

Contents

Narrative Report	3
Statement of the Council's and Chief Financial Officer's Responsibilities for the Statement of Accounts	14
Governance Statement	15
Certificate of the Chief Financial Officer	33
Independent Auditors Report	34
Council Approval of Statement of Accounts	37
Comprehensive Income and Expenditure Statement	38
Movement in Reserves Statement	39
Balance Sheet	40
Cash Flow Statement	41
Notes to the Financial Statements	
1. Accounting Policies	42
2. Accounting Standards that have been issued but have not yet been adopted	54
3. Critical Judgements	55
4. Assumptions made about the future and other major sources of uncertainty	55
5. Material Items of Income and Expense	57
6. Events after the Balance Sheet Date	57
7. Expenditure and Funding Analysis	58
8. Note to the Expenditure and Funding Analysis	59
9. Expenditure and Income Analysed by Nature	60
10. Adjustment between Accounting Basis and Funding Basis under Regulations	61
11. Movement in Earmarked Reserves	63
12. Other Operating Expenditure	63
13. Financing and Investment Income and Expenditure	64
14. Taxation and Non Specific Income	64
15. Property, Plant and Equipment	66
16. Investment Properties	69
17. Financial Instruments	70
18. Debtors	76
19. Cash and Cash Equivalents	76
20. Assets Held for Sale	77
21. Creditors	77

Contents

22. Provisions	77
23. Usable Reserves	78
24. Unusable Reserves	80
25. Agency Services	83
26. Members' Allowances	83
27. Officers' Remuneration	84
28. External Audit Fees	85
29. Grant Income	85
30. Related Parties	86
31. Capital Expenditure and Capital Financing	87
32. Leases	88
33. Defined Benefit Pension Schemes	88
34. Contingent Liabilities	94
35. Prior Year Adjustment	94
Housing Revenue Account – Income and Expenditure	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	101
10. Pension Costs	101
Collection Fund Account	102
Notes for the Collection Fund Account	
1. Council Tax	103
2. Council Tax Valuation Bands	103
3. Council Tax Base	103
4. Precepts and Demands	104
5. Non Domestic Rates	105
6. Non Domestic Rate Demands	105
Glossary	107

Narrative Report

INTRODUCTION

The Council's financial performance for the year ended 31st March 2018 is set out in the Comprehensive Income and Expenditure Statement and its financial position is set out in the Balance Sheet and Cash Flow Statement.

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

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

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

The Narrative Report is structured as follows:

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

INTRODUCTION TO SOUTH DERBYSHIRE

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

It has been transformed during the past few decades from a clay and mining area to a successful District that serves as home to more than 99,000 people.

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

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

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

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

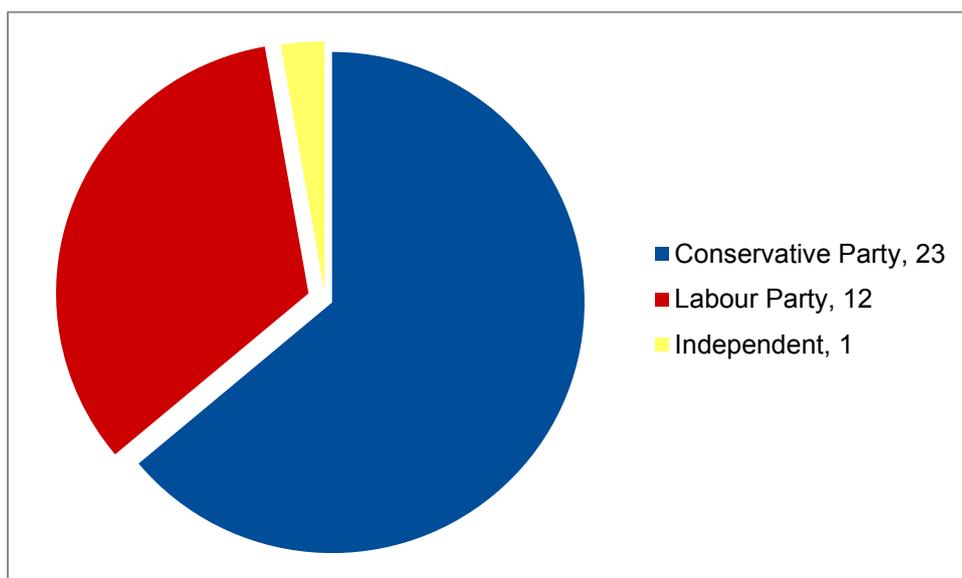
Working with our partners to keep crime and anti-social behaviour to a minimum has cemented South Derbyshire's reputation as one of the safest places to live in the County.

Narrative Report (continued)

INTRODUCTION TO SOUTH DERBYSHIRE DISTRICT COUNCIL

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

The Council has 15 wards, with 36 elected Members. The political composition of seats is as follows:



About the Council

We have more than 300 employees working to ensure South Derbyshire continues to change for the better.

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

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

To show that our business is conducted in accordance with the law and proper standards, we produce an Annual Governance Statement which is detailed later in the Statements.

How we work

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

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

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

Narrative Report (continued)

COUNCIL PERFORMANCE

The Corporate Plan 2016-2021 sets out our values and vision for South Derbyshire and defines our priorities for delivering services.

It describes how - under four themes of People, Place, Progress and Outcomes - we will work with partners to improve the quality of life of residents, community groups and businesses.

The Corporate Plan does not cover everything that we do, but instead focuses on the issues most important to residents, on national priorities set by the Government and on the opportunities and challenges resulting from the changing social, economic and environmental aspects of our District.

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

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

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

The four themes and key aims in the Corporate Plan are summarised below:

People: keeping residents happy, healthy and safe

- Enable people to live independently
- Developing the workforce of South Derbyshire to support growth in relation to aspirations, employability, skills and travel to work
- Protect and help support the most vulnerable, including those affected by financial challenges
- Use existing tools and powers to take appropriate crime enforcement action
- Increase levels of participation in sport, health, environmental and physical activities
- Reduce the amount of waste sent to landfill

Place: creating vibrant communities to meet residents' needs

- Facilitate and deliver a range of integrated and sustainable housing and community infrastructure
- Enhance understanding of the planning process
- Help maintain low crime and anti-social behaviour levels in the District
- Connect with our communities, helping them feel safe
- Support provision of cultural facilities and activities throughout the District
- Deliver services that keep the District clean and healthy

Progress: encouraging inward investment and tourism opportunities

- Work to attract further inward investment
- Unlock development potential and ensure the continuing growth of vibrant town centres
- Work to maximise the employment, training and leisure uses of The National Forest by residents and increase the visitor spend by tourists
- Help to influence and develop the infrastructure for economic growth

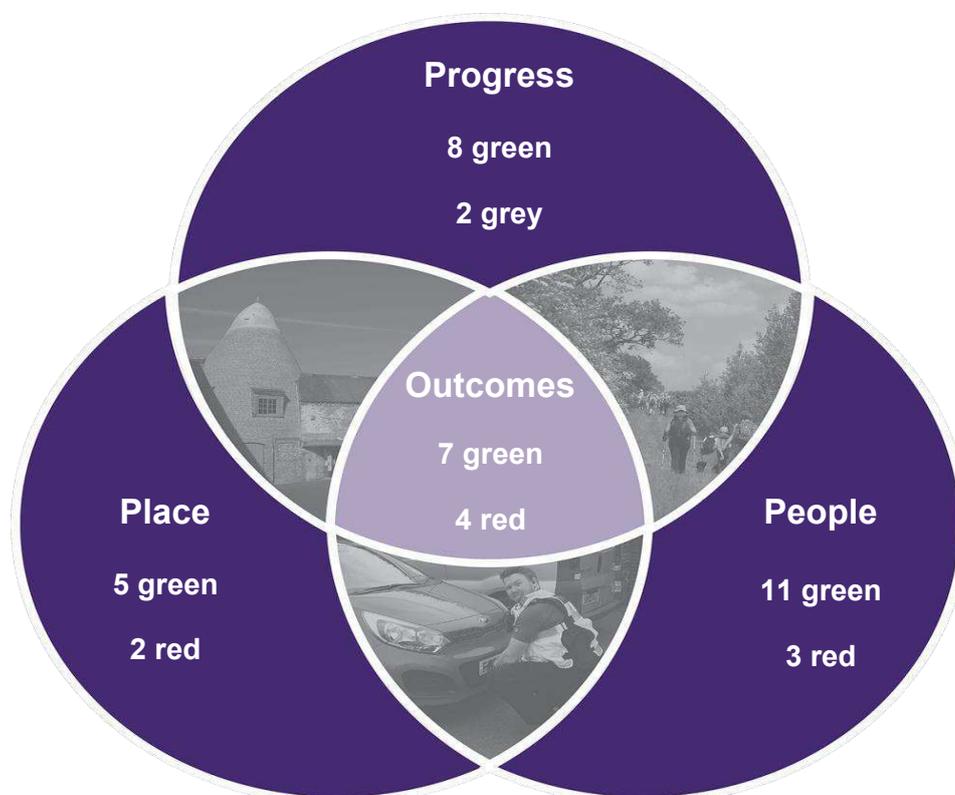
Narrative Report (continued)

- Provide support to businesses and the not for profit sector and promote innovation and access to finance, including in rural areas

Outcomes: work that underpins all of our activities

- Maintain financial health
- Achieve proper Corporate Governance
- Maintain customer focus
- Minimise business risks and realise the benefits of technological opportunities
- Promote and enable active democracy
- Enhance environmental standards
- Maintain a skilled workforce
- Promote inclusion

Below shows the overall Council performance against the Corporate Plan for 2017/18:



Green indicators are targets that have been achieved or exceeded in year. Red indicators are targets that have not been achieved in year but an action plan is in place and is reported to each decision making Committee. Grey indicators are measures against which we stop reporting during the year due to a change in circumstances or one which we are monitoring but have no basis against which to set a target.

Of the 42 strategic projects and measures for the Council, 31 are green, 9 are red and 2 are grey at the year-end.

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

Narrative Report (continued)

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

EXPLANATION OF THE FINANCIAL STATEMENTS

The Movement in Reserves Statement

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

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

Comprehensive Income and Expenditure Statement (CIES)

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

The Balance Sheet

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

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

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

The Cash Flow Statement

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

The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which

Narrative Report (continued)

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 31st March 2018. Some disclosures have been updated to ensure that the Financial Statements comply with best practice.

Accounting Policies

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

Financial Report

This narrative report now goes on to explain the broad facts and figures regarding the Council's financial performance and position for 2017/18.

SUMMARY OF FINANCIAL PERFORMANCE

The statutory financial statements are intended to fulfil external reporting requirements and provide a comprehensive assessment of the Council's financial position. Management accounts, which show individual service expenditure, are to be reported to the Council on 26th July 2018.

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

Income and Expenditure

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

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

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

During 2017/18, the Council achieved a surplus on the Provision of Services of £7,529k. After adjustments in reserves for non-cash items and capital receipts, the adjusted surplus of £3,054k was allocated in the Movement in Reserves Statement between the General Fund and HRA.

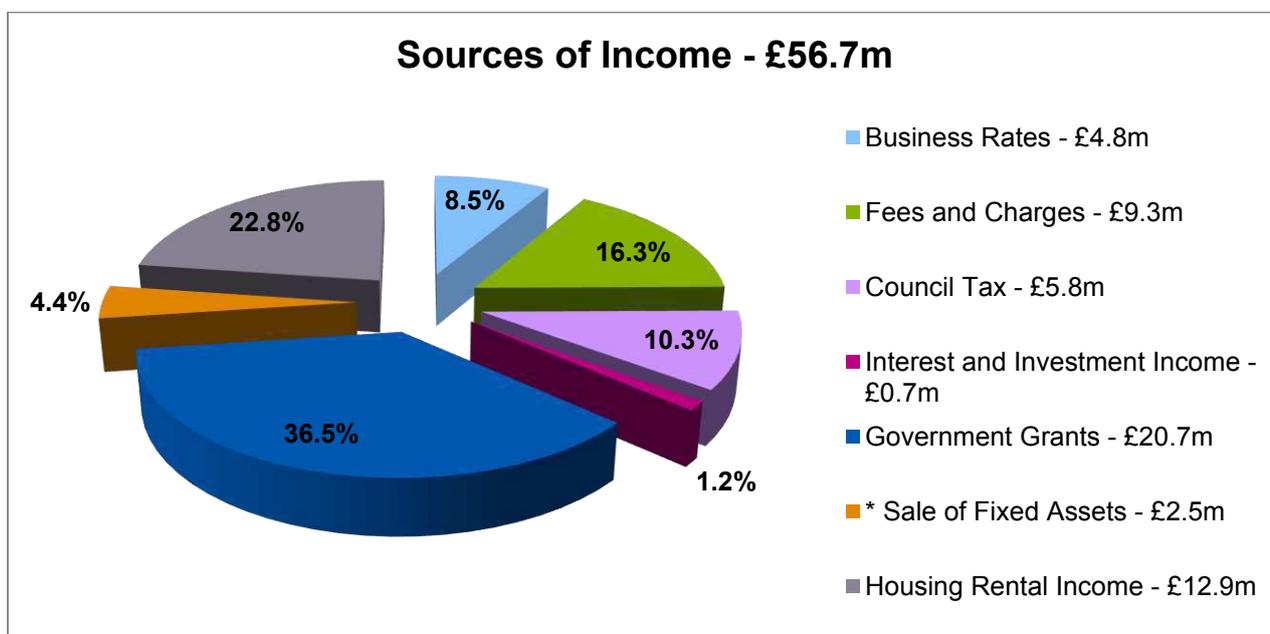
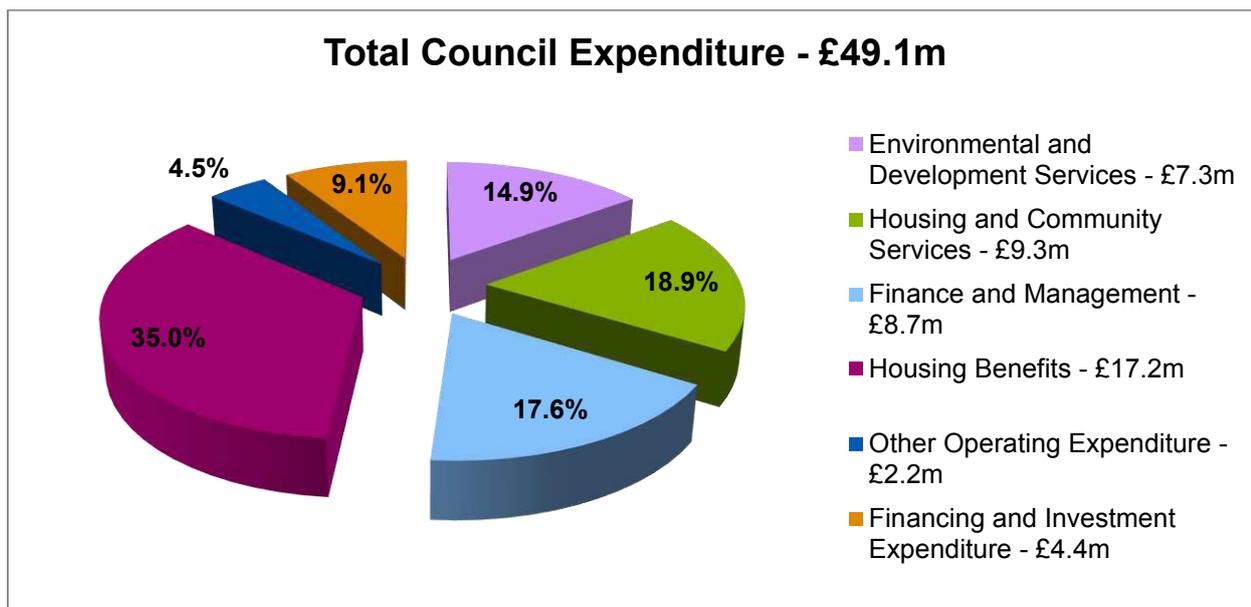
Additional revenue from New Homes Bonus, Council Tax and Business Rates due to greater than budgeted growth in the District plus lower service expenditure has resulted in a contribution to the

Narrative Report (continued)

General Fund Reserve of £1,610k. The HRA Reserve has increased by £1,444k due mainly to lower service expenditure than budgeted.

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

The following charts show the income received and expenditure incurred by the Council during 2017/18 as shown in the Comprehensive Income and Expenditure Statement and the Expenditure and Funding Analysis in notes 7 to 9:



**The sale of fixed assets of £2.5m is not used to fund service expenditure and has been transferred into a capital reserve within the Movement in Reserves Statement*

Narrative Report (continued)

Capital Expenditure and Financing

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

Approximately £4.1m was spent by the Council on capital schemes during 2017/18, compared to £8.3m in 2016/17. A significant part of this reduction was due to the lower cost of major improvements to existing Council homes following a 5 year programme plus the completion of the Council House New Build and Acquisition scheme during 2016/17.

In summary, the capital expenditure incurred was on Council Houses (£1.3m), investment in new vehicles (£0.7m), investment in upgrading leisure and recreational facilities (£0.5m), Disabled Facility Grants (£0.4m) plus refurbishment of the new Council depot purchased in 2016/17 (£1.3m).



Old depot site at Darklands Road

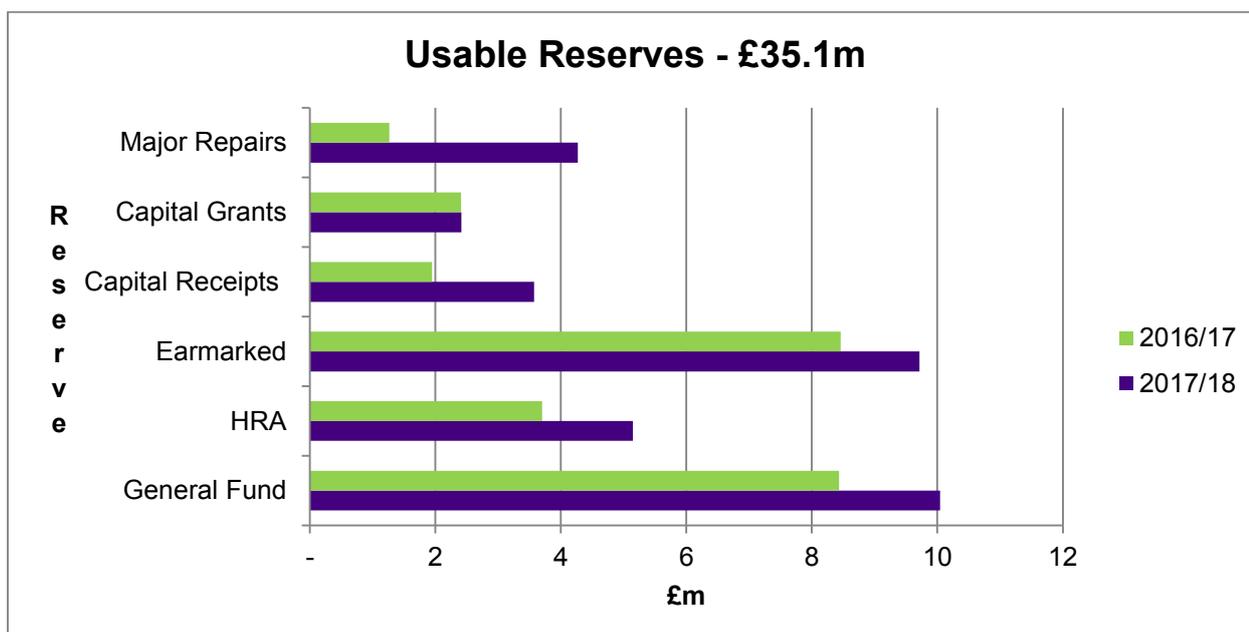


New depot site on Boardman Industrial Estate

Council Reserves

The Council's Usable Reserves have increased in the year from £26.2m to £35.1m due to surpluses in year, receipts of Section 106 (£0.9m) plus asset sale receipts.

Detail of the Council's Usable Reserves can be found in note 23 to the Financial Statements but a summary chart showing the movement between 2016/17 and 2017/18 is below:



Narrative Report (continued)

Unusable reserves have increased from £45.8m to £48.9m mainly due to an increase on the Revaluation Reserve and a reduction on the Pension deficit as detailed in note 33 to the Financial Statements. Further detail of the Unusable Reserves held by the Council is listed in note 24.

Key Indicator

As part of the Council's Financial Strategy, a minimum unallocated contingency balance of £1.5m is maintained on the General Fund reserve and £1m on the Housing Revenue Account (HRA) reserve. This represents approximately 13% of net revenue expenditure. The balance on the General Fund of £10.0m and £5.1m on the HRA reserve comfortably exceeded this amount as at 31st March 2018.

The Balance Sheet

The Balance Sheet is the Council's assets and liabilities as at 31st March each year. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. The overall value of the Council's net assets increased from £72.1m in 2016/17 to £84.1m in 2017/18.

Assets

Non-current assets increased by £2.1m in year. This is as a result of increased revaluation of the Council's assets plus an investment of £1m in the Local Authority Property Fund which will generate a higher rate of return for the Council. The link to the detail regarding the investment is included below.

<http://south-derbys.cmis.uk.com/south-derbys/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/2074/Committee/442/Default.aspx>

Current assets increased by £10.5m in year. The reason for the large movement is mainly due to the increase in cash held by the Council. Reductions in expenditure and increased capital receipts in year are the main cause for the increased levels of cash. Detail of movements in cash held by the Council is in note 19.

Liabilities

The liabilities of the Council increased marginally in year by £0.6m. The main movement was an increase in short-term creditors but this was partially offset by a reduction of the Pension deficit.

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

Council Spending and Future Financial Position

The Council's detailed budget and spending plans for 2018/19 and the projected medium-term financial position to 2023 is available at:

<http://south-derbys.cmis.uk.com/south-derbys/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/1993/Committee/416/Default.aspx>

The Council is estimated to generate a deficit in 2018/19. Following several years of budget savings, the Council's financial position has remained stable and has generally performed better than forecast.

Narrative Report (continued)

The current Medium Term Financial Plan (MTFP) highlights budget deficits from 2018/19 onwards. Current base budget costs are forecast to increase year-on-year due to inflation, together with a rapid growth in the local population which will place additional demands upon services.

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

The Council continues to benefit from increased income, mainly through planning fees, Council Tax and Business Rates 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.

The Future

As mentioned previously, the Council is forecast to slip into a deficit from 2018/19 onwards in the current MTFP to 2023. The funding gap of £1.4m is set to be funded from the General Reserve which is unsustainable in the longer-term.

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

However, the County of Derbyshire has been selected by Central Government to be part of a 100% Business Rates Retention Pilot for 2018/19. All Districts, the City and County Council are part of the Pilot which is set to retain an additional £28m of Business Rates income within Derbyshire.

The forecast for South Derbyshire District Council is an additional £1m revenue from the Pilot for 2018/19. It has been proposed to earmark any additional revenue over and above the MTFP forecast to be used for Economic Development projects within the District.

Although the additional revenue expected from the Pilot is a welcome bonus, it would not be prudent to use this revenue to plug the funding gap as the Pilot is a one year proposal and may not continue after 2018/19.

Going forward, in the medium-term the Council is able to continue with service provision due to a healthy general reserve balance and measures are in place to ensure future deficits are managed and reduced.

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

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

Narrative Report (continued)

The following sections set out the Council's Accounts and Financial Statements for 2017/18. 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 or by e-mail to customer.services@south-derbys.gov.uk referencing any queries as ***Statement of Accounts***

Certificate of the Council's and CFO Responsibilities

The Council's Responsibilities

The Council is required to:

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

The Strategic Director (Corporate Resources) Responsibilities

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

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

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

The Strategic Director (Corporate Resources) has also:

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

Certification by the Strategic Director (Corporate Resources)

I certify that this Statement of Accounts has been prepared in accordance with proper accounting practices and presents a true and fair view of the financial position of the Council at 31st March 2018, and its income and expenditure for the year ended on that date.



Kevin Stackhouse (CPFA)

Chief Finance (Section 151) Officer

31st May 2018

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 of 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.

The Council has formulated a Local Code of Corporate Governance which is based on the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government'.

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 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 2018, up to the date that the Annual Report and Statement of Accounts were approved.

C THE GOVERNANCE FRAMEWORK AT SOUTH DERBYSHIRE DISTRICT COUNCIL

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

Governance Statement (continued)

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 Manager as its Monitoring Officer during 2017/18.

It is the function of the Monitoring Officer to ensure compliance with established policies, procedures, laws and regulations. After consulting with the Head of the Council's 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 would prevent the proposal or decision being implemented until the report has been considered.

In addition, the Council operates 2 regulatory committees; a Planning Committee focusing on development control (planning applications and enforcement) together with a Licensing and Appeals Committee.

Governance Statement (continued)

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 regulations and procedural rules, as set out in Part 4 of the Constitution. The Council has designated the Strategic Director of Corporate Resources 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 (continued)

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 and dealt with by 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 Planning 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, businesses and service providers. The Strategy was refreshed in 2017 and can be accessed at:

<https://www.south-derbys.gov.uk/assets/attach/1891/Sustainable%20Community%20Strategy.pdf>

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.

Governance Statement (continued)

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.

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.

Each year, the Council's External Auditors are required to consider whether the Council has put in place "proper arrangements" to secure economy, efficiency and effectiveness on its use of resources. This is known as the "value for money conclusion".

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
- Work with partners and other third parties

In drawing their conclusion, the Auditors consider the financial resilience of the Council and its past record of delivering financial management.

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's 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 Records Management and Document Retention Policies that direct how the Council manages personal and other data that it holds and processes. These policies were reviewed and updated in 2017/18 in readiness for the introduction of the General Data Protection Regulation on 25th May 2018.

Business Change

To support service delivery, the Council has Procurement and Business Change functions. These Council Units are intended to co-ordinate greater efficiency and effectiveness in the use of Council resources.

Procurement

A central procurement unit (which became part of a Shared Service Arrangements on 1st January 2018) also ensure that purchasing is legal, ethical and accountable and is carried out in accordance with regulatory and legislative requirements.

Governance Statement (continued)

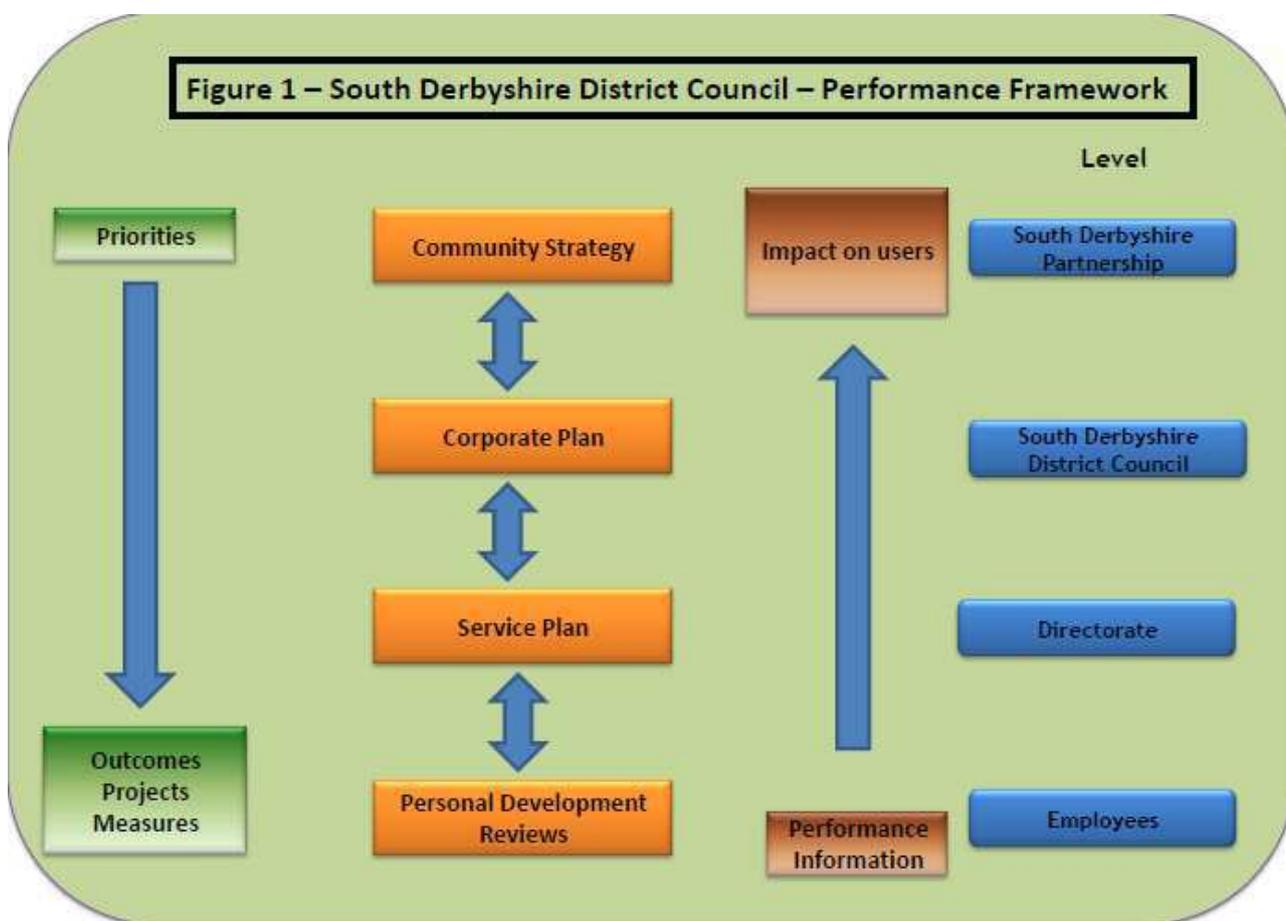
Continuous Service Review

The Council continuously reviews, in various ways, its service areas. 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.

Managing Performance

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



The **Community Strategy**, currently covering a 20-year period to 2029, sets the long-term vision and community aims for several public and community agencies in South Derbyshire.

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.

Governance Statement (continued)

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.

Personal 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.

Partnership Working

The Council works in partnership with many other public agencies, including the voluntary sector, together with 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 maintains an operational 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.

Business Continuity

The Council's arrangements are overseen by a Resilience Liaison Forum and this includes training and awareness briefings in the event of an incident. The Council is supported by Derbyshire County Council's Emergency Planning Unit.

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.

Governance Statement (continued)

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 in accordance 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) each year that provides an assessment of the Council's internal control system.

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 positions 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 independently reviews the 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 oversee 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. The Annual Audit Letter, which is considered by a meeting of the Full Council, summarises the conclusions and significant issues arising out of their audit.

Information Communication Technology (ICT)

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.

Governance Statement (continued)

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 practise 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.

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.

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. This Statement is approved by the Council in April each year.

From 2017/18, the Council was also required to comply with regulations regarding the "Gender Pay Gap". The Council published this in March 2018.

In addition, the Council also publishes various data sets and information in accordance with Council's Transparency Agenda. This includes 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 on the Council's web-site in the "**Open Data and Transparency**" section.

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. This is the responsibility of the Council's Leadership Team, who has responsibility for the development and maintenance of the governance environment. The Leadership Team contains the Council's Chief Executive, two Strategic Directors, together with the Legal and Democratic Services Manager in their role as Monitoring Officer

The Leadership Team works closely with Elected Members to deliver the Council's vision and values. The review of effectiveness is informed by the work of the Council's Leadership Team. This is supplemented by Internal Audit reports on work conducted through the year, from recommendations made by the External Auditor, together with any other review agencies and inspectorates.

As part of an on-going review, the overall framework was strengthened in 2017/18 following a work programme arising out the Governance Statement for the previous year 2016/17. Actions 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 2017/18 are set out in the following sections.

Governance Statement (continued)

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 2017/18, work continued in order to comply with the Government's Public Sector Network (PSN) security standard. Regular liaison continued with the Government's Cabinet Office and Department for Works and Pensions.

There were no major security incidents during 2017/18. However, the Council is aware that there is a constant risk of computer viruses and potentially hacking through external emails. Although the Council's security system filters these away, regular communications are sent out internally to remind staff to be vigilant.

In 2017/18, an audit of the Council's computer back-up arrangements identified areas to be strengthened. Work commenced in 2017 and will continue in 2018.

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.

Internal Audits 2017/18

All audits completed and reported to the Audit Sub-Committee during 2017/18 found no material weaknesses which could affect the Council's Governance framework. Two reports provided a "Limited" Assurance Rating in internal control. These audits related to the computer back-up server and contracts in Housing Services.

Governance Statement (continued)

Several recommendations were made to strengthen arrangements and relevant actions still outstanding are due to be completed in 2018. Management action is being followed-up by Internal Audit to ensure that the recommendations are implemented.

Procurement and Contract Management

The Council joined a Shared Service Arrangement (SSA) on 1st January 2018 to deliver its Procurement function. The SSA comprises 4 other local authorities in Derbyshire, together with a NHS Trust and a local College. Besides generating savings through economies of scale, the Council joined the SSA to benefit from greater resilience and to strengthen compliance.

This followed issues found by Internal Audit arising from investigations into certain procurement and contract management practices in 2016/17. These matters were reported in detail by Internal Audit in 2016/17. Internal Audit undertook a follow-up review in April 2018 to test the extent of how far new practices and procedures had become embedded. Their review is reported in their Annual Report which is available at: <http://south-derbys.cmis.uk.com/south-derbys/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/2161/Committee/464/Default.aspx>

It was recognised that the Council made substantial progress in 2017/18 to implement agreed actions, although it was identified that several actions still needed to be fully embedded in day-to-day operations.

Value for Money (VFM)

The External Auditor reported their conclusion on the Council's arrangements for securing VFM on 25th July 2018. Their report concluded:

"We have considered your arrangements to take informed decisions, deploy resources in a sustainable manner and work with partners and other third parties. In our Audit Plan we identified two significant risks to our VFM conclusion:

- *A significant risk in relation to control weaknesses in the procurement of services in the Housing and Environment Services Directorate, and*
- *A significant risk in relation to securing financial resilience.*

Throughout 2017/18 the Council has been working to fully identify and seek to resolve the control weaknesses in procurement and contract management arrangements meaning that improvements are not yet fully embedded at 31 March 2018.

The issues above are evidence of weaknesses in proper arrangements for procuring supplies and services effectively to support the delivery of strategic priorities.

Based on the work completed to-date, we are issuing a qualified "except" for VFM conclusion for the year ended 31 March 2018."

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. The Charter is reviewed each year and is reported alongside the annual Internal Audit Plan.

Governance Statement (continued)

Under Auditing Standards, the Audit Partnership (CMAP) is subject to an independent quality assessment of their operational effectiveness at least once in every 5 years. The last review was completed and reported in 2016/17. In September 2017, the external reviewer provided an update on the overall conformance with Auditing Standards. This assessed the Audit Service as generally conforming to all approved standards.

The review in 2016/17 led to a longer-term change and improvement programme being implemented. Performance against this programme is reported to an Operational Board which oversees the performance of (CMAP) in conjunction with other partners.

Some longer-term development work is on-going regarding the management structure and approach to audit work to increase resilience to each of the partner organisations.

Annual Internal Audit Report on the Council's System of Internal Control

Under the Code of Practice for Internal Audit in Local Government in the United Kingdom (2006) the Head of Internal Audit (HIA) provided their annual report regarding their overall opinion on the Council's system of Internal Control.

The report for 2017/18 was considered by the Audit Sub-Committee on 30th May 2018. This concluded that:

*"Based on the work undertaken during the year, the HIA reached the overall opinion that there is an **Adequate System of Internal Control Subject to Reservations** – A number of findings, some of which are significant, have been raised. Where action is in progress to address these findings and other issues known to management, these actions will be at too early a stage to allow a satisfactory audit opinion to be given".*

Communication

Corporate communication covers the full range of media management, publications, external and internal communications. 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 2017/18, these included:

- *Working with partner agencies including South Derbyshire Citizens Advice to further initiatives that support the vulnerable, such as the Safe Place initiative.*
- *Publicising successful prosecutions and enforcement actions supported by or initiated by the Council. For example, Criminal Behaviour Orders and fly-tipping prosecutions.*

Governance Statement (continued)

- *Supporting the implementation of the Physical Activity, Sport and Recreation Strategy, with a focus on the wide variety of facilities, activities, events and opportunities available in South Derbyshire for people of all ages.*
- *Targeting campaigns across all channels to reach new audiences and educate residents – particularly those on new housing developments - on the importance of recycling, composting and reducing the amount of waste sent to landfill.*
- *Publicising Area Forums and other opportunities for community/tenant involvement, while arming staff with the knowledge of how to reach residents and volunteers through digital/social media channels.*
- *Focusing on South Derbyshire's unique position at the heart of The National Forest, working with partners to promote our rich and diverse culture.*
- *Promoting events and initiatives that help town centres to thrive, such as the International Food and Drink Festival and Christmas Lights Switch On.*
- *Through the new website, online forms and channel shift, shaping and improving campaigns/services around customer demand and expectation. This included offering broader choice and flexibility for residents to transact and interact with us.*

The Council continued to make extensive use of social media to communicate and promote community events.

In addition, the Council implemented a new website during 2017/18 to make it more modern and user friendly, together with providing greater opportunities for people to transact on-line.

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.

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 2017/18, there was a wide-ranging series of consultation in order to inform service provision. The main areas of consultation focused on:

- *May 2017 – Those who took part in The National Forest Walking Festival were asked to rate their experience and feedback any observations as part of a wide ranging evaluation exercise.*
- *July 2017 - Planning consultations took place across the District covering potential green spaces, design and affordable housing.*
- *July 2017 - A series of 'Repairs Roadshows' were held as the Housing Service looked to improve the service it offers to tenants.*
- *July 2017 – Feedback was invited on the 'main modifications' and an updated sustainability appraisal to the Local Plan Part 2 – a blueprint that will allocate sites in the District for developments of fewer than 100 homes and provides policies to help determine planning applications up to 2028.*
- *August 2017 – Participants, all with different requirements, background and experience, tested the usability of the new Council website. This included scenarios relating to popular tasks,*

Governance Statement (continued)

services and transactions to offer constructive feedback on how it could be enhanced even further.

- *January/February 2018 – Residents were invited to comment on budget and spending plans for 2018/19 through the Area Forums.*
- *March 2018 - Proposals to introduce a Public Spaces Protection Order (PSPO) to prevent vehicles from gaining access to a fly-tipping site.*

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.

Changes to the Constitution in 2017/18 included an update to the Conflicts of Interest Policy and the insertion of an Ethics Statement.

The Conflicts of Interest Policy included additional guidance to ensure transparency and integrity, where there is officer responsibility for engaging or supervising contractors. The amendment was approved by the Full Council on 26th February 2018.

The introduction of an Ethics Statement was to provide guidance with regard to the standard of ethical behaviour expected from officers.

Culture and Ethics

The introduction of the Ethics Statement followed an Internal Audit review, from which four recommendations were made to strengthen culture and ethics amongst Council officers. Two of these recommendations were implemented during the year. In addition to the Ethics Statement, updated guidance was written to ensure that due regard is given for the Equality Act 2010 when implementing service changes and policy direction.

The remaining two recommendations regarding raising awareness are planned to be completed during 2018/19.

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 2017/18.

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.

Their annual report to Full Council set out details of the Committee's work and outcomes during the year. The Annual Report for 2017/18 is available at:

<http://south-derbys.cmis.uk.com/south-derbys/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/2166/Committee/465/Default.aspx>

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

Governance Statement (continued)

- *Regulation of Investigatory Powers Act (RIPA) 2000*
- *Review of Funding to Voluntary & Community Sector Organisations*
- *Review of Area Forums / Safer Neighbourhood meetings*
- *Review of Etwall Leisure Centre Contract / Community Use*
- *Review of Grounds Maintenance Services, Street Scene and Waste Collection*
- *Review of Approach to Customer Services / Engagement*
- *Budget Proposals 2018/19*
- *Development contributions to Public Health*
- *Member IT Provision*
- *Section 106 Health Based NHS Contributions*
- *Recreation Facilities in Rural Villages*

Propriety in the Conduct of Council Business

In respect of 2017/18, the following matters are noted.

Complaints

There were no cases of maladministration found against the Council. The annual report of the Local Government Ombudsman is available at:

<http://south-derbys.cmis.uk.com/south-derbys/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/2059/Committee/439/Default.aspx>

Code of Conduct

There were no breaches of the Member Code of Conduct. There was one breach of the Employee Codes of Conduct which was dealt with under the Council's Disciplinary procedure.

Register Of interests

There were no issues raised in the year regarding the register of interests and declarations of gifts/hospitality which required formal investigation.

Whistleblowing

There were no matters raised under the Council's Whistleblowing Policy in 2017/18.

Data Protection

There were no security breaches under Data Protection which required reporting to the Information Commissioners Office.

Health and Safety

There were 4 reportable accidents under Health & Safety Regulations during 2017/18 involving either council employees or members of the public. This compares with 2 in 2016/17, 7 in 2015/16, 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.

Governance Statement (continued)

Legal Claims – Planning Appeals

These arose where refusal by the Council’s Planning Committee for residential development was subsequently overturned on appeal by the Government’s Planning Inspectorate.

In these instances the Council incurs legal costs and makes a provision in its accounts to meet any associated liability.

Contractor Claim

A claim was submitted by a contractor to the Employment Tribunal. The Court determined the matter and the claim was subsequently struck out.

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 in action plans 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.

Service Recognition

Several areas of the Council’s work is regularly reviewed independently and recognised as being of an excellent standard. The following awards are currently relevant to the Council’s activities.

Health and Safety - the Council has attained 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.

Environmental Management – the Council has attained an international standard 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 one of its urban parks acknowledging how well it is maintained and managed and for providing good facilities.

Food Waste Initiatives – in partnership with Sainsbury’s, the Council received the national Green Apple Award in 2017/18 for its work on reducing food waste and environmental educational activities.

Business Continuity

There were no major incidents during 2017/18 which necessitated the Council invoking its Business Continuity procedures.

Governance Statement (continued)

E KEY GOVERNANCE MATTERS FOR SOUTH DERBYSHIRE

The Council operates within a changing environment with constant development in electronic communications and increasing public expectations, together with additional demand on its services due to Growth.

Consequently, Governance needs to be subject to constant review to take account of changing circumstances. Good governance is a key outcome underpinning the Council's Corporate Plan.

Some areas for review were identified in the Governance Statement for 2016/17 to strengthen the Council's arrangements. In a particular, these related to data management and procurement. The improvements for data management were actioned in 2017/18. However, whilst a number of actions relating to contract and procurement management were implemented, the remainder were planned to be completed by September 2018.

Work Plan 2018/19

The areas identified for development during 2018/19 are:

- Continue to review on a 6-monthly basis the Local Code of Corporate Governance.
- Raise awareness of Culture and Ethics amongst Officers by promoting the new Ethics Statement to ensure the expected standards of behaviour are communicated, implemented and maintained throughout the Council.
- Commission an External Peer Review to develop the Council's capacity in a period of significant change. This has been identified in the Local Code of Corporate Governance as good practice.

These developments are set out and included in the Governance Work Plan for 2018/19 in **Appendix 1**.

APPENDIX 1: GOVERNANCE WORK PLAN 2018/19

Work Area	Timescale	Lead Officers	Corporate Plan Priority
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	Maintain Proper Corporate Governance
Undertake a staff survey and hold briefing sessions to promote the Council's Culture and Ethics Framework	November 2018	Chief Executive and Strategic Directors	Maintain Proper Corporate Governance
Undertake an external Peer assessment	March 2019	Chief Executive	Maintain a skilled workforce

Governance Statement (continued)

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:

Dated:

Signed:

Dated

Certificate of Chief Financial Officer

I certify that:

- (a) The Statement of Accounts for the year ended 31st March 2018 on pages 38 to 41 has been prepared in the form directed by the Code and under the accounting policies set out on pages 42 to 54.
- (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

**AUDIT REPORT TO BE INCLUDED FOLLOWING THE COMPLETION OF
THE AUDIT OF THE FINANCIAL STATEMENTS**

Independent Auditor's Report

**AUDIT REPORT TO BE INCLUDED FOLLOWING THE COMPLETION OF
THE AUDIT OF THE FINANCIAL STATEMENTS**

Independent Auditor's Report

**AUDIT REPORT TO BE INCLUDED FOLLOWING THE COMPLETION OF
THE AUDIT OF THE FINANCIAL STATEMENTS**

Council Approval of Statement of Accounts

These accounts are to be approved by resolution of the Finance and Management Committee on 26th July 2018 after completion of the External Audit.

Signed:

Dated:

Comprehensive Income and Expenditure Statement

For the year ended 31st March 2018

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	2017/18			2016/17		
	Expenditure	Income	Net	Expenditure	Income	Net
Environmental and Development Services	7,318	(3,369)	3,949	7,160	(3,294)	3,866
Housing and Community Services (incl HRA):						
Ordinary	9,306	(14,580)	(5,274)	12,680	(14,610)	(1,930)
Exceptional	-	-	-	(17,119)	-	(17,119)
Finance and Management	25,840	(20,821)	5,020	25,168	(21,933)	3,235
Cost of Services	42,464	(38,770)	3,694	27,888	(39,836)	(11,948)
Other Operating Income & Expenditure			(255)			357
Exceptional (Note 5)			(739)			-
Total Other Operating Income & Expenditure (Note 12)			(994)			357
Financing & Investment Income & Expenditure (Note 13)			3,766			2,053
Taxation & Non-Specific Grant Income (Note 14)			(13,995)			(12,700)
(Surplus)/Deficit on Provision of Services			(7,529)			(22,238)
(Surplus)/Deficit on revaluation of Assets			(1,461)			(11,995)
(Surplus)/Deficit on revaluation of Available for Sale Assets			55			-
Re-measurement of the Net Defined Benefit Liability (Note 33)			(3,088)			8,029
Total Comprehensive Income & Expenditure			(12,023)			(26,204)

Movement in Reserves Statement

For the year ended 31st March 2018

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

Reserves 2017/18	General Fund	Earmarked Reserves	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied Account	Major Repairs Reserve	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
<i>£000's</i>									
Balance at 31 March 2016	6,989	5,371	1,426	3,548	2,394	1,703	21,431	24,478	45,909
Movement in reserves during 2016/17:									
Total Comprehensive Income & Expenditure	2,424	-	19,814	-	-	-	22,238	3,966	26,204
Adjustments between accounting basis & funding basis (Note 10)	1,860	-	(17,537)	(1,349)	14	(436)	(17,449)	17,449	-
Net increase/(decrease) before transfers to Earmarked Reserves'	4,284	-	2,277	(1,349)	14	(436)	4,789	21,415	26,204
Transfers to/from Earmarked Reserves	(2,839)	3,089	-	(250)	-	-	-	-	-
Increase/(decrease) for the year ended 31 March 2017	1,445	3,089	2,277	(1,599)	14	(436)	4,789	21,415	26,204
Balance at 31 March 2017	8,434	8,460	3,703	1,949	2,408	1,266	26,219	45,893	72,113
Movement in reserves during 2017/18:									
Total Comprehensive Income & Expenditure	1,759	-	5,769	-	-	-	7,529	4,494	12,023
Adjustments between accounting basis & funding basis (Note 10)	625	-	(4,095)	1,873	7	3,004	1,414	(1,414)	-
Net increase/(decrease) before transfers to Earmarked Reserves'	2,384	-	1,674	1,873	7	3,004	8,943	3,080	12,023
Transfers to/from Earmarked Reserves	(774)	1,254	(230)	(250)	-	-	-	-	-
Increase/(decrease) for the year ended 31 March 2018	1,610	1,254	1,444	1,623	7	3,004	8,943	3,080	12,023
Balance at 31 March 2018	10,044	9,714	5,147	3,573	2,415	4,270	35,162	48,973	84,136

Balance Sheet

For the year ended 31st March 2018

The Balance Sheet shows the value as at 31st March 2018 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		2018	2017 Restated
	<i>Notes</i>		
Property, Plant & Equipment	14	144,175	143,287
Investment Property	15	5,412	5,161
Long-term Investments	16	985	40
Long-term Debtors	16	89	63
Non-Current Assets		150,662	148,551
Inventories		85	90
Short-term Debtors	17	5,295	5,464
Assets Held for Sale	19	900	1,000
Cash & Cash Equivalents	18	26,593	15,547
Current Assets		32,873	22,101
TOTAL ASSETS		183,535	170,652
Short-term Creditors	20	(9,243)	(7,040)
Short-term Borrowing	16	(28)	(28)
Provisions	21	(993)	(1,109)
Current Liabilities		(10,264)	(8,177)
Long-term Creditors	16	(43)	(45)
Long-term Borrowing	16	(57,423)	(57,423)
Pension Deficit	32	(31,669)	(32,895)
Non-Current Liabilities		(89,136)	(90,363)
TOTAL LIABILITIES		(99,399)	(98,540)
NET ASSETS		84,135	72,112
Usable Reserves	23	(35,162)	(26,219)
Unusable Reserves	24	(48,973)	(45,893)
TOTAL RESERVES		(84,135)	(72,112)

Cash Flow Statement

For the year ended 31st March 2018

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		2018	2017 Restated
	<i>Notes</i>		
Cash generated from operations			
Net Surplus/(Deficit) on the provision of services		7,529	22,238
Adjustment for non-cash movements:			
Depreciation	15	5,659	4,276
Impairments/Revaluations	15/16	(3,043)	(17,003)
Movement in Pension Liability	33	1,862	916
(Profit)/Loss from the sale of Property, Plant & Equipment	12	(1,367)	(388)
Changes in working capital:			
(Increase)/Decrease in Inventory		4	11
(Increase)/Decrease in Debtors	17/18	(2)	(3,420)
Increase/(Decrease) in Provision for Bad Debts	18	146	222
Increase/(Decrease) in Creditors	21	2,086	2,656
Net cash generated from operations		12,874	9,507
Cash flows from investing activities			
Purchase of Property, Plant & Equipment	15	(3,312)	(6,419)
Purchase of Investment Properties	16	-	-
Purchase of long-term Investments	16	(1,000)	-
Proceeds from the sale of Non-Current Assets	11	2,484	1,148
Net cash flows from investing activities		(1,828)	(5,272)
Cash flows from financing activities			
Proceeds from new Borrowings	16	-	-
Repayment of Borrowings	16	-	-
Net cash flows from financing activities		-	-
Net increase in cash & cash equivalents		11,046	4,235
Cash & cash equivalents at the beginning of the period	18	15,547	11,313
Cash & cash equivalents at the end of the period	18	26,593	15,547

Notes to the Financial Statements

For the year ended 31st March 2018

1. Accounting Policies

(a) General Principles

The Statement of Accounts summarises the Council's transactions for the 2017/18 financial year and its position as at 31st March 2018. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 and the Service Reporting Code of Practice 2017/18, 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 31st March 2017, 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 2017/18.

(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

Notes to the Financial Statements (continued)

For the year ended 31st March 2018

be credited to the General Fund is taken to the Collection Fund adjustment account through the Movement in Reserves Statement.

Accounting for Council Tax

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

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

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

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

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

(c) Cash and Cash Equivalents

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

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

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

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

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

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

(e) Charges to Revenue for Non-Current Assets

Notes to the Financial Statements (continued)

For the year ended 31st March 2018

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

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

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

Notes to the Financial Statements (continued)

For the year ended 31st March 2018

- The liabilities of the Derbyshire County Council Pension Scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method. This means there is an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc. and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices using a discount rate based on the indicative rate on long-term redemption yields available on AA rated corporate bonds.
- The assets of the Derbyshire County Council Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:
 - Quoted securities - mid market value.
 - Unquoted securities - professional estimate.
 - Unitised securities - average of the bid and offer rates.
 - Property - market value.

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

Service cost comprising

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

Re-measurement comprising

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

Contributions paid to the Derbyshire County Council Pensions Fund

The cash paid as employer's contributions to the pensions fund in the settlement of liabilities are not accounted for as an expense as statutory provisions require the General Fund and Housing

Notes to the Financial Statements (continued)

For the year ended 31st March 2018

Revenue Account Balances to be charged with the amount payable by the Council to the Pension Fund, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the Pension Fund and any amounts payable to the fund but unpaid at the year-end. The negative balance that arises on the pensions reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flow rather than as benefits earned by the employees.

Discretionary Benefits

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

(g) Events after the Balance Sheet Date

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

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

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

(h) Financial Instruments

Financial Liabilities

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

Financial Assets

Financial assets are classified into two types:

- Loans and receivables - assets that have fixed or determinable payments but are not quoted on an active market.
- Available-for-sale assets - assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially valued at fair value, based upon prevailing benchmark market rates for new borrowing. They are subsequently measured and carried

Notes to the Financial Statements (continued)

For the year ended 31st March 2018

on the Balance Sheet at amortised cost. PWLB loan fair value estimates are based upon new borrowing (certainty rate) discount rates. Annual credits to the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

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

(i) Government Grants and Contributions (Revenue)

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

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

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

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

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

(j) Investment Property

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

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset would be exchanged between knowledgeable parties at arm's length.

Notes to the Financial Statements (continued)

For the year ended 31st March 2018

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.

Recognition

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

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

Measurement

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

Notes to the Financial Statements (continued)

For the year ended 31st March 2018

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

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

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

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

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

Level 3 – unobservable input for the asset or liability.

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

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

Notes to the Financial Statements (continued)

For the year ended 31st March 2018

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

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

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

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

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

Impairment

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

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

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

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

Depreciation

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

Depreciation is 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)

Notes to the Financial Statements (continued)

For the year ended 31st March 2018

- 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.

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).

Notes to the Financial Statements (continued)

For the year ended 31st March 2018

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.

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 and HRA

Notes to the Financial Statements (continued)

For the year ended 31st March 2018

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

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.

Notes to the Financial Statements (continued)

For the year ended 31st March 2018

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.

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

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

- IFRS 9 Financial Instruments
- IFRS 15 Revenue From Contracts With Customers
- IFRS 16 Leases

IFRS 9 Financial Instruments

The Council will adopt IFRS 9 Financial Instruments with effect from 1st April 2018. The main changes include the reclassification of financial assets and the earlier recognition of the impairment of financial assets.

The Council does not expect the reclassification changes to have a material impact upon the financial statements because the majority of its financial assets will retain the same measurement basis. To this end, on 1st April 2018 the Council irrevocably elected to present changes in the fair value of the Local Authority (CCLA) Property Fund investments in other comprehensive income as permitted by the IFRS.

The Council does not expect the impairment changes to have a material impact upon the financial statements because the impairment charge will be immaterial for its treasury management assets (e.g. bank deposits), and it already makes a provision for doubtful debts on its service assets (e.g. trade receivables).

Notes to the Financial Statements (continued)

For the year ended 31st March 2018

The impact of IFRS 15 and IFRS 16 will be considered for the 2018/19 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

Former Depot site, Darklands Road, Swadlincote

Committee approval has been granted to sell this site and a planning application has been submitted by the developer. A disposal is expected during 2018/19 although this is subject to a number of conditions being satisfied which are currently being progressed.

Staley Close, Swadlincote

Committee has approved the principle of a sale and a preferred developer has been provisionally selected following a tender process. The detailed terms are subject to further Committee approval but the terms include a completion date of 31st March 2019. The disposal is subject to planning approval and satisfactory ground conditions and has been included in the Accounts.

The Council has classified the above assets as “held for sale” in accordance with IFRS 5.

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 31st March 2018 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 2017/18 totalling approximately £1m, comprising Planning Appeals (£108k), Termination Benefits (£64k) and Business Rate appeals (£821k). The amounts are based on informed estimates of the final liability.

Notes to the Financial Statements (continued)

For the year ended 31st March 2018

Pensions Liability	<p>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.</p>
Asset Valuation	<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 16, 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 17.</p>
Employee Benefits Payable During Employment	<p>The Council has accrued for known holiday entitlement outstanding as at 31st March 2018, 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 £14k at 31 March 2018, compared to £28k at 31st March 2017. 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>
Bad and Doubtful Debts	<p>The Council has a number of debts outstanding at 31st March 2018. 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>

Notes to the Financial Statements (continued)

For the year ended 31st March 2018

5. Material items of Income and Expense

Overage Payment

Land at Chestnut Avenue, Midway was formerly listed as “held for sale” in the 2016/17 Accounts. The land was transferred to a housing developer in return for the improvement to leisure and recreational facilities in the area.

In addition to the above, the developer also agreed to make a separate overage payment if the house sale receipts generated exceeded the assumed value in their original land purchase offer. The payment equated to 50% of any such increase, less an allowance for any rise in build costs from the original viability.

Any payment was due following the sale of the final house and an overage sum of £739k has subsequently been received in accordance with this agreement.

6. Events after the Balance Sheet Date

There have been no events occurring between the Balance Sheet date of 31st March 2018 and the date the accounts are audited, approved and signed off (*i.e. 26th July 2018 – following audit*) that have a bearing on the financial results.

Notes to the Financial Statements (continued)

For the year ended 31st March 2018

7. Expenditure and Funding Analysis

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

<i>£000's</i>	2017/18			2016/17		
	Net Expenditure Chargeable to GF & HRA	Adjustments between Accounting & Funding (Notes 8&10)	Net Expenditure in Comprehensive Income & Expenditure Statement	Net Expenditure Chargeable to GF & HRA	Adjustments between Accounting & Funding (Notes 8&10)	Net Expenditure in Comprehensive Income & Expenditure Statement
Environmental and Development Services	4,323	374	3,949	3,445	(421)	3,866
Housing and Community Services (incl HRA)	(1,533)	3,742	(5,274)	(2,130)	16,919	(19,049)
Finance and Management	3,482	(1,538)	5,020	2,404	(831)	3,235
Net Cost of Services	6,272	2,578	3,694	3,719	15,667	(11,948)
Other Operating Income & Expenditure	(10,330)	892	(11,223)	(10,280)	10	(10,290)
(Surplus)/Deficit	(4,058)	3,471	(7,529)	(6,561)	15,677	(22,238)
Opening General Fund and HRA Balances	(20,597)			(13,786)		
(Surplus) / Deficit on General Fund and HRA Balances in year	(4,058)			(6,561)		
Transfers between reserves	(250)			(250)		
Closing General Fund and HRA Balances at 31st March	(24,905)			(20,597)		

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

Notes to the Financial Statements (continued)

For the year ended 31st March 2018

8. Note to the Expenditure and Funding Analysis

2017/18	Adjustments for Capital Purposes [1]	Net Change for the Pensions Adjustments [2]	Other Differences [3]	Total Adjustments
<i>£000's</i>				
Environmental and Development Services	374	-	-	374
Housing and Community Services	4,051	(310)	-	3,742
Finance and Management	14	(1,552)	-	(1,538)
Net Cost of Services	4,440	(1,862)	-	2,578
Other Income and Expenditure from Expenditure and Funding Analysis	345	-	547	892
Difference between General Fund and HRA (Surplus)/Deficit and the (Surplus)/Deficit on the Provision of Services	4,786	(1,862)	547	3,471

2016/17	Adjustments for Capital Purposes [1]	Net Change for the Pensions Adjustments [2]	Other Differences [3]	Total Adjustments
<i>£000's</i>				
Environmental and Development Services	(421)	-	-	(421)
Housing and Community Services	17,117	(198)	-	16,919
Finance and Management	(113)	(718)	-	(831)
Net Cost of Services	16,583	(916)	-	15,667
Other Income and Expenditure from Expenditure and Funding Analysis	364	-	(354)	10
Difference between General Fund and HRA (Surplus)/Deficit and the (Surplus)/Deficit on the Provision of Services	16,946	(916)	(354)	15,677

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

Notes to the Financial Statements (continued)

For the year ended 31st March 2018

9. Expenditure and Income Analysed by Nature

£000's	2017/18	2016/17
Expenditure		
Employee Expenses	13,102	10,719
Other service expenses	30,444	32,535
Depreciation and Impairment	2,616	(12,727)
Interest payable	1,554	1,562
Parish precepts	800	733
Elected Members allowances	349	353
Payments to Housing Capital Receipts Pool	312	361
Total expenditure	49,177	33,536
Income		
Fees, charges and other service income	(9,254)	(9,863)
Interest and investment income	(693)	(82)
Income from Council Tax and Non-Domestic Rates	(10,679)	(8,618)
HRA rental income	(12,900)	(13,518)
Income from Sale of Fixed Assets	(2,484)	(1,508)
Government grants and contributions	(20,696)	(22,183)
Total income	(56,705)	(55,773)
(Surplus) / Deficit on the Provision of Services	(7,529)	(22,238)

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

£000's	2017/18	2016/17
Environmental and Development Services	(3,339)	(3,278)
Housing and Community Services (incl HRA)	(1,607)	(1,677)
Finance and Management	(4,308)	(4,908)
Total income from external customers	(9,254)	(9,863)

Notes to the Financial Statements (continued)

For the year ended 31st March 2018

10. Adjustments between Accounting Basis and Funding Basis under Regulation

2017/18	Usable Reserves					Total
	General Fund	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	Major Repairs Reserve	
<i>£000's</i>						
<u>Adjustments to Revenue Resources</u>						
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:						
Pensions Costs (transferred to/from Pensions Reserve)	1,552	310	-	-	-	1,862
Council Tax and NNDR (transferred to/from Collection Fund Adjustment Account)	(547)	-	-	-	-	(547)
Holiday Pay (transferred to/from Accumulated Absences Reserve)	(16)	1	-	-	-	(14)
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (charged to the Capital Adjustment Account)	2,501	1,232	-	-	-	3,733
Total Adjustments to Revenue Resources	3,490	1,543	-	-	-	5,034
<u>Adjustments between Revenue and Capital Resources</u>						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(1,767)	(1,455)	3,222	-	-	-
Payments to the Government Housing Receipts Pool	-	312	(312)	-	-	-
Posting of HRA resources from Revenue to the Major Repairs and Capital Receipts Reserve	-	(4,496)	250	-	4,246	-
Posting of General Fund resources from revenue to the Capital Grants Unapplied	(9)	-	-	9	-	-
Voluntary revenue contribution for capital funding	(131)	-	-	-	-	(131)
Statutory provision for the repayment of debt (transferred from the Capital Adjustment Account)	(214)	-	-	-	-	(214)
Capital expenditure financed from revenue (transferred to the Capital Adjustment Account)	(707)	-	-	-	-	(707)
Total Adjustments between Revenue and Capital Resources	(2,828)	(5,639)	3,161	9	4,246	(1,052)
<u>Adjustments to Capital Resources</u>						
Use of Capital Receipts Reserve to finance capital expenditure	(37)	-	(1,287)	-	37	(1,287)
Use of Major Repairs Reserve to finance capital expenditure	-	-	-	-	(1,279)	(1,279)
Application of capital grants to finance capital expenditure	-	-	-	(2)	-	(2)
Total Adjustments to Capital Resources	(37)	-	(1,287)	(2)	(1,241)	(2,568)
Total Adjustments	625	(4,095)	1,873	7	3,004	1,414

Notes to the Financial Statements (continued)

For the year ended 31st March 2018

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

2016/17	Usable Reserves					Total
	General Fund	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	Major Repairs Reserve	
£000's						
<u>Adjustments to Revenue Resources</u>						
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:						
Pensions Costs (transferred to/from Pensions Reserve)	718	198	-	-	-	916
Council Tax and NNDR (transferred to/from Collection Fund Adjustment Account)	354	-	-	-	-	354
Holiday Pay (transferred to/from Accumulated Absences Reserve)	11	(1)	-	-	-	10
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (charged to the Capital Adjustment Account)	920	(12,875)	-	-	-	(11,956)
Total Adjustments to Revenue Resources	2,003	(12,679)	-	-	-	(10,676)
<u>Adjustments between Revenue and Capital Resources</u>						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(84)	(1,424)	1,508	-	-	0
Payments to the Government Housing Receipts Pool	-	361	(361)	-	-	-
Posting of HRA resources from Revenue to the Major Repairs and Capital Receipts Reserve	-	(3,795)	2,287	-	1,508	-
Posting of General Fund resources from revenue to the Capital Grants Unapplied	(17)	-	-	17	-	-
Voluntary revenue contribution for capital funding	(131)	-	-	-	-	(131)
Statutory provision for the repayment of debt (transferred from the Capital Adjustment Account)	(223)	-	-	-	-	(223)
Capital expenditure financed from revenue (transferred to the Capital Adjustment Account)	452	-	-	-	-	452
Total Adjustments between Revenue and Capital Resources	(4)	(4,858)	3,435	17	1,508	98
<u>Adjustments to Capital Resources</u>						
Use of Capital Receipts Reserve to finance capital expenditure	(140)	-	(4,784)	-	-	(4,924)
Use of Major Repairs Reserve to finance capital expenditure	-	-	-	-	(1,944)	(1,944)
Application of Capital Grants to finance capital expenditure	-	-	-	(3)	-	(3)
Total Adjustments to Capital Resources	(140)	-	(4,784)	(3)	(1,944)	(6,871)
Total Adjustments	1,860	(17,537)	(1,349)	14	(436)	(17,449)

Notes to the Financial Statements (continued)

For the year ended 31st March 2018

11. Movements in Earmarked Reserves

This note details the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans, together with amounts posted back from earmarked reserves to meet General Fund expenditure in 2017/18.

<i>£000's</i>	Closing balance 2016/17	Transfers in	Transfers out	Closing balance 2017/18
General Fund				
IT Reserve	141	141	-	282
Committed Expenditure Reserve	120	-	(11)	109
Dilapidation Deposit (Dellner Woodville Site)	78	-	(65)	13
S106 Receipts	5,062	1,798	(889)	5,972
Welfare Reform, Fraud and Compliance	247	39	(45)	241
Homelessness Prevention	89	85	-	174
Schools Sport Partnership Project	204	-	(14)	190
Pensions Reserve	182	-	(43)	139
Planning Staffing & Support Costs Reserve	62	51	(19)	94
District Growth	300	300	-	600
Garden Village Reserve	214	15	-	229
Other Earmarked Reserves	509	138	(46)	601
Total	7,208	2,567	(1,132)	8,644
Fixed Asset Replacement Fund	1,251	485	(666)	1,070
	8,460	3,052	(1,798)	9,714

12. Other Operating Income and Expenditure

Total	2017/18	2016/17
<i>£000's</i>		
Parish Council Precepts	756	679
Parish Council Tax Support Grant	44	44
Payments to the Government Housing Capital Receipts Pool	312	361
Total - Other Operating Expenditure	1,111	1,084
Profit on disposal of non-current assets		
Normal (see below)	(1,367)	(727)
Exceptional (Note 5)	(739)	-
Total - profit on disposal of non-current assets	(2,105)	(727)
Total - Other Operating (Income) / Expenditure	(994)	357

Notes to the Financial Statements (continued)

For the year ended 31st March 2018

12. Other Operating Income and Expenditure (continued)

(Profits)/losses on the disposal of non-current assets £000's	2017/18	2016/17
Net Proceeds from Sale of General Assets	(1,029)	(84)
Net Proceeds from Sale of HRA Assets	(1,455)	(1,424)
Disposal Costs	1	10
Book Value of non-current assets sold	1,116	771
Total	(1,367)	(727)

13. Financing and Investment Income and Expenditure

Total £000's	2017/18	2016/17
Interest Payable and Similar Charges	1,559	1,571
Interest Receivable and Similar Income	(109)	(82)
Net Interest on the Net Defined Benefit Liability (note 33)	868	839
Income and Expenditure in Relation to Investment Properties	1,448	(276)
Total	3,766	2,053

14. Taxation and Non Specific Income

Total £000's	2017/18	2016/17
Council Tax Income	(5,842)	(5,468)
NNDR Income	(4,837)	(3,150)
Non Ring Fenced Government Grants	(3,316)	(4,081)
Total	(13,995)	(12,700)

Council Tax Income £000's	2017/18	2016/17
Current Year	(5,842)	(5,468)
Total	(5,842)	(5,468)

National Non Domestic Rates (NNDR) £000's	2017/18	2016/17
Current Year	(10,096)	(9,257)
Tariff Payments	6,194	6,252
Business Rate Reliefs	(1,529)	(343)
Payment to Business Rates Pool	1,149	511
Receipt from Business Rates Pool	(556)	(312)
Total	(4,837)	(3,150)

Notes to the Financial Statements (continued)

For the year ended 31st March 2018

14. Taxation and Non Specific Income (continued)

Non Ring Fenced Government Grants	2017/18	2016/17
<i>£000's</i>		
Revenue Support Grant	(668)	(1,199)
Transition Grant	(3)	(3)
Transparency Grant	-	(9)
New Homes Bonus	(2,619)	(2,855)
New Burdens Grant	(26)	(15)
Total	(3,316)	(4,081)

Notes to the Financial Statements (continued)

For the year ended 31st March 2018

15. Property, Plant and Equipment

Year ended 31 March 2018	Council Dwellings	Land & Buildings	Vehicles, Plant & Equipment	Community Assets	Assets Under Construction	Surplus Assets	Total
<i>£000's</i>							
Cost or valuation							
At 1 April 2017	121,634	18,710	2,755	1,231	-	755	145,085
Additions	1,316	1,329	666	-	-	-	3,312
Disposals	(923)	(102)	-	-	-	-	(1,025)
Transfers	-	(568)	-	-	-	(450)	(1,018)
Revaluations recognised in the revaluation reserve	1,376	(1,485)	-	(6)	-	-	(115)
At 31 March 2018	123,402	17,885	3,421	1,225	-	305	146,239
Depreciation & Impairment							
At 1 April 2017	-	-	(1,798)	-	-	-	(1,798)
Charge for the Year	(4,581)	(812)	(266)	-	-	-	(5,659)
Disposals	-	-	-	-	-	-	-
Transfer	-	49	-	-	-	-	49
Impairments recognised in the Provision of Services	4,452	(1,492)	-	-	-	-	2,960
Depreciation written out to the revaluation reserve	130	2,254	-	-	-	-	2,384
At 31 March 2018	0	(0)	(2,064)	-	-	-	(2,064)
Net Book Value							
At 31 March 2018	123,403	17,885	1,357	1,225	-	305	144,175
At 1 April 2017	121,634	18,710	957	1,231	-	755	143,287

*The balance of £1,018k on transfers is due to a classification change from Land & Buildings to Investment Properties at Rosliston Forestry Centre, from Land & Buildings to Assets Held for Sale for land at Darklands Road plus land at Staley Close transferred from Surplus Assets to Assets Held for Sale.

Notes to the Financial Statements (continued)

For the year ended 31st March 2018

15. Property, Plant and Equipment (continued)

Year ended 31 March 2017	Council Dwellings	Land & Buildings	Vehicles, Plant & Equipment	Community Assets	Assets Under Construction	Surplus Assets	Total
<i>£000's</i>							
Cost or valuation							
At 1 April 2016	90,663	14,562	2,726	1,543	4,112	755	114,361
Additions	4,457	1,933	29	-	-	-	6,419
Disposals	(771)	-	-	-	(17)	-	(788)
Transfers	4,295	138	-	(312)	(4,095)	-	26
Revaluations	22,991	2,077	-	-	-	-	25,068
							-
At 31 March 2017	121,634	18,710	2,755	1,231	-	755	145,085
Depreciation & Impairment							
At 1 April 2016	-	-	(1,450)	-	-	-	(1,450)
Charge for the Year	(3,307)	(620)	(348)	-	-	-	(4,276)
Disposals	-	-	-	-	-	-	-
Impairments	16,935	64	-	-	-	-	17,000
Revaluations	(13,628)	556	-	-	-	-	(13,072)
At 31 March 2017	-	0	(1,798)	-	-	-	(1,798)
Net Book Value							
At 31 March 2017	121,634	18,710	957	1,231	-	755	143,287
At 1 April 2016	90,663	14,562	1,277	1,543	4,112	755	112,910

Notes to the Financial Statements (continued)

For the year ended 31st March 2018

15. Property, Plant and Equipment (continued)

Valuations

In accordance with IAS 16, the Council revalues all Property, Land and Buildings annually on a fair value basis. It is considered that there is no material difference in a fair value basis compared to a valuation based on carrying value. All valuations were carried out externally by Richard Hemsworth MRICS, Senior Surveyor, VOA. Valuations of land and buildings were carried out at 31st March 2018 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.

	Council Dwellings	Land & Buildings	Vehicles, Plant & Equipment	Community Assets	Assets under Construction	Surplus Assets	Total
<i>£000's</i>							
Carried at historical cost 2017/18	-	-	3,422	-	-	-	3,422
Carried at valuation as at:							
31 March 2018	123,402	17,885	-	1,225	-	305	142,817
31 March 2017	121,634	18,710	-	1,231	-	755	142,330

Valuation Assumptions

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

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

Notes to the Financial Statements (continued)

For the year ended 31st March 2018

15. Property, Plant and Equipment (continued)

- 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 outgoing 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 the properties nor their condition, use or intended use, is or will be unlawful or in breach of any covenants.
- No access audit has been undertaken to ascertain compliance with the Equality Act 2010.
- No allowances have been made for any rights obligations or liabilities arising from the Defective Premises Act 1972.
- Where a building is either listed or is in a conservation area, this will be identified in any individual report or on the valuation schedules.

Impairments

Impairments for the year ended 31st March 2018 recognised in the Income and Expenditure Statement were £1,731k, with £4,691k of impairments being reversed relating to previous years.

16. Investment Properties

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

£000's	2017/18	2016/17
Balance at the beginning of the year	5,161	5,061
Transfers In Year	168	97
Surplus/(Deficit) on revaluation	83	3
Balance at the end of the year	5,412	5,161

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

The transfer in year is for log cabins at Rosliston Forestry Centre which have been reclassified in year as Investment Properties.

Notes to the Financial Statements (continued)

For the year ended 31st March 2018

17. Financial Instruments

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

£000'S	Non-current		Current	
	2017/18	2016/17	2017/18	2016/17 Restated
Investments				
Loans and receivables	40	40	-	-
Available for Sale Investments	945	-	-	-
Total Investments	985	40	-	-
Debtors				
Loans and receivables	89	63	-	-
Financial assets carried at contract amounts	-	-	3,107	3,136
Debtors that are not financial instruments	-	-	2,188	2,328
Total Debtors	89	63	5,295	5,464
Cash and cash equivalents				
Loans and receivables	-	-	22,593	15,547
Available for Sale Investments	-	-	4,000	-
Total cash and Cash Equivalents	-	-	26,593	15,547
Borrowings				
Financial liabilities at amortised costs	(57,423)	(57,423)	(28)	(28)
Total Borrowings	(57,423)	(57,423)	(28)	(28)
Other Long Term Liabilities	(43)	(45)	-	-
Total Other long term liabilities	(43)	(45)	-	-
Creditors				
Financial liabilities carried at contract amounts	-	-	(1,449)	(715)
Creditors that are not financial instruments	-	-	(7,794)	(6,325)
Total Creditors	-	-	(9,243)	(7,040)

The available for sale investment of £945k is the fair value of the Council's investment in the CCLA Property Fund. Further information regarding this can be found later in this note and in the narrative statement. The investments of £40k relate to the 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 plus other small loans.

As at 31st March 2018, the debt outstanding comprised the following loans.

- A portfolio of loans from the Public Works Loan Board with a book value of £57,423k (2017: £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 0.79% (2017: 0.45%) with a maturity of 2022.

Notes to the Financial Statements (continued)

For the year ended 31st March 2018

17. Financial Instruments (continued)

- 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 2017/18 no interest was calculated due to the Bank of England Base Rate being less than 1%.

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	2017/18				2016/17			
	Financial Liabilities measured at amortised cost	Financial Assets: Loans and Receivables	Financial Assets: Available-for-Sale	Total	Financial Liabilities measured at amortised cost	Financial Assets: Loans and Receivables	Financial Assets: Available-for-Sale	Total
Interest Expense	1,559	-	-	1,559	1,571	-	-	1,571
Total Expense	1,559	-	-	1,559	1,571	-	-	1,571
Interest and Dividend Income	-	(84)	(25)	(109)	-	(82)	-	(82)
Total Income	-	(84)	(25)	(109)	-	(82)	-	(82)
Losses on Revaluation			55	55				
Net (Gains)/Loss for the Year	1,559	(84)	30	1,505	1,571	(82)	-	1,490

Fair Values of Assets and Liabilities

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

- The fair values of long term loans from the Public Works Loan Board have been based on the new lending rates for equivalent loans at that date with an identical remaining term to maturity.
- For loans receivable prevailing benchmark market rates have been used to provide the fair value.
- No early repayment impairment is recognised.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

Notes to the Financial Statements (continued)

For the year ended 31st March 2018

17. Financial Instruments (continued)

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

£000'S	Carrying amount 2017/18	Fair Value 2017/18	Carrying amount 2016/17	Fair Value 2016/17
Financial Liabilities				
Long Term	(57,423)	(63,491)	(57,423)	(65,510)
Short Term	(28)	(28)	(28)	(28)
	(57,451)	(63,519)	(57,451)	(65,537)
Financial Assets				
Money Market Investments	4,000	4,000	-	-
CCLA Property Fund	1,000	945	-	-
	5,000	4,945	-	-

The fair value adjustment for long term financial liabilities relates to the Public Works Loan Board Portfolio. The fair values were obtained from the Treasury Management advisor Arlingclose Ltd, which values all loans for the purpose of year-end financial statements. The fair value in 2018 is approximately £6m 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 1.88%, compared to the average actual interest paid of 2.79%.

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

Nature and Extent of Risks arising from Financial Instruments

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

The Council is exposed to the financial risks:

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

Notes to the Financial Statements (continued)

For the year ended 31st March 2018

17. Financial Instruments (continued)

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.

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 31st March 2018:

Counterparty	Credit rating criteria met when Investment placed	Balance invested at 31 March 2018
£000'S		
Banks	Yes	3,054
Other local authorities	Yes	18,000
HM Treasury DMO	Yes	1,500
Money Market Funds	Yes	4,000
CCLA Property Fund	Yes	1,000
		27,554

Notes to the Financial Statements (continued)

For the year ended 31st March 2018

17. Financial Instruments (continued)

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 March 2018	Balance at 31 March 2017
£000'S		
Less than one year	28	28
Between one and two years	-	-
Between two and five years	10,000	10,000
Between five and ten years	20,000	20,000
More than ten years	27,423	27,423
	<u>57,451</u>	<u>57,451</u>

Refinancing and Maturity Risk

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

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

Market Risks

a) Interest Rate Risk

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

Notes to the Financial Statements (continued)

For the year ended 31st March 2018

17. Financial Instruments (continued)

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

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

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

Over the last 5 years, this has not been achieved. During 2017/18, the average investment rate returned was 0.23%, compared to a market average of 0.36%. The average rate earned from the Government's Debt Management Office (DMO) was 0.15%, whilst that earned from other local authorities was 0.44%.

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.

During the year, the Council has also invested in the CCLA Property Fund which will generate a higher rate of return for the authority. Further information regarding this can be found in the narrative statement.

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

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

	2017/18	2016/17
£000'S		
Increase in interest payable on variable rate borrowings	(100)	(100)
Increase in interest receivable on variable rate investments	243	261
Impact on Surplus or Deficit on the Provision of Services	143	161

Notes to the Financial Statements (continued)

For the year ended 31st March 2018

17. Financial Instruments (continued)

b) Price Risk

The Council's investment in a pooled property fund is subject to the risk of falling commercial property prices. This risk is limited by the Council's maximum exposure to property investments of £1m. A 5% fall in commercial property prices would result in a £50,000 charge to Other Comprehensive Income & Expenditure – this would have no impact on the Surplus or Deficit on the Provision of Services until the investment was sold.

18. Debtors

Current	2017/18	2016/17
£000's		Restated
Central Government Bodies	1,836	2,187
Other Local Authorities	2,396	1,250
Other entities and individuals	3,069	3,887
	7,301	7,324
Less: Bad Debt Impairment Provisions	(2,006)	(1,860)
Total	5,295	5,464

Credit arrangements provided to Debtors

The Council does not generally allow credit for its Trade Debtors, such that £271k (2017: £246k) is past its due date for payment but not provided. The past due amount can be analysed by age as follows:

Past Due	2017/18	2016/17
£000's		
Less than 3 Months	140	160
3 - 6 Months	16	13
6 Months - 1 Year	53	16
More than 1 Year	62	57
Total	271	246

19. 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	2017/18	2016/17
Cash and Bank Balances	3,092	5,547
Short Term Deposits (considered to be cash equivalents)	19,500	10,000
Money Market Funds	4,000	-
Total	26,593	15,547

Notes to the Financial Statements (continued)

For the year ended 31st March 2018

The short term deposits were invested either with other local authorities (£18m) or HM Debt Management Office (£1.5m) as at 31st March 2018.

20. Assets Held for Sale

£000's	2018	2017
Balance at beginning of the year	1,000	1,123
Additions	1	-
Disposals	(1,001)	-
Revaluations	50	-
Transfers	850	(123)
Balance at end of the year	900	1,000

As detailed in Note 3, the assets held for sale are land at Staley Close, Swadlincote and the former depot at Darklands Road, Swadlincote.

The Council has classified these assets as “held for sale” in accordance with IFRS 5. This is because in both cases committee approval to sell and planning permission to develop has been confirmed with offers from prospective developers being received for both assets. A firm plan is in place to complete both sales within the next 12 months taking into consideration a number of conditions being satisfied.

The land at Staley Close, Swadlincote is to be redeveloped as residential property whilst the old depot has been highlighted as a potential site for economic regeneration with proposals from large organisations which would bring significant community benefits to Swadlincote Town Centre.

21. Creditors

Current	2017/18	2016/17 Restated
£000's		
Central Government Departments	(2,388)	(1,850)
Other Authorities	(4,365)	(2,758)
All Other Bodies	(2,476)	(2,404)
Accumulated Absences	(14)	(28)
Total	(9,243)	(7,040)

22. 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 2017/18 as shown in the following table.

Notes to the Financial Statements (continued)

For the year ended 31st March 2018

22. Provisions (continued)

Current £000's	At 1 April	Increase in provision during year	Utilised during the year	Unused amounts released	At 31 March
2017/18					
Personal Searches	(13)	-	-	13	-
Planning Appeal	(102)	(108)	12	91	(107)
NNDR Appeals	(993)	(401)	-	572	(822)
Termination Benefits	-	(64)	-	-	(64)
	(1,109)	(573)	12	676	(993)
2016/17					
Personal Searches	(42)	-	29	-	(13)
Planning Appeal	(127)	(102)	100	27	(102)
NNDR Appeals	(868)	(125)	-	-	(993)
Termination Benefits	(9)	-	9	-	-
	(1,046)	(227)	137	27	(1,109)

Planning Appeals

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

National Non-Domestic Rate (NNDR) Appeals

This was reduced in 2017/18 due to a large number of appeals lodged with the District Valuer in 2010 being settled in year.

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 in a future accounting period.

23. Usable Reserves

£000's	2017/18	2016/17
General Fund ¹	10,044	8,433
Earmarked Reserves ^{1,2}	9,714	8,460
HRA ¹	5,147	3,703
Capital Receipts Reserve ²	3,573	1,949
Capital Grants Unapplied Account ²	2,415	2,408
Major Repairs Reserve ²	4,270	1,266
Total	35,162	26,219

Notes to the Financial Statements (continued)

For the year ended 31st March 2018

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

23. 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	2017/18	2016/17
IT Reserve	282	141
Welfare Reform, Fraud and Compliance	241	247
Committed Expenditure Reserve	109	120
S106 Capital Receipts	5,972	5,062
Dilapidation Deposit (Dellner Woodville Site)	13	78
Fixed Asset Replacement Fund	1,070	1,251
Homelessness Prevention	174	89
Schools Sport Partnership Project	190	204
Pensions Reserve	139	182
Planning Staffing & Support Costs Reserve	94	62
Other Earmarked Reserves	601	509
District Growth	600	300
Garden Village Reserve	229	214
Total	9,714	8,460

Capital Reserves

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

Capital Receipts Reserve

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

Capital Grants Unapplied

Notes to the Financial Statements (continued)

For the year ended 31st March 2018

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

23. Usable Reserves (continued)

£000's	2017/18	2016/17
Public Open Space (Commutated Sums)	1,237	1,270
Crime and Disorder Partnership	332	332
Youth Engagement Partnership	638	580
Get Active in the Forest Partnership	43	44
Other Capital Grants Unapplied	165	182
Total	2,415	2,408

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.

24. Unusable Reserves

£000's	2017/18	2016/17
Capital Adjustment Account ²	58,261	58,446
Revaluation Reserve ²	22,423	20,891
Pensions Reserve ¹	(31,721)	(32,947)
Collection Fund Adjustment Account ¹	79	(468)
Available For Sale Investment Reserve ¹	(55)	-
Accumulating Compensated Absences Adjustment Account ¹	(14)	(28)
Total	48,973	45,893

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

Capital Adjustment Account

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

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

Notes to the Financial Statements (continued)

For the year ended 31st March 2018

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.

24. Unusable Reserves (continued)

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

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

£000's	2017/18
Balance at 1st April 2017	58,446
Charges for depreciation and impairment of non-current assets	(2,700)
Revaluation gains on Property, Plant and Equipment	(71)
Revenue expenditure funded from capital under statute	845
Amounts of non-current assets written off on disposal	(1,117)
Net written out amount of the cost of non-current assets consumed in the year	55,403
Capital financing applied in the year:	
Use of Capital Receipts to finance new capital expenditure	1,276
Use of Major Repairs Reserves to fund new capital expenditure	1,279
Application of grants to capital financing from the Capital Grants Unapplied Account	-
Minimum Revenue Provision	214
Voluntary Revenue Provision	131
Capital expenditure credited to the General Fund and HRA balance	(124)
Movements in the market value of Investment Properties	83
Balance as at 31st March 2018	58,261

Revaluation Reserve

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

The balance is reduced when assets with accumulated gains are:

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

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

Notes to the Financial Statements (continued)

For the year ended 31st March 2018

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

24. Unusable Reserves (continued)

£000's	2017/18
Balance at 1st April 2017	20,891
Upward revaluation of assets	2,380
Downward revaluation of assets	(919)
Amounts of non-current assets written off on disposal	-
Surplus on revaluation of non-current assets not posted to the Provision of Services	22,351
Accumulated gains on assets sold	71
Balance as at 31st March 2018	22,423

Available for Sale Financial Instruments Reserve

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

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

£000's	2017/18
Balance at 1st April 2017	-
Upward/(Downward) revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	(55)
Balance as at 31st March 2018	(55)

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

Notes to the Financial Statements (continued)

For the year ended 31st March 2018

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.

24. Unusable Reserves (continued)

Accumulating Compensated Absences Adjustment Account

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

25. 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.

<i>£000's</i>	2017/18	2016/17
Income	275	275
Expenditure	(95)	(60)
Net surplus arising on the agency agreement	180	215

26. Members' Allowances

During the year Members allowances totalled £349k (2016/17: £353k) as shown in the following table.

<i>£000's</i>	2017/18	2016/17
Basic Allowance	224	224
Telephone Allowance	-	6
Travel and Subsistence	6	8
Special Responsibility Allowances	119	115
	349	353

Notes to the Financial Statements (continued)

For the year ended 31st March 2018

27. Officers' Remuneration

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

	2017/18 Number	2016/17 Number
£60,001 to £65,000	3	2
£80,001 to £85,000	-	2
£85,001 to £90,000	1	1
£120,001 to £125,000	1	1
	5	6

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

£'s	Salary, Fees And Allowances	Expenses Allowances	Pension Contributions	Total
2017/18				
Previous Structure:				
Chief Executive	82,288	1,004	11,356	94,648
Director of Finance & Corporate Services	56,534	1,004	7,802	65,339
Director of Housing & Environmental	-	-	-	-
Director of Community & Planning	59,372	1,353	10,196	70,921
Legal & Democratic Services Manager & Monitoring Officer	42,794	826	5,906	49,525
Head of Organisational Development	41,273	1,004	5,696	47,973
TOTAL	282,261	5,191	40,954	328,406
Revised Structure:				
Chief Executive - Strategic Director (Central Services)	41,144	502	5,678	47,324
Strategic Director (Corporate Resources)	29,167	502	4,025	33,694
Strategic Director (Service Delivery)	-	-	-	-
Legal & Democratic Services Manager & Monitoring Officer	21,403	413	2,954	24,770
Head of Organisational Development	20,637	502	2,848	23,986
TOTAL	112,351	1,919	15,504	129,774
TOTAL FOR 2017/18	394,611	7,109	56,459	458,179

Notes to the Financial Statements (continued)

For the year ended 31st March 2018

2016/17

Chief Executive	122,210	1,497	15,643	139,350
Director of Finance & Corporate Services	83,961	1,497	10,747	96,205
Director of Housing & Environmental	79,190	1,364	9,208	89,762
Director of Community & Planning	81,386	1,497	10,417	93,301
Legal & Democratic Services Manager and Monitoring Officer	62,572	1,239	8,009	71,820
Head of Organisational Development	10,216	243	1,308	11,767
TOTAL FOR 2016/17	439,535	7,338	55,333	502,205

The Head of Organisational Development was transferred to the Council after the Shared Services contract with Northgate Public Services ended on 1st February 2017. The salary figures quoted for this officer only relate to the final two months of 2016/17.

The Council restructured its Leadership Team in December 2017. The posts of Director of Housing and Environmental and Director of Community and Planning were deleted as part of the restructure.

As an interim arrangement until the post of Strategic Director (Service Delivery) was recruited, the Director of Community and Planning remained in post. The Director of Housing and Environmental post has been vacant all year.

The restructure has saved the Council £106k during 2017/18.

Exit Packages and Other Departures

£'s	2017/18 Number	2016/17 Number	2017/18 £	2016/17 £
£0 to £20,000	3	2	39,070	26,120
£20,001 to £40,000	-	-	-	-
£40,001 to £60,000	-	-	-	-
£60,001 to £80,000	-	-	-	-
£80,001 to £100,000	1	-	85,313	-
£101,001 to £120,000	1	-	115,018	-
	5	2	239,401	26,120

Three early termination payments were made as part of voluntary redundancy arrangements under the Council's Policy and were charged in the Comprehensive Income and Expenditure Statement.

A fourth employee received payment in lieu of notice on termination of employment.

In addition, one other exit package was agreed and severance of £14.9k was paid on termination of employment from the Council.

28. External Audit Fees

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

£000's	2017/18	2016/17
External Audit Fees	49	49
Grant Claim Certification Fees	16	16

Notes to the Financial Statements (continued)

For the year ended 31st March 2018

Audit Commission Rebate	(7)	-
Total	58	65

29. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2017/18:

29. Grant Income (continued)

£'000	2017/18	2016/17
Credited to Taxation and Non Specific Grant Income (Note 14)		
General Government Grants	3,316	4,081
Business Rate Reliefs (Section 31 Grants)	1,529	343
	4,845	4,424
Credited to Net Cost of Service		
Department of Works and Pensions (Benefit Subsidy and Welfare Reform)	16,817	17,777
Supported Housing	190	216
Contributions from Developers (section 106 Planning Agreements)	2,271	2,773
Other Grants and Contributions to Service Expenditure	1,409	934
	20,687	21,700

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 31st March 2018 are as follows:

£'000	2017/18	2016/17
Capital Grants Received in Advance	793	469

30. 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 Note 14 – Taxation and Non-Specific Income. Debtor and Creditor values are analysed in Notes 18 and 21 respectively.

Elected Members

Notes to the Financial Statements (continued)

For the year ended 31st March 2018

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

30. Related Parties (continued)

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 2017/18, the Council had no significant dealings with any companies or organisations declared by elected members which would have a bearing on the Financial Statements.

31. 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 2017/18 is shown in the following table.

£000's	2017/18	2016/17
Capital Financing Requirement at 1 April	67,584	67,938
Add: Capital Expenditure		
Property, Plant and Equipment	3,312	6,419
Investment Properties	0	0
Revenue Expenditure Funded from Capital under Statute	845	1,960
Total Expenditure	4,157	8,380
Less: Source of Finance		
Capital Receipts	(1,288)	(4,784)
Government Grants and External Financing	(557)	(1,035)
Other External Contributions	(168)	(186)
General Fund Revenue Contributions	(825)	(208)
Housing Revenue Account Contributions	(1,279)	(1,945)
Planning Agreements - S106 Developer Contributions	(41)	(221)
Total Financing	(4,157)	(8,380)
Minimum Revenue Provision	(214)	(223)
Voluntary Revenue Contribution	(131)	(131)
Actual Loan Principal Repaid	0	0
Total Repayments and Revenue Provisions	(345)	(354)
Capital Financing Requirement at 31 March	67,239	67,584

Notes to the Financial Statements (continued)

For the year ended 31st March 2018

Actual Borrowings Outstanding - Gross (Note 17)	57,451	57,451
Investments		
Short-term Investments Outstanding	(23,500)	(10,000)
Long-term Investments Outstanding	(1,000)	0
Net Borrowings Outstanding (Gross less Investments)	32,951	47,451

32. Leases

Other land and building leases primarily consist of the lease of an Industrial Estate where the rental payable in 2017/18 was **£50k** (2016/17: £50k) plus some other minor commercial properties. The total future cash payments required under these leases are estimated at £350k (2017: £401k).

The Council was committed at 31st March 2018 to making payments of **£350k** (2017: £401k) under operating leases, comprising the following elements:

	2018			2017		
	Other Land and Buildings	Vehicles, Plant and Equipment	Total	Other Land and Buildings	Vehicles, Plant and Equipment	Total
<i>£000's</i>						
Within one year	53	-	53	54	-	54
Between two & five years	206	-	206	204	-	204
After five years	91	-	91	143	-	143
	350	-	350	401	-	401

The Council rents some properties to tenants under lease arrangements. Amounts receivable under these leases in 2017/18 was **£723k** (2016/17: £716k). The asset value of these properties at 31st March 2018 was **£5,412k** (2017: £5,161K)

33. Defined Benefit Pension Schemes

Nature of the Scheme

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

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

Notes to the Financial Statements (continued)

For the year ended 31st March 2018

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.

33. Defined Benefit Pension Schemes (continued)

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 31st March 2018

33. Defined Benefit Pension Schemes (continued)

£000's	2017/18	2016/17
Included in Net Cost of Services:		
Current Service Cost	2,798	1,641
Past Service Cost/(Gain) including curtailments	42	-
Pension Strain	-	-
	2,840	1,641
Included in Financing and Investment Income and Expenditure		
Interest income on plan assets	(2,250)	(1,955)
Interest cost on defined benefit obligations	3,118	2,794
	868	839
Net charge/(credit) to the Comprehensive Income and Expenditure Account	3,708	2,480
Other Comprehensive Income and Expenditure		
Changes in demographic assumptions	-	(1,363)
Changes in financial assumptions	(2,323)	20,546
Other Experience	(19)	10,350
Return on assets excluding amounts included in net interest	(746)	(21,504)
Total	(3,088)	8,029
Adjustments Between Accounting Basis and Funding Basis under Regulations		
Reversal of items relating to retirement benefits debited or credited on the Provision of Services in the CIES	(3,708)	(2,480)
Actual Amount Charged Against the General Fund Balance for Pensions in the Year		
Employers' Contributions Payable to the Scheme	1,846	1,564
Net (credit)/charge to the General Fund	(1,862)	(916)

The Current Service Cost figures include an allowance for administration expenses of 0.30%.

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 31st March.

Reconciliation of the Present Value of the Scheme Liabilities £000's	2017/18	2016/17
Balance at 1 April	(119,752)	(78,921)
Current Service Cost	(2,798)	(1,641)
Past Service Cost	(42)	-

Notes to the Financial Statements (continued)

For the year ended 31st March 2018

Interest Cost on Defined Benefit Obligation	(3,118)	(2,794)
Contributions by Members	(459)	(403)
Changes in Demographic Assumptions	-	1,363
Changes in Financial Assumptions	2,323	(20,546)
Past Service (Costs) including curtailments	-	-
Effect of business combinations and disposals	-	(9,624)
Other Experience	19	(10,350)
Estimated Benefits Paid	2,644	3,008
Unfunded Benefits	149	156
Balance at 31 March	(121,034)	(119,752)

33. Defined Benefit Pension Schemes (continued)

Reconciliation of the Present Value of the Scheme Assets £000's	2017/18	2016/17
Balance as at 1 April	86,858	54,972
Interest Income on Plan Assets	2,250	1,955
Contributions by Members	459	403
Contributions by Employer	1,697	1,438
Contributions in respect of unfunded benefits	149	156
Return on Assets excluding amounts included in net interest	746	21,504
Effect of business combinations and disposals	-	9,594
Estimated Benefits Paid	(2,644)	(3,008)
Unfunded Benefits Paid	(149)	(156)
Balance at 31 March	89,366	86,858

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	2018	2017	2016	2015	2014
Fair Value of Assets in Pension Scheme	89,366	86,858	54,972	55,689	50,537
Present Value of Defined Benefit Obligation	(121,034)	(119,753)	(78,921)	(85,473)	(73,195)
(Deficit) in the Scheme	(31,668)	(32,895)	(23,950)	(29,784)	(22,658)

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 £121.0m (2017: £119.7m) has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in a net liability of £31.6m (2017: £32.8m).

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.

Notes to the Financial Statements (continued)

For the year ended 31st March 2018

The net decrease in the deficit in 2017/18 is approximately £1.2m. Return on investments in the Fund was marginally higher than expected and more optimistic assumptions were 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.

33. Defined Benefit Pension Schemes (continued)

Major categories of plan assets

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

£000's	2018				2017			
	Quoted Prices in Active Markets	Quoted Prices not in Active Markets	Total	Percentage of Total Assets	Quoted Prices in Active Markets	Quoted Prices not in Active Markets	Total	Percentage of Total Assets
Equity Securities:								
Consumer	5,745	0	5,745	6%	6,622	0	6,622	8%
Manufacturing	7,848	0	7,848	9%	7,778	0	7,778	9%
Energy & Utilities	4,890	0	4,890	5%	5,245	0	5,245	6%
Financial Institutions	6,187	0	6,187	7%	6,224	0	6,224	7%
Health & Care	3,083	0	3,083	3%	3,455	0	3,455	4%
Information Technology	2,656	0	2,656	3%	2,209	0	2,209	3%
Other	10,183	0	10,183	11%	9,557	0	9,557	11%
Government Bonds:								
Corporate Bonds (investment grade)	0	7,040	7,040	8%	0	5,261	5,261	6%
UK Government	8,448	0	8,448	9%	9,133	0	9,133	11%
Other	1,393	0	1,393	2%	1,590	0	1,590	2%
Private Equity:								
All	1,215	592	1,807	2%	1,195	288	1,483	2%
Real Estate								
UK property	0	5,879	5,879	7%	0	5,559	5,559	6%
Investment Funds & Unit Trusts								
Equities	17,007	0	17,007	19%	17,210	0	17,210	20%
Bonds	0	0	0	0%	0	0	0	0%
Infrastructure	1,372	1,536	2,907	3%	996	532	1,528	2%

Notes to the Financial Statements (continued)

For the year ended 31st March 2018

Cash & Cash Equivalents								
All	0	4,294	4,294	5%	0	4,003	4,003	5%
	70,025	19,341	89,366	100%	71,215	15,644	86,858	100%

Basis for Estimating Liabilities

Liabilities have been assessed by the Actuary using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. Estimates have been based on data pertaining to the latest full valuation of the Pension Scheme as at 31st March 2016. The assumptions are shown in the following table.

33. Defined Benefit Pension Schemes (continued)

	2017/18	2016/17
Mortality Assumptions (years):		
Men	21.9	21.9
Women	24.4	24.4
Longevity at 65 for Future Pensioners:		
Men	23.9	23.9
Women	26.5	26.5
Principal Assumptions in the Valuation of the Liability		
Inflation / Rate of Increase in Pensions	2.40%	2.40%
Rate of Increase in Salaries	2.90%	2.90%
Discount Rate	2.70%	2.60%
Take-up of option to convert annual pension into retirement lump sum:		
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 2018:	Liability Split	Weighted Average Duration
	%	
Active Members	37.00	23.10
Deferred Members	25.00	22.90
Pensioner Members	38.00	11.80
	100.00	17.60

Sensitivity Analysis

The sensitivity analysis shows the effect a change in financial assumptions used would have on the value of the scheme liabilities as at 31st March 2018 on varying basis.

Notes to the Financial Statements (continued)

For the year ended 31st March 2018

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.

Change in assumptions at 31 March 2018:	Approximate % Increase to Employer Liability	Approximate monetary amount £000
0.5% decrease in Real Discount Rate	10.0	12,114
0.5% increase in Salary Increase Rate	1.0	1,423
0.5% increase in Pension Increase Rate	9.0	10,551

33. Defined Benefit Pension Schemes (continued)

Projected Defined Benefit Cost for the Period 31 March 2019

The Projected Defined Benefit is an analysis of the projected amount to be charged to the operating profit for the period to the 31st March 2019 and is shown in the following table.

Period Ended 31 March 2019	Assets		Obligations	Net (Liability)/asset	
	£000	£000	£000	£000	% of pay
Projected Service Cost	0	2,700	(2,700)	(39)	
Past Service Cost including curtailments	0	0	0	0	
Effects of settlements	0	0	0	0	
Total Service Cost	0	2,700	(2,700)	(39)	
Interest Income on plan assets	2,403	0	2,403	35	
Interest cost on defined benefit obligation	0	3,271	(3,271)	(47)	
Total Net Interest Cost	2,403	3,271	(868)	(13)	
Total Included in Profit & Loss	2,403	5,971	(3,568)	(51)	

34. Contingent Liabilities

There are no contingent liabilities to be reported by the Council.

35. Prior Year Adjustment

An adjustment to the classification of bad debt provision for the Collection Fund has been updated affecting the Accounts for 2017/18. The Cash Flow Statement, Balance Sheet plus notes 17, 18 and 21 are affected by the restatement.

Housing Revenue Account

For the year ended 31st March 2018

Income and Expenditure Account

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

£000's	2017/18	2016/17
General	1,635	1,559
Special	821	807
Rents, rates & taxes	2	3
Depreciation & Impairment of non-current assets	296	(13,647)
Provision for Bad Debts	48	59
Supervision & Management	2,802	(11,219)
Repairs & Maintenance	2,747	2,935
Total Expenditure	5,549	(8,285)
Dwelling Rents	(12,376)	(12,524)
Non-Dwelling Rents	(110)	(118)
Charges for Services & Facilities	(210)	(200)
Contributions towards Expenditure	(21)	(55)
Supporting People	(190)	(216)
Total Income	(12,907)	(13,112)
Net Cost of HRA Services as included in the Comprehensive I&E	(7,358)	(21,397)
HRA share of Corporate & Democratic Core	131	138
Net Cost of HRA Services	(7,227)	(21,259)
Losses/(Gains) on sale of HRA non-current assets	(207)	(292)
Interest payable and similar charges	1,556	1,570
HRA investment income	(36)	(14)
Pensions interest cost & expected return on pension assets	144	181
Surplus for Year on HRA Services	(5,769)	(19,814)

Housing Revenue Account

For the year ended 31st March 2018

Movement on the Housing Revenue Account

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

£000's	2017/18	2016/17
Balance at the beginning of the year	3,703	1,426
Surplus/(Deficit) for the year on the HRA Income and Expenditure Statement	5,769	19,814
Transfers in Reserves	(230)	-
Adjustments between accounting and funding basis under regulations	(4,095)	(17,537)
Increase for the year on the HRA	1,444	2,277
Balance at the end of the year	5,147	3,703

Note to the Statement of Movement on the Housing Revenue Account

£000's	2017/18	2016/17
Items included in the HRA Income and Expenditure Account but excluded from the movement on HRA Balance for the year		
Revaluation and impairment of non-current assets ¹	296	(13,647)
Retirement benefits charged/(credited) ²	617	535
Adjustments in relation to Short Term compensated absences	(1)	1
(Gains)/losses on sale of HRA non-current assets ^{1,3}	(207)	(292)
	705	(13,403)
Items not included in the HRA Income and Expenditure Account but included in the movement on HRA Balance for the year		
Revenue contribution to finance major repairs	(4,244)	(1,508)
Revenue contributions to finance new build	-	(1,000)
Revenue contributions to finance debt repayment	(250)	(1,287)
Employer's contributions payable to the Pensions Fund and retirement benefits payable direct to pensioners ²	(306)	(338)
	(4,803)	(4,134)
Net additional amount required by statute to be debited or (credited) to the HRA for the year	(4,095)	(17,537)

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 31st March 2018

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 31st March 2018, totalled 2,993 (2017: 3,015) properties. This followed the sale of 22 properties under the Government’s Right to Buy Scheme. The stock is broken down over type of properties as shown in the following table.

	2017/18	2016/17	2015/16
Houses	1,562	1,584	1,552
Flats	793	793	785
Bungalows	638	638	636
	2,993	3,015	2,973

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

The vacant possession value (open market value) of Council dwellings as at 31st March 2018 was £293,815 (2017: £289,598k). 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 2017/18 is summarised below:

£000's	2017/18	2016/17
Balance at the beginning of the year	1,267	1,703
Add Depreciation Provision	4,749	3,449
Use of Capital Receipts Reserve	-	-
Revenue Contribution for Capital	4,246	1,553
Amount available for capital expenditure on HRA Land, Houses and Other Property	10,261	6,705
Less Capital expenditure in the year (including Depreciation)	(5,990)	(5,438)
Balance at the end of the year	4,271	1,267

Notes to the Housing Revenue Account

For the year ended 31st March 2018

4. Property, Plant and Equipment

Year ended 31 March 2018	Council Dwellings	Land and Buildings	Vehicles, Plant and Equipment	Assets Under Construction	Surplus Assets	Total Property, Plant and Equipment	Investment Properties	Total
£000's								
Cost or valuation								
At 1 April 2017	121,634	2,288	116	-	105	124,143	211	124,354
Additions	1,316	-	-	-	-	1,316	-	1,316
Disposals	(923)	(13)	-	-	-	(936)	-	(936)
Transfers	-	-	-	-	-	-	-	-
Revaluations	1,376	(0)	-	-	-	1,375	-	1,375
At 31 March 2018	123,402	2,276	116	-	105	125,899	211	126,110
Depreciation and Impairment								
At 1 April 2017	-	-	(94)	-	-	(94)	-	(94)
Charge for the Year	(4,581)	(160)	(4)	-	-	(4,746)	-	(4,746)
Disposals	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-
Impairments	-	-	-	-	-	-	-	-
Revaluations	4,581	160	-	-	-	4,742	-	4,742
At 31 March 2018	-	0	(98)	-	-	(98)	-	(98)
Net Book Value								
At 31 March 2018	123,402	2,276	18	-	105	125,801	211	126,012
At 1 April 2017	121,634	2,288	22	-	105	124,049	211	124,260

Notes to the Housing Revenue Account

For the year ended 31st March 2018

4. Property, Plant and Equipment (continued)

Year ended 31 March 2017	Council Dwellings	Land and Buildings	Vehicles, Plant and Equipment	Assets Under Construction	Surplus Assets	Total Property, Plant and Equipment	Investment Properties	Total
£000's								
Cost or valuation								
At 1 April 2016	90,663	2,495	116	4,112	105	97,491	211	97,702
Additions	4,457	53	-	-	-	4,510	-	4,510
Disposals	(771)	-	-	(17)	-	(788)	-	(788)
Transfers	4,295	(200)	-	(4,095)	-	0	-	0
Revaluations recognised in the Revaluation Reserve	22,991	(60)	-	-	-	22,931	-	22,931
At 31 March 2017	121,634	2,288	116	-	105	124,143	211	124,354
Depreciation and Impairment								
At 1 April 2016			(88)			(88)	-	(88)
Charge for the Year	(3,307)	(134)	(6)	-	-	(3,447)	-	(3,447)
Disposals	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-
Impairments recognised in the Provision of Services	20,073	(24)	-	-	-	20,049	-	20,049
Depreciation written out to the revaluation reserve	(16,766)	158	-	-	-	(16,608)	-	(16,608)
At 31 March 2017	-	-	(94)	-	-	(94)	-	(94)
Net Book Value								
At 31 March 2017	121,634	2,288	22	-	105	124,049	211	124,260
At 1 April 2016	90,663	2,495	28	4,112	105	97,403	211	97,614

Notes to the Housing Revenue Account

For the year ended 31st March 2018

5. Capital Expenditure

£000's	2017/18	2016/17
Capital Investment		
Operational Assets	1,329	4,512
	1,329	4,512
Sources of Funding		
External Grants	-	106
Capital Receipts in year	1,143	1,063
Revenue contribution	178	1,000
Capital Receipts Reserve	8	398
Major Repairs Reserve	-	1,944
	1,329	4,512

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

£000's	2017/18	2016/17
Land	-	-
Council Homes	(1,455)	(1,424)
Total Receipts	(1,455)	(1,424)
Less: Pooled payments to Central Government	312	361
Net Receipts Retained (transferred to Capital Receipts Reserve)	(1,143)	(1,063)

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	2017/18	2016/17
Current Tenant Arrears	258	225
Former Tenant Arrears	130	108
Total Tenant Arrears	389	333

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 £234k (2017: £241k).

Notes to the Housing Revenue Account

For the year ended 31st March 2018

9. Depreciation and Impairment of Fixed Assets

The Dwellings in the Housing Revenue Account were valued as at £293,815k. After taking account of houses sold in 2017/18 and the Social Housing Discount Factor, the vacant possession value of the remaining dwellings at 31 March 2018 was £123,402k (2017: £121,634k). The lower figure of £123,402k 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 £4,452k (2016/17: £20,049k) for the reversal of previous year impairments. This gain has been transferred to the Capital Adjustment Account.

The Housing Revenue Account assets were valued as at 31st March 2018; the balance sheet value reflects sales of dwellings and depreciation in the year. The revaluation was in accordance with the Government's resource accounting policy, at Existing Use Value - Social Housing. The Social Housing Discount Factor changed in 2016/17 from 34% to 42%.

As shown in Note 4, Depreciation of £4,746k (2017: £3,447k) has been charged to the HRA. This figure is made up of £4,581k (2017: £3,307k) for Council Dwellings and £164k (2017: £140k) 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

For the year ended 31st March 2018

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

£000's	2017/18	2016/17
Income		
Council Tax Income	(53,295)	(50,265)
Business Rates Income	(24,457)	(23,787)
Transitional Protection Payments	(590)	-
Total Income	(78,342)	(74,052)
Expenditure		
Council Tax Precepts (Note 4)	52,056	49,228
Business Rates Precepts (Note 6)	24,804	23,534
Transitional Protection Payments	-	15
Previous Year's Surplus/(Deficit) Paid to/by Preceptors (Notes 4 & 6)	(212)	724
Cost of Collection	91	92
Provision for Bad and Doubtful Debts	75	881
Provision for Business Rates Appeals	(428)	312
(Surplus) / Deficit on the Fund	(1,956)	734
Fund Balance Brought Forward	727	(7)
(Surplus) / Deficit in Year	(1,956)	734
Fund Balance as at 31st March	(1,229)	727
Council Tax Element (Note 1)	(1,421)	(613)
Business Rate Element	192	1,339

The increase in income for 2017/18 was due to continuing growth in the number of both residential and commercial properties, i.e. the Council’s Tax Base together with an average Band D equivalent of 3.47% across all Preceptors. South Derbyshire set its increase at 1.95%.

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.

During 2017/18, the settlement of Business Rates Appeals from the 2010 valuation list resulted in a release of a proportion of the provision made in previous years of £428k.

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

Notes to the Collection Fund

For the year ended 31st March 2018

1. Council Tax

The introduction of Council Tax on 1st 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	2017/18	2016/17
Derbyshire County Council	(1,047)	(449)
Derbyshire Police and Crime Commissioner	(156)	(68)
Derbyshire Fire and Rescue Authority	(63)	(27)
	(1,266)	(544)
South Derbyshire District Council	(156)	(68)
	(1,421)	(613)

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 1st 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 2017/18 was based on 42,131 chargeable dwellings (41,731 in 2016/17).

After allowing for national exemptions and local discounts, such as the Single Persons Discount, the Tax Base for 2017/18, on which the Council Tax rate was set, is shown in the following table.

Notes to the Collection Fund

For the year ended 31st March 2018

3. Council Tax Base (continued)

Band	Calculated number of Dwellings	Ratio to Band D	Equivalent number of Dwellings 2017/18	Equivalent number of Dwellings 2016/17
X	23	5/9	13	13
A	7,662	6/9	5,108	5,042
B	7,891	7/9	6,137	5,990
C	6,414	8/9	5,701	5,541
D	6,140	1	6,140	5,976
E	3,572	11/9	4,366	4,247
F	1,822	13/9	2,632	2,582
G	868	15/9	1,447	1,443
H	66	18/9	131	133
			31,676	30,967

The Band D Council Tax rate for South Derbyshire District Council was £156.17 (2016/17: £153.18).

4. Council Tax Precepts and Demands

2017/18 £000's	Precept	Surplus	Total
Derbyshire County Council	38,345	367	38,712
Derbyshire Police and Crime Commissioner	5,715	56	5,771
Derbyshire Fire and Rescue Authority	2,297	22	2,319
South Derbyshire District Council	5,698	55	5,753
	52,056	500	52,556

2016/17 £000's	Precept	Surplus	Total
Derbyshire County Council	36,109	129	36,238
Derbyshire Police and Crime Commissioner	5,487	20	5,507
Derbyshire Fire and Rescue Authority	2,206	8	2,214
South Derbyshire District Council	5,426	19	5,445
	49,228	176	49,404

Notes to the Collection Fund

For the year ended 31st March 2018

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 2017/18 the amount was 47.9p in the pound (2016/17: 48.4p). The Council is responsible for collecting rates due from the ratepayers in its area.

The total rateable value of business premises in South Derbyshire at 31st March 2018 was £63,814,684 (2017: £57,811,605) – an increase of 9.4%, 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 £192k 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	2017/18	2016/17
Central Government	96	670
Derbyshire County Council	17	121
Derbyshire Fire and Rescue Authority	2	13
	115	804
South Derbyshire District Council	77	535
	192	1,339

6. Non-Domestic Rates Demands

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

2017/18 £000's	Precept	Deficit	Total
Central Government	12,402	(356)	12,046
Derbyshire County Council	2,232	(64)	2,168
Derbyshire Fire and Rescue Authority	248	(7)	241
South Derbyshire District Council	9,922	(285)	9,637
	24,804	(712)	24,092

Notes to the Collection Fund

For the year ended 31st March 2018

6. Non-Domestic Rates Demands (continued)

2016/17 £000's	Precept	Surplus	Total
Central Government	11,767	274	12,041
Derbyshire County Council	2,118	49	2,167
Derbyshire Fire and Rescue Authority	235	5	240
South Derbyshire District Council	9,414	219	9,633
	23,534	548	24,082

Glossary

ACCOUNTING PERIOD

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

Glossary

OPERATIONAL ASSETS

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

PAST SERVICE COST (PENSIONS)

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

PENSION SCHEME LIABILITIES

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

PRECEPT

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

PRIOR YEAR ADJUSTMENT

Material adjustments applicable to previous years arising from changes in accounting 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.