

The Council operates under a Constitution. This sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people. It sets out the individual roles and responsibilities of Members and the three statutory officers (i.e. the Head of Paid Service, the Chief Finance Officer and the Monitoring Officer).

The Full Council makes decisions on key policies and sets the budget and levels of local taxation for the Council's services. The Constitution includes the delegation from Full Council down to the Policy Committees and provides a Scheme of Delegation to Officers.

### Policy Making

This is facilitated through 3 policy committees which are responsible for the main service areas of the Council and are:

- Environmental and Development Services
- Housing and Community Services
- Finance and Management

Each Committee is governed by its own Terms of Reference, as laid down in the Constitution. Meetings of these committees are open to the public, except where issues of an exempt nature are being disclosed.

An Overview and Scrutiny Committee has 'call-in' powers to consider the appropriateness of Policy Committee decisions. It also shadows the policy committees, supports policy development and review, together with carrying out external reviews on issues that affect South Derbyshire.

Six Area Forums, a Parish Liaison Meeting and a Flood Liaison Meeting are well established and these meet throughout the year. These forums are designed to improve community involvement in decision-making and provide a continuous link with local residents, parish councils, the voluntary sector and other public bodies.

### Governance and Accountability

The Council designated the Legal and Democratic Services Officer as its Monitoring Officer during 2015/16.

It is the function of the Monitoring Officer to ensure compliance with established policies, procedures, laws and regulations. After consulting with the Head of Paid Service (the Chief Executive) and Chief Finance Officer, the Monitoring Officer will report to Full Council if they consider that any proposal, decision or omission would give rise to unlawfulness or maladministration.

Such a report will have the effect of stopping the proposal or decision being implemented until the report has been considered.

In addition, the Council operates 2 regulatory committees focusing on Development Control (planning applications and enforcement) and a Licensing and Appeals Committee.

# Governance Statement

Furthermore, a Standards Committee, which contains independent (of the Council) members, oversees the conduct of elected councillors.

Accountability for the use of public funds and service provision is largely undertaken through the annual publication of a Statement of Accounts and an Annual Report.

## The Local Code of Corporate Governance

The Council has adopted a National Code developed by CIPFA/SOLACE. The Code is subject to regular six monthly reviews by Senior Officers reporting to the Audit Sub-Committee. This helps to inform this Governance Statement.

## Standards of Financial Conduct

Financial management is conducted in accordance with financial management and procedural rules, as set out in Part 4 of the Constitution. The Council has designated the Director of Finance and Corporate Services in accordance with Section 151 of the Local Government Act 1972.

This Officer is responsible for making arrangements for the proper administration of financial affairs in accordance with best professional practice.

The Council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).

In addition, under the Code of Audit Practice, the Council has a responsibility to ensure that its affairs are managed in accordance with proper standards and to prevent and detect fraud and corruption. The Council has adopted a Fraud and Corruption Strategy.

The financial management system includes:

- A Medium Term Financial Plan
- An annual budget cycle incorporating Council approval for revenue and capital budgets, together with a Treasury Management Strategy
- Financial Procedure Rules that are reviewed as required
- Process and procedure guidance manuals
- Annual Accounts supporting stewardship responsibilities, which are subjected to external audit and which follow Proper Accounting Practice and International Financial Reporting Standards
- Regular budget monitoring by budget holders through monthly financial monitoring reports
- Identification of financial risks that are regularly reviewed and updated

## Standards of Overall Conduct

Members and Officers of the Council operate under Codes of Conduct. These codes provide a set of standards of conduct expected of employees at work and for councillors in performing their public duties. In addition, both Members and Officers are required to declare interests and register gifts and hospitality which are valued at over £100.

The codes take into account the requirements of the law and the provisions of official conduct in the appropriate National Conditions of Service (for employees).

# Governance Statement

The Council Leader and the Chief Executive are the Corporate Governance Champions for Members and Officers respectively, designed to create a climate of openness, support and respect, promoting a strong ethical culture and upholding the values of good governance.

The Standards Committee hears Member Code of Conduct complaints referred by the Monitoring Officer in line with the procedure for considering such complaints. These are complaints against elected Members of the District Council and elected or co-opted Members of the Parishes of South Derbyshire. The Standards Committee is also informed of complaints not referred to them for consideration but dealt with by the Monitoring Officer, with a summary of the outcome in relation to each matter.

## Development of Members and Officers

Members and Officers receive a formal induction tailored to their role in the Council, including when they take on new roles. The Council has adopted an e-induction system for Officers and induction training is undertaken by Members at the beginning of each four year term of office. Member role profiles exist under Section 6 of the Constitution.

Members also have access to regional training courses and seminars organised through the forum of East Midlands Regional Councils.

In addition, on an annual basis, existing and new Members of the Development Control, Standards and Licensing & Appeals Committees must attend training sessions to enable them to continue to sit on these Committees, to ensure that they are fully briefed on all new developments in these areas.

The Council provides a full range of development opportunities for Members with ad-hoc training and briefing sessions.

## Establishing Council Objectives

These are set out in the Council's Corporate Plan. This is effectively the Council's business/forward plan, set for five years and reviewed on an annual basis. This plan sets out the Council's vision for South Derbyshire, its values and the priorities for delivering services for local communities.

The Sustainable Community Strategy for South Derbyshire (2009-2029) is co-ordinated by The South Derbyshire Partnership. This sets out the District wide priorities across a range of public service providers that include the District Council, County Council, Police, Health Authority and the Voluntary Sector. This plan aims to improve the overall economic, social and environmental wellbeing of South Derbyshire by addressing issues that are important to the local community, business and service providers.

## Compliments and Complaints

The Council has a Corporate Compliments and Complaints Policy. This is used to help identify service improvements from compliments, complaints and other comments received. Information is collated centrally and reported half yearly to the Finance and Management Committee, where performance can be challenged and areas for improvement identified.

Arrangements are also in place for dealing with and monitoring Ombudsman's complaints and reporting annually to Full Council.

The Council also has arrangements in place for whistleblowing to which staff and all those contacting the Council have access. The confidential reporting code is reviewed regularly and publicised.

# Governance Statement

## Organisational Assessment and Performance Review

The Council has in place a range of Key Performance Indicators (KPIs) which it uses to measure performance. Indicators are developed for each of the Council's main priorities in the Corporate Plan, alongside specific indicators in service plans.

In addition to the Annual External Audit placed upon the Council, the main organisational assessment is around Value for Money. This assessment is undertaken by the Council's External Auditors who judge and report on the Council's arrangements for:

- Securing financial resilience
- Challenging and improving value for money

From time-to-time, External Audit also undertakes specific detailed studies on a certain activity or aspect of the Council and makes recommendations for improvement where necessary.

## Data Quality

A key element of reporting performance is the information that underpins it, i.e. data quality. This is to ensure that the Council arrangements for recording and collecting information are robust so that the evidence and management information is reliable. The Council has adopted a Strategy to govern data quality and its arrangements are subject to regular review, including an annual audit.

## Data Management

The Council has a Data Retention Policy which set out its requirements to ensure compliance with Data Protection and Freedom of Information Requirements.

## Business Improvement

To support service delivery, the Council has, through its Strategic Corporate Services Partnership with Northgate Public Services (NPS) a Business Improvement Team function. This is intended to co-ordinate greater efficiency and effectiveness in the use of Council resources and works to an improvement programme which is overseen by a Business Improvement Board.

## Procurement

NPS also provide a dedicated central procurement unit to ensure that purchasing is legal, ethical and accountable and is carried out in accordance with regulatory and legislative requirements.

## Continuous Service Review

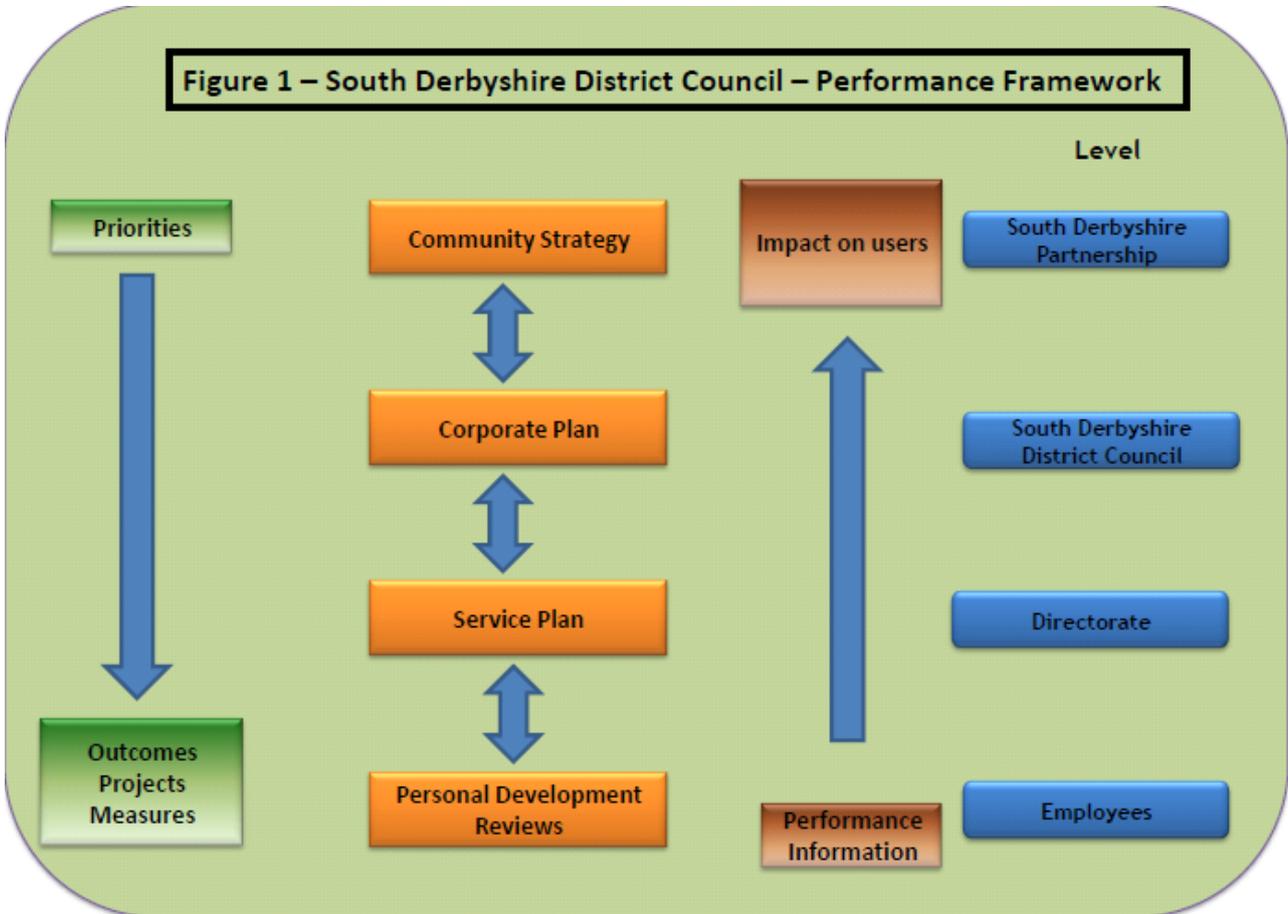
The Council reviews all service areas in the Council. This is designed to identify transformation and efficiency opportunities to ensure that services remain efficient and effective as possible.

A key aim is to identify efficiency savings and in particular cashable/budget savings without adversely affecting service delivery. This has seen significant changes made in "back office" services in particular in recent years.

# Governance Statement

## Managing Performance

The Council’s performance framework is largely developed from national requirements and regulatory frameworks, together with local issues that are emerging from the Sustainable Community Strategy. An outline of the framework and its components is shown in Figure 1, below.



The **Community Strategy** sets the long-term vision and community goals for all agencies in South Derbyshire. This was reviewed in 2009 and a new Strategy implemented for the period 2009-2029.

The Council’s **Corporate Plan** describes how the Council provides services to support the Community Strategy and focuses resources on key priorities, together with actions for improvement. This is an integral part of the Council’s Performance Management Framework and the actions set out how key priorities are delivered together with measures of success. The development of the Corporate Plan takes place alongside the development of the Medium Term Financial Plan to ensure that the corporate priorities are fully resourced.

**Service Plans** are the cornerstone of the performance framework and demonstrate how each section of the Council will deliver improvements in line with priorities detailed in the Corporate Plan.

**Performance Development Reviews** provide employees with a clear understanding of how their work is enabling the Council to deliver the priorities detailed in the Corporate Plan, together with identifying their own individual training needs.

# Governance Statement

## Partnership Working

The Council works in partnership with many other public agencies, including the voluntary sector and private organisations to deliver its services. The extent of these partnerships varies across the Authority.

The Council's most significant partnerships are the South Derbyshire Partnership and the Safer South Derbyshire Partnership for Derbyshire. These partnerships are properly constituted and Committees are established (comprising representatives of the Council) who monitor and review progress. The governance arrangements include a Constitution and Terms of Reference.

They have annual action plans which are monitored and reported quarterly to the relevant Strategic Boards. The Council receives annual reports on their performance which identifies the outcomes of partnership work and the financial implications of their work undertaken.

## Risk Management

The Council has adopted a Risk Management Policy Statement, which sets out the principles, responsibilities and commitment to dealing with risk. Backed-up by a detailed framework, it is effectively the process for the management of risk throughout the Council.

The Council, through its service planning process, has a system for identifying and evaluating significant risks. Each service plan contains a risk register and this is developed and maintained by Officers involved in planning and delivering services.

In addition, the Council's Corporate and Financial Plans identify and evaluate risk at a more strategic level. Furthermore, evaluation of proposals for new spending and capital investment includes a risk assessment analysis.

The Council's risk management process provides a framework to embed risk within services. It also includes guidance for managers in assessing and treating risk.

## Internal Audit

Under the Account and Audit Regulations 2015, the Council must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes. This should take into account public sector internal auditing standards or guidance.

The Council employs the services of the Central Midlands Audit Partnership (CMAP) to provide its Internal Audit function.

This function provides an independent evaluation on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.

Internal Audit works with an Annual Plan, agreed with and monitored by Members and Senior Officers. It provides opinions on internal controls in place to manage risks across the Council's activities. Its plans and outputs are monitored and challenged by the Council's Audit Sub-Committee.

Internal audit is the main means by which the Council obtains assurances that systems are operating effectively. Internal Audit is required to issue an Assurance Statement (Annual Report) that provides an assessment of the Council's internal control system.

# Governance Statement

## Health and Safety

The Council has a Health and Safety Policy and an Annual Action Plan that sets out the Council's commitment to health and safety and identifies those with responsibility under the policy. There is also a quarterly Employee Health and Safety Committee, where representatives from the Trade Unions meet with Service Managers and Members. The Committee monitors policies, work practices and reviews accident statistics.

## The Council's Audit Sub-Committee

Under its terms of reference, the Committee provides independent assurance of the adequacy of the risk management framework and the associated control environment.

It also provides independent scrutiny of the Authority's financial and non-financial performance to the extent that it affects the Authority's exposure to risk and weakens the control environment. The Sub-Committee also oversees the Authority's corporate governance arrangements in relation to financial matters.

## External Scrutiny

Ernst & Young LLP (EY) is the Council's appointed external auditor. Besides auditing the Accounts and Financial Statements of the Council, they also focus on more strategic performance and financial management arrangements. This includes reviewing arrangements in place for securing value for money.

The Audit Sub-Committee and Officers of the Council meet regularly with the external auditors to discuss planned and on-going external audit activity through the Annual Audit Plan.

From time-to-time, the Auditors undertake specific reviews and issue reports with action plans to aid improvement in specific areas. The Annual Audit Letter summarises the conclusions and significant issues arising out of their audit and other inspections undertaken. The outcome of all inspections and audits are used to plan and improve Council services.

## ICT (Information Communication Technology)

The Council would not be able to operate without an effective ICT infrastructure in place. The Council's ICT Strategy is designed to ensure that the appropriate infrastructure is in place to enable the Council to deliver its services effectively and implement the Council's Corporate Plan.

Therefore, the ICT Strategy is aligned to the strategic objectives of the Council, with technology being used as an enabler of business change to support the Council's priorities. The ICT infrastructure in place enables the Council's service areas to concentrate on delivering their customer and business requirements.

Appropriate safeguards are in place to ensure the integrity of the Council's ICT infrastructure and this is subject to an annual audit and independent health check. In addition, the Council complies with national best practice for security as contained within the Public Services Network (PSN) Code. Under this Code, the Council's ICT security arrangements are tested and reviewed each year by an independent organisation, approved for such work.

# Governance Statement

## Transparency in the Publication of Information

The Council is required to publish a wide range of information on its services. The Council accounts for the use of resources and publishes this in an Annual Statement of Accounts.

[http://www.south-derbys.gov.uk/council\\_and\\_democracy/council\\_budgets\\_spending/statement\\_of\\_accounts/default.asp](http://www.south-derbys.gov.uk/council_and_democracy/council_budgets_spending/statement_of_accounts/default.asp)

The Council also publishes an Annual Pay Policy Statement which details the pay and remuneration of senior officers, together with the relationship between the pay of the highest paid officer and other officers.

The latest Policy Statement which was published on 1<sup>st</sup> April 2016 can be viewed at:

[http://www.south-derbys.gov.uk/our\\_website/open\\_data/pay\\_policy/default.asp](http://www.south-derbys.gov.uk/our_website/open_data/pay_policy/default.asp)

In addition, the Council also publishes on its web site, details of all payments (excluding those to employees) in excess of £250, details of procurement card transactions, together with remuneration and expenses paid to Members. There are also details regarding assets owned, including council housing. This information is available at:

[http://www.south-derbys.gov.uk/our\\_website/open\\_data/default.asp](http://www.south-derbys.gov.uk/our_website/open_data/default.asp)

## D REVIEWING THE EFFECTIVENESS OF THE GOVERNANCE FRAMEWORK

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its Governance Framework, including the system of internal control. The review of effectiveness is informed by the work of the Corporate Management Team, who has responsibility for the development and maintenance of the governance environment.

This is backed up by Internal Audit reports on the audits conducted through the year, and also by recommendations made by the External Auditors, together with any other review agencies and inspectorates.

As part of an on-going review, the overall framework was strengthened in 2015/16 following a work programme arising out of the Governance Statement for the previous year 2014/15. These are detailed in **Section E**.

The overall processes and indicators that have been applied in maintaining and reviewing the effectiveness of internal control during the year 2015/16 are set out in the following sections.

### Overall Corporate Governance

The Council continued to apply its Local Code of Corporate Governance based on recommended best practice, as developed by CIPFA/SOLACE. This Code sets out the systems by which the Council directs and controls its functions. It was reviewed twice during the year with a work programme, monitored by the Audit Sub-Committee, being progressed to maintain and improve overall Governance.

### ICT Security

During 2015/16, work continued in order to comply with the Government's Public Sector Network (PSN) security standard. This included a major upgrade of the Council's network.

# Governance Statement

There was one major security incident which arose during 2015/16. This related to a malware virus which penetrated the Council's network. No damage occurred and no data was lost, although there was some temporary business interruption.

After identifying the source of the virus, further training and awareness sessions were provided to Council employees on ICT security. No changes to systems or processes were required.

The Government's Cabinet Office certified the Council as being PSN compliant in April 2016.

In 2016/17, the main focus for ICT will be to strengthen the Council's disaster recovery arrangements. In particular, options will be considered for the transfer of ICT infrastructure into a remote data centre, with the possibility of utilising cloud based technology. This was approved by the Council's Finance & Management Committee in April 2016.

## The System of Internal Audit

Internal Audit is responsible for monitoring the quality and effectiveness of internal control. They review all fundamental financial systems each year and other systems over a five yearly cyclical period. This is based on a risk assessment of each service area.

Internal Audit reports to the Council's Audit Sub-Committee on a quarterly basis. The reporting process requires a report of each audit to be submitted to the relevant service manager.

The report includes recommendations for improvements that are included within an action plan and require agreement or rejection by managers. The process includes reviews of recommendations by the auditors through a tracking system, to ensure that they are acted upon.

Under its terms of reference, the Audit Sub-Committee considers in detail any recommendations that are found to have a potentially "high-risk" impact on the Council's control environment. These are subject to on-going monitoring until all recommended actions have been implemented.

Reports to the Audit Sub-Committee provide an overall assurance rating of each system or service area subject to audit. This includes a statement as to whether there are any possible implications for the Annual Governance Statement. All audits completed during 2015/16 found no material weaknesses which could affect the Governance framework.

## Outstanding Recommendations

However, during 2015/16 the Audit Sub-Committee raised concerns regarding the number of recommendations which had been accepted by service areas, but which had not been implemented and had passed their original action date. After consideration of the potential implications, the Committee asked that the matter be escalated to the Council's Corporate Management Team.

Consequently, the internal procedure for monitoring outstanding recommendations was changed to embed an escalation process. It should be noted that none of the recommendations involved were significant and most had been assigned as low risk.

# Governance Statement

## The Effectiveness of Internal Audit

The Council has adopted the Public Sector Internal Auditing Standards as set out by the regulatory body (CIPFA). This requires Internal Audit to operate within an Internal Audit Charter, together with a Quality Improvement and Assessment Programme.

Performance against this programme is reported to the Audit Board which oversees the performance of the Central Midlands Audit Partnership (CMAP) in conjunction with other partners and service clients.

Under Auditing Standards, CMAP are subject to an independent review of their operational effectiveness at least once in every 5 years. The next review for CMAP is planned for 2017/18.

## Annual Internal Audit Report

Under the Code of Practice for Internal Audit in Local Government in the United Kingdom (2006) the Head of Internal Audit (HIA) provided a written report to those charged with governance.

This was considered and noted by the Council's Audit Committee on 15<sup>th</sup> June 2016. The Head of Internal Audit gave an opinion on the overall adequacy and effectiveness of the Council's internal control environment for 2015/16. The opinion is detailed below:

*“Based on the work undertaken during the year, I have reached the overall opinion that **there is an acceptable level of internal control within the Council's systems and procedures.** I have arrived at this opinion having regard to the following:*

- *The level of coverage provided by Internal Audit was considered substantial.*
- *Only 2 reports provided a 'Limited' control assurance rating, all others were either 'Comprehensive' or 'Reasonable'.*
- *There wasn't any 'critical risk' or 'significant risk' recommendations made within any audit reports issued in 2015-16.*
- *There were no adverse implications for the Authority's Annual Governance Statement arising from any of the work that Internal Audit has undertaken in 2015-16.*
- *All but one of the issues raised within the internal audit reports have been accepted. This related to declarations of interest.*
- *Internal Audit's recommendations, or alternative proposed actions made by Management in response to the risk issue, have been agreed to be implemented in all cases but seven low risk issues, where management has chosen to accept the risk.*
- *The Council's system of risk management was finalised in May 2015 and the overall level of assurance at that time was considered Comprehensive. Three of the four low risk recommendations made have now been addressed.*
- *Our overview of the Council's Data Quality through a combination of control self-assessment and specific audit testing deemed that the overall control environment was Comprehensive.*

## Governance Statement

- *Internal Audit's coverage during 2015-16 included an appropriate range of governance areas. The Ethical Audit into Declarations of Interest attracted a 'Reasonable' rating.*
- *Internal Audit investigated the circumstances which led to a cash collection discrepancy for the Council during 2015-16 and provided management with assurance that appropriate control improvements had been made.*

*This opinion is provided with the following caveats:*

- *No system of control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give absolute assurance.*
- *Full implementation of all agreed actions is essential if the benefits of the control improvements detailed in each individual audit report are to be realised."*

### Communication

Corporate communication covers the full range of media management, publications, external and internal communications. This is provided by a central team within the Council.

By targeting communication activities, the Council can enhance its reputation and profile at a local and national level in its role as a community leader. Good corporate communications can encourage people to feel positively about the Council because they are better informed, have higher levels of satisfaction and can make an assessment on whether they are getting value for money.

The Council's Communications Strategy and Action Plan is reviewed and updated on an annual basis. It is reported to and considered by the Council's Finance and Management Committee in June each year.

A series of media campaigns are also undertaken by the Council each year. During 2015/16, these included:

- Raising the profile of the Council's tourism area within the National Forest
- Raising the profile of the South Derbyshire Business Advice Service
- Highlighting the leisure programme being actioned to keep the Olympic legacy alive
- Promoting local events such as Liberation Day and International Women's Day
- Producing a "Champions of Recycling" animated film to increase recycling

In doing this, the Council continued to make greater use of social media in the year through a Twitter feed which has approximately 6,000 followers (up from 5,000 in the previous year) together with the publication of environmental, housing, leisure and community activities on Facebook.

In addition, the Council developed the use of "Hash tags" to promote community events such as the holiday and festive period activities.

### Consultation

The Corporate Plan is informed by consultation and is based on the views of stakeholders including local people, voluntary and community groups, together with local businesses.

During 2015/16, the Council reviewed its Corporate Plan. Following a period of review and consultation, the Council published a new Corporate Plan which was adopted in March 2016. The new Plan maintains many of the previous themes in the previous Plan, but badged under the priorities of "People, Place and Progress."

# Governance Statement

A new set of performance indicators and projects were approved in order to deliver the Plan over the next 5-years. The priorities are underpinned by a set of corporate outcomes, which includes “*Good Governance.*”

## The Local Plan

The Local Plan sets out the Council’s proposals for future growth of the District regarding residential development and regeneration. As one of the fastest growing areas in the country outside London and the South East, this is a major issue for the Council.

Consultation continued during 2015/16 on the Council’s Local Plan. Following extensive consultation during 2014/15 on Part 1, further consultation was undertaken on modifications, together with consultation on Part 2 of the Plan. Part 2 sets out proposals for delivering growth on smaller residential sites.

## Consultation Undertaken

The Council’s Consultation Strategy aims to coordinate consultation activities between the services within the Council and with key partners, to ensure that residents’ views are used effectively to inform Council decision-making. This Strategy is reviewed and updated on an annual basis.

During 2015/16, there was a wide-ranging series of consultation in order to inform service provision. The main areas of consultation focused on:

- The provision of sport facilities with people aged 17 – 25
- A vision for the Town Centre
- Leisure and physical activities for the over 50’s
- Housing tenant satisfaction survey
- A new sports and community facility strategy
- A new tenancy agreement for council house tenants
- A local community governance review
- The development of local dementia services
- The development of a new web site to access information and transact with the Council

## The Constitution

The Monitoring Officer has a duty to monitor and review the operation of the Constitution to ensure that its aims and principles are given full effect. Major changes to the Constitution have to be approved by Full Council and reflect any changes to the Council’s structure and responsibilities.

The Constitution was reviewed and updated in January 2016. This reflected changes to ICT protocols, codes of conduct and the terms of reference of policy committees.

## Work of the Overview and Scrutiny Committee

Under the Constitution, the Overview and Scrutiny Committee has the power to “call in” a decision, which has been made by a policy committee but not yet implemented, to enable them to consider whether the decision is appropriate.

No decisions were called in during 2015/16.

The Overview and Scrutiny Committee also scrutinises key service issues and priorities in the Corporate Plan, recommending and reporting back actions to the main policy committees.

# Governance Statement

Their Annual Report to Full Council sets out details of their work and outcomes during the year. The Annual Report for 2015/16 is available at:

<http://south-derbys.cmis.uk.com/south-derbys/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/1947/Committee/413/Default.aspx>

In particular, the Committee scrutinised and supported the following areas:

- Section 106 health based NHS contributions
- NHS domiciliary dental service provision
- Fibre optic works by SKY
- Cemetery provision
- Electoral services
- The annual Festival of Leisure
- Community grant funding process
- The Council's budget proposals for 2016/17
- Council Tax arrears
- Regulation of Investigatory Powers Act 2000

## Propriety in the Conduct of Business

In respect of 2015/16, the following matters are noted.

### Complaints

There were no cases of maladministration found against the Council.

However, following a complaint raised by a third party, the Local Government Ombudsman did find in favour of the complainant. The Council accepted an error in its processes, apologised to the complainant, reimbursed some costs (which were not significant for the Council) and scheduled training for staff involved in the process.

### Code of Conduct

There were no breaches of either the Member or Employee Codes of Conduct which warranted formal investigation by the Council, or referral of a matter by the Monitoring Officer to the Standards Committee.

### Register Of interests

There were no known issues raised in the year regarding the register of interests and declarations of gifts/hospitality.

### Whistleblowing

In April 2016, one whistleblowing matter was raised with the Council. This was being investigated in accordance with the Council's Whistleblowing Policy and was still under investigation as at 31<sup>st</sup> May 2016.

# Governance Statement

## Data Protection

The Council were contacted by the Information Commissioner's Officer (ICO) to explain a response relating to a Freedom of Information Request (FOI) received during the year. This followed a complaint from a third party that the Council had withheld information that it should have released.

Following the Council's response, the ICO was satisfied that the Council was correct in how it had handled this particular request within the FOI regulations and that no further steps were required.

## Health and Safety

There were 7 reportable accidents under Health & Safety Regulations during 2015/16 involving either council employees or members of the public. This compares with 5 in both 2014/15 and 2013/14, 3 in 2012/13 and 10 in 2011/12.

Following investigation of each accident, risk assessments were reviewed and updated as appropriate. No enforcement or other action was taken by the Health & Safety Executive (HSE) regarding these accidents.

The HSE did however raise an issue regarding a "*material breach of manual handling procedures*" following a one day inspection at the Council's Depot. Consequently, the Council reviewed and updated its risk assessment procedure in this area and the HSE were satisfied with the Council's actions.

## Legal Claims

The Council had an award made against it following proceedings at an Employment Tribunal. There were no significant implications for the Council's operations and the financial cost was not considered material.

In addition, during the year the Council had several appeals upheld regarding refusals of planning permission. These arose where refusal by the Council's Planning Committee for residential development, was subsequently overturned on appeal by the Government's Planning Inspectorate.

The costs are material but had previously been provided for in the Council's accounts.

## Monitoring Performance

The Performance Management framework specifies the performance monitoring regime. A "traffic light" monitoring system is used to highlight areas at risk of not being achieved.

During the year, policy committees received quarterly performance monitoring reports and agreed remedial measures where these were necessary. In addition, the Finance and Management Committee received quarterly financial monitoring reports. Performance reporting includes a review of both service and corporate risks.

The monitoring framework was reviewed and update in April 2016 following the adoption of the new Corporate Plan. This framework will be introduced for monitoring performance from 2016/17.

## Service Recognition

Several areas of the Council's work are regularly checked independently and recognised as being of an excellent standard. The following awards were achieved in the following areas in 2015/16.

# Governance Statement

**Health and Safety** - the Council continued to attain the Gold Award in the Royal Society for the Prevention of Accidents (RoSPA) Occupational Health and Safety Programme. This is in recognition of an excellent safety record. The Award is only given to those organisations that have demonstrated their commitment to continuous improvement in accident and ill health prevention.

**Development of Staff** - the Council continues to qualify for Investors in People (IIP) accreditation following an independent review. This is a national quality standard for the training and development of employees.

**Environmental Management** – the Council attained an international standard in 2015 for its approach to reducing the carbon footprint in its own services and for supporting work across the District.

**Leisure Facilities** – the Council has attained a Green Flag Award for its urban parks acknowledging how well they are maintained and managed and for providing good facilities.

**Town Centre** – the Council is nationally recognised as providing the best small market and is recognised regionally as providing the best Farmer’s market.

## Business Continuity

During 2014/15, the Council’s arrangements for business continuity in the event of major disruption to its services, was subject to an internal audit review. The review gave only a limited assurance rating highlighting several areas of weakness to be addressed, none of which were considered to be high or significant.

Consequently, a work plan was progressed during 2015/16. A Resilience Liaison Forum has been established which brings together key people from across the Council, supported by the County Council’s Emergency Planning Team. This Forum is tasked with co-ordinating planning, reviewing issues and overseeing development.

## Value for Money (VFM) Assessment

The External Auditor is required to make a judgement on the Council’s arrangements for securing value for money. During 2015/16, their opinion, based on the financial year 2014/15, was as follows:

*“On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that, in all significant respects, South Derbyshire District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2015.”*

In addition, the Annual Audit Letter of the External Auditor reports any significant weaknesses in the overall control framework. None were reported in 2014/15. The Audit Letter for 2014/15 is available at:

<http://south-derbys.cmis.uk.com/south-derbys/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/1834/Committee/388/Default.aspx>

## E KEY GOVERNANCE ISSUES FOR SOUTH DERBYSHIRE

The Council operates within a changing environment with constant development in electronic communications and increasing public expectations. The Council has also in recent years dealt with fairly large reductions in its overall core funding from Central Government.

# Governance Statement

Consequently, Governance needs to be subject to constant review to take account of changing circumstances. Indeed, issues identified in the corresponding statement for 2014/15 have been addressed in 2015/16, together with other developments to strengthen Governance at the Council. In particular, during 2015/16, the Council:

- *Developed and adopted a new Corporate Plan for the period 2016 to 2021.*
- *Updated its Constitution*
- *Strengthened its business continuity arrangements*
- *Reviewed its declaration of interest procedure in accordance with nationally recognised ethical standards.*

These actions were noted by the Audit Sub-Committee on 15<sup>th</sup> June 2016 following consideration of a detailed report.

## Work Plan 2016/17

The areas identified for development during 2016/17 are:

- An independent review of the Council's policies regarding information governance and compliance. This follows a report that was considered and approved by the Finance and Management Committee in December 2015 to strengthen the Council's framework.
- A review of mandatory training courses. This follows an internal audit report in April 2016 regarding governance, which made some recommendations to ensure relevance and consistency of approach.
- A review of ICT disaster recovery procedures. This follows an independent report into the Council's procedures in April 2016 which highlighted further process maps and documentation to be drawn up in the event of a disaster.
- A review of access to information regulations and committee work programmes. These have not been reviewed for several years and may require updating.
- Development of service continuity plans for inclusion in the Council's Business Continuity Plan. This is the final action required from the audit of the Council's arrangements in 2014/15.

These developments are set out and included in the Governance Work Plan for 2016/17 in **Appendix 1**.

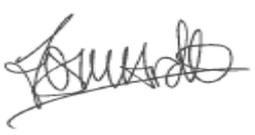
# Governance Statement

## Council Sign-Off

We propose over the coming year to take steps to address the issues identified in the Work Plan to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review. This Annual Governance Statement is signed by the Leader of the Council and the Chief Executive on behalf of South Derbyshire District Council.

Signed:   
**Bob Wheeler (Leader of the Council)**

Dated: 15<sup>th</sup> June 2016

Signed:   
**Frank McArdle (Chief Executive)**

Dated: 16<sup>th</sup> June 2016

# Governance Statement

## APPENDIX 1: GOVERNANCE WORK PLAN 2015/16

Work Area	Timescale	Responsible Officer (s)	Governance / Corporate Plan Priority	Action and Outcome
Continue to review the Local Code of Corporate Governance and to monitor the Governance Work Plan for the year	½ yearly review	Legal and Democratic Services Manager	This is the overall framework that monitors the priority outcomes for the Corporate Plan	Reviews to be held in December 2016 and June 2017
Information Governance	March 2017	Director of Finance and Corporate Services	To ensure that the Council complies with data protection principles and safeguards the data that it manages	Policies and monitoring arrangements to be reviewed during the year to ensure consistency of approach and compliance
Employee Training	September 2016	Director of Community and Planning Services	To ensure employees are up-to-date and aware of statutory duties and corporate matters in undertaking their roles	Mandatory training courses to be reviewed to ensure relevance, target audience and consistency of approach
ICT Disaster Recovery Procedures	July 2016	Director of Finance and Corporate Services	To ensure that the Council has fully documented processes for ICT in the event of a business continuity issue	Full documentation regarding procedures to be set out
Access to Information Regulations and Work Programmes	June and November 2016	Legal and Democratic Services Manager	To ensure that the Council complies with freedom of information requirements and is open and transparent in its reporting	Ensure that compliance is consistently applied, review guidance and develop forward work programmes for the main policy committees of the Council
Business Continuity	October 2016	Director of Finance and Corporate Services	To ensure that sufficient information is available at Directorate level to enable individual services to react to business continuity issues	Each service has a quick reference guide to quickly and practically assess the impact of business interruption

# Certificate of the Chief Financial Officer

I certify that:

- (a) The Statement of Accounts for the year ended 31<sup>st</sup> March 2016 on pages 37 to 42 has been prepared in the form directed by the Code and under the accounting policies set out on pages 43 to 52.
- (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.

Signed:

Dated:

# Independent Auditor's Report

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

# Independent Auditor's Report

# Council Approval of Statement of Accounts

These accounts were approved by resolution of the Finance and Management Committee on 22<sup>nd</sup> September 2016 (***subject to audit***)

Signed: .....  
(Chairman)

Dated: .....

# Comprehensive Income and Expenditure Statement

For the year ended 31 March 2016

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	2015/16			2014/15		
	Expenditure	Income	Net	Expenditure	Income	Net
Central Services	2,230	(1,033)	1,198	2,162	(1,127)	1,035
Cultural & Related Services	3,158	(1,074)	2,084	3,250	(1,112)	2,137
Environmental & Regulatory Services	6,783	(1,899)	4,884	6,750	(2,024)	4,726
Planning Services	2,703	(1,316)	1,387	2,500	(1,389)	1,111
Highways & Transport services	172	(125)	47	120	(106)	14
Local Authority Housing (HRA)	9,259	(13,125)	(3,866)	9,318	(12,871)	(3,553)
Other Housing Services	18,729	(17,657)	1,072	19,044	(18,139)	905
Corporate & Democratic Core	306	(11)	295	317	(29)	288
Non Distributed Costs	2,708	(1,492)	1,215	744	(3,235)	(2,491)
<b>Cost of Services</b>	<b>46,048</b>	<b>(37,732)</b>	<b>8,316</b>	<b>44,204</b>	<b>(40,033)</b>	<b>4,172</b>
<b>Other Operating Income &amp; Expenditure (Note 6)</b>						
Normal			447			(773)
			447			(773)
<b>Financing &amp; Investment Income &amp; Expenditure (Note 7)</b>			1,706			2,333
<b>Taxation &amp; Non-Specific Grant Income (Note 8)</b>			(12,235)			(12,146)
<b>(Surplus)/Deficit on Provision of Services</b>			<b>(1,767)</b>			<b>(6,414)</b>
<b>Other Comprehensive Income &amp; Expenditure</b>						
(Surplus)/Deficit on revaluation of Assets			436			(1,531)
Remeasurement of the Net Defined Benefit Liability (Note 29)			(7,098)			6,241
			<b>(6,662)</b>			<b>4,710</b>
<b>Total Comprehensive Income &amp; Expenditure</b>			<b>(8,429)</b>			<b>(1,704)</b>

# Movement in Reserves Statement

For the year ended 31 March 2016

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.

£000's	2015/16			2014/15		
	Usable Reserves	Unusable Reserves	Total	Usable Reserves	Unusable Reserves	Total
<b>At beginning of the year</b>	23,733	13,747	<b>37,479</b>	18,805	16,970	<b>35,775</b>
Surplus/(Deficit) on provision of services	1,767	-	<b>1,767</b>	6,414	-	<b>6,414</b>
Surplus/(Deficit) on revaluation of Property, Plant & Equipment	-	(436)	<b>(436)</b>	-	1,531	<b>1,531</b>
Actuarial (losses)/gains on defined benefit pension scheme	-	7,098	<b>7,098</b>	-	(6,241)	<b>(6,241)</b>
<b>Other Comprehensive Income &amp; (Expenditure)</b>	-	6,662	6,662	-	(4,710)	<b>(4,710)</b>
<b>Total Comprehensive Income &amp; (Expenditure)</b>	1,767	6,662	8,429	6,414	(4,710)	<b>1,704</b>
Adjustments between accounting basis & funding basis (Note 20)	(4,070)	4,070	-	(1,487)	1,487	-
Net increase/(decrease) before transfers to Earmarked Reserves	(2,303)	10,732	<b>8,429</b>	4,927	(3,223)	<b>1,704</b>
Transfers to/from Earmarked Reserves	-	-	-	0	-	<b>0</b>
<b>Increase/(decrease) for the year</b>	(2,303)	10,732	<b>8,429</b>	4,928	(3,223)	<b>1,704</b>
<b>At end of the year</b>	21,430	24,478	<b>45,908</b>	23,733	13,747	<b>37,479</b>

# Movement in Reserves Statement (continued)

For the year ended 31 March 2016

Usable Reserves 2015/16	General Fund	Earmarked Reserves	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied Account	Major Repairs Reserve	Total Usable Reserves
<i>£000's</i>							
<b>At 1 April 2014</b>	5,910	3,234	2,810	3,500	1,701	1,648	<b>18,805</b>
Surplus/(deficit) on provision of services	4,849	-	1,565	-	-	-	<b>6,414</b>
Deficit on revaluation	-	-	-	-	-	-	-
Actuarial (gains) on defined benefit pension scheme	-	-	-	-	-	-	-
<b>Other Comprehensive Income &amp; Expenditure</b>	-	-	-	-	-	-	-
<b>Total Comprehensive Income &amp; Expenditure for the year ended 31 March 2015</b>	4,849	-	1,565	-	-	-	<b>6,414</b>
Adjustments between accounting basis & funding basis (Note 19)	(1,683)	-	(1,994)	1,679	456	54	<b>(1,487)</b>
Net increase/(decrease) before transfers to Earmarked Reserves'	3,166	-	(428)	1,679	456	54	<b>4,927</b>
Transfers between Reserves	(2,940)	2,940	-	-	-	-	<b>0</b>
<b>Increase/(decrease) for the year ended 31 March 2015</b>	226	2,940	(428)	1,679	456	54	<b>4,927</b>
<b>At 31 March 2015</b>	6,136	6,174	2,382	5,179	2,158	1,703	<b>23,732</b>
Surplus/(deficit) on provision of services	(247)	-	2,014	-	-	-	<b>1,767</b>
Deficit on revaluation	-	-	-	-	-	-	-
Re-measurement of the Net Defined Benefit Liability	-	-	-	-	-	-	-
<b>Other Comprehensive Income &amp; Expenditure</b>	-	-	-	-	-	-	-
<b>Total Comprehensive Income &amp; Expenditure for the year ended 31 March 2016</b>	(247)	-	2,014	-	-	-	<b>1,767</b>
Adjustments between accounting basis & funding basis (Note 19)	46	-	(2,970)	(1,381)	236	(0)	<b>(4,069)</b>
Net increase/(decrease) before transfers to Earmarked Reserves'	(201)	-	(956)	(1,381)	236	(0)	<b>(2,302)</b>
Transfers to/from Earmarked Reserves	1,053	(803)	-	(250)	-	-	-
<b>Increase/(decrease) for the year ended 31 March 2015</b>	852	(803)	(956)	(1,631)	236	(0)	<b>(2,302)</b>
<b>At 31 March 2016</b>	<b>6,988</b>	<b>5,371</b>	<b>1,426</b>	<b>3,548</b>	<b>2,393</b>	<b>1,703</b>	<b>21,430</b>

## Movement in Reserves Statement (continued)

For the year ended 31 March 2016

Unusable Reserves 2015/16	Capital Adjustment Account	Revaluation Reserve	Pensions Reserve	Deferred Capital Receipts Reserve	Collection Fund Adjustment Account	Accumulating Absences Adjustment Account	Total Unusable Reserves
£000's							
<b>At 1 April 2014</b>	31,001	8,951	(22,658)	-	(311)	(13)	<b>16,970</b>
Surplus/(deficit) on provision of services	-	-	-	-	-	-	-
Deficit on revaluation	-	1,531	-	-	-	-	<b>1,531</b>
Actuarial (gains) on defined benefit pension scheme	-	-	(6,241)	-	-	-	<b>(6,241)</b>
<b>Other Comprehensive Income &amp; Expenditure</b>	-	1,531	(6,241)	-	-	-	<b>(4,710)</b>
<b>Total Comprehensive Income &amp; Expenditure for the year ended 31 March 2015</b>	-	1,531	(6,241)	-	-	-	<b>(4,710)</b>
Adjustments between accounting basis & funding basis (Note 20)	1,794	-	(938)	-	630	2	<b>1,487</b>
Net increase/(decrease) before transfers to Earmarked Reserves'	1,794	1,531	(7,179)	-	630	2	<b>(3,223)</b>
Transfers between Reserves	400	(400)	-	-	-	-	-
<b>Increase/(decrease) for the year ended 31 March 2015</b>	2,194	1,131	(7,179)	-	630	2	<b>(3,223)</b>
<b>At 31 March 2015</b>	33,194	10,082	(29,837)	-	319	(11)	<b>13,747</b>
Surplus/(deficit) on provision of services	-	-	-	-	-	-	-
Deficit on revaluation	-	(436)	-	-	-	-	<b>(436)</b>
Re-measurement of the Net Defined Benefit Liability	-	-	7,098	-	-	-	<b>7,098</b>
<b>Other Comprehensive Income &amp; Expenditure</b>	-	(436)	7,098	-	-	-	<b>6,662</b>
<b>Total Comprehensive Income &amp; Expenditure for the year ended 31 March 2016</b>	-	(436)	7,098	-	-	-	<b>6,662</b>
Adjustments between accounting basis & funding basis (Note 19)	5,771	-	(1,263)	-	(432)	(7)	<b>4,069</b>
Net increase/(decrease) before transfers to Earmarked Reserves'	5,771	(436)	5,835	-	(432)	(7)	<b>10,731</b>
Transfers between Reserves	305	(305)	-	-	-	-	-
<b>Increase/(decrease) for the year ended 31 March 2016</b>	6,076	(741)	5,835	-	(432)	(7)	<b>10,731</b>
<b>At 31 March 2016</b>	<b>39,271</b>	<b>9,341</b>	<b>(24,002)</b>	-	<b>(114)</b>	<b>(18)</b>	<b>24,478</b>

# Balance Sheet

For the year ended 31 March 2016

The Balance Sheet shows the value as at 31<sup>st</sup> March 2016 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		2016	2015
	<i>Notes</i>		
Property, Plant & Equipment	9	112,910	107,568
Investment Property	10	5,061	4,535
Long Term Investments	11	40	40
Long Term Receivables	11	34	34
<b>Non-Current Assets</b>		<b>118,045</b>	<b>112,176</b>
Inventories		101	104
Short Term Receivables	12	2,044	2,533
Assets Held for Sale	13	1,123	1,836
Cash & Cash Equivalents	14	11,313	14,285
<b>Current Assets</b>		<b>14,581</b>	<b>18,758</b>
<b>TOTAL ASSETS</b>		<b>132,626</b>	<b>130,934</b>
Short Term Payables	15	(4,226)	(5,536)
Short Term Borrowing	11	(28)	(28)
Provisions	16	(1,046)	(600)
<b>Current Liabilities</b>		<b>(5,300)</b>	<b>(6,164)</b>
Long Term Payables	11	(45)	(77)
Long Term Borrowing	11	(57,423)	(57,423)
Pension Deficit	29	(23,950)	(29,791)
<b>Non-Current Liabilities</b>		<b>(81,418)</b>	<b>(87,291)</b>
<b>TOTAL LIABILITIES</b>		<b>(86,718)</b>	<b>(93,455)</b>
<b>NET ASSETS</b>		<b>45,908</b>	<b>37,479</b>
Usable Reserves	17	(21,430)	(23,730)
Unusable Reserves	18	(24,478)	(13,749)
<b>TOTAL RESERVES</b>		<b>(45,908)</b>	<b>(37,479)</b>

# Cash Flow Statement

For the year ended 31 March 2016

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		2016	2015
	<i>Notes</i>		
<b>Cash generated from operations</b>			
Net Surplus/(Deficit) on the provision of services		1,767	6,414
Adjustment for non-cash movements:			
Depreciation	9	3,977	3,877
Impairments/Revaluations	9	(929)	(1,256)
Pension scheme charge	29	2,795	2,443
(Profit)/Loss from the sale of Property, Plant & Equipment		51	(37)
Changes in working capital			
(Increase)/Decrease in Inventory		3	(6)
(Increase)/Decrease in Debtors	12	413	(170)
Increase/(Decrease) in Provision for Bad Debts	12	75	165
Increase/(Decrease) in Creditors	15	(897)	2,000
		(407)	1,990
Employer contributions to pension scheme	29	(1,532)	(1,505)
<b>Net cash generated from operations</b>		<b>5,720</b>	<b>11,927</b>
<b>Cash flows from investing activities</b>			
Purchase of Property, Plant & Equipment	9	(9,515)	(6,242)
Purchase of Investment Properties	10	-	-
Proceeds from the sale of Property, Plant & Equipment	6	824	2,154
<b>Net cash flows from investing activities</b>		<b>(8,691)</b>	<b>(4,088)</b>
<b>Cash flows from financing activities</b>			
Proceeds from new Borrowings	11	-	-
Repayment of Borrowings	11	-	(1,007)
<b>Net cash flows from financing activities</b>		<b>-</b>	<b>(1,007)</b>
Net increase in cash & cash equivalents		(2,971)	6,832
Cash & cash equivalents at the beginning of the period	14	14,285	7,453
<b>Cash &amp; cash equivalents at the end of the period</b>	<b>14</b>	<b>11,313</b>	<b>14,285</b>

# Notes to the Financial Statements

For the year ended 31 March 2016

## 1. Accounting Policies

### (a) General Principles

The Statement of Accounts summarises the Council's transactions for the 2015/16 financial year and its position as at 31<sup>st</sup> March 2016. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and the Service Reporting Code of Practice 2015/16, 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; that is, the accounts have been prepared on the assumption that the functions of the Council will continue in operational existence for the foreseeable future.

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<sup>st</sup> March 2015, 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 2015/16.

### (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.

# Notes to the Financial Statements (continued)

For the year ended 31 March 2016

## **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)**

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 3 months, 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.

# Notes to the Financial Statements (continued)

For the year ended 31 March 2016

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 either 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:

# Notes to the Financial Statements (continued)

For the year ended 31 March 2016

- 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 Non Distributed Costs.
- 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.

## **Remeasurement 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.

# Notes to the Financial Statements (continued)

For the year ended 31 March 2016

## **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 relevant to the Council relate to loans and receivables; assets fixed or determinable payments but are not quoted in an active market. Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in 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 principle receivable for the year in the loan agreement.

## **(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

# Notes to the Financial Statements (continued)

For the year ended 31 March 2016

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) Overheads and Support Services**

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the Service Reporting Code of Practice 2014/15. The total absorption costing principle is used — the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core — costs relating to the Council's status as a multi-functional, democratic organisation.
- Non-Distributed Costs — the cost of discretionary benefits awarded to employees retiring early, capital to be funded through reserves and bad debt provisions.

These two categories are defined in the Service Reporting Code and accounted for as separate headings in the Comprehensive Income and Expenditure statement, as part of Net expenditure on continuing Services.

## **(l) 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.

# Notes to the Financial Statements (continued)

For the year ended 31 March 2016

## 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

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.
- 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.)

# Notes to the Financial Statements (continued)

For the year ended 31 March 2016

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

The Revaluation Reserve contains revaluation gains recognised since 1<sup>st</sup> 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 asset) and assets that are not yet available for use (i.e. assets under construction).

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 4 and 60 years)
- Vehicles, plant, furniture and equipment – Straight-line allocation over the useful life of the item, as advised by a suitably qualified officer. (between 2 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 (between 7 and 45 years)
- Infrastructure Assets - Straight-line depreciation allocation over the useful life of the asset (between 10 and 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.

# Notes to the Financial Statements (continued)

For the year ended 31 March 2016

## **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.

## **(m) 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.

# Notes to the Financial Statements (continued)

For the year ended 31 March 2016

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.

## **(n) Reserves**

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in 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.

## **(o) 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.

## **(p) 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.

## **(q) 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. 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 (NDR) income is collected on behalf of the Council, the Government, Derbyshire Fire and Rescue Authority & Derbyshire County Council.

# Notes to the Financial Statements (continued)

For the year ended 31 March 2016

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

## **(r) 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.)

## **(s) 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).

## **(t) 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.

# Notes to the Financial Statements (continued)

For the year ended 31 March 2016

## 2. Accounting standards that have been issued but have not yet been 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 15 Revenue From Contracts With Customers
- IFRS 16 Leases
- IFRS 9 Financial Instruments

The impact of these standards will be considered for the 2016/17 Statement of Accounts. It is not considered that these standards 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.

### Assets held for Sale

The Council owns land that is part of two regeneration projects in the District, whereby the Council's land is being used through sale or transfer, to generate a capital receipt and to deliver new facilities.

The Council has classed these assets as "held for sale" in accordance with IFRS 5. This is because in both cases, there is a contractual commitment in place and the land is currently in the process of being sold or transferred having been valued for such purposes. Contracts have been exchanged, are unconditional and binding.

In addition, due to progress being made on both regeneration schemes, it is now unlikely that the plans will be significantly changed or withdrawn.

The land held for sale at William Nadin Way, Swadlincote, is being sold at market value in 3 phases. The first phase was sold in 2014/15 and the proceeds (£1.88m) together with the associated costs (£0.42m) were accounted for in 2014/15.

The second phase of the development and part of the third phase was sold in 2015/16 and the receipt of £276k has been accounted for in 2015/16. Additional income relating to fees of £40k was also received during 2015/16 in relation to the sale. The final phase is due to be completed in 2017/18, with the associated land valued at £1m; this value has been included in the Balance Sheet. The buyer, a housing developer, is the same for all 3 phases. The first phase of housing development has commenced and planning permission has been granted for the entire site covering all three phases.

Land at Chestnut Avenue in Midway, was transferred to a housing developer in return for the improvement to leisure and recreational facilities in an adjacent area. The provision of the new facilities recognises the value of the Council's land transferred for housing.

The market value of the land was approximately £3/4m. This land has been transferred in phases, with all stages (except 1) having been completed in 2015/16 by the developer. The final phase is due to be completed in 2016/17, with the value of the land being £122,800.

# Notes to the Financial Statements (continued)

For the year ended 31 March 2016

## 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<sup>st</sup> March 2016 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.
Provisions	The Council has made provisions in 2015/16 totalling approximately £1m, comprising Personal Search refunds (£42k) Planning Appeals (£127k) Business Rate appeals (£868k) and Termination Benefits (£9k). 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.
Asset Valuation	<p>The Council adopted IFRS 13 in valuing its assets for 2015/16. Consequently, 3 pieces of operational land have been re-classified as "surplus assets" as there is a potential to sell this land at a future date. In fact, in all 3 cases, some marketing has taken place in recent years although there are no heads of terms in place with a third party that would warrant consideration of these assets being classed as "held for sale." The fair value of these assets has been assessed at approximately £3/4m.</p> <p>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 £5m as shown in Note 10, reflects this position.</p> <p>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 11.</p>

# Notes to the Financial Statements (continued)

For the year ended 31 March 2016

<p>Employee Benefits Payable During Employment</p>	<p>The Council has accrued for known holiday entitlement outstanding as at 31<sup>st</sup> March 2016, but not taken. This was based on the Council's on-line Annual Leave System (ALS) which sets and records leave as it is authorised and taken during the year. Accrued leave was calculated as £18k at 31 March 2016, compared to £12k at 31<sup>st</sup> March 2015. 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.</p>
<p>Bad and Doubtful Debts</p>	<p>The Council has a number of debts outstanding at 31<sup>st</sup> March 2016. 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 paid into a provision, in order that uncollectable debts can be written off.</p> <p>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.</p>

## 5. Material Items of Income and Expense

There were no material items in 2015/16. However it is noted that capital receipts of £276k were received from the sale of land as part of a regeneration project.

## 6. Other Operating Income and Expenditure

<b>Total</b> <i>£000's</i>	<b>2015/16</b>	<b>2014/15</b>
Parish Council Precepts	668	606
Parish Council Tax Support Grant	44	44
Payments to the Government Housing Capital Receipts Pool	313	269
<b>Total - Other Operating Expenditure</b>	<b>1,025</b>	<b>919</b>
Profit on disposal of non-current assets		
Normal (see below)	(262)	(233)
Exceptional (Note 3)	(316)	(1,460)
<b>Total - profit on disposal of non-current assets</b>	<b>(578)</b>	<b>(1,693)</b>
<b>Total - Other Operating (Income) / Expenditure</b>	<b>447</b>	<b>(773)</b>

# Notes to the Financial Statements (continued)

For the year ended 31 March 2016

## 6. Other Operating Income and Expenditure (continued)

(Profits)/losses on the disposal of non-current assets £000's	2015/16	2014/15
Net Proceeds from Sale of General Assets	(19)	(21)
Net Proceeds from Sale of HRA Assets	(803)	(942)
Disposal Costs	-	-
Book Value of non-current assets sold	560	730
<b>Total</b>	<b>(262)</b>	<b>(233)</b>

## 7. Financing and Investment - Income and Expenditure

Total £000's	2015/16	2014/15
Interest Payable and Similar Charges	1,586	1,830
Interest Receivable and Similar Income	(64)	(54)
Net Interest on the Net Defined Benefit Liability (note 29)	958	971
Income and Expenditure in Relation to Investment Properties	(775)	(414)
<b>Total</b>	<b>1,706</b>	<b>2,333</b>

## 8. Taxation and Non Specific Grant Income

Total £000's	2015/16	2014/15
Council Tax Income	(5,290)	(5,132)
NNDR Income	(2,745)	(2,848)
Efficiency Dividend	-	270
Non Ring Fenced Government Grants	(4,200)	(4,436)
<b>Total</b>	<b>(12,235)</b>	<b>(12,146)</b>

Council Tax Income £000's	2015/16	2014/15
Current Year	(5,290)	(5,132)
<b>Total</b>	<b>(5,290)</b>	<b>(5,132)</b>

National Non Domestic Rates (NNDR) £000's	2015/16	2014/15
Current Year	(8,620)	(8,903)
Tariff Payments	6,200	6,084
Business Rate Reliefs	(402)	(553)
Business Rate Levy	-	523
Payment to Business Rates Pool	290	-
Receipt from Business Rates Pool	(214)	-
<b>Total</b>	<b>(2,745)</b>	<b>(2,848)</b>

# Notes to the Financial Statements (continued)

For the year ended 31 March 2016

## 8. Taxation and Non Specific Grant Income (continued)

Non Ring Fenced Government Grants	2015/16	2014/15
<i>£000's</i>		
Revenue Support Grant	(1,811)	(2,563)
Council Tax Freeze Grant	(50)	(50)
Transparency Grant	(9)	(8)
New Homes Bonus	(2,330)	(1,787)
New Burdens Grant	-	(10)
Community Right to Challenge	-	(9)
Community Right to Bid	-	(8)
<b>Total</b>	<b>(4,200)</b>	<b>(4,436)</b>

# Notes to the Financial Statements (continued)

For the year ended 31 March 2016

## 9. Property, Plant and Equipment

Year ended 31 <sup>st</sup> March 2016	Council Dwellings	Land & Buildings	Vehicles, Plant & Equipment	Community Assets	Assets Under Construction	Surplus Assets	Total
<i>£000's</i>							
<b>Cost or valuation</b>							
At 1 April 2015 (restated)	89,591	14,922	3,071	1,513	-	-	<b>109,095</b>
Additions	4,175	1,165	63	-	4,112	-	<b>9,515</b>
Disposals	(550)	(9)	(408)	-	-	-	<b>(967)</b>
Transfers	-	(617)	-	-	-	617	-
Revaluations recognised in the revaluation reserve	(2,553)	(899)	-	30	-	138	<b>(3,284)</b>
<b>At 31 March 2016</b>	<b>90,663</b>	<b>14,562</b>	<b>2,726</b>	<b>1,543</b>	<b>4,112</b>	<b>755</b>	<b>114,359</b>
<b>Depreciation &amp; Impairment</b>							
At 1 April 2015	-	-	(1,529)	-	-	-	<b>(1,529)</b>
Charge for the Year	(3,106)	(530)	(328)	(13)	-	-	<b>(3,977)</b>
Disposals	-	-	408	-	-	-	<b>408</b>
Impairments recognised in the Provision of Services	66	19	-	2	-	-	<b>87</b>
Depreciation written out to the revaluation reserve	3,040	511	-	11	-	-	<b>3,562</b>
<b>At 31 March 2016</b>	<b>-</b>	<b>-</b>	<b>(1,449)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,449)</b>
<b>Net Book Value</b>							
<b>At 31 March 2016</b>	<b>90,663</b>	<b>14,562</b>	<b>1,277</b>	<b>1,543</b>	<b>4,112</b>	<b>755</b>	<b>112,910</b>
At 1 April 2015	89,591	14,922	1,542	1,513	-	-	107,568

# Notes to the Financial Statements (continued)

For the year ended 31 March 2016

## 9. Property, Plant and Equipment (continued)

Year ended 31 <sup>st</sup> March 2015	Council Dwellings	Land & Buildings	Vehicles, Plant & Equipment	Community Assets	Assets Under Construction	Surplus Assets	Total
<i>£000's</i>							
<b>Cost or valuation</b>							
At 1 April 2014	87,713	13,296	3,042	1,345	-	-	105,396
Additions	5,412	771	59	-	-	-	6,242
Disposals	(645)	(62)	(30)	(27)	-	-	(764)
Transfers	-	23	-	(24)	-	-	(1)
Revaluations	(2,889)	894	-	219	-	-	(1,777)
<b>At 31 March 2015 (restated)</b>	<b>89,591</b>	<b>14,922</b>	<b>3,071</b>	<b>1,513</b>	-	-	<b>109,096</b>
<b>Depreciation &amp; Impairment</b>							
At 1 April 2014	-	(146)	(1,216)	(7)	-	-	(1,369)
Charge for the Year	(2,887)	(641)	(340)	(10)	-	-	(3,876)
Disposals	-	8	26	-	-	-	34
Impairments	(740)	269	-	(7)	-	-	(479)
Revaluations	3,627	510	-	24	-	-	4,161
<b>At 31 March 2015</b>	-	-	<b>(1,530)</b>	-	-	-	<b>(1,530)</b>
<b>Net Book Value</b>							
<b>At 31 March 2015</b>	<b>89,591</b>	<b>14,922</b>	<b>1,542</b>	<b>1,513</b>	-	-	<b>107,568</b>
At 1 April 2014	87,713	13,151	1,827	1,338	-	-	104,029

# Notes to the Financial Statements (continued)

For the year ended 31 March 2016

## 9. 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 Scott Kershaw MRICS, Senior Surveyor, VOA. Valuations of land and buildings were carried out at 31<sup>st</sup> March 2016 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	-	-	2,726	-			<b>2,726</b>
Carried at valuation as at:							
31 March 2016	90,663	14,362	-	1,743	4,112	755	<b>114,361</b>
31 March 2015	89,591	14,352		2,083	-	-	<b>106,026</b>

### 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 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.

# Notes to the Financial Statements (continued)

For the year ended 31 March 2016

## 9. Property, Plant and Equipment (continued)

- Original documents of title and lease 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.
- 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 properties nor their condition, use or intended use was, 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.

### Impairments

Impairments for the year ended 31<sup>st</sup> March 2016 recognised in the Income and Expenditure Statement were £2,269k, with £2,356k of impairments being reversed relating to previous years.

## 10. Investment Properties

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

£000's	2015/16	2014/15
Balance at the beginning of the year	4,535	4,285
Transfers to Property, Plant and Equipment	-	-
Surplus/(Deficit) on revaluation	526	250
<b>Balance at the end of the year</b>	<b>5,061</b>	<b>4,535</b>

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 7).

# Notes to the Financial Statements (continued)

For the year ended 31 March 2016

## 11. Financial Instruments

With the exception of borrowings the Council has determined fair value to be carrying value as there is no material difference between these two values.

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

£000'S	Non-Current		Current	
	2015/16	2014/15	2015/16	2014/15 restated
<b>Investments</b>				
Loans and receivables	40	40	-	
<b>Total Investments</b>	40	40	-	-
<b>Debtors</b>				
Loans and receivables	34	34	-	
Financial assets carried at contract amounts	-	-	1,211	1,919
Debtors that are not financial instruments	-	-	832	614
<b>Total Debtors</b>	34	34	2,044	2,533
<b>Cash and cash equivalents</b>				
Loans and receivables	-	-	11,313	14,285
<b>Total cash liability</b>	-	-	11,313	14,285
<b>Borrowings</b>				
Financial liabilities at amortised costs	(57,423)	(57,423)	(28)	(28)
<b>Total Borrowings</b>	(57,423)	(57,423)	(28)	(28)
Other Long Term Liabilities	(45)	(77)	-	
<b>Total Other long term liabilities</b>	(45)	(77)	-	-
<b>Creditors</b>				
Financial liabilities carried at contract amounts	-	-	(925)	(686)
Creditors that are not financial instruments	-	-	(3,301)	(4,849)
<b>Total Creditors</b>	-	-	(4,226)	(5,536)

The investments of £40k included in the above table, relate to money held in trust for a local community group.

Debtors (Loans and receivables) relate to charges placed on properties following work undertaken by the Council under statutory powers.

As at 31<sup>st</sup> March 2016, the debt outstanding comprised the following loans.

- A portfolio of loans from the Public Works Loan Board with a book value of £57,423k (2015: £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 0.67% (2015: 0.75%) with a maturity of 2022.
- Loans of £28k 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. Interest is calculated at the Bank of England Base Rate, less 1%. In 2015/16 no interest was calculated due to the Bank of England Base Rate being less than 1%.

# Notes to the Financial Statements (continued)

For the year ended 31 March 2016

## 11. Financial Instruments (continued)

### Interest Income, Expenses, Gains and Losses

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:

£000'S	2015/16			2014/15		
	Financial Liabilities measured at amortised	Financial Assets: Loans and Receivables	Total	Financial Liabilities measured at amortised	Financial Assets: Loans and Receivables	Total
Interest Expense	(1,586)	-	(1,586)	(1,830)	-	(1,830)
<b>Total Expense</b>	<b>(1,586)</b>	<b>-</b>	<b>(1,586)</b>	<b>(1,830)</b>	<b>-</b>	<b>(1,830)</b>
Interest Income	-	64	64	-	54	54
<b>Total Income</b>	<b>-</b>	<b>64</b>	<b>64</b>	<b>-</b>	<b>54</b>	<b>54</b>
<b>Net gains/ loss)</b>	<b>(1,586)</b>	<b>64</b>	<b>(1,523)</b>	<b>(1,830)</b>	<b>54</b>	<b>(1,776)</b>

### 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 Loans 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

The fair value adjustment relates to the Public Works Loan Board Portfolio. The fair values were obtained from the Treasury Management advisor Arlingclose, which values all loans for the purpose of year-end financial statements. The fair value is in 2016, approximately £3.5m 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 1.55%, compared to the average actual interest paid of 2.79%.

With the exception of borrowings, the Council has determined fair value to be carrying value as there is no material difference between these two values. The fair value on borrowings is calculated as follows:

£000'S	Carrying amount	Fair Value	Carrying amount	Fair Value
	2015/16	2015/16	2014/15	2014/15
Financial Liabilities				
Long Term	(57,423)	(60,950)	(57,423)	(66,259)
Short Term	(28)	(28)	(28)	(28)
	<b>(57,451)</b>	<b>(60,977)</b>	<b>(57,451)</b>	<b>(66,287)</b>

# Notes to the Financial Statements (continued)

For the year ended 31 March 2016

## 11. Financial Instruments (continued)

### 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
- Interest Rate risk – the possibility of exposure to adverse interest rate movements on borrowings and investments
- Market Risk - the possibility that financial loss might arise for the Council as a result of changes in financial market conditions.

#### 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:

- 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.

# Notes to the Financial Statements (continued)

For the year ended 31 March 2016

## 11. Financial Instruments (continued)

### 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<sup>st</sup> March 2016:

Counterparty	Credit rating criteria met when Investment placed	Balance invested at 31 <sup>st</sup> March 2016
£000'S		
Banks	Yes	124
Other local authorities	Yes	11,000
		<b>11,124</b>

### 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 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	Balance at 31 <sup>st</sup> March 2016	Balance at 31 <sup>st</sup> March 2015
£000'S		
Less than one year	28	28
Between one and two years	-	-
Between two and five years	-	-
Between five and ten years	20,000	20,000
More than ten years	37,423	37,423
	<b>57,451</b>	<b>57,451</b>

# Notes to the Financial Statements (continued)

For the year ended 31 March 2016

## 11. Financial Instruments (continued)

### Interest Rate Risk

Interest movements on borrowing and investments are common factor across institutions in the financial market and can have an impact on the Council. For instance, a rise in variable and fixed interest rates would have the following effects:

- Borrowings at variable rates, the interest expense charged to the Income and Expenditure Account will rise.
- Borrowings 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.

Although the majority of the Council's investment rates are fixed, market and forecast interest rates will continue to be monitored.

### 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 to 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 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.

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. From this Strategy a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure.

Under the direction of the Council's Chief Finance Officer, the Financial Services Unit monitors market and forecast interest rates within the year to adjust exposures appropriately.

## 12. Debtors

Current	2015/16	2014/15
£000's		
Central Government Bodies	538	252
Other Local Authorities	568	472
Other entities and individuals	2,575	3,371
	3,682	4,096
Less: Bad Debt Impairment Provisions	(1,638)	(1,562)
<b>Total</b>	<b>2,044</b>	<b>2,533</b>

# Notes to the Financial Statements (continued)

For the year ended 31 March 2016

## 12. Debtors (continued)

### Credit arrangements provided to Debtors

The Council does not generally allow credit for its Trade Debtors, such that £233k (2015: £297k) is past its due date for payment but not provided. The past due amount can be analysed by age as follows:

Past Due £000's	2015/16	2014/15
Less than 3 Months	98	94
3 - 6 Months	10	104
6 Months - 1 Year	56	43
More than 1 Year	69	56
<b>Total</b>	<b>233</b>	<b>297</b>

## 13. Assets Held for Sale

£000's	2015/16	2014/15
Balance at beginning of the year	1,835	2,640
Disposals	(276)	(1,445)
Revaluations	(436)	639
Transfers	-	1
<b>Balance at end of the year</b>	<b>1,123</b>	<b>1,835</b>

As detailed in Note 3, assets held for sale include land at William Nadin Way, Swadlincote, together with land at Chestnut Avenue, Midway.

The Council has classed these assets as "held for sale" in accordance with IFRS 5. This is because in both cases, there is a contractual commitment in place and the land is currently in the process of being sold or transferred having been valued for such purposes. Contracts have been exchanged, are unconditional and binding.

In addition, due to progress being made on both regeneration schemes, it is now unlikely that the plans will be significantly changed or withdrawn.

The land held for sale at William Nadin Way is valued at £1m and the land at Chestnut Avenue at £122K. The overall reduction in value from 2015 is due to the phased sale of land during the year.

## 14. 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 as follows:

£000's	2015/16	2014/15
Cash and Bank Balances	312	2,284
Short Term Deposits (considered to be cash equivalents)	11,000	12,000
Bank Overdraft	-	-
<b>Total</b>	<b>11,313</b>	<b>14,285</b>

The short term deposits (£11m) were all invested with other local authorities as at 31<sup>st</sup> March 2016.

# Notes to the Financial Statements (continued)

For the year ended 31 March 2016

## 15. Creditors

Current	2015/16	2014/15
<i>£000's</i>		
Central Government Departments	(1,334)	(1,469)
Other Authorities	(515)	(708)
All Other Bodies	(2,359)	(3,347)
Accumulated Absences	(18)	(12)
<b>Total</b>	<b>(4,226)</b>	<b>(5,536)</b>

## 16. 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 3 provisions in the accounts for 2015/16 as shown in the following table.

Current	At 1 April 2015	Increase in provision during year	Utilised during the year	Unused amounts released	At 31 March 2016
<i>£000's</i>					
<b>2015/16</b>					
Personal Searches	(156)	-	114	-	(42)
Planning Appeals	(172)	(27)	38	34	(127)
6NNDR Appeals	(272)	(596)	-	-	(868)
Termination Benefits	-	(9)	-	-	(9)
	<b>(600)</b>	<b>(631)</b>	<b>151</b>	<b>34</b>	<b>(1,046)</b>
<b>2014/15</b>					
Personal Searches	(100)	(56)	-	-	(156)
Planning Appeals	(70)	(172)	20	50	(172)
Benefit Claw Back	(90)	-	-	90	-
NNDR Appeals	(251)	(21)	-	-	(272)
Termination Benefits	(104)	-	91	13	-
	<b>(615)</b>	<b>(249)</b>	<b>111</b>	<b>153</b>	<b>(600)</b>

### Personal Searches

The provision relates to a legal case affecting all councils which determined that charges for personal searches should not have been made as they were outside Environmental Information Regulations. Consequently, all personal search fees dating back to 2005 are being refunded. Over the last two years, legal firms have acted on behalf of councils to determine actual liabilities. Payments of £114k have been made during the year and additional charges are expected in 2016/17.

### Planning Appeals

This provision is for costs associated with appeals where planning permission originally rejected by the Council has been overturned by the Planning Inspectorate on appeal.

### National Non-Domestic Rate (NNDR) Appeals

This was increased in 2015/16 to recognise that some larger businesses have lodged appeals with the District Valuer against their rating assessment.

# Notes to the Financial Statements (continued)

For the year ended 31 March 2016

## Termination Benefits

A provision is made where a decision to release an employee under the Council's Voluntary Redundancy Scheme, will incur one-off costs of a redundancy payment in a future accounting period.

## 17. Transfers to/from 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 2015/16.

£000's	Closing balance 2014/15	Transfers in	Transfers out	Closing balance 2015/16
<b>General Fund</b>				
IT Reserve	196	-	(95)	101
Committed Expenditure Reserve	164	-	(113)	51
Dilapidation Deposit (Dellner Woodville Site)	261	-	(158)	103
S106 Receipts	3,492	1,464	(2,087)	2,869
Welfare Reform, Fraud and Compliance	92	67	-	159
Homelessness Prevention	187	-	(37)	150
Schools Sport Partnership Project	183	10	(8)	185
Pensions Reserve	182	-	-	182
Planning Staffing & Support Costs Reserve	167	20	(56)	131
Other Earmarked Reserves	468	62	(71)	459
<b>Total</b>	<b>5,392</b>	<b>1,623</b>	<b>(2,625)</b>	<b>4,390</b>
Fixed Asset Replacement Fund	782	270	(70)	981
	<b>6,174</b>	<b>1,893</b>	<b>(2,695)</b>	<b>5,371</b>

## 18. Usable Reserves

£000's	2015/16	2014/15
General Fund <sup>1</sup>	6,988	6,135
Earmarked Reserves <sup>1,2</sup>	5,371	6,174
HRA <sup>1</sup>	1,426	2,381
Capital Receipts Reserve <sup>2</sup>	3,548	5,179
Capital Grants Unapplied Account <sup>2</sup>	2,393	2,158
Major Repairs Reserve <sup>2</sup>	1,703	1,703
<b>Total</b>	<b>21,430</b>	<b>23,730</b>

### Notes

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

# Notes to the Financial Statements (continued)

For the year ended 31 March 2016

## 18. Usable Reserves (continued)

### 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.

£000's	2015/16	2014/15
IT Reserve	101	196
Welfare Reform, Fraud and Compliance	159	92
Committed Expenditure Reserve	51	164
S106 Capital Receipts	2,869	3,489
Dilapidation Deposit (Dellner Woodville Site)	103	261
Fixed Asset Replacement Fund	981	782
Homelessness Prevention	150	187
Schools Sport Partnership Project	185	183
Pensions Reserve	182	182
Planning Staffing & Support Costs Reserve	131	167
Other Earmarked Reserves	459	471
<b>Total</b>	<b>5,371</b>	<b>6,174</b>

- **IT Reserve:** to upgrade and develop the Council's ICT infrastructure to enable it to keep abreast of modern technology. This is supplemented each year from any budget savings on day to day IT expenditure.
- **Welfare reform:** to work in partnership with neighbouring councils to prevent/detect fraud, to implement changes in housing benefit reform and to strengthen compliance in order that the Council handles and secures data properly.
- **Committed Expenditure Reserve:** to meet various commitments that were allocated in previous year's budgets but not spent.
- **Section 106 Receipts:** contractual sums received from developers as part of the planning process to provide health, community and leisure facilities in new residential areas. In many cases, this money is eventually passed over to other agencies to provide facilities.
- **Dilapidation Deposit:** held pending any commitment to repairs of the Council's main factory site upon termination of the Lease. Some major works have been identified to be completed in 2015/16.
- **Fixed asset Replacement Fund:** to finance the replacement of vehicles, plant and equipment.
- **Homelessness Prevention:** to meet future commitments for prevention of homelessness.
- **Schools Sport Partnership Project:** funding received in advance for youth sports programmes.

# Notes to the Financial Statements (continued)

For the year ended 31 March 2016

## 18. Usable Reserves (continued)

- **Pensions Reserve:** to provide for any further increases in the employer's contribution rate to the Pension Fund.
- **Planning Staffing and Support Costs:** to provide temporary resources over the next 2 to 3 years to deal with an increase in demand for planning applications and related matters.

### 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 capital expenditure. This includes a sum of approximately £700k to finance a programme of building new council homes for social rent. Three projects were commenced during 2015/16.

### Capital Grants Unapplied Account

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

£000's	2015/16	2014/15
Public Open Space (Commutated Sums)	1,270	865
Crime and Disorder Partnership	342	401
Youth Engagement Partnership	555	569
Get Active in the Forest Partnership	43	89
Other Capital Grants Unapplied	183	234
<b>Total</b>	<b>2,393</b>	<b>2,158</b>

### 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.

## 19. Unusable Reserves

£000's	2015/16	2014/15
Capital Adjustment Account <sup>2</sup>	39,271	33,197
Revaluation Reserve <sup>2</sup>	9,341	10,080
Pensions Reserve <sup>1</sup>	(24,002)	(29,837)
Collection Fund Adjustment Account <sup>1</sup>	(114)	318
Accumulating Compensated Absences Adjustment Account <sup>1</sup>	(18)	(11)
<b>Total</b>	<b>24,478</b>	<b>13,747</b>

### Notes

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

# Notes to the Financial Statements (continued)

For the year ended 31 March 2016

## 19. Unusable Reserves (continued)

### 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 1<sup>st</sup> April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 20 "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.

£000's	2015/16
<b>Balance at 1st April 2015</b>	33,197
Charges for depreciation and impairment of non-current assets	(3,889)
Revaluation gains on Property, Plant and Equipment	305
Revenue expenditure funded from capital under statute	2,301
Amounts of non-current assets written off on disposal	(560)
<b>Net written out amount of the cost of non-current assets consumed in the year</b>	<b>31,354</b>
Capital financing applied in the year:	
Use of Capital Receipts to finance new capital expenditure	4,150
Use of Major Repairs Reserves to fund new capital expenditure	4,205
Application of grants to capital financing from the Capital Grants Unapplied Account	164
Minimum Revenue Provision	232
Voluntary Revenue Provision	131
Capital expenditure credited to the General Fund and HRA balance	(1,491)
Movements in the market value of Investment Properties	526
Accumulating Compensated Absences Adjustment Account <sup>1</sup>	-
<b>Total</b>	<b>39,271</b>

### Revaluation Reserve

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

# Notes to the Financial Statements (continued)

For the year ended 31 March 2016

## 19. Unusable Reserves (continued)

The balance is reduced when assets with accumulated gains are:

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

The Reserve contains only revaluation gains accumulated since 1<sup>st</sup> 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.

£000's	2015/16
<b>Balance at 1st April 2015</b>	10,080
Upward revaluation of assets	1,154
Downward revaluation of assets	(1,588)
Amounts of non-current assets written off on disposal	-
<b>Surplus on revaluation of non-current assets not posted to the Provision of Services</b>	<b>9,646</b>
Accumulated gains on assets sold	(305)
<b>Total</b>	<b>9,341</b>

### 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.

### 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.

# Notes to the Financial Statements (continued)

For the year ended 31 March 2016

## 20. Adjustments between Accounting Basis and Funding Basis under Regulations

Year ended 31 <sup>st</sup> March 2016	General Fund	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	Major Repairs Reserve	Total
<i>£000's</i>						
<b>Adjustments primarily involving the Capital Adjustment Account:</b>						
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Charges for depreciation and impairment of non-current assets	722	3,167	-	-	-	<b>3,889</b>
Revaluation deficits / (surpluses) on Property, Plant and Equipment	-	-	-	-	-	-
Movements In the fair value of Investment Properties	(526)	-	-	-	-	<b>(526)</b>
Capital Grants and Contributions Applied	-	-	-	-	-	-
Revenue Expenditure Funded by Capital Under Statute	(1,761)	-	(489)	(20)	(30)	<b>(2,300)</b>
Transfers in Reserves	2,300	-	-	-	-	<b>2,300</b>
(Profit) / loss on disposal of non-current asset disposals	-	560	-	-	-	<b>560</b>
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Minimum Reserve Position for Capital Funding	(232)	-	-	-	-	<b>(232)</b>
Voluntary Revenue Contribution for Capital Funding	(131)	-	-	-	-	<b>(131)</b>
Capital Expenditure charged against the General Fund, Capital Receipts and HRA balances	(843)	-	(37)	-	-	<b>(880)</b>
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal	(370)	(803)	1,173	-	-	-
Contributions to Capital Receipts from HRA	-	(2,287)	2,287	-	-	-
Use of the Capital Receipts Reserve to Finance new Capital Expenditure	(110)	-	(4,002)	-	-	<b>(4,112)</b>
Contributions from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	-	313	(313)	-	-	-
<b>Adjustments primarily involving the Capital Grants Unapplied:</b>						
Use of the Capital Grants Reserve to Finance new Capital Expenditure	-	-	-	(164)	-	<b>(164)</b>
Contributions to Capital Grants from General Fund	(420)	-	-	420	-	-
<b>Adjustment primarily involving the Major Repairs Reserve:</b>						
Revenue contribution to finance major repairs	-	(4,205)	-	-	4,205	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	-	(4,175)	<b>(4,175)</b>
	<b>(1,371)</b>	<b>(3,256)</b>	<b>(1,381)</b>	<b>236</b>	<b>(0)</b>	<b>(5,771)</b>

# Notes to the Financial Statements (continued)

For the year ended 31 March 2016

## 20. Adjustments between Accounting Basis and Funding Basis under Regulations (continued)

Year ended 31 <sup>st</sup> March 2016	General Fund	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	Major Repairs Reserve	Total
<i>£000's</i>						
<b>Adjustments with the Pensions Reserve:</b>						
Reversal of items relating to retirement benefit debited or credited to the Comprehensive Income and Expenditure Statement (see Note 32)	2,165	630	-	-	-	<b>2,795</b>
Employer's pensions contributions and direct payments to pensioners payable in the year	(1,187)	(345)	-	-	-	<b>(1,532)</b>
	978	285	-	-	-	<b>1,263</b>
<b>Adjustments with the Collection Fund Adjustment Account:</b>						
Amount by which Council Tax income & NNDR credited to the Comprehensive Income and Expenditure Statement is different from income calculated for the year	432	-	-	-	-	<b>432</b>
<b>Adjustments with the Accumulating Compensated Absences Adjustment Account:</b>						
Adjustments in relation to Short Term compensated absences	6	1				<b>7</b>
<b>Total Adjustments</b>	<b>46</b>	<b>(2,970)</b>	<b>(1,381)</b>	<b>236</b>	<b>(0)</b>	<b>(4,069)</b>

# Notes to the Financial Statements (continued)

For the year ended 31 March 2016

## 20. Adjustments between Accounting Basis and Funding Basis under Regulations (continued)

Year ended 31 <sup>st</sup> March 2015	General Fund	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	Major Repairs Reserve	Total
<i>£000's</i>						
<b>Adjustments primarily involving the Capital Adjustment Account:</b>						
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Charges for depreciation and impairment of non-current assets	683	3,673	-	-	-	<b>4,356</b>
Revaluation deficits / (surpluses) on Property, Plant and Equipment	-	-	-	-	-	-
Movements In the fair value of Investment Properties	(232)	(19)	-	-	-	<b>(251)</b>
Capital Grants and Contributions Applied	-	-	-	(66)	-	<b>(66)</b>
Revenue Expenditure Funded by Capital Under Statute	(1,247)	(32)	-	-	-	<b>(1,279)</b>
Transfers in Reserves	1,247	32	-	-	-	<b>1,279</b>
(Profit) / loss on disposal of non-current asset disposals	85	613	-	-	-	<b>698</b>
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Minimum Reserve Position for Capital Funding	(242)	-	-	-	-	<b>(242)</b>
Voluntary Revenue Contribution for Capital Funding	(111)	-	-	-	-	<b>(111)</b>
Capital Expenditure charged against the General Fund, Capital Receipts and HRA balances	(368)	-	(264)	-	-	<b>(632)</b>
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal	(1,899)	(928)	2,827	-	-	-
Use of the Capital Receipts Reserve to Finance new Capital Expenditure	901	(287)	(615)	-	-	<b>(0)</b>
Contributions from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	-	269	(269)	-	-	-
<b>Adjustments primarily involving the Capital Grants Unapplied:</b>						
Use of the Capital Grants Reserve to Finance new Capital Expenditure	39	-	-	(39)	-	-
Contributions to Capital Grants from General Fund	(562)	-	-	561	-	<b>(0)</b>
<b>Adjustment primarily involving the Major Repairs Reserve:</b>						
Revenue contribution to finance major repairs	(100)	(5,500)	-	-	5,600	<b>0</b>
Use of the Major Repairs Reserve to finance new capital expenditure	1	-	-	-	(5,546)	<b>(5,545)</b>
	<b>(1,804)</b>	<b>(2,179)</b>	<b>1,679</b>	<b>456</b>	<b>54</b>	<b>(1,794)</b>

# Notes to the Financial Statements (continued)

For the year ended 31 March 2016

## 20. Adjustments between Accounting Basis and Funding Basis under Regulations (continued)

Year ended 31 <sup>st</sup> March 2015	General Fund	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	Major Repairs Reserve	Total
<i>£000's</i>						
<b>Adjustments with the Pensions Reserve:</b>						
Reversal of items relating to retirement benefit debited or credited to the Comprehensive Income and Expenditure Statement (see Note 32)	1,953	490	-	-	-	<b>2,443</b>
Employer's pensions contributions and direct payments to pensioners payable in the year	(1,203)	(302)	-	-	-	<b>(1,505)</b>
	750	188	-	-	-	<b>938</b>
<b>Adjustments with the Collection Fund Adjustment Account:</b>						
Amount by which Council Tax income & NNDR credited to the Comprehensive Income and Expenditure Statement is different from income calculated for the year	(630)	-	-	-	-	<b>(630)</b>
<b>Adjustments with the Accumulating Compensated Absences Adjustment Account:</b>						
Adjustments in relation to Short Term compensated absences	1	(3)				<b>(2)</b>
<b>Total Adjustments</b>	<b>(1,683)</b>	<b>(1,994)</b>	<b>1,679</b>	<b>456</b>	<b>54</b>	<b>(1,488)</b>

# Notes to the Financial Statements (continued)

For the year ended 31 March 2016

## 21. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Account is that specified by the Service Reporting Code of Practice 2015/16. However, decisions about resource allocation are taken by the Council on the basis of budget responsibilities analysed across Committee portfolios, to match the Council's decision making structure. To some extent, budget reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- No charges are made in relation to capital expenditure (whereas depreciation, impairment losses and amortisations are charged to services in the Comprehensive Income and Expenditure Account). In addition, actual capital expenditure is reported separately.
- The cost of retirement benefits is based on cash flows (payment of employers' pension contributions) rather than current service cost of benefits accrued in the year.
- Overall Government and Council Tax financing, together with some Treasury Management transactions (borrowing) are also reported separately as these transactions do not fall under the remit of any particular service budget holder, being more corporate related items.

The income and expenditure of the Council's principal portfolios recorded in the budget reports for the year is as follows:

<i>£000's</i>	Environmental & Development Services	Finance & Management	Housing & Community Services	Total
<b>2015/16</b>				
<b>Income</b>				
Fees, charges and other service income	3,329	255	14,534	<b>18,118</b>
Government grants	-	18,421	-	<b>18,421</b>
	<b>3,329</b>	<b>18,676</b>	<b>14,534</b>	<b>36,539</b>
<b>Expenditure</b>				
Employee expenses	3,386	1,641	3,839	<b>8,866</b>
Other service expenses	5,009	19,106	10,458	<b>34,573</b>
	<b>8,395</b>	<b>20,747</b>	<b>14,297</b>	<b>43,439</b>
<b>Net Expenditure/(Income)</b>	<b>5,066</b>	<b>2,071</b>	<b>(237)</b>	<b>6,900</b>

<i>£000's</i>	Environmental & Development Services	Finance & Management	Housing & Community Services	Total
<b>2014/15</b>				
<b>Income</b>				
Fees, charges and other service income	3,400	3,841	14,367	<b>21,608</b>
Government grants	-	18,181	-	<b>18,181</b>
	<b>3,400</b>	<b>22,023</b>	<b>14,367</b>	<b>39,790</b>
<b>Expenditure</b>				
Employee expenses	3,383	1,739	3,428	<b>8,549</b>
Other service expenses	4,789	19,765	10,978	<b>35,533</b>
	<b>8,172</b>	<b>21,504</b>	<b>14,406</b>	<b>44,082</b>
<b>Net Expenditure/(Income)</b>	<b>4,772</b>	<b>(519)</b>	<b>39</b>	<b>4,292</b>

The reduction of income from 2014/15 to 2015/16 was due to fewer Section 106 agreements completed

# Notes to the Financial Statements (continued)

For the year ended 31 March 2016

## 21. Amounts Reported for Resource Allocation Decisions (continued)

This reconciliation shows how the figures in the analysis of Committee income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

£000's	2015/16	2014/15
Net Expenditure in the Directorate Analysis	6,900	4,292
<b>Add:</b> Amounts included in the Comprehensive Income and Expenditure Statement not reported to management in the Directorate Analysis <sup>1</sup>	1,762	92
<b>Deduct:</b> Amounts included in the Directorate Analysis not reported in the Comprehensive Income and Expenditure Statement <sup>2</sup>	(346)	(212)
Cost of Services in the Comprehensive Income and Expenditure Statement	<b>8,316</b>	<b>4,172</b>

1. *These amounts mainly relate to capital and pension adjustments which are reversed out under the "Adjustments between accounting basis and funding basis" under regulations.*
2. *These amounts mainly relate to Financing and Investment Income included in the Comprehensive Income and Expenditure Statement after the Cost of Services Line.*

# Notes to the Financial Statements (continued)

For the year ended 31 March 2016

## 21. Amounts Reported for Resource Allocation Decisions (continued)

	Directorate Analysis	Services and Support Services not in Analysis	Amounts not reported to management for decision making	Amounts not included in Income and Expenditure Account	Allocation of Recharges	Cost of Services	Corporate Amounts	Total
<i>£000's</i>								
2015/16								
<b>Income</b>								
Fees, charges and other service income	(36,539)	-	-	(218)	-	-	(775)	(37,531)
Interest and investment income	-	(64)	-	-	-	-	-	(64)
Income from Council Tax	-	-	-	-	-	-	(5,290)	(5,290)
Income from NNDR	-	-	-	-	-	-	(2,745)	(2,745)
Government grants and contributions	-	-	-	-	-	-	(4,200)	(4,200)
Profit on disposal of fixed assets	-	-	-	-	-	-	(578)	(578)
	<b>(36,539)</b>	<b>(64)</b>	-	<b>(218)</b>	-	-	<b>(13,588)</b>	<b>(50,408)</b>
<b>Expenditure</b>								
Employee expenses	8,866	-	-	610	-	-	-	9,476
Other service expenses	34,573	254	-	393	-	-	376	35,596
Interest and investment Expenditure	-	2,544	-	-	-	-	-	2,544
Precepts and levies	-	712	-	-	-	-	-	712
Payments to Housing Capital Receipts Pool	-	313	-	-	-	-	-	313
	<b>43,439</b>	<b>3,823</b>	-	<b>1,003</b>	-	-	<b>376</b>	<b>48,641</b>
<b>Deficit / (Surplus) on the provision of services</b>	<b>6,900</b>	<b>3,759</b>	-	<b>786</b>	-	-	<b>(13,212)</b>	<b>(1,767)</b>

# Notes to the Financial Statements (continued)

For the year ended 31 March 2016

## 21. Amounts Reported for Resource Allocation Decisions (continued)

	Directorate Analysis	Services and Support Services not in Analysis	Amounts not reported to management for decision making	Amounts not included in Income and Expenditure Account	Allocation of Recharges	Cost of Services	Corporate Amounts	Total
<i>£000's</i>								
2014/15								
<b>Income</b>								
Fees, charges and other service income	(39,790)	-	-	-	-	-	(596)	<b>(40,386)</b>
Interest and investment income	-	(54)	-	-	-	-	-	<b>(54)</b>
Income from Council Tax	-	-	-	-	-	-	(5,132)	<b>(5,132)</b>
Income from NNDR	-	-	-	-	-	-	(2,848)	<b>(2,848)</b>
Government grants and contributions	-	-	-	-	-	-	(4,436)	<b>(4,436)</b>
Profit on disposal of fixed assets	-	-	-	-	-	-	(1,693)	<b>(1,693)</b>
	<b>(39,790)</b>	<b>(54)</b>	-	-	-	-	<b>(14,705)</b>	<b>(54,549)</b>
<b>Expenditure</b>								
Employee expenses	8,550	-	-	-	-	-	-	<b>8,550</b>
Other service expenses	35,533	-	-	-	-	-	61	<b>35,594</b>
Efficiency Dividend	-	-	-	-	-	-	270	<b>270</b>
Interest and investment Expenditure	-	2,801	-	-	-	-	-	<b>2,801</b>
Precepts and levies	-	650	-	-	-	-	-	<b>650</b>
Payments to Housing Capital Receipts Pool	-	269	-	-	-	-	-	<b>269</b>
	<b>44,082</b>	<b>3,721</b>	-	-	-	-	<b>331</b>	<b>48,134</b>
<b>Deficit / (Surplus) on the provision of services</b>	<b>4,292</b>	<b>3,667</b>	-	-	-	-	<b>(14,374)</b>	<b>(6,414)</b>

## Notes to the Financial Statements (continued)

For the year ended 31 March 2016

### 22. Agency Services

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

£000's	2015/16	2014/15
Income	275	275
Expenditure	(53)	(109)
<b>Net surplus arising on the agency agreement</b>	<b>222</b>	<b>166</b>

### 23. Members' Allowances

During the year Members allowances totalled £351k (2014/15: £344k) as shown in the following table.

£000's	2015/16	2014/15
Basic Allowance	221	218
Telephone Allowance	8	11
Travel and Subsistence	10	8
Special Responsibility Allowances	112	107
	<b>351</b>	<b>344</b>

### 24. Officers' Remuneration

#### Senior Management Salaries

The cost to the Council of its Corporate Management Team is shown in the following table.

£'s		Salary, Fees And Allowances	Expenses Allowances (including redundancy)	Pension Contributions	Total
Chief Executive	2015/16	121,000	1,494	15,488	137,982
	2014/15	121,000	1,492	15,488	137,980
Director of Finance & Corporate Services	2015/16	80,580	1,494	10,314	92,388
	2014/15	76,883	1,492	9,841	88,215
Director of Housing & Environmental	2015/16	77,077	1,494	9,866	88,437
	2014/15	61,329	1,233	7,850	70,411
Director of Community & Planning	2015/16	78,030	1,494	9,988	89,512
	2014/15	74,370	1,492	9,519	85,381

There were no redundancies from the Corporate Management Team during the year

In addition, the Council has one other officer whose remuneration exceeds more than £50,000 per year in total as shown below.

	2015/16 Number	2014/15 Number
£50,001 to £60,000	1	1
	<b>1</b>	<b>1</b>

# Notes to the Financial Statements (continued)

For the year ended 31 March 2016

## 24. Officer's Remuneration (continued)

### Exit Packages

£'s	2015/16 Number	2014/15 Number	2015/16 Value (£)	2014/15 Value (£)
£0 to £20,000	1	-	8,643	-
£20,001 to £40,000	-	1	-	31,085
	<b>1</b>	<b>1</b>	<b>8,643</b>	<b>31,085</b>

The total cost of these packages, which relate to early termination payments made as part of voluntary redundancy arrangements under the Council's Policy, was charged in the Comprehensive Income and Expenditure Statement. There were no other agreed departures during the financial year.

## 25. External Audit Fees

The Council has incurred the following costs relating to the annual audit of the Statement of Accounts, certification of grant claims and other services provided by the Council's external auditors.

£000's	2015/16	2014/15
External Audit Fees	49	66
Grant Claim Certification Fees	16	24
Benchmarking existing service contracts	-	10
Audit Commission Rebate	-	(7)
<b>Total</b>	<b>65</b>	<b>93</b>

## 26. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2015/16:

£'000	2015/16	2014/15
<b>Credited to Taxation and Non Specific Grant Income (Note 8)</b>		
General Government Grants	4,200	4,436
Business Rate Reliefs (Section 31 Grants)	402	553
	<b>4,602</b>	<b>4,989</b>
<b>Credited to Net Cost of Service</b>		
Department of Works and Pensions (Benefit Subsidy and Welfare Reform)	17,941	18,181
Supported Housing	246	272
Contributions from Developers (section 106 Planning Agreements)	1,866	3,103
Other Grants and Contributions to Service Expenditure	828	847
	<b>20,881</b>	<b>22,403</b>

The Council has received a number of 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<sup>st</sup> March 2016 are as follows:

£'000	2015/16	2014/15
Capital Grants Received in Advance	174	211

# Notes to the Financial Statements (continued)

For the year ended 31 March 2016

## **27. 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.

### **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 the subjective analysis in Note 21 - Amounts Reported for Resources Allocation Decisions. Debtor and Creditor values are analysed in Notes 12 and 15 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 2015/16, the Council had no dealings with any companies or organisations declared by elected members.

## Notes to the Financial Statements (continued)

For the year ended 31 March 2016

### 28. 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 the CFR.

The position for 2015/16 is shown in the following table.

£000's	2015/16	2014/15
Capital Financing Requirement at 1 April	68,116	69,477
<b>Add: Capital Expenditure</b>		
Property, Plant and Equipment	9,515	6,243
Investment Properties	0	0
Revenue Expenditure Funded from Capital under Statute	2,300	1,279
<b>Total Expenditure</b>	<b>11,814</b>	<b>7,522</b>
<b>Less: Source of Finance</b>		
Capital Receipts	(32)	(447)
Government Grants and External Financing	(1,114)	(866)
Other External Contributions	(1,135)	(320)
General Fund Revenue Contributions	(1,064)	(185)
Housing Revenue Account Contributions	(8,207)	(5,509)
Planning Agreements - S106 Developer Contributions	(76)	(196)
<b>Total Financing</b>	<b>(11,628)</b>	<b>(7,522)</b>
Minimum Revenue Provision	(232)	(242)
Voluntary Revenue Contribution	(131)	(111)
Actual Loan Principal Repaid	0	(1,007)
<b>Total Repayments and Revenue Provisions</b>	<b>(364)</b>	<b>(1,360)</b>
<b>Capital Financing Requirement at 31<sup>st</sup> March</b>	<b>67,938</b>	<b>68,116</b>
<b>Actual Borrowings Outstanding - Gross (Note 18)</b>	<b>57,451</b>	<b>57,451</b>
<b>Investments - Short-term Investments Outstanding</b>	<b>(11,000)</b>	<b>(12,000)</b>
<b>Net Borrowings Outstanding (Gross less Investments)</b>	<b>46,451</b>	<b>45,451</b>

### 29. 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 brought 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.

# Notes to the Financial Statements (continued)

For the year ended 31 March 2016

## 29. Defined Benefit Pension Schemes (continued)

The Fund complies with Local Government Pension Scheme (Administration) Regulations 2008 and the draft statutory guidance issued on 21<sup>st</sup> July 2008 and incorporates changes approved by the Pensions Committee on 26<sup>th</sup> 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 these 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 note to these Accounts, i.e. **Note 1**.

### Discretionary Post Retirement Benefits

These are unfunded defined benefit arrangements for which liabilities are recognised when awards are made. There is no investment assets built up to meet these pension liabilities and cash has to 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.

# Notes to the Financial Statements (continued)

For the year ended 31 March 2016

## 29. Defined Benefit Pension Schemes (continued)

£000's	2015/16	2014/15
<b>Included in Net Cost of Services:</b>		
Current Service Cost	1,837	1,472
Past Service Cost/(Gain) including curtailments	-	-
Pension Strain	-	-
	1,837	1,472
<b>Included in Financing and Investment Income and Expenditure</b>		
Interest income on plan assets	(1,770)	(2,154)
Interest cost on defined benefit obligations	2,728	3,125
	958	971
<b>Net charge/(credit) to the Comprehensive Income and Expenditure Account</b>	<b>2,795</b>	<b>2,443</b>
<b>Other Comprehensive Income and Expenditure</b>		
Changes in demographic assumptions	-	-
Changes in financial assumptions	(7,572)	10,735
Other Experience	(1,246)	(664)
Return on assets excluding amounts included in net interest	1,720	(3,830)
<b>Total</b>	<b>(7,098)</b>	<b>6,241</b>
<b>Adjustments Between Accounting Basis and Funding Basis under Regulations</b>		
Reversal of items relating to retirement benefits debited or credited on the Provision of Services in the CIES	(2,795)	(2,443)
<b>Actual Amount Charged Against the General Fund Balance for Pensions in the Year</b>		
Employers' Contributions Payable to the Scheme	1,532	1,505
<b>Net (credit)/charge to the General Fund</b>	<b>(1,263)</b>	<b>(938)</b>

The Current Service Cost figures include an allowance for administration expenses of 0.20%, unchanged from 2014/15.

# Notes to the Financial Statements (continued)

For the year ended 31 March 2016

## 29. Defined Benefit Pension Schemes (continued)

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<sup>st</sup> March.

Reconciliation of the Present Value of the Scheme Liabilities £000's	2015/16	2014/15
Balance at 1 April	(85,473)	(73,195)
Current Service Cost	(1,837)	(1,472)
Interest Cost on Defined Benefit Obligation	(2,728)	(3,125)
Contributions by Members	(385)	(376)
Changes in Demographic Assumptions	-	-
Changes in Financial Assumptions	7,572	(10,735)
Past Service (Costs) including curtailments	-	-
Other Experience	1,246	717
Estimated Benefits Paid	2,530	2,558
Unfunded Benefits	154	155
<b>Balance at 31 March</b>	<b>(78,921)</b>	<b>(85,473)</b>

Reconciliation of the Present Value of the Scheme Assets £000's	2015/16	2014/15
Balance as at 1 April	55,689	50,537
Interest Income on Plan Assets	1,770	2,154
Contributions by Members	385	376
Contributions by Employer	1,378	1,350
Contributions in respect of unfunded benefits	154	155
Return on Assets excluding amounts included in net interest	(1,720)	3,830
Estimated Benefits Paid	(2,530)	(2,558)
Unfunded Benefits Paid	(154)	(155)
<b>Balance at 31 March</b>	<b>54,972</b>	<b>55,689</b>

*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	2016	2015	2014	2013	2012
Fair Value of Assets in Pension Scheme	54,972	55,689	50,537	47,850	43,021
Present Value of Defined Benefit Obligation	(78,921)	(85,473)	(73,195)	(75,061)	(65,033)
<b>(Deficit) in the Scheme</b>	<b>(23,950)</b>	<b>(29,784)</b>	<b>(22,658)</b>	<b>(27,211)</b>	<b>(22,012)</b>

# Notes to the Financial Statements (continued)

For the year ended 31 March 2016

## 29. Defined Benefit Pension Schemes (continued)

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 £78.9m (2015: £85.5m) has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in a net liability of £24.0m (2015: £29.8m).

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 decrease in the deficit in 2015/16 is approximately £6m. Although the return on investments in the Fund was lower than expected, this was more than offset by more optimistic assumptions being made by the Fund's Actuary. In particular, the net discount rate which is used to measure future returns and liabilities was increased and this is favourable compared to the continuing level of low inflation.

### Major categories of plan assets

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

£000's	2016 Quoted Prices in Active Markets	2016 Quoted Prices not in Active Markets	2016 Total	2016 Percentage of Total Assets	2015 Quoted Prices in Active Markets	2015 Quoted Prices not in Active Markets	2015 Total	2015 Percentage of Total Assets
<b>Equity Securities:</b>								
Consumer	4,520	0	4,520	8%	4,410	0	4,410	8%
Manufacturing	5,128	0	5,128	9%	5,581	0	5,581	10%
Energy & Utilities	3,133	0	3,133	6%	4,066	0	4,066	7%
Financial Institutions	4,310	0	4,310	8%	4,327	0	4,327	8%
Health & Care	2,385	0	2,385	4%	2,491	0	2,491	4%
Information Technology	1,535	0	1,535	3%	1,120	0	1,120	2%
Other	5,624	0	5,624	10%	5,571	0	5,571	10%
<b>Government Bonds:</b>								
Corporate Bonds (investment grade)	0	3,044	3,044	6%	0	2,690	2,690	5%
UK Government	6,158	0	6,158	11%	6,794	0	6,794	12%
Other	1,097	0	1,097	2%	1,474	0	1,474	3%
<b>Private Equity:</b>								
All	746	225	971	2%	272	142	414	1%
<b>Real Estate</b>								
UK property	0	3,277	3,277	6%	0	2,701	2,701	5%
<b>Investment Funds &amp; Unit Trusts</b>								
Equities	10,444	149	10,592	19%	9,733	337	10,071	18%
Bonds	0	0	0	0%	0	0	0	0%
Infrastructure	627	317	944	2%	155	291	445	1%
<b>Cash &amp; Cash Equivalents</b>								
All	0	2,254	2,254	4%	0	3,534	3,534	6%
	45,706	9,266	54,972	100%	45,995	9,694	55,689	100%

# Notes to the Financial Statements (continued)

For the year ended 31 March 2016

## 29. Defined Benefit Pension Schemes (continued)

### 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<sup>st</sup> March 2013. The assumptions are shown in the following table.

	2015/16	2014/15
<b>Mortality Assumptions (years):</b>		
Men	22.0	22.0
Women	24.2	24.2
<b>Longevity at 65 for Future Pensioners:</b>		
Men	24.1	24.1
Women	26.6	26.6
<b>Principal Assumptions in the Valuation of the Liability</b>		
Inflation / Rate of Increase in Pensions	2.20%	2.40%
Rate of Increase in Salaries	3.20%	3.30%
Discount Rate	3.50%	3.20%
<b>Take-up of option to convert annual pension into retirement lump sum:</b>		
Service to April 2009	50%	50%
Service post April 2009	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 2016:	Liability Split	Weighted Average Duration
	%	
Active Members	41.70	23.20
Deferred Members	19.80	23.30
Pensioner Members	38.50	11.70
	<b>100.00</b>	<b>17.70</b>

### 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<sup>st</sup> March 2016 on varying basis.

To quantify the uncertainty around life expectancy a calculation was completed on a 1 year increase in life expectancy for sensitivity purposes giving an approximate 3% 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.

# Notes to the Financial Statements (continued)

For the year ended 31 March 2016

## 29. Defined Benefit Pension Schemes (continued)

Change in assumptions at 31 March 2016:	Approximate % Increase to Employer Liability	Approximate monetary amount £000
0.5% decrease in Real Discount Rate	10.0	7,920
1 year increase in Member Life Expectancy	3.0	2,368
0.5% increase in Salary Increase Rate	2.0	1,864
0.5% increase in Pension Increase Rate	8.0	5,992

### Projected Defined Benefit Cost for the Period 31 March 2017

The Projected Defined Benefit is an analysis of the projected amount to be charged to the operating profit for the period to the 31<sup>st</sup> March 2017 and is shown in the following table.

Period Ended 31 March 2017	Assets	Obligations	Net (Liability)/asset	
	£000	£000	£000	% of pay
Projected Service Cost	0	1,581	(1,581)	(27)
Past Service Cost including curtailments	0	0	0	0
Effects of settlements	0	0	0	0
<b>Total Service Cost</b>	<b>0</b>	<b>1,581</b>	<b>(1,581)</b>	<b>(27)</b>
Interest Income on plan assets	1,912	0	1,912	33
Interest cost on defined benefit obligation	0	2,751	(2,751)	(47)
<b>Total Net Interest Cost</b>	<b>1,912</b>	<b>2,751</b>	<b>(839)</b>	<b>(14)</b>
<b>Total Included in Profit &amp; Loss</b>	<b>1,912</b>	<b>4,332</b>	<b>(2,420)</b>	<b>(42)</b>

## 30. Leases

An operating lease was used to finance one vehicle in 2014-15. The lease is now fully complete with no further cash payments due.

Other land and building leases primarily consist of the lease of an Industrial Estate where the rental payable in 2015/16 was **£50k** (2014/15: £50k) plus some other minor commercial properties. The total future cash payments required under these leases are estimated at £450k (2015: £484k).

The Council was committed at 31<sup>st</sup> March 2016 to making payments of **£450k** (2015: £485k) under operating leases, comprising the following elements:

# Notes to the Financial Statements (continued)

For the year ended 31 March 2016

## 30. Leases (continued)

£000's			2016			2015
	Other Land and Buildings	Vehicles, Plant and Equipment	Total	Other Land and Buildings	Vehicles, Plant and Equipment	Total
Within one year	52	-	52	52	1	53
Between two & five years	204	-	204	201	-	201
After five years	194	-	194	231	-	231
	<b>450</b>	<b>-</b>	<b>450</b>	<b>484</b>	<b>1</b>	<b>485</b>

The Council rents some properties to tenants under lease arrangements. Amounts receivable under these leases in 2015/16 was **£717k** (2014/15: £671k). The asset value of these properties at 31<sup>st</sup> March 2016 was **£5,000k** (2015: £4,474K)

## 31. Prior Year Adjustment

There were no prior year adjustments affecting the Accounts for 2015/16.

## 32. Events after the Balance Sheet Date

These have been no events occurring between the Balance Sheet date of 31<sup>st</sup> March 2016 and the date the accounts are audited, approved and signed off (*i.e. 22<sup>nd</sup> September 2016 – following audit*) that have a bearing on the financial results.

## 33. Contingent Liabilities

### Municipal Mutual Insurance Limited (MMI)

In September 1992, the main insurer for local authorities (MMI) declared that it was no longer able to write new insurance business and would be going into “run off. This was due to MMI suffering substantial losses between 1990 and 1992. These losses reduced MMI's net assets to a level below the minimum regulatory solvency requirement.

Shortly after the run off declaration, MMI negotiated a Scheme of Arrangement with its creditors, who were mainly local authorities. This was subsequently agreed by the High Court and became effective from January 2004. In summary, the scheme allows MMI to claw back claims paid on behalf of scheme creditors from October 1992 if at some point MMI could not foresee a solvent run off for the Company. The Council was a policy holder with MMI in 1992; it subsequently became part of the Scheme and is covered by the arrangement.

Since 1992, MMI have continued to settle outstanding claims on the Council's behalf under the Scheme. The run off was expected to have been completed by 2006. However, some claims have taken longer to settle than envisaged. The main issue that MMI have been facing is that they are still picking up claims that flow from long-term diseases such as asbestos related conditions.

In October 2012, MMI published their latest set of accounts which showed a deteriorating financial performance with a net liability on their balance sheet of £152.8m. Consequently, in November 2012, the Directors of MMI triggered the Scheme of Arrangement. The control of the company then transferred from the Directors to the appointed administrator, Ernst and Young (EY).

# Notes to the Financial Statements (continued)

For the year ended 31 March 2016

## **33. Contingent Liabilities (continued)**

EY conducted a review of MMI's financial position to determine how to meet the financial liability outstanding. Under the Scheme of Arrangement, EY can initiate a Levy, under clawback arrangements, on creditors to make good a financial shortfall. The Levy is subject to a minimum threshold.

As part of EY reviewing the assets and liabilities of MMI, they commissioned an actuarial review of the insurance liabilities as at 31<sup>st</sup> December 2012. This concluded that the projection for future claims is uncertain and they provided MMI with a range of estimates. Using this information and based on assumptions regarding investment returns, EY indicated that a Levy of between 9.5% and 28% is required to achieve a projected solvent run off. In April 2013, EY informed all creditors, including the Council, that they were setting a Levy of 15%, which is based on a mid-point estimate. This has since been increased to 25%.

The Scheme requires EY to review the Levy rate at least once per year and they can adjust the rate up or down depending on liability trends. Due to the latent nature of many claims that MMI is still receiving and that many of the trends in reporting continue to be adverse, the projections are subject to substantial uncertainty.

The levy for each creditor is based on the amount of claims settled by MMI since 1992, subject to a minimum threshold of £50,000. As at 31<sup>st</sup> March 2015, MMI had settled claims on behalf of the Council since 1992 to the value of £131,645. At this stage, there is one known claim outstanding with an estimated liability of £8,000. The Council paid a levy of £12,247 in 2013/14 and will make a further payment in 2016/17 in recognition of the outstanding claim.

Although to-date, this matter has not materially affected the Council's financial position, the payment of future levies is possible and could be greater. As EY have highlighted, there is much uncertainty around any future payment and further claims, as yet unknown, may arise in the future.

# Housing Revenue Account

For the year ended 31 March 2016

## Income and Expenditure Statement

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	2015/16	2014/15
General	1,616	1,417
Special	812	785
Rents, rates & taxes	9	26
Depreciation & Impairment of NCA's	3,160	3,648
Provision for Bad Debts	105	10
<b>Supervision &amp; Management</b>	<b>5,702</b>	<b>5,885</b>
Repairs & Maintenance	3,372	3,305
<b>Total Expenditure before Exceptional Items</b>	<b>9,074</b>	<b>9,190</b>
Cost of HRA Self Financing (Exceptional Item)	-	-
<b>Total Expenditure</b>	<b>9,074</b>	<b>9,190</b>
Dwelling Rents	(12,499)	(12,264)
Non-Dwelling Rents	(113)	(110)
Charges for Services & Facilities	(171)	(183)
Contributions towards Expenditure	(54)	(42)
Supporting People	(246)	(289)
<b>Total Income</b>	<b>(13,083)</b>	<b>(12,887)</b>
<b>Net Cost of HRA Services as included in the Comprehensive I&amp;E</b>	<b>(4,009)</b>	<b>(3,697)</b>
HRA share of Corporate & Democratic Core	144	144
HRA share of other amounts included in Cost of Services	-	-
<b>Net Cost of HRA Services</b>	<b>(3,866)</b>	<b>(3,553)</b>
Losses/(Gains) on sale of HRA non-current assets	69	(27)
Interest payable and similar charges	1,584	1,820
HRA investment income	(18)	-
Pensions interest cost & expected return on pension assets	216	195
<b>Surplus for Year on HRA Services</b>	<b>(2,014)</b>	<b>(1,565)</b>

# Housing Revenue Account

For the year ended 31 March 2016

## 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.

	2015/16	2014/15 (restated)
Balance at the beginning of the year	2,382	2,810
Surplus/(Deficit) for the year on the HRA Income and Expenditure Statement	2,014	1,565
Adjustments between accounting and funding basis under regulations	(2,969)	(1,994)
Net decrease before transfers to Earmarked Reserves	(955)	(428)
Transfer to Earmarked Reserves	-	-
Decrease for the year on the HRA	(955)	(428)
<b>Balance at the end of the year</b>	<b>1,426</b>	<b>2,382</b>

## Note to the Statement of Movement on the Housing Revenue Account

	2015/16	2014/15 (restated)
<b>Items included in the HRA Income and Expenditure Account but excluded from the movement on HRA Balance for the year</b>		
Revaluation and impairment of non-current assets <sup>1</sup>	3,167	3,654
Retirement benefits charged/(credited) <sup>2</sup>	630	490
Adjustments in relation to Short Term compensated absences	1	(3)
(Gains)/losses on sale of HRA non-current assets <sup>1,3</sup>	69	(46)
	<b>3,868</b>	<b>4,095</b>
<b>Items not included in the HRA Income and Expenditure Account but included in the movement on HRA Balance for the year</b>		
Revenue contribution to finance major repairs	(4,205)	(5,500)
Revenue contributions to finance new build	(2,287)	(287)
Employer's contributions payable to the Pensions Fund and retirement benefits payable direct to pensioners <sup>2</sup>	(345)	(302)
	<b>(6,837)</b>	<b>(6,089)</b>
<b>Net additional amount required by statute to be debited or (credited) to the HRA for the year</b>	<b>(2,969)</b>	<b>(1,994)</b>

### 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 2016

## 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<sup>st</sup> March 2016, totalled 2,973 (2015: 2,990) properties. This followed the sale of 17 properties under the Government’s Right to Buy Scheme. The stock is broken down over type of properties as shown in the following table.

	2015/16	2014/15	2013/14
Houses	1,552	1,568	1,583
Flats	785	786	789
Bungalows	636	636	636
	<b>2,973</b>	<b>2,990</b>	<b>3,008</b>

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 DCLG, 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<sup>st</sup> March 2016 was £267,267k (2015: £263,516k). 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 improvements to Council properties. Expenditure financed from this Reserve is shown in Note 5. The movement on the Reserve during the 2015/16 is summarised below:

£000's	2015/16	2014/15
Balance at the beginning of the year	1,704	1,648
Add Depreciation Provision	3,226	2,988
Use of Capital Receipts Reserve	-	-
Revenue Contribution for Capital	4,206	5,500
<b>Amount available for capital expenditure on HRA Land, Houses and Other Property</b>	<b>9,136</b>	<b>10,137</b>
Less Capital expenditure in the year (including Depreciation)	(7,433)	(8,433)
<b>Balance at the end of the year</b>	<b>1,703</b>	<b>1,704</b>

# Notes to the Housing Revenue Account

For the Year Ended 31 March 2016

## 4. Property, Plant and Equipment

Year ended 31 <sup>st</sup> March 2016	Council Dwellings	Land and Buildings	Vehicles, Plant and Equipment	Assets Under Construction	Surplus Assets	Total Property, Plant and Equipment	Investment Properties	Total
£000's								
<b>Cost or valuation</b>								
At 1 April 2015	89,591	2,366	132	-	-	92,089	211	92,300
Additions	4,175	38	-	4,112	-	8,325	-	8,325
Disposals	(550)	(9)	(16)	-	-	(575)	-	(575)
Transfers	-	(105)	-	-	105	-	-	-
Revaluations	(2,553)	6	-	-	-	(2,547)	-	(2,547)
<b>At 31 March 2016</b>	<b>90,663</b>	<b>2,296</b>	<b>116</b>	<b>4,112</b>	<b>105</b>	<b>97,292</b>	<b>211</b>	<b>97,503</b>
<b>Depreciation and Impairment</b>								
At 1 April 2015	-	-	(98)	-	-	(98)	-	(98)
Charge for the Year	(3,106)	(114)	(6)	-	-	(3,226)	-	(3,226)
Disposals	-	-	16	-	-	16	-	16
Transfers	-	-	-	-	-	-	-	-
Impairments	66	(6)	-	-	-	60	-	60
Revaluations	3,040	120	-	-	-	3,160	-	3,160
<b>At 31 March 2016</b>	<b>-</b>	<b>-</b>	<b>(88)</b>	<b>-</b>	<b>-</b>	<b>(88)</b>	<b>-</b>	<b>(88)</b>
<b>Net Book Value</b>								
<b>At 31 March 2016</b>	<b>90,663</b>	<b>2,296</b>	<b>28</b>	<b>-</b>	<b>-</b>	<b>97,204</b>	<b>211</b>	<b>97,415</b>
At 1 April 2015	89,591	2,366	34	-	-	91,991	211	92,202

# Notes to the Housing Revenue Account

For the Year Ended 31 March 2016

## 4. Property, Plant and Equipment (continued)

Year ended 31 <sup>st</sup> March 2015	Council Dwellings	Land and Buildings	Vehicles, Plant and Equipment	Assets Under Construction	Surplus Assets	Total Property, Plant and Equipment	Investment Properties	Total
£000's								
<b>Cost or valuation</b>								
At 1 April 2014	87,713	2,136	102	-	-	89,950	193	90,143
Additions	5,412	164	32	-	-	5,608	-	5,608
Disposals	(645)	(12)	-	-	-	(657)	-	(657)
Transfers	-	-	-	-	-	-	-	-
Revaluations recognised in the Revaluation Reserve	(2,889)	78	-	-	-	(2,811)	19	(2,792)
<b>At 31 March 2015</b>	<b>89,591</b>	<b>2,366</b>	<b>133</b>	<b>-</b>	<b>-</b>	<b>92,090</b>	<b>211</b>	<b>92,301</b>
<b>Depreciation and Impairment</b>								
At 1 April 2014	-	-	(93)	-	-	(93)	-	(93)
Charge for the Year	(2,887)	(95)	(6)	-	-	(2,989)	-	(2,989)
Disposals	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-
Impairments recognised in the Provision of Services	(740)	(56)	-	-	-	(796)	-	(796)
Depreciation written out to the revaluation reserve	3,627	151	-	-	-	3,778	-	3,778
<b>At 31 March 2015</b>	<b>(0)</b>	<b>-</b>	<b>(99)</b>	<b>-</b>	<b>-</b>	<b>(99)</b>	<b>-</b>	<b>(99)</b>
<b>Net Book Value</b>								
<b>At 31 March 2015</b>	<b>89,591</b>	<b>2,366</b>	<b>34</b>	<b>-</b>	<b>-</b>	<b>91,991</b>	<b>211</b>	<b>92,202</b>
At 1 April 2014	87,713	2,136	9	-	-	89,857	193	90,050

# Notes to the Housing Revenue Account

For the Year Ended 31 March 2016

## 5. Capital Expenditure

£000's	2015/16	2014/15
<b>Capital Investment</b>		
Operational Assets	8,338	5,609
	<b>8,338</b>	<b>5,609</b>
<b>Sources of Funding</b>		
External Grants	95	100
Capital Receipts in year	505	64
Revenue contribution	2,287	-
Capital Receipts Reserve	1,245	-
Major Repairs Reserve	4,206	5,445
	<b>8,338</b>	<b>5,609</b>

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

£000's	2015/16	2014/15
Land	-	-
Council Homes	(803)	(928)
<b>Total Receipts</b>	<b>(803)</b>	<b>(928)</b>
Less: Pooled payments to Central Government	313	269
<b>Net Receipts Retained (transferred to Capital Receipts Reserve)</b>	<b>(490)</b>	<b>(659)</b>

The retained receipts are earmarked in the Housing Capital Receipts Reserve to fund the Council's New Build 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	2015/16	2014/15
Current Tenant Arrears	220	230
Former Tenant Arrears	89	174
<b>Total Tenant Arrears</b>	<b>309</b>	<b>404</b>

## 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 £212k (2015: £232k).

## 9. Depreciation and Impairment of Fixed Assets

The Dwellings in the Housing Revenue Account were valued as at £267,267k. After taking account of houses sold in 2015/16 and the Social Housing Discount Factor, the vacant possession value of the remaining dwellings at 31 March 2016 was £90,663k (2015: £89,591k). The lower figure of £90,663k 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 £60k (2014/15: £740k) for the reversal of previous year impairments. This gain has been transferred to the Capital Adjustment Account.

# Notes to the Housing Revenue Account

For the Year Ended 31 March 2016

## **9. Depreciation and Impairment of Fixed Assets (continued)**

The Housing Revenue Account assets were valued as at 31<sup>st</sup> March 2016; 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.

As shown in Note 4, Depreciation of £3,226k (2015: £2,989k) has been charged to the HRA. This figure is made up of £3,106k (2015: £2,887k) for Council Dwellings and £120k (2015: £102k) is in respect of garages, shops and other assets. These amounts have 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 Account

For the year ended 31 March 2016

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.

<i>£000's</i>	2015/16	2014/15
<b>Income</b>		
Council Tax Income	(47,471)	(45,729)
Business Rates Income	(23,351)	(22,737)
Deferrals and TPP	-	(86)
<b>Total Income</b>	<b>(70,822)</b>	<b>(68,552)</b>
<b>Expenditure</b>		
Council Tax Precepts (Note 4)	47,013	44,822
Business Rates Precepts (Note 6)	21,980	21,080
Transitional Protection Payments	26	-
Previous Year's Surplus Paid to Preceptors (Notes 4 & 6)	1,221	173
Cost of Collection	92	91
Provision for Bad and Doubtful Debts	338	460
Provision for Business Rates Appeals	1,489	54
<b>(Surplus) / Deficit on the Fund</b>	<b>1,337</b>	<b>(1,872)</b>
Fund Balance Brought Forward	(1,344)	528
(Surplus) / Deficit in Year	1,337	(1,872)
<b>Fund Balance as at 31st March</b>	<b>(7)</b>	<b>(1,344)</b>
Council Tax Element (Note 1)	(407)	(696)
Business Rate Element	400	(648)

The increase in income for 2015/16 was due to an overall increase in Council Tax of 1.8%, together with continuing growth in the number of both residential and commercial properties, i.e. the Council’s Tax Base. The increase in Council Tax was due to other Preceptors; South Derbyshire froze its level of Tax in 2015/16. Approximately 90% of Council Tax income and 60% of Business Rates income is passed over to other Preceptors and this is reflected in the increases in the above table.

Due to the cumulative surplus on the Fund as at 31<sup>st</sup> March 2015 of £1.34m, additional payments were made in 2015/16 to all Preceptors to redistribute this surplus. The largest cost on the Fund for 2015/16 was the increase in provision for Business Rate appeals. This pushed that part of the Fund into deficit as at 31<sup>st</sup> March 2016.

An additional provision was 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.

# The Collection Fund Account

For the year ended 31 March 2016

## 1. Council Tax

The introduction of Council Tax on 1<sup>st</sup> 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:

£000's	2015/16	2014/15
Derbyshire County Council	(297)	(507)
Derbyshire Police and Crime Commissioner	(46)	(79)
Derbyshire Fire and Rescue Authority	(18)	(32)
	(361)	(617)
South Derbyshire District Council	(46)	(79)
	<b>(407)</b>	<b>(696)</b>

## 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<sup>st</sup> 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 2015/16 was based on 40,907 chargeable dwellings (40,529 in 2014/15).

After allowing for national exemptions and local discounts, such as the Single Persons Discount, the Tax Base for 2015/16, on which the Council Tax rate was set, is shown in the following table.

# The Collection Fund Account

For the year ended 31 March 2016

## 3. Council Tax Base (continued)

Band	Calculated number of Dwellings	Ratio to Band D	Equivalent number of Dwellings 2015/16	2014/15
X	28	5/9	15	15
A	9,770	6/9	6,513	6,522
B	8,603	7/9	6,691	6,636
C	6,533	8/9	5,807	5,701
D	6,155	1	6,155	6,024
E	3,486	11/9	4,261	4,226
F	1,811	13/9	2,616	2,586
G	864	15/9	1,440	1,423
H	63	18/9	126	124
			<b>33,624</b>	<b>33,257</b>

The Band D Council Tax rate for South Derbyshire District Council was £150.25 for 2015/16, unchanged from 2014/15.

## 4. Council Tax Precepts and Demands

2015/16 £000's	Precept	Surplus	Total
Derbyshire County Council	34,295	365	34,660
Derbyshire Police and Crime Commissioner	5,314	56	5,370
Derbyshire Fire and Rescue Authority	2,136	23	2,159
South Derbyshire District Council	5,267	56	5,323
	<b>47,013</b>	<b>500</b>	<b>47,513</b>

2014/15 £000's	Precept	Surplus	Total
Derbyshire County Council	32,657	126	32,783
Derbyshire Police and Crime Commissioner	5,059	18	5,077
Derbyshire Fire and Rescue Authority	2,034	8	2,042
South Derbyshire District Council	5,072	20	5,092
	<b>44,822</b>	<b>173</b>	<b>44,995</b>

# The Collection Fund Account

For the year ended 31 March 2016

## 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 2015/16 the amount was 48.0p in the pound (2014/15: 47.1p). 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<sup>st</sup> March 2016 was £56,792,321 (2015: £56,516,948) – an increase of 3% in business space in the area, mainly due to growth in new business units and expansions. 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 £400k 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	2015/16	2014/15
Central Government	200	(324)
Derbyshire County Council	36	(58)
Derbyshire Fire and Rescue Authority	4	(6)
	240	(389)
South Derbyshire District Council	160	(259)
	<b>400</b>	<b>(648)</b>

## 6. Non-Domestic Rate Demands

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

2015/16 £000's	Precept	Surplus	Total
Central Government	10,990	361	11,351
Derbyshire County Council	1,978	65	2,043
Derbyshire Fire and Rescue Authority	220	7	227
South Derbyshire District Council	8,792	288	9,080
	<b>21,980</b>	<b>721</b>	<b>22,701</b>

2014/15 £000's	Precept	Surplus	Total
Central Government	10,540	-	10,540
Derbyshire County Council	1,897	-	1,897
Derbyshire Fire and Rescue Authority	211	-	211
South Derbyshire District Council	8,432	-	8,432
	<b>21,080</b>	<b>-</b>	<b>21,080</b>

# Glossary

## **ACCOUNTING PERIOD**

The period of time covered by the Accounts, normally a period of twelve months commencing on 1<sup>st</sup> April. The end of the accounting period is the Balance Sheet date, 31<sup>st</sup> 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<sup>st</sup> 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.

# Glossary

## **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.

# Glossary

## **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.

# Glossary

## **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.

# Glossary

## **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.

# Glossary

## **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 policies 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.