

**SOUTH DERBYSHIRE DISTRICT COUNCIL**

**STATEMENT OF ACCOUNTS 2005/06**

**DRAFT - SUBJECT TO AUDIT**

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## EXPLANATORY FOREWORD

### 1. INTRODUCING THE ACCOUNTS

#### The Legal Basis

The maintenance, preparation and format of the Council's accounts are governed under law. They follow the requirements for the publication of financial information governing local councils. They are set out in order to show the day-to-day income and expenditure and to highlight changes to the financial position of the Council during the year.

This document contains several statements, and these are summarised below.

<ul style="list-style-type: none"><li>• <b>An Explanatory Foreword (including this introduction)</b></li></ul>	This sets out an overview of the Council's financial position as at 31 March 2006, its financial performance during 2005/06 and provides a summary of where the Council spends its money and how it is financed.
<ul style="list-style-type: none"><li>• <b>The Statement of Accounting Policies</b></li></ul>	Sets out the basis on which figures have been compiled in the various accounts.
<ul style="list-style-type: none"><li>• <b>The Consolidated Revenue Account</b></li></ul>	Shows net expenditure on all services provided by the Council and how they were paid for.
<ul style="list-style-type: none"><li>• <b>The Consolidated Balance Sheet</b></li></ul>	Shows the Council's financial position as at 31 March 2006, its assets, liabilities, balances and reserves.
<ul style="list-style-type: none"><li>• <b>The Statement of Total Movement in Reserves</b></li></ul>	Shows the change in the Council's reserves during the year.
<ul style="list-style-type: none"><li>• <b>The Cash Flow Statement</b></li></ul>	Summarises the total movement of cash in and out of the Council, or simply, where the money came from and how it was spent.
<ul style="list-style-type: none"><li>• <b>The Housing Revenue Account (HRA)</b></li></ul>	Details the major elements of repairing, maintaining and managing council homes, and how this is met from rents, subsidies and other income.
<ul style="list-style-type: none"><li>• <b>The Collection Fund</b></li></ul>	Shows the level of business rates and council taxes that is due in the year and how these funds have been distributed.
<ul style="list-style-type: none"><li>• <b>The Statement on the System of Internal Control</b></li></ul>	Identifies the systems that the Council has in place to ensure that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded.
<ul style="list-style-type: none"><li>• <b>The Statement of Responsibilities for the Statement of Accounts</b></li></ul>	Identifies the Council's responsibilities and the person appointed to ensure the proper administration of the Council's financial affairs.

## **Format of Financial Statements**

The financial statements have been prepared in accordance with legal regulations and professional accounting practice. The Chartered Institute of Public Finance and Accountancy (known as CIPFA) sets this out. They are the official organisation responsible for providing professional guidance to councils to help them meet the legal requirements.

Various notes that aim to provide some background and explanation of the figures accompany the main financial statements. By its nature, the document contains a lot of technical information in accordance with the legal regulations.

However, this explanatory foreword is intended to provide a more simplistic summary of the Council's financial performance during 2005/06 and its financial position as at 31 March 2006.

It also highlights the financial challenges facing the Council in the future and provides in pictorial form, an analysis of where the Council spends its money, and where it gets its money.

## **The Main Accounts**

In accordance with accounting practice, the Council's main income and expenditure is separated between its **revenue and capital accounts**.

- **Revenue Account** - which records the day-to-day running expenses of the Council such as salaries and wages of employees, cost of running buildings and vehicles, materials, equipment and office expenses, etc.
- **Capital Account** - covers spending on major investment projects. This includes significant improvements to the Council's land, buildings and council houses.

## **Revenue Accounts**

The Council reports its main revenue income and expenditure in the **Consolidated Revenue Account**.

Within this, a separate account is kept which records the income and expenditure of providing council housing.

This is called the **Housing Revenue Account or HRA**.

All other council services are accounted for in what is called the **General Fund**. Law requires accounting separately for council housing in the HRA.

## **Main Revenue Funding**

The HRA is predominantly funded by rents from tenants and a Government subsidy. The General Fund is funded through the local council tax and by Government Grant.

## **Main Capital Funding**

The main sources of funding are from the proceeds of selling Council assets (**capital receipts**) and grants and contributions from other organisations in partnership with the Council.

## **General Reserve Accounts**

The Council keeps separate general reserves for its HRA and its General Fund. General reserves are mainly kept to act as a contingency to cover any unexpected event. In addition, they can be built up over time to be used for spending in the future.

## 2. OVERVIEW

This overview provides an introduction and a broad analysis of the Council's financial performance and position for 2005/06.

### Sound Financial Position

The accounts show that the Council's overall financial position continues to be sound and puts the Council in a good position to address many financial challenges that it faces in the future.

Overall net revenue expenditure on Council services (excluding council housing) was around £1m (10%) below that estimated for the year. This was mainly due to a substantial increase in income during the year from planning and building regulation fees, together with housing benefit subsidy.

In addition, approximately £278,000 of the reduction related to planned spending not being undertaken in the year. This money has been carried forward into 2006/07.

### Reserves

As at 31 March 2006, the Council's General Fund Balances stood at just under £3.5m. This is approximately 35% of the Council's current net revenue expenditure although future-spending plans will begin to draw this balance down.

In addition, the Council has taken steps to plan its finances responsibly for the future, and other funds have been set-aside within earmarked reserves.

These are to provide for known future spending commitments and totaled just over £2.6m as at 31 March 2006.

Together, these reserves provide a sound basis to help address the financial challenges that still lie ahead for the Council.

### Council Housing

The HRA recorded a surplus of approximately £127,000 for 2005/06. This compares to an original estimated surplus of £52,000.

The difference was mainly due to additional rent and supporting people

grant, which increased overall estimated income by approximately 1%.

Consequently, the HRA general reserve balance is still relatively healthy at just under £1.5m as at 31 March 2006.

The HRA is subject to on-going scrutiny of its position in the longer-term as part of a 10-year business planning process.

### Capital Resources

The Council has built up a reasonable level of capital reserves for future capital investment. As at 31 March 2006, these stood at £6.1m.

These will be used in the future, to continue to invest in the local community and help deliver the Council's priorities as set out in its 5-year capital investment programme.

### Future Issues

The Council plans its finances over a 3-year rolling period for revenue (General Fund), a 5-year period for capital investment and a 10-year period for the HRA.

Although finances are fairly sound now, the Council is not ignoring future spending pressures.

During 2005/06, the Council drew up a new Corporate Plan, which sets out the Council's key priorities for the future.

This will demand additional resources to meet the expectations of the local community.

In recent years, the Council has been able to repay all of its outstanding debt with the Government, from money it had effectively saved in the bank.

This is generating savings on interest payments over many years.

Under the Council's Gershon Efficiency Agenda, the Council has been making savings in its base budget and has plans to continue to do so in the future.

Procurement has been identified as a key issue to deliver this.

A key part of the Council's overall financial strategy is to have a minimum level of reserves at the end of each service-planning period.

This is to act as a contingency against unforeseen circumstances, or to act as a

buffer should base budgets change due to external factors and other business risks. Effectively, this acts as the main financial target that the Council operates within. The current financial models show that these targets will be achieved over the current planning period.

### **Summary**

These accounts continue to provide further reassurance that the Council can look forward to the future with a sound financial base. This is built upon prudent levels of reserves with systems in place to ensure that it manages finances responsibly.

This does not mean that the Council can be complacent. Just like any other Council, South Derbyshire will continue to face the pressure of meeting the needs of local residents and new Government legislative requirements.

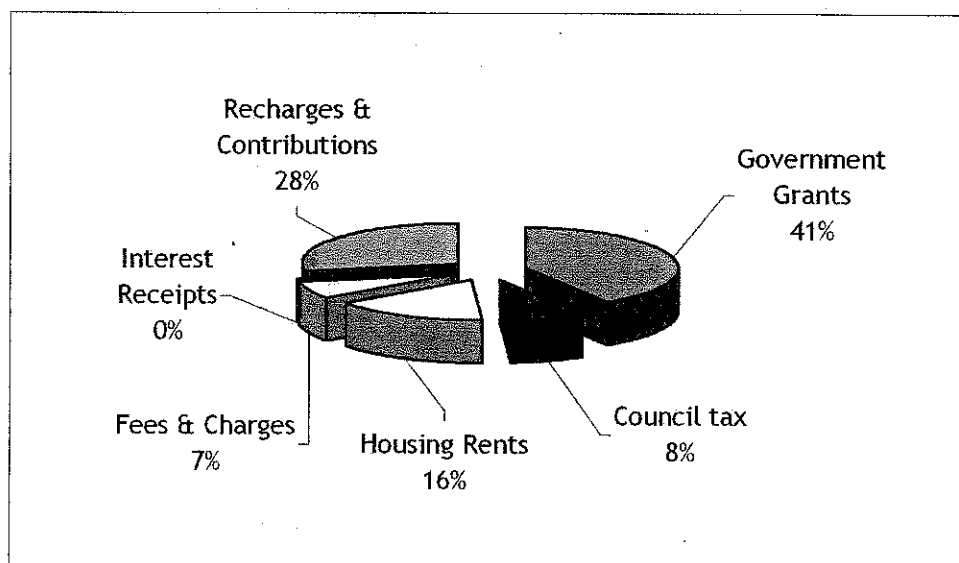
Finally, we realise the value of closing our accounts promptly to provide up to date information. At the same time, preparing these accounts becomes more complex every year.

Staff involved in this process deserve credit in ensuring that these financial statements are produced in a timely and professional manner.

### 3. REVENUE INCOME AND EXPENDITURE 2005/06

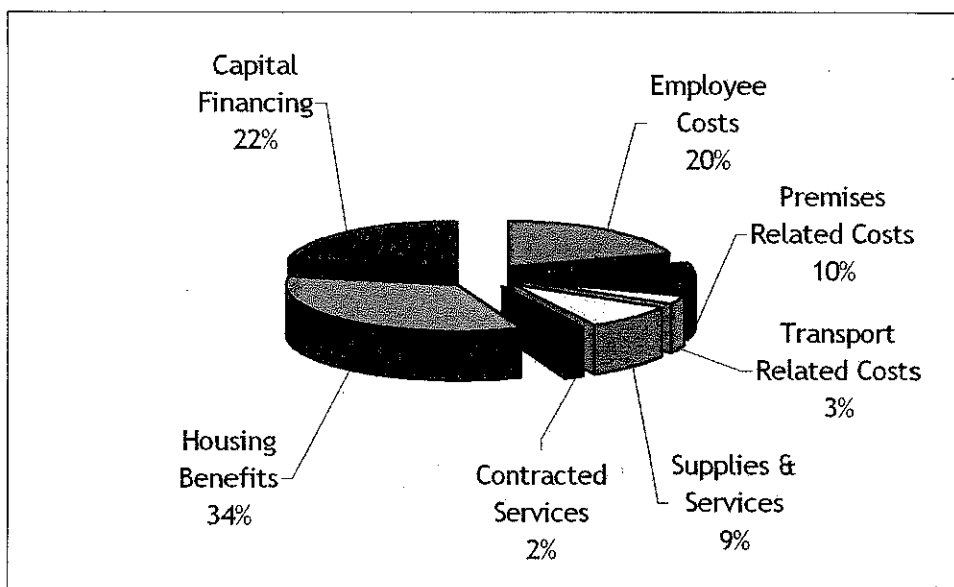
The Council's gross revenue expenditure in 2005/06 was £51.2m. The tables and graphs in this section show the money the Council receives and the costs it incurs in delivering the services that it provides.

Where the Money Comes From	£'000
Government Grants	20,766
Council tax	3,941
Housing Rents	8,226
Fees & Charges	3,807
Interest Receipts	165
Recharges & Contributions	14,343
<b>TOTAL INCOME</b>	<b>51,248</b>



- Government Grants include revenue support grant together with specific grants, mainly for housing benefit payments and administration.
- The main fees and charges are those associated with planning and building regulation fees, land searches, property rents and license fees.
- Interest receipts are generated from accumulated capital receipts on bank deposit.
- Recharges and contributions consist mainly of reimbursements of highways expenditure, partnership contributions for crime and disorder and capital charges financing adjustments.

The Cost of Providing Services	£'000
Employee Costs	10,336
Premises Related Costs	4,907
Transport Related Costs	1,675
Supplies & Services	4,796
Contracted Services	781
Housing Benefits	17,245
Capital Financing	11,508
<b>TOTAL EXPENDITURE</b>	<b>51,248</b>

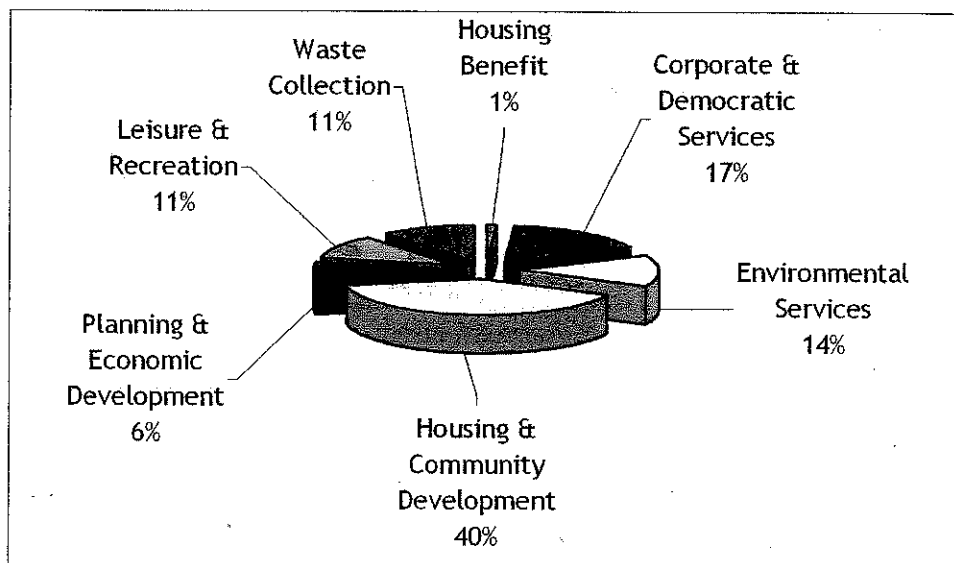


- Employee costs include wages and salaries, statutory pension and National Insurance contributions.
- Housing benefit payments include council tax benefit, rent allowances for private sector tenants and rent rebates for council house tenants.
- Capital financing costs relate to interest on short-term borrowings, interest on covenant agreements and leasing charges for vehicles and plant.
- Contracted services relate mainly to repair and maintenance of council homes and for recycling and composting services.
- Supplies and services include materials, equipment and communications, etc.

## Net Cost of Services

The chart below shows an analysis of the net cost of providing the Council's major services. This includes charges for depreciation and other capital costs charged to services for utilising council assets.

Analysis of Net Cost across Services	£'000
Housing Benefit	81
Corporate & Democratic Services	2,744
Environmental Services	2,227
Housing & Community Development	6,504
Planning & Economic Development	921
Leisure & Recreation	1,870
Waste Collection	1,735
<b>TOTAL NET SPENDING</b>	<b>16,082</b>



- The costs of corporate and democratic services include policy and service strategy, core management and statutory services such as treasury management - the cost of "being in business as a public and accountable body."
- The costs of environmental services include public health services, regulation and the maintenance of public spaces.
- The costs of leisure and recreation include maintenance of parks, play areas and the costs of the Council's leisure centres.



#### 4. COMPARISON TO BUDGET 2005/06

##### General Fund Services

The approved probable out-turn estimated a deficit on the General Fund of £159,280. The actual out-turn before contributions to earmarked reserves, i.e. proposed carry forwards was a surplus of £890,619 - an overall reduction in net revenue expenditure of £1,049,899. The major variances are outlined in the following table.

Variance compared to Probable Out-turn 2005/06	£'000
<b>Additional Income</b>	
• Planning Applications and Building Regulation Fees	205
• Liquor Licensing	10
• Bank and Cash Flow Interest	22
• Housing Benefit (Mainly Rent Allowances Subsidy)	456
• Property - lettings, lease renewals, rent reviews, etc	16
<b>Total - Increased Income</b>	<b>709</b>
<b>Committed Budgets from 05/06 to be carried forward</b>	<b>278</b>
<b>Main Underspendings</b>	
• Refund of Business Rates on Market Premises	22
• Grounds/Parks Maintenance	36
• Other Variations (net)	5
<b>Total - Underspendings</b>	<b>63</b>
<b>Overall Reduction in Net Revenue Expenditure 2005/06</b>	<b>1,050</b>

##### Housing Revenue Account (HRA)

The final accounts for 2005/06, also shows an improved position to that estimated, with reserve balances standing at around £1.47m at 31 March 2006. This is approximately £74,000 more than estimated and compares with a provisional figure of £36,000.

Again, additional income accrued to the HRA in the form of rents, but mainly through extra Supporting People Grant - an additional £5,000 per month reflecting eligibility and turnover rates in the year. The overall increase in income of some £91,000 represents approximately 1% of the total amount due from tenants and the County Council in rents.

There were two large variances on controllable expenditure - an under spend of £71,000 on Sheltered Housing and Other Services, but an overspend of £91,000 on housing repairs. This was to finance additional works required on empty properties and to address heating failures during the winter.

## 5. COUNCIL RESERVES

### General Fund Reserves

The Council began the year with General Reserve Balances of £2,974,660. These were projected to reduce by the end of the year to £2,715,920. However, these reserves actually increased by approximately £3/4m to £3,465,959. This reflects the reduction in net revenue spending and approved adjustments for contributions to and from earmarked reserves.

### HRA General Reserve

The Housing Revenue Account produced a surplus of approximately £127,000 during the year to stand at approximately £1.47m as at 31 March 2006.

### Other Earmarked Reserves

Apart from general reserves, the Council maintains other earmarked reserves that are held for specific purposes. They are provided to meet future and known commitments and in some cases, to spread expenditure over a number of years. They are summarised in the following table.

Analysis of Earmarked Reserves	Balance 1st April 2005 £'000	Less Used in Year £'000	Add Income in Year £'000	Balance 31st March 2006 £'000
DSO	37	0	0	37
Commutation Adjustment	410	0	0	410
HRA - IT System	97	44	0	53
IT	97	4	121	214
Commitments	557	467	773	863
Repton Parish Contributions	33	0	0	33
Local Strategic Partnership	16	0	18	34
	<b>1,247</b>	<b>515</b>	<b>912</b>	<b>1,644</b>
Swadlincote Woodlands	293	39	0	254
Public Open Space	375	0	0	375
Fixed Asset Replacement Reserve	477	328	225	374
	<b>2,392</b>	<b>882</b>	<b>1,137</b>	<b>2,647</b>

### Commutation Adjustment

This reserve had been built up on annual basis to meet the negative effect of the commutation adjustment, which would have been a cost on the Council's General Fund from 2008/09. However, accounting regulations under the Local Government Act 2003 effectively revoked this.

Consequently, this reserve is no longer required and effectively is a general reserve, pending the Council earmarking the remaining sum for other purposes.

## 6. CAPITAL INVESTMENT AND FINANCING

### Capital Spending

Total capital spending for 2005/06 was £6.972m, which was an increase of approximately £400,000 on the overall budgeted programme. However, within this, additional expenditure was incurred, mainly due to the Council acting as the accountable body for the development works at Rosliston Forestry Centre.

Other schemes, replacing play equipment and housing improvements for example, also attracted additional funding. These works (apart from the Council's contribution) were financed from the external contributions.

There were other projects that were not completed by the year-end, but the larger schemes such as Maurice Lea and Coton Park were substantially completed and paid.

When all current schemes are completed, additional Council resources (capital receipts) of approximately £20,000 will be required. A summary of spending is shown in the following table.

Analysis of Capital Spending 05/06	£'000
Council House Improvements	2,044
Disabled Facility Grants	272
Other Housing Investment	717
Community Projects	2,044
Environmental and Development Schemes	627
I.T., Property and other Assets	1,268
<b>Total Expenditure</b>	<b>6,972</b>

### Capital Financing

The following table shows how capital expenditure was financed in 2005/06.

Analysis of Capital Financing 05/06	£'000
Government Borrowing Approvals	847
Central Government Grants	2,688
External Contributions	1,581
Section 106 and Planning Gain Receipts	141
Revenue Contributions	99
Vehicle Renewals Fund	328
Capital Receipts	1,288
<b>Total Financing</b>	<b>6,972</b>

## STATEMENT OF ACCOUNTING POLICIES

### 1. GENERAL

The accounts have been drawn up in accordance with the Code of Practice on Local Authority Accounting in Great Britain (recognised by statute as representing proper accounting practices) with the following exceptions:

- a) Accruals concept - In accordance with normal Local Authority practice the accruals concept has not been applied with regard to certain debtors and creditors (see Note 9).
- b) Valuation of stock - Instead of valuing stock at the lower of cost or net realisable value it has been treated as detailed in Note 10.
- c) Pensions - Contributions in respect of Local Government pensions are determined by Government issued Superannuation Fund regulations. The effect of this has on compliance with FRS17 is explained in Note 14.
- d) Gains on sales of fixed assets - In accordance with statute these are not taken to revenue but transferred to a specific reserve (capital receipts).
- e) Valuation of assets - There is no option to carry assets at historical cost - all assets other than infrastructure assets and community assets are shown at current value.
- f) Capital charges - In accordance with statute, the capital charges in service revenue accounts are replaced with the statutory requirement for the repayment of debt prior to establishing the amount to be raised from rents or local taxation.

### 2. FIXED ASSETS

All fixed assets are capitalised and included in the balance sheet at their current value (except for infrastructure and community assets which are included at historic cost). Assets acquired under finance leases are also capitalised, and are included in the balance sheet on the basis of the outstanding obligation to make future rental payments.

### 3. DEPRECIATION

Following the adoption of the principles of accounting standards FRS11 and FRS15, depreciation is now provided for on all fixed assets with a finite useful life (which can be determined at the time of acquisition or revaluation) as follows:

- depreciation is calculated using the straight-line method
- assets in the course of construction are not depreciated until they are brought into use
- newly acquired assets and disposals, except plant and machinery, are not depreciated in the year of acquisition/disposal

#### **4. CHARGES TO REVENUE**

All revenue accounts of the Council are charged with a capital charge for all fixed assets used in the provision of services, where applicable. The capital charge covers the annual provision for depreciation plus a capital financing charge determined by applying a specified notional rate of interest to net asset values. The aggregate charge to individual services is determined on the basis of the capital employed in each service. DSOs are also charged a notional interest charge on their average stock balances held.

External interest payable and the provision for depreciation are charged to the asset management revenue account, which is credited with capital charges made to services. In the case of the Housing Revenue Account, the capital financing element of the charge is then replaced in the Account by the statutorily calculated contribution to interest payable. This ensures that the capital charges under Resource Accounting have a neutral impact on rents, in the same way that the existing capital charges have a neutral impact on the amounts required to be raised from local taxation.

Amounts set aside from revenue for the repayment of external loans, to finance capital expenditure or as transfers to other earmarked reserves are disclosed separately as appropriations, on the face of the consolidated revenue account, below net operating expenditure.

#### **5. DEFERRED CHARGES**

Deferred charges represent expenditure which may properly be capitalised, but which does not represent tangible fixed assets. Such expenditure is amortised to revenue over an appropriate period based on the benefit obtained from the expenditure. In most cases the expenditure will be written down in the year it is incurred.

#### **6. LEASES**

Rental payments under finance leases are apportioned between the finance charge and the principal element i.e. the reduction of the liability to pay future rentals. The finance element of rentals is charged to the asset management revenue account.

Rentals payable under operating leases are charged to revenue on an accruals basis.

#### **7. GOVERNMENT GRANTS AND CONTRIBUTIONS**

Where the acquisition of a fixed asset is financed either wholly or in part by a government grant or other contribution, the amount of the grant or contribution is credited initially to the government grants-deferred account. Amounts are released to the asset management revenue account over the useful life of the asset to match the depreciation charged on the asset to which it relates.

Government grants and other contributions are accounted for on an accruals basis and recognised in the accounting statements when the conditions for their receipt have been complied with and there is reasonable assurance that the grant or contribution will be received.

#### **8. CAPITAL RECEIPTS**

Following the implementation of the Local Government and Housing Act 1989 a proportion of capital receipts must be set aside for debt redemption in the Capital Financing Account. Capital receipts from the disposal of assets are thus held either in this account or in the Usable Capital Receipts Reserve until such time as they are used to finance other capital expenditure or to repay debt.

Interest on the sums held is credited to the General Fund.

## 9. DEBTORS AND CREDITORS

The accounts of the Council are maintained on an accruals basis in accordance with the Code of Accounting Practice and SSAP2. Sums due to or from the Council during the year are included whether or not the cash has actually been received or paid in the year. An exception to this principle relates to gas, electricity, telephone and other periodic payments which are charged on the due date rather than being apportioned between financial years. This policy is consistently applied each year and therefore does not have a material effect on the year's accounts.

## 10. STOCKS AND WORK IN PROGRESS

Stock held at the year end has been valued at either replacement cost or average cost, whilst work in progress has been included in the accounts at cost.

## 11. COSTS OF SUPPORT SERVICES

The costs of central, departmental and support services have been fully allocated to services as detailed below:

COST	BASIS OF ALLOCATION
Central Departments	Time spent by staff reflected in service level recharges
Administrative Buildings	Floor area
Computer Hardware	Previous 12 months' usage
Central Personnel Costs	Number of staff
Other Central Expenses	Estimated gross expenditure (allocated via departments)

In accordance with the Best Value Accounting Code of Practice 2003, the costs of the corporate and democratic core have been included with unapportionable central overheads in a separate objective head in the Council's General Fund and not allocated further.

## 12. PROVISIONS

Provisions represent sums set aside for liabilities which have been incurred but which are of uncertain timing or amount.

The Council maintains provisions in respect of bad and doubtful debts. These potential bad debts include amounts in respect of rent, Council Tax and Business Rate arrears. Provisions have been estimated in accordance with recommended practice. Provisions for bad and doubtful debts reduce the value of total debtors shown on the face of the Consolidated Balance Sheet.

## 13. RESERVES

The Council maintains capital reserves as specified by the Code of Practice on Local Authority Accounting. The most significant of these reserves are the Fixed Asset Restatement Account and the Capital Financing Account. Neither reserve is available to meet the authority's current expenditure, whether it be revenue or capital.

In addition to the General Reserves held for the General Fund and Housing Revenue Accounts, together with Usable capital Receipts, the Council also has earmarked reserves held for specific purposes. They are provided to meet future and known commitments and, in some cases, to spread expenditure over a number of years.

Details of all capital and revenue reserves are shown in the Statement of Total Movements in Reserves.

## **14. PENSIONS**

Employees of the Council are members of the Derbyshire County Council Pension Fund which is a defined benefit scheme.

The liabilities of the pension scheme attributed to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method. This 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 and projections of earnings for current employees.

In assessing liabilities for retirement benefits at 31 March 2004 for the 2003/2004 Statement of Accounts, the actuary was required by the SORP to use a discount rate of 3.5% real (6.1% actual). For the 2004/2005 Statement of Accounts, a rate based on the current rate of return on a high quality corporate bond of equivalent currency and terms to the scheme liabilities is to be used. The actuary in his report for 2005/2006 advises that the discount rate chosen is the iBoxx Sterling AA corporate bond over 15 years index this being appropriate for the duration of the overall liabilities. The change in liability is explained in note 3 to the Statement in Total Movements.

The expected rate of return on plan assets is based on market expectation, at the beginning of the period, for investment returns over the entire life of the related obligations.

## **15. INVESTMENTS**

Investments are recorded in the accounts at cost.

## CONSOLIDATED REVENUE ACCOUNT

Net Expenditure		Gross Expenditure	Income	Net Expenditure
2004/05		2005/06	2005/06	2005/06
£'000		£'000	£'000	£'000
678	Central services to the public	5,250	4,490	760
1,979	Cultural and Related Services	4,388	2,224	2,164
2,940	Environmental services	7,031	3,573	3,458
787	Planning and development	2,013	1,272	741
824	Highways, Roads and Transport Services	1,116	253	863
5,675	Housing services	27,519	21,548	5,971
1,874	Corporate and democratic core	1,936	112	1,824
603	Non-Distributed Costs	1,995	1,694	301
<b>15,360</b>	<b>Net Cost Of Services</b>	<b>51,248</b>	<b>35,166</b>	<b>16,082</b>
276	Precepts paid to parish councils			306
(46)	Net deficit / (surplus) on trading services		Note 3	(82)
(4,544)	Transfer from Asset Management Revenue Account		Note 1	(5,423)
581	Contribution of Housing Capital Receipts Government Pool			1,205
(97)	Interest income			(165)
688	Pension Interest less Expected return on Pension Assets			604
<b>12,218</b>	<b>Net Operating Expenditure</b>			<b>12,527</b>
	<b>Appropriations</b>			
(19)	Surplus/(deficit) transferred to/(from) HRA balances			127
	Contributions to/(from) Earmarked Reserves			
-	New Technology reserve			121
(10)	Grants/Committed expenditure reserve			(67)
(44)	S. 106 Swadlincote Woodlands			(39)
(581)	Transfer from Usable Capital Receipts equal to Contrib. to Hsg Pool			(1,205)
-	Capital expenditure financed from revenue			24
(2,468)	Reconciling amount for provision for loan repayment		Note 2	(1,912)
(446)	Movement on Pensions Reserve		Note 10	(399)
<b>8,650</b>	<b>Amount To Be Met From Government Grant and Local Taxpayers</b>			<b>9,177</b>
(2,727)	General Government Grants			(2,955)
(2,284)	Non domestic rates redistribution			(2,466)
(3,904)	Demand on the Collection Fund			(4,162)
(82)	Transfer from the Collection Fund in respect of surpluses			(85)
<b>(347)</b>	<b>Net General Fund (Surplus)/Deficit For The Year</b>			<b>(491)</b>
(2,628)	Balance on General Fund brought forward			(2,975)
<b>(2,975)</b>	<b>Balance on General Fund carried forward</b>			<b>(3,466)</b>



## NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

### 1. ASSET MANAGEMENT REVENUE ACCOUNT

The movements on the Asset Management Revenue Account are detailed below.

	2005/2006		2004/2005	
	£'000	£'000	£'000	£'000
<b>Income</b>				
General Fund				
- depreciation	(597)		(487)	
- notional interest	<u>(615)</u>	(1,212)	<u>(568)</u>	(1,055)
Housing Revenue				
- depreciation	(2,061)		(2,480)	
- notional interest	<u>(5,146)</u>	<u>(7,207)</u>	<u>(4,361)</u>	<u>(6,841)</u>
<b>Expenditure</b>		(8,419)		(7,896)
External interest charges	338		384	
Provision for depreciation	<u>2,658</u>	<u>2,996</u>	<u>2,968</u>	<u>3,352</u>
Surplus to Consolidated Revenue Account		<u>(5,423)</u>		<u>(4,544)</u>

### 2. MINIMUM REVENUE PROVISION

The authority is required by statute to set aside a minimum revenue provision for the redemption of external debt. The method of calculating the provision is defined by statute.

	2005/06		2004/05	
	£'000	£'000	£'000	£'000
MRP calculated for the year	321		338	
Less Commutation adjustment	<u>(133)</u>	188	<u>(176)</u>	162
Additional revenue provision		<u>0</u>		<u>149</u>
		188		311
Charged as Depreciation (General Fund)	(597)		(487)	
Assets written off and impairment	(579)		0	
Deferred charges	(2,329)		(1,702)	
Release of grants deferred	<u>1,715</u>	<u>(1,790)</u>	<u>0</u>	<u>(2,189)</u>
Adjustment to MRP		(1,602)		(1,878)
Depreciation in excess of MRA		(330)		(609)
Transferred debt Principal Repayments		<u>20</u>		<u>19</u>
		<u>(1,912)</u>		<u>(2,468)</u>

### 3. TRADING SERVICES

These are activities of the Council of a commercial nature which are financed substantially by charges made to recipients of the service. The financial results for 2005/2006 are summarised below:

	Industrial Estates 2005/06 £'000	Markets 2005/06 £'000	Total Trading Services 2005/06 £'000	Total Trading Services 2004/05 £'000
Gross Income	(334)	(5)	(339)	(331)
Gross Expenditure	251	6	257	285
(Surplus)/deficit on trading services	(83)	1	(82)	(46)

The gross expenditure includes £136,741 of capital charges in 2005/2006 (£148,352 in 2004/2005).

### 4. OPERATING LEASES

Operating leases are used to finance a wide range of equipment, vehicles and plant. The amount paid under such leases in 2005/2006 was £265,745 (2004/2005 £287,079). The future cash payments required under these leases are estimated at £702,900 as shown in the following table.

	£000's
Due within 1 year	46
Due in 2 - 5 years	470
Due in more than 5 years	187
Total Due	703

### 5. PUBLICITY

Section 5 of the Local Government Act 1986 requires expenditure on certain publicity to be disclosed. The Council's spending for 2005/2006 is as follows:

	2005/06 £'000	2004/05 £'000
Recruitment advertising	66	147
Promotional expenses	120	113
	186	260

## 6. BUILDING CONTROL TRADING ACCOUNT

The Local Authority Building Control Regulations require the disclosure of information regarding the setting of charges for the administration of the building control function. However, certain activities performed by Building Control cannot be charged for, such as providing general advice and liaising with other statutory authorities. The statement below shows the total cost of operating Building Control divided between the chargeable and non-chargeable activities.

Expenditure	Chargeable	Non	Total
	£'000	Chargeable £'000	
Employee expenses	181	120	301
Premises	7	5	12
Transport	8	5	13
Supplies and Services	42	23	65
Central and Support Service charges	23	8	31
	<u>261</u>	<u>161</u>	<u>422</u>
<b>Income</b>			
Building Regulations charges	370	0	370
Miscellaneous income	0	7	7
	<u>370</u>	<u>7</u>	<u>377</u>
(Surplus)/Deficit for Year	<u>(109)</u>	<u>154</u>	<u>45</u>

## 7. AGENCY SERVICES

The Council carries out one principal area of agency work, the cost of which is reimbursed.

Principal	Activity	Expenditure	
		2005/06 £'000	2004/05 £'000
Derbyshire County Council	Highways - Amenity maintenance and gully cleansing	238	234

## 8. MEMBERS' ALLOWANCES

Local Authorities are required to disclose annually the amounts paid to each member in respect of basic allowance, special responsibility allowance and attendance allowance. This requirement is fulfilled by the placement of an advertisement in a local newspaper. Additionally the Code of Practice requires the disclosure of the total amount of Member's Allowances paid. Under the Council's Scheme of Allowances, a basic allowance is paid to each member together with any relevant special responsibility allowances, travelling expenses, conference expenses and subsistence allowances. Attendance Allowance is no longer paid.

The total of payments made to Members in 2005/06 amounted to £321,397 (2004/05 was £300,822), detailed as follows: -

	<i>2005/06</i>	<i>2004/5</i>
	<i>£</i>	<i>£</i>
Basic Allowance	182,700	173,841
Special Responsibility Allowance	108,275	99,818
Travelling Expenses	20,748	19,015
Subsistence	5,040	3,598
Conferences	4,634	4,550
	<u>321,397</u>	<u>300,822</u>

## 9. OFFICERS' EMOLUMENTS

The number of employees whose remuneration, excluding pension contributions, exceeded £50,000 was:

Remuneration Band	Number of Employees	
	2005/2006	2004/2005
£50,000 - £59,999	0	1
£60,000 - £69,999	3	1
£70,000 - £79,999	0	0
£80,000 - £89,999	1	1

## 10. PENSIONS

As part of the terms and conditions of employment the Council offers retirement benefits in a defined pension scheme. The benefits are not payable until employees retire but the Council has a commitment to make the payments that need to be disclosed at the time that the employees earn their future retirement.

Employees are admitted to the Derbyshire County Council Pension Fund which is administered by the Derbyshire County Council under regulations governing the Local Government Pension Scheme. This is a funded scheme into which the Council and its pension fund employees pay contributions into the fund at a level estimated to balance pension liabilities with investment assets.

The cost of retirement benefits is accounted for when they are earned and is included in the Net Cost of Service in the Consolidated Revenue Account.

The following transactions have been included in the Consolidated Revenue Account.

	Year ended 31 March 2006		Year ended 31 March 2005	
	£' 000	£' 000	£' 000	£' 000
Current service costs		1,125		981
Past service costs		53		0
		<u>1,178</u>		<u>981</u>
Expected return on assets	(1,987)		(1,793)	
Pension interest cost	<u>2,591</u>		<u>2,481</u>	
Net Operating Expenditure		604		688
Movement on Pensions Reserve		<u>(399)</u>		<u>(446)</u>
Actual amount charged against Council Tax		<u>1,383</u>		<u>1,223</u>

Note 24 to the Consolidated Balance Sheet and Note 3 to the Statement of Total Movement in Reserves contains further details relating to pensions.

## 11. RELATED PARTY TRANSACTIONS

FRS8 requires the Council to disclose any material transactions with related parties. This is to highlight the possibility of the Council's financial position being affected by the existence of these related parties or by any material transactions with them.

The Council receives Revenue Support Grant and National Non-Domestic Rates from Central Government and the amounts involved are disclosed in the Consolidated Revenue Account on page 16. Details of other grants for specific projects or services are shown in the Cash Flow Statement on page 40.

Derbyshire County Council, the Police Authority and the Fire Authority issue precepts on the Council and these are shown in the Collection Fund on page 48. The Derbyshire County Council is the administering authority for the Pension Fund and a note to the Consolidated Revenue Account on page 21 (note 10) and to the Consolidated Balance Sheet on page 34 (note 24) explains the accounting treatment for pension provision.

The amounts due to or from central government, other local authorities or precepting bodies at the end of the financial year are shown in notes 10 and 11 to the Balance Sheet on page 30.

Council members make disclosures of their interests to the Council's monitoring officer, and also have to make declarations on individual committee agenda items. Annually an enquiry form is sent to all members asking for disclosure of any related party transactions that have occurred during the financial year. No material related party transactions have been identified for 2005/06. In addition, the Council formally nominates members to sit on outside bodies.

## 12. AUDIT COSTS

The Code of Practice on Local Authority Accounting requires the disclosure of fees payable to the Audit Commission in respect of external audit and inspection.

	2005/2006	2004/2005
	£	£
Audit services carried out by the appointed auditor	89,123	88,319
Statutory inspections	3,071	13,908
Grant claim certification	<u>11,049</u>	<u>12,317</u>
	<u>103,243</u>	<u>114,544</u>

## 13. SECTION 137 EXPENDITURE

The majority of the provisions of Section 137 of the Local Government Act 1972 were replaced by the 'well being' powers contained in the Local Government Act 2000. This gives principal local authorities a discretionary power to do anything they consider likely to promote the economic, social or environmental well being of their area. There is no spending limit attached to this power. Principal authorities have to disclose their expenditure incurred under S 137(3) e.g. donations to charities, voluntary bodies and not for profit bodies.

Expenditure incurred in 2005/2006 was £141,803 (2004/2005 £128,302)

## 14. NON-DISTRIBUTED COSTS

These costs relate to Deferred Charges associated with capital expenditure incurred on new computer systems and past service costs which are an accounting adjustment that is reversed out in the appropriations section.

# CONSOLIDATED BALANCE SHEET

	Note	31st March 2006			31st March 2005		
		£'000	£'000	£'000	£'000	£'000	£'000
<b>Fixed Assets</b>	[1-6]						
<b>Tangible Fixed Assets</b>							
Operational Assets							
Council dwellings		142,246			145,990		
Other land and buildings		15,599			13,013		
Vehicles, plant and equipment		384			48		
Infrastructure assets		583			612		
Community assets		<u>2,974</u>	161,786		<u>3,969</u>	163,632	
<b>Non operational Assets</b>							
Assets under construction			<u>969</u>			<u>784</u>	
<b>Total Fixed Assets</b>				<b>162,755</b>			<b>164,416</b>
Long term investments	[7]		26			27	
Long term debtors	[8]		<u>50</u>	<u>76</u>		<u>100</u>	<u>127</u>
<b>Total Long Term Assets</b>				<b>162,831</b>			<b>164,543</b>
<b>Current Assets</b>							
Stocks and works in progress	[9]		50			54	
Debtors	[10]		5,910			5,977	
Investments	[7]		<u>800</u>	<u>6,760</u>		<u>5</u>	<u>6,036</u>
<b>Total Assets</b>				<b>169,591</b>			<b>170,579</b>
<b>Current Liabilities</b>							
Short term borrowing			(182)			(2,051)	
Creditors	[11]		(3,879)			(3,534)	
Cash and Bank			<u>(971)</u>	<u>(5,032)</u>		<u>(271)</u>	<u>(5,856)</u>
<b>Total Assets less current liabilities</b>				<b>164,559</b>			<b>164,723</b>
<b>Long Term Liabilities</b>							
Long term borrowing	[12]		(1,000)			(1,000)	
Deferred liabilities	[13-14]		(3,146)			(3,558)	
Deferred capital receipts	[15]		(30)			(53)	
Capital grants unapplied	[18]		(1,559)			(1,802)	
Pensions Liability	[24]		<u>(20,535)</u>	<u>(26,270)</u>		<u>(18,174)</u>	<u>(24,587)</u>
<b>Total Assets less Liabilities</b>				<b>138,289</b>			<b>140,136</b>
<b>Financed by:</b>							
Fixed Asset Restatement Account	[16]			123,458			126,649
Capital Financing Account	[17]			20,136			17,021
Government Grants deferred				1,406			3,285
Usable Capital Receipts Reserve				6,127			4,236
Pensions Reserve	[24]			(20,535)			(18,174)
Earmarked Reserves	[22]			1,644			1,247
General Fund				3,466			2,975
Housing Revenue Account				1,478			1,351
Fixed Asset Replacement Reserve	[20]			374			477
Major Repairs Reserve	[19]			57			0
Collection Fund	[21]			<u>678</u>			<u>1,069</u>
				<b>138,289</b>			<b>140,136</b>

## NOTES TO THE CONSOLIDATED BALANCE SHEET

### 1. FIXED ASSETS

Movements in fixed assets during the year were as follows:

	Council Dwellings	Other Land and Buildings	Infra- structure Assets	Community Assets	Vehicles Plant and Equipment	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Gross book value 31 March 2005	145,990	14,496	927	4,114	453	165,980
Accumulated depreciation	0	(1,483)	(315)	(145)	(405)	(2,348)
Net book value 1 April 2005	145,990	13,013	612	3,969	48	163,632
Adjustments	0	1,207	0	(1,207)	64	64
Additions	2,044	766	0	352	346	3,508
Disposals	(3,797)	0	0	0	(2)	(3,799)
Revaluations	0	1,106	0	0	0	1,106
Depreciation	(1,991)	(426)	(29)	(140)	(72)	(2,658)
Impairment	0	(67)	0	0	0	(67)
Net book value 31 March 2006	142,246	15,599	583	2,974	384	161,786

As indicated in the Statement of Accounting Policies, the requirements of FRS11, FRS15 and Resource Accounting for Housing have all been implemented. As a result, depreciation is now provided on all the authority's assets with a finite life other than those which are under construction, or which have been acquired or disposed of during the financial year.



## 2. FIXED ASSET VALUATION

The fixed assets shown in the balance sheet have been valued on the basis recommended by CIPFA and in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors.

The value at which each category of asset is included in the balance sheet should be reviewed annually and can be valued on a five year rolling basis. The Council had its council housing assets valuation carried out as at the 31 March 2005 by an external independent valuer - the District Valuer. A selection of General Fund assets were valued as at the 31 March 2006 by the District Valuer.

### Operational Assets

#### i) Council dwellings

These are Housing Revenue Account dwellings and have been valued on the basis of Beacon selection, where a typical property is valued as being representative of a particular house type and location. The valuation for each of the beacon properties selected was on the basis of existing use value - social housing.

The District Valuer's valuation of council dwellings at 31 March 2005 was £145,990,160.

#### ii) Other Land and Buildings

Non-specialised assets have been valued at existing use value.

Specialised properties, i.e. those which rarely if ever sold on the open market have been valued at depreciated replacement cost.

This classification of assets includes Housing Revenue Account assets which the District Valuer valued at £1,081,000 as at the 31 March 2005, and the Councils Corporate Asset Manager reported on other assets now valued at £3,642,000.

As at the 31 March 2006 the District Valuer has valued a selection of General Fund assets summarised below.

#### Operational Property .

Specialised valued on depreciated replacement basis at £3,849,350.

Non specialised valued on existing use value at £2,448,000.

Non specialised valued on market value at £1,659,400.

#### iii) Infrastructure and Community Assets.

These are generally shown at historical costs net of depreciation. Community assets valued at £995,000 by the District Valuer as at 31 March 2005 relate to the Housing Revenue Account assets.

#### Non - Operational Assets (Assets under construction)

These are shown at cost incurred.

### Impairment

An impairment review of the Councils assets was carried out as at 31 March 2006 by the Council's Corporate Asset Manager.

There has been no impairment to the value of the council's assets for the financial year 2005/2006

### 3. DEPRECIATION

Depreciation has been calculated using the straight-line method. The useful lives assessed by the District Valuer and the authority's Estates Officer have been used for operational and non - operational assets. Useful lives for other assets have been assessed as:

Infrastructure	40 years
Bus shelters	10 years
Plant and equipment	5 - 10 years

### 4. CAPITAL EXPENDITURE AND FINANCING

The capital expenditure in 2005/2006, and the methods of financing, are detailed below:

Expenditure	£'000	Financing	£'000
Parks & Recreation Grounds	967	Usable Capital Receipts	
Improvements to Council Dwellings	2,028	- Housing	1,240
Improvements to Sheltered Housing	16	- General Fund	30
Rosliston Forest Centre	834		
Improvements to Admin. Bldgs	416	Major Repairs Reserve	1,718
IEG Projects	342	Grants/Contributions	2,518
Environmental Improvements	483	Credit Approvals	847
Vehicles, Plant & Equipment	323	Asset replacement account	328
Capital expenditure not adding value to fixed asset values:		Section 106	192
- Deferred Charges	1,178	R.C.C.O.	99
- Deferred purchase repayments	385		
	<u>6,972</u>		<u>6,972</u>

Commitments under capital contracts :

There are commitments under capital contracts totalling in excess of £½ million, which includes £308,000 for Housing Maintenance Contracts.

## 5. INFORMATION ON ASSETS HELD

Fixed assets owned by the Council include the following:

	31 March 2006 (No.)	31 March 2005 (No.)
<b>Council Dwellings</b>	3,172	3,235
<b>Operational Buildings</b>		
Town Hall	1	1
Civic Offices	1	1
Depot and Workshops	1	1
Leisure Centre and Pool	1	1
Leisure Centre	1	1
Forestry Centre	1	1
Off Street Car Parks	20	20
Public Conveniences	10	10
Garage Sites and Plots	604	604
Pavilions and Changing Rooms	15	15
<b>Community Assets</b>		
Parks and Open Spaces	370 acres	370 acres
Cemeteries	7	7
Allotments	9	9
Community Rooms (sheltered housing schemes)	13	13
<b>Non-Operational Properties</b>		
Land awaiting development	13 acres	13 acres
Industrial Estates	1	1
Factory	1	1
Shops	19	19
Bus Station	1	1
Market	1	1
Craft Workshops	7	7
Other Properties	9	9

## 6. DEFERRED CHARGES

Deferred charges represent expenditure which may properly be capitalised but which does not represent tangible fixed assets. Expenditure in the year is amortised to revenue over an appropriate period based on the benefit obtained from the expenditure. In most cases the expenditure will be written down in the year it is incurred.

Movements on deferred charges during 2005/2006 are detailed below:-

	Improvement Grants £'000	Partnerships £'000	Other £'000	Total £'000
Balance as at 1 April 2005	0	0	0	0
Expenditure in Year	690	847	792	2,329
Amounts written off to Consolidated Revenue Account	(690)	(847)	(792)	(2,329)
<b>Balance as at 31 March 2006</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## 7. INVESTMENTS

The balance sheet figure of long term investments largely comprises of an investment of £20,000 in a debenture raised by the Association of District Councils (Properties) Ltd for new office accommodation. No interest is receivable, but the Council will be entitled to its pro rata share of the appreciation in value of the property on redemption of the Debenture Stock 1996/2011.

In addition the Council held £800,000 on temporary deposit with banks and other financial institutions.

## 8. LONG TERM DEBTORS

This covers sums outstanding in respect of mortgages, loans to voluntary organisations and debt relating to transferred services, as follows:

	31st March 2006 £'000	31st March 2005 £'000
Mortgages	40	64
Loans to voluntary organisations	2	2
Transferred services		
Derbyshire County Council	8	10
Derby City Council	0	24
	<u>50</u>	<u>100</u>

The movements during the year on mortgages are detailed more fully below:

	2005/2006				2004/2005			
	Non Council Houses		Council Houses		Non Council Houses		Council Houses	
	No.	£'000	No.	£'000	No.	£'000	No.	£'000
Opening Balance	1	1	16	64	1	1	22	97
<i>Less:</i>								
Repayments	<u>0</u>	<u>0</u>	<u>5</u>	<u>25</u>	<u>0</u>	<u>0</u>	<u>6</u>	<u>33</u>
Balance outstanding at year end	<u>1</u>	<u>1</u>	<u>11</u>	<u>39</u>	<u>1</u>	<u>1</u>	<u>16</u>	<u>64</u>

## 9. STOCK AND WORK IN PROGRESS

		31st March	
		2006 £'000	2005 £'000
Stock			
Depot	Fuel	5	6
	Plastic Sacks	6	2
	Housing	35	28
	Piper Lifeline	2	2
		48	38
Work in Progress			
	Rechargeable Works	<u>2</u>	<u>16</u>
		<u>50</u>	<u>54</u>

## 10. DEBTORS

	As at 31 March	
	2006	2005
	£'000	£'000
<b>Amounts falling due within one year</b>		
Government Departments	1,503	2,675
Other local authorities	124	15
Council Tax payers	1,882	1,725
NNDR payers	642	697
Tenants	345	286
Sundry Debtors	3,217	2,114
	<u>7,713</u>	<u>7,512</u>
Provision for doubtful debts	(1,835)	(1,606)
	<u>5,878</u>	<u>5,906</u>
<b>Amounts falling due after one year</b>		
Car loans to employees	32	71
	<u>5,910</u>	<u>5,977</u>

## 11. CREDITORS

	As at 31 March	
	2006	2005
	£'000	£'000
Government Departments	81	13
Other Local Authorities	0	8
Council Tax payers	1,017	779
NNDR payers	291	218
Tenants	120	103
Sundry Creditors	2,368	2,411
Deposits	2	2
	<u>3,879</u>	<u>3,534</u>

## 12. LONG TERM BORROWING

Type of Loan	Total Outstanding As at 31 March	
	2006	2005
	£'000	£'000
Money Market Loan	<u>1,000</u>	<u>1,000</u>
<b>Maturing Within</b>		
1 - 2 years	-	-
2 - 5 years	-	-
5 - 10 years	-	-
More than 10 years	<u>1,000</u>	<u>1,000</u>

## 13. DEFERRED LIABILITIES

This comprises the debt outstanding on assets transferred from other local authorities in 1974 (primarily the former South East Derbyshire District Council) together with the outstanding liabilities in respect of deferred purchase (covenant) agreements (see note 14 below for further details).

An analysis of future liabilities is given in the table below.

	Transferred Assets	Deferred Covenants	Total
	£'000	£'000	£'000
Due within 1 year	18	415	433
Due in 2 - 5 years	74	1,870	1,944
Due in more than 5 years	<u>297</u>	<u>472</u>	<u>769</u>
Total Due	<u>389</u>	<u>2,757</u>	<u>3,146</u>

#### **14. DEFERRED PURCHASE (COVENANTS)**

The Council has entered into two Deferred Purchase (Covenant) agreements with a financial institution for the carrying out of certain specified capital projects:-

**September 1987** - An agreement valued at £3.5m was entered into for the repair element of the post-war council house improvements scheme and environmental and recreational facilities such as pavilions, car parks, public conveniences and village halls. This was later extended to £4.5m. As at 31 March 2006 all schemes had been completed. After allowing for principal repayments, there was an outstanding balance of £2,207,145.

The agreement has been extended to September 2011 with a repayment profile which will clear the principal outstanding by that date.

**March 1990** - An agreement valued at £3 million was entered into for the provision of and improvement to major recreational facilities in the District. The facility was subsequently reduced to £2 million. This has been used to finance improvements to the Green Bank Leisure Centre. As at 31 March 2006 this had been completed. After allowing for principal repayments, there was an outstanding balance of £550,442.

The agreement has been extended to March 2010 with a repayment profile which will clear the principal outstanding by that date.

#### **15. DEFERRED CAPITAL RECEIPTS**

Deferred capital receipts are amounts derived from the sale of assets which will be received in instalments over agreed periods of time. They arise mainly from mortgages on the sale of Council houses and form the main part of mortgages which appear within the grouping of fixed/long term assets.

#### **16. FIXED ASSET RESTATEMENT ACCOUNT**

This largely represents the difference between the valuation of assets under the previous system of capital accounting and the revaluation as at 1 April 1995 required under the new system. The reserve is written down by the net book value of assets as they are disposed of and the amount of capital expenditure which does not increase the value of fixed assets held by the Council. The reserve is debited or credited with the deficits or surpluses arising on subsequent revaluations. Details of the 2005/2006 transactions are shown in the Statement of Total Movements in Reserves.

#### **17. CAPITAL FINANCING ACCOUNT**

This contains the amounts which are required by statute to be set aside from capital receipts for the repayment of external loans and the amount of capital expenditure financed from revenue, capital receipts, grants and contributions. It also contains the difference between amounts provided for depreciation and that required to be charged to revenue to repay the principal element of external loans. The balance on the reserve is reduced as loan debt is repaid. Details of the transactions during 2005/2006 are shown in the Statement of Total Movements in Reserves.



## 18. CAPITAL GRANTS UNAPPLIED

This comprises Government and other grants received to fund capital expenditure. The movements during the year are detailed below.

	2005/2006		2004/2005
	£'000		£'000
Balance Brought Forward	1,803		1,383
Grants Received	1,406		966
Grants Applied	(1,275)		(547)
Transfer to Parks and Open spaces (S106)	(375)		0
Balance Carried Forward	<u>1,559</u>		<u>1,802</u>
<b>Grants received during the year are detailed below.</b>			
<b>Section 106 Planning Agreements</b>			
Morrisons	473	Edgecote Drive, Newhall	113
Orchard Close	2	Eaton Close, Hatton	16
Woodlands, Swadlincote	148	Redrow Homes Open Space	20
Qualitas site, Woodville	56	The Hedgerows, Hatton	75
Woodlands 1, Woodville	140	St Modwens, Rec & Maint	378
Westbury	31	Community Comp., Hilton	15
Hatton Flood Relief	30		
Oversetts Rd., Newhall	5		
Hilton Rd., Etwall	26		
Edward St., Overseal	15		
<b>Other Grants</b>			
Implementing E-Government	418	Implementing E-Government	350
Miscellaneous	63		
<b>Total Grants Received</b>	<u>1,407</u>		<u>967</u>

## 19. MAJOR REPAIRS RESERVE

This reserve has been established since April 2001 as part of the implementation of Resource Accounting in the Housing Revenue Account. Sums are transferred to the reserve annually in accordance with the estimated long term average amount of capital spending required to maintain the authority's housing stock in its current condition. The reserve is available to meet capital expenditure on the land, houses and other property within the authority's Housing Revenue Account. Details of the transactions during 2005/2006 are shown in the Statement of Total Movements in Reserves.

## 20. FIXED ASSET REPLACEMENT RESERVE

The Council approved the creation of a Fixed Asset Replacement Reserve to finance the replacement of vehicles, plant and equipment. The opening balance at the start of the year was £477k. During the year £328k (£73k in 2004/2005) was used for the purpose for which the reserve was established and a contribution from capital receipts of £225k was made to the reserve. The balance at the end of the year is £374k.

## 21. COLLECTION FUND

The Collection Fund is a statutory fund in which are recorded the transactions for council tax and business rates. The balance on the fund is available for distribution to South Derbyshire District Council, Derbyshire County Council and the Police and Fire authorities in future years in proportion to their past precepts on the Fund. Details of the Collection Fund transactions can be found on page 48.

## 22. EARMARKED RESERVES

Details are given in the Statement of Total Movements in Reserves on page 37.

## 23. TRUST AND OTHER FUNDS

The Council administers the Chair's Charity, which raises funds annually in the Chair's name on behalf of charities and voluntary groups within South Derbyshire. These funds are then distributed to the beneficiaries nominated by the Chair. The total donated in 2005/2006 was £10,000 (£14,000 in 2004/2005).

The balance held for the Charity is not included in the Consolidated Balance Sheet.

## 24. DISCLOSURE OF THE MOVEMENT IN NET PENSION ASSET/LIABILITY

Note 10 to the Consolidated Revenue Account contains details of the Councils participation in the Local Government Pensions Scheme which is administered by the Derbyshire County Council.

The underlying assets and liabilities for retirement benefits attributable to the authority at 31 March 2006 are:

	2005/2006	2004/2005
	£' 000	£' 000
Estimated liabilities in the scheme	58,367	47,583
Estimated assets in the scheme	<u>37,832</u>	<u>29,409</u>
	<u>20,535</u>	<u>18,174</u>

The liabilities show the underlying commitment that this Council has in the long run to pay retirement benefits. The total liability of £20,535m has a substantial impact on the net worth of the authority as recorded in the balance sheet. However, statutory arrangements for funding the deficit mean that the financial position of this Council remains healthy. The deficit on the scheme will be made good by increased contributions over the remaining life of employees as assessed by the scheme's actuary.

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pension that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The Derbyshire County Council liabilities have been assessed by Mercer Human Resources Ltd. Who are authorised by the Financial Services Authority and are an independent firm of actuaries.

The main assumptions used in the calculations are:

	2005/2006	2004/2005
	%	%
Rate of inflation	2.9	2.9
Rate of increase in salaries	4.4	4.4
Rate of increase in pensions	2.9	2.9
Proportion of employees opting to take commuted Lump Sum	0	N/A
Rate of discounting scheme liabilities	4.7	5.4

Assets in the Derbyshire County Council Pension Fund are valued at fair value, and consist of the following categories, by proportion of the total assets held.

	31st March 2006		31st March 2005	
	Long-term Rate of Return	Investment Category	Long-term Rate of Return	Investment Category
	%	%	%	%
Equities	7.00	70.90	7.50	70.20
Government Bonds	4.30	14.50	4.70	15.80
Other Bonds	4.90	1.90	5.40	2.20
Property	6.00	5.10	6.50	5.00
Cash	4.50	7.60	4.75	6.80
		<u>100.00</u>		<u>100.00</u>

Further information can be found in the Derbyshire County Council Pension Fund Annual Report upon request from the County Treasurer, Derbyshire County Council, County Hall, Matlock; DE4 3 AG.

## 25. CONTINGENT LIABILITIES AND ASSETS 2005/2006

The Council is a member of a local authority consortium which had entered into contractual arrangement with a supplier for the provision of a replacement computer system to administer Council Tax, Business Rates and the payment of Housing Benefit. This contract has now been terminated by the consortium, and the consortium is now in dispute with the supplier. Both parties are currently seeking to resolve the outstanding issues by way of negotiation, which should this fail will lead on to a process of mediation. Should these avenues fail to secure an agreed solution then the resolution of the dispute will require recourse to legal proceedings. The outcome may result in a refund of part of the costs that have been incurred by the consortium, or alternatively further payments from the consortium to the supplier may be necessary. As at the 31 March 2006 this Council - along with the other members of the consortium- has included within its accounts for the current and previous financial years only those payments actually made to the supplier and to other third parties. No provision has therefore been made for any further payments which may be necessary, nor has the recovery of any payments previously made been assumed.

The Council has made appropriate arrangements to ensure that it will continue to be in a position to effectively administer Council Tax, Business Rates and the payment of Housing Benefit irrespective of the outcome of this dispute.

## **26. EVENTS AFTER THE BALANCE SHEET DATE**

These are events occurring between the balance sheet date and the date that the financial statements are authorised for issue. For the year ended the 31 March the financial statements were authorised for issue by the Director of Corporate Services on the 29 June 2006.

Changes to the Local Government Pension Scheme permit employees retiring on or after 6 April 2006 to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension. The view has been taken that there is insufficient reliable evidence to assume a level of take-up of the changes in the pension scheme. Consequently, the valuation of the Council's retirement benefit liabilities as at 31 March 2006 does not include any allowance for this change to the pension scheme.

If the Council had included an assumed level of the take up of the commutation option in the FRS 17 valuation, this would have had a significant effect on the amounts recognised in the Consolidated Revenue Account. A one percentage point change in the assumed level of take up of the commutation option would change the effect on the aggregate of service cost and interest cost by £16,600.

## **27. INTANGIBLE ASSETS**

The definition and treatment of intangible assets is covered by FRS 10. In its application to this Council the intangibles identified are software licences. The Council's policy is that expenditure of this nature is written off in the financial year in which it is incurred. The result is that there are no intangible assets shown in the Balance Sheet this year.

## **28. COSTS OF INTRODUCTION OF THE EURO**

The Council monitors the likely impact the adoption and introduction of the Euro in the UK would have on the Council's services and its financial information systems. Until such time as a decision is made the expenditure on Euro activities is to be absorbed within existing budgets and any new financial or data systems are examined for Euro compliance.

## STATEMENT OF TOTAL MOVEMENTS IN RESERVES

	Fixed Asset Restatement Reserve	Capital Financing Reserve <i>(Note 2)</i>	Government Grants Deferred	Usable Capital Receipts	Major Repairs Reserve
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Balance as at 1 April 2005	(126,649)	(17,021)	(3,285)	(4,236)	-
Revaluations and Restatements	(607)	(3,221)	2,659	-	-
Net (Surplus) / Deficit for Year	-	(1,999)	(780)	-	330
Disposal of Assets	3,798	-	-	(5,585)	-
<b>Financing of Assets</b>					
Usable Capital Receipts	-	-	-	3,694	-
Major Repairs Reserve	-	-	-	-	1,718
Transfer HRA Depreciation	-	2,105	-	-	(2,105)
<b>Balance as at 31 March 2006</b>	<b><u>(123,458)</u></b>	<b><u>(20,136)</u></b>	<b><u>(1,406)</u></b>	<b><u>(6,127)</u></b>	<b><u>(57)</u></b>

	Fixed Asset Replacement Reserve	Fund Balances <i>(Note 1)</i>	Ear-marked Reserves <i>(Note 1)</i>	Pensions Reserve <i>(Note 3)</i>	Total
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Balance as at 1 April 2005	(477)	(5,395)	(1,247)	18,174	(140,136)
Revaluations and Restatements	-	-	-	-	(1,169)
Net (Surplus) / Deficit for Year	103	(227)	(397)	2,361	(609)
Disposal of Assets	-	-	-	-	(1,787)
<b>Financing of Assets</b>					
Usable Capital Receipts	-	-	-	-	3,694
Major Repairs Reserve	-	-	-	-	1,718
Transfer HRA Depreciation	-	-	-	-	-
<b>Balance as at 31 March 2006</b>	<b><u>(374)</u></b>	<b><u>(5,622)</u></b>	<b><u>(1,644)</u></b>	<b><u>20,535</u></b>	<b><u>(138,289)</u></b>

## 1. REVENUE RESERVES

	Balance as at 1 April 2005 £'000	Net (surplus) /deficit for year £'000	Balance as at 31 March 2006 £'000
<b>Fund Balances</b>			
General Fund	(2,975)	(491)	(3,466)
Housing Revenue Account	(1,351)	(127)	(1,478)
Collection Fund	(1,069)	391	(678)
	<u>(5,395)</u>	<u>(227)</u>	<u>(5,622)</u>
<b>Earmarked Reserves</b>			
DSO Reserve	(38)	0	(38)
Commutation Adjustment Reserve	(410)	0	(410)
Covenant Repayment/Housing IT Reserve	(96)	44	(52)
New Technology Reserve	(97)	(118)	(215)
Repton Revenue Contributions Reserve	(33)	0	(33)
Grants/Committed Expenditure Reserve	(557)	(305)	(862)
LSP Reserve	(16)	(18)	(34)
	<u>(1,247)</u>	<u>(397)</u>	<u>(1,644)</u>

## 2. CAPITAL FINANCING ACCOUNT

	Movements in the year £'000
<b>Appropriations (from)/to General Fund</b>	
financing of capital expenditure	(2,138)
transferred debt principal repayments	(20)
commutation adjustment	133
<b>Sums written off/back against Capital Financing Account</b>	
transferred debt	26
<b>Net (Surplus)/Deficit for 2005/2006</b>	<u>(1,999)</u>

### 3. PENSION RESERVE

The detailed movements in the pension reserve are:

	Year ended 31 March 2006	
	£' 000	£' 000
Net pension liability at 31st March 2005		(18,174)
Current service cost	(1,125)	
Employers contributions	1,383	
Past service/curtailment/settlement gains	(53)	
Net interest/return on assets	(604)	
Actuarial gains(losses)	<u>(1,962)</u>	
Net (Surplus)/Deficit for the year		<u>(2,361)</u>
Net pension liability at 31st March 2006		<u>(20,535)</u>

The actuarial gains identified as movements on the Pension Reserve in 2005/2006 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March 2006.

	2005/06		2004/05		2003/04	
	%	£'000	%	£'000	%	£'000
Difference between the expected and actual return on assets	14.2	5,364	4.0	1,174	12.1	3,261
Difference between actuarial assumptions about liabilities and actual experience	-5.0	(2,905)	4.2	2,015	-	-
Changes to in demographic and financial assumptions used to estimate liabilities	-7.7	(4,421)	-17.5	(8,327)	-	-
		<u>(1,962)</u>		<u>(5,138)</u>		<u>3,261</u>

## CASH FLOW STATEMENT

	Note	Year ended 31 March 2006		Year ended 31 March 2005	
		£'000	£'000	£'000	£'000
<b>Revenue Activities</b>					
<b>Cash outflows</b>					
Employees		9,439		9,166	
Housing Benefit payments		4,640		3,455	
Derbyshire CC precept		27,318		26,297	
Police Authority precept		3,842		3,595	
Fire Authority		1,636		1,501	
Parish Councils		306		0	
Payment to NNDR pool		14,983		12,566	
Other operating costs		13,133	75,297	8,477	65,057
<b>Cash inflows</b>					
Housing rents (net of rebates)		(3,408)		(3,478)	
Council Tax income		(33,329)		(31,974)	
Non-Domestic Rate income		(15,204)		(12,712)	
Receipts from NNDR pool		(2,466)		(2,284)	
Revenue Support Grant		(2,955)		(2,727)	
Government Grants	[4]	(16,262)		(11,827)	
Fees and Charges		(2,609)		(2,664)	
Other income		(2,124)	(78,357)	(1,169)	(68,835)
<b>Revenue Activities Net Cash Flow</b>	[1]		<b>(3,060)</b>		<b>(3,778)</b>
<b>Servicing of Finance</b>					
<b>Cash outflows</b>					
Interest paid		338		377	
<b>Cash inflows</b>					
Interest received		(165)	173	(92)	285
<b>Capital Activities</b>					
<b>Cash outflows</b>					
Fixed assets		3,233		5,294	
Other capital payments		3,464	6,697	776	6,070
<b>Cash inflows</b>					
Sale of fixed assets		(3,253)		(3,437)	
Government capital grants	[4]	(874)		(123)	
Other Grants & Contributions		(1,560)		0	
Other capital income		(90)	(5,777)	(531)	(4,091)
<b>Net Cash (Inflow)/Outflow Before Financing</b>			<b>(1,967)</b>		<b>(1,514)</b>
<b>Financing</b>					
<b>Cash outflows</b>					
Repayment of amounts borrowed		3,790		17,226	
Temporary investments		39,128	42,918	26,094	43,320
<b>Cash inflows</b>					
Temporary investments repaid		(38,335)		(26,094)	
Temporary loans		(1,916)	(40,251)	(15,490)	(41,584)
<b>Net Increase/(Decrease) in Cash</b>	[2]		<b>700</b>		<b>222</b>



## NOTES TO THE CASH FLOW STATEMENT

### 1. RECONCILIATION OF DEFICIT TO NET CASHFLOW

	Year ended 31 March 2006		Year ended 31 March 2005	
	£'000	£'000	£'000	£'000
Consolidated Revenue (surplus) / deficit for the year		(491)		(347)
<i>Exclude non-cash transactions:</i>				
charged to capital	355		0	
decrease in provisions	(90)		(33)	
Provision for repayment of capital	(1,994)		0	
Depreciation	0		(2,968)	
contribution to reserves	<u>(252)</u>	(1,981)	<u>(230)</u>	(3,231)
<i>Adjust for items on an accruals basis:</i>				
Creditors	(346)		(114)	
Debtors	(65)		181	
Stocks	<u>(4)</u>	(415)	<u>18</u>	85
<i>Exclude items classified elsewhere:</i>				
Servicing of finance shown later in the cash flow statement		(173)		(285)
<b>Revenue Activities Net Cash Flow</b>		<u><b>(3,060)</b></u>		<u><b>(3,778)</b></u>

### 2. MOVEMENT IN CASH

	Balance as at 31 March 2005	Balance as at 31 March 2006	Movement in the year
	£'000	£'000	£'000
Cash overdrawn	(971)	(271)	(700)
<b>Net Cash Outflow</b>			<u><b>(700)</b></u>

### 3. MOVEMENT IN FINANCING

	Balance as at 1 April 2005	Balance as at 31 March 2006	Movement in the year
	£'000	£'000	£'000
Long term borrowing	(1,000)	(1,000)	0
Temporary loans	(3,049)	(382)	(2,667)
<b>Net Cash Outflow from Financing</b>			<b>(2,667)</b>

### 4. ANALYSIS OF GOVERNMENT GRANTS

	Year ended 31 March 2006	Year ended 31 March 2005
	£'000	£'000
<b>Grants towards Revenue Activities</b>		
Housing Subsidy	6,547	0
Planning	170	367
Homelessness	56	42
Dept of Works & Pensions	9,447	11,418
Other	42	0
	<u>16,262</u>	<u>11,827</u>
<b>Grants towards Capital Activities</b>		
Private Sector Improvement	163	123
Defra - Flood Alleviation	209	0
IEG	502	0
	<u>874</u>	<u>123</u>

## HOUSING REVENUE ACCOUNT

The Housing Revenue Account reflects a statutory obligation to account separately for local authority housing provision as defined in the Local Government and Housing Act 1989. It shows the major elements of housing revenue expenditure - maintenance, administration and capital financing costs and how these are met by rents, subsidy and other income.

	Note	Year ended 31 March 2006 £'000	Year ended 31 March 2005 £'000
<b>Income</b>			
Dwelling rents (gross)		8,226	8,002
Non-dwelling rents (gross)		95	83
Charges for services and facilities		73	60
Contributions towards expenditure		20	0
HRA subsidy	[7]	1,761	1,871
Supporting People Grant		377	323
<b>Total Income</b>		<b>10,552</b>	<b>10,339</b>
<b>Expenditure</b>			
Repairs and maintenance		2,982	2,782
Supervision and management		1,491	1,510
Rents, rates, taxes and other charges		(27)	43
Negative subsidy payable to the Secretary of State	[7]	3,849	3,725
Increased provision for bad debts	[8]	29	3
Sums directed by the Secretary of State		60	103
Cost of capital charge	[6]	5,146	4,362
Depreciation and impairment of fixed assets		2,089	2,480
Debt management costs		25	25
<b>Total Expenditure</b>		<b>15,644</b>	<b>15,033</b>
<b>Net Cost Of Services</b>		<b>5,092</b>	<b>4,694</b>
Net HRA Income/Expenditure on AMRA	[6]	(4,880)	(4,076)
Pension Interest cost and expected return on assets		100	120
Trans from other funds as directed by Sec of State		0	(3)
HRA investment income		(65)	(63)
<b>Net Operating Expenditure</b>		<b>247</b>	<b>672</b>
<b>Appropriations</b>			
HRA share of contribution to/from Pension Reserve		(64)	(79)
HRA Contribution to Minimum Repayment Provision		20	19
HRA set aside		0	16
Transfer to/from Major Repairs Reserve		(330)	(609)
<b>(Surplus)/Deficit For Year</b>		<b>(127)</b>	<b>19</b>
<b>Balance on HRA brought forward</b>		<b>(1,351)</b>	<b>(1,370)</b>
(Surplus)/Deficit For Year		(127)	19
<b>Balance on HRA carried forward</b>		<b>(1,478)</b>	<b>(1,351)</b>

## NOTES TO THE HOUSING REVENUE ACCOUNT

### 1. FIXED ASSETS

Movements in Housing Revenue Account fixed assets during the year were as follows:

	Council Dwellings £'000	Other Land & Buildings £'000	Community Assets £'000	Plant and Machinery £'000	Total £'000
Gross book value as at 31 March 2005	145,990	1,903	995	0	148,888
Accumulated Depreciation	0	0	0	0	0
Net book value as at 1 April 2005	145,990	1,903	995	0	148,888
Adjustments	0	995	(995)	0	0
Additions	2,044	0	0	14	2,058
Disposals	(3,797)	0	0	0	(3,797)
Revaluations	0	0	0	0	0
Depreciation	(1,991)	(68)	0	(2)	(2,061)
Net book value as at 31 March 2006	142,246	2,830	0	12	145,088

The vacant possession value of the council dwellings within the Housing Revenue Account as at 31 March 2006 was £228,835,557. The difference between this value and the restated balance sheet value of £142,245,995 reflects the economic cost to the Government of providing council housing at less than market rents.

### 2. CAPITAL EXPENDITURE AND FINANCING

The Housing Revenue Account capital expenditure in 2005/2006, and the methods of financing, are detailed below:

	£'000		£'000
<b>Expenditure</b>		<b>Financing</b>	
Capital expenditure			
Improvements to Sheltered Housing	16	Major Repairs Reserve	1,718
Improvements to Council Dwellings	2,028	Credit Approvals	228
		Capital Receipts	311
Capital expenditure not adding value to fixed asset			
- Deferred purchase repayments	228	Grants/ Contributions	15
- Deferred charges			
	<u>2,272</u>		<u>2,272</u>

### 3. CAPITAL RECEIPTS

The capital receipts for the Housing Revenue account are detailed below:

	2005/2006 £'000	2004/2005 £'000
Sale of land	888	45
Sale of council houses	3,395	3,162
Deferred capital receipts	23	20
Other capital receipts	73	84
	<u>4,379</u>	<u>3,311</u>

Prior to 2004/2005 the Local Government and Housing Act 1989 required a proportion of these capital receipts to be set aside for debt redemption and the remainder to be held in the Usable Capital Receipts Reserve until such time as they are used to finance capital expenditure. From 2004/2005 a pooling arrangement was introduced under which a proportion of the capital receipts are paid over to the government. In 2005/2006 the sum paid was £1,205m, and is excluded from the above amount.

### 4. MAJOR REPAIRS RESERVE

This reserve has been established since 1st April 2001 as part of the implementation of Resource Accounting in the Housing Revenue Account. Sums are transferred to the reserve annually in accordance with the estimated long term average amount of capital spending required to maintain the authority's housing stock in its current condition. The reserve is available to meet capital expenditure on the land, houses and other property within the authority's Housing Revenue Account, as shown below:

	2005/2006 £'000	2004/2005 £'000
Balance at beginning of year	0	(163)
Depreciation provision transferred from Capital Financing Account		
Dwellings	(1,991)	(2,410)
Other HRA property	(114)	(70)
	<u>(2,105)</u>	<u>(2,643)</u>
Financing of capital expenditure	1,718	2,034
Transfer to Housing Revenue Account	330	609
Balance at end of year	<u>(57)</u>	<u>0</u>

## 5. HOUSING STOCK

The Council was responsible for managing an average of 3,204 dwellings in 2005/2006. The composition of the stock at 31 March 2006 is as follows:

Houses	1,707
Flats	828
Bungalows	637
Total	3,172

The change in stock during the year is as follows:

	Year ended 31 March 2006	Year ended 31 March 2005
Stock at 1 April	3,235	3,305
Less : Sales	63	70
Stock as at 31 March	3,172	3,235

## 6. COST OF CAPITAL CHARGE / CAPITAL ACCOUNTING ADJUSTMENT

Following the implementation of the Local Government and Housing Act 1989, the interest charges payable by the Housing Revenue Account have been assessed according to a statutory formula (the Item 8 debit determination). From 1 April 2001 however, Resource Accounting for Housing has introduced a new cost of capital charge, calculated as 3.5% of the value of Housing Revenue Account assets carried at current value and 4.8% of the value of Housing Revenue Account assets carried at historical cost. In order to ensure that the impact of this charge on rents is neutral, the rules governing the Housing Revenue Account have been extended to include a capital asset charges accounting adjustment. This reverses out the cost of capital charge and replaces it with interest calculated as previously in accordance with the Item 8 Debit determination. The effect of this is shown below:

	Year ended 31 March 2006	Year ended 31 March 2005
	£'000	£'000
Cost of capital charge	5,146	4,362
Capital asset charges accounting adjustment	-4,880	-4,076
Statutory Item 8 Debit interest	<u>266</u>	<u>286</u>

## 7. HOUSING SUBSIDY

The Local Government and Housing Act 1989 introduced a new deficit subsidy for the Housing Revenue Account. The deficit is derived as the balance on a notional Housing Revenue Account for the authority, calculated in accordance with statutory determinations prescribing notional levels of increase in costs and rent income. As a result the position on the notional Housing Revenue Account can differ substantially from that on the Council's actual Housing Revenue Account.

Following the implementation of Resource Accounting, the subsidy includes a Major Repairs Allowance which reflects the estimated average annual cost of maintaining the condition of the authority's housing stock over a 30 year period.

From 2004/05 the cost of Housing Rent Rebates is required to be charged to the General Fund. This has resulted in a negative entitlement to Housing Subsidy and the Council making a contribution to the Exchequer of £2,088,023 (£1,854,139 in 2004/2005).

## 8. PROVISION FOR BAD DEBTS

The provision is assessed in accordance with the Local Government and Housing Act 1989. This specifies percentages to be applied according to the value of individual arrears. The total provided as at 31 March 2006 was £192,000 (31 March 2005: £180,000).

## 9. RENT ARREARS

Current tenants rent arrears, as a proportion of gross rent income, have increased from 1.4% to 2.1% during 2005/2006. The totals for all arrears are as follows:-

	Year ended 31 March 2006 £'000	Year ended 31 March 2005 £'000
Arrears at 31 March	322	276
Written off during the year	16	101

## COLLECTION FUND ACCOUNT

### INCOME AND EXPENDITURE ACCOUNT

This statement reflects the statutory requirements for billing authorities to maintain a separate Collection Fund, showing the transactions relating to non-domestic rates and the council tax, and illustrating the way in which these have been distributed to preceptors and the General Fund. The Collection Fund is consolidated with the other accounts of the District Council.

	Note	Year Ended 31 March 2006			Year Ended 31 March 2005		
		£'000	£'000	£'000	£'000	£'000	£'000
<b>Income</b>							
Council Tax payers	[1]		33,244			31,973	
Council Tax benefit			<u>3,618</u>	36,862		<u>3,402</u>	35,375
Non Domestic Ratepayers	[2]			<u>15,075</u>			<u>12,712</u>
<b>Total Income</b>				<b>51,937</b>			<b>48,087</b>
<b>Expenditure</b>							
Precepts and demands							
Derbyshire CC		26,759				25,718	
South Derbyshire DC		4,162				3,904	
Police Authority		3,765				3,524	
Fire Authority		<u>1,603</u>	36,289			<u>1,501</u>	34,647
Non Domestic Rates	[2]						
Payment to NNDR Pool		14,983				12,566	
Collection allowances		<u>86</u>	15,069			<u>86</u>	12,652
Council Tax/NNDR increase in provision for bad and doubtful debts			217			34	
Fund surplus (council tax) paid over to billing/precepting authorities	[3]		753			732	
<b>Total Expenditure</b>				<b>52,328</b>			<b>48,065</b>
<b>Deficit / (surplus) for year</b>	[3]			<b>391</b>			<b>(22)</b>
Balance at beginning of year				(1,069)			(1,047)
Deficit / (surplus) for year				391			(22)
<b>Balance at 31 March</b>	[3]			<b>(678)</b>			<b>(1,069)</b>



## NOTES TO THE COLLECTION FUND ACCOUNT

### 1. COUNCIL TAX

Council tax income derives from charges raised according to the value of residential properties, which have been classified into 8 valuation bands using estimated 1 April 1991 values for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by the District Council, Derbyshire County Council, the Police Authority and the Fire Authority for the forthcoming year and dividing this by the council tax base (the total number of properties in each band adjusted by a proportion to convert the number to a band D equivalent and adjusted for discounts, i.e. 29,179.9 for 2005/2006 compared with 28,675.5 for 2004/2005). This basic amount of council tax for a band D property (an average of £1,243.51 for 2005/2006 compared with £1,208.12 for 2004/2005) is multiplied by the proportion specified for the particular band to give an individual amount due.

The council tax base for 2005/2006 was calculated as follows:

Band	Estimated number of taxable properties after effects of discounts	Proportion of Band D charge	Band D equivalent dwellings
A	22.00	5/9	12.20
A	8,783.25	6/9	5,855.50
B	7,598.00	7/9	5,909.50
C	5,541.75	8/9	4,926.00
D	5,308.25	9/9	5,308.30
E	3,004.25	11/9	3,671.90
F	1,622.25	13/9	2,343.20
G	802.50	15/9	1,337.50
H	55.25	18/9	110.50
	<u>32,737.50</u>		<u>29,474.60</u>
	Less adjustment for collection rates		(294.70)
	Council Tax base 2005/2006		<u>29,179.90</u>

### 2. NON-DOMESTIC RATES

Under the arrangements for uniform business rates, the Council collects non-domestic rates for its area. These are based on local rateable values multiplied by a uniform national rate. The total amount, less certain reliefs and other deductions, is paid to a central pool (the NNDR pool) managed by Central Government, which in turn pays back to authorities their share of the pool based on a standard amount per head of population.

The total non-domestic rateable value at 31 March 2006 was £42,674,209 (£34,641,298 at 31 March 2005). The national non-domestic multiplier for 2005/2006 was 0.422 (0.456 for 2004/2005).

### 3. CONTRIBUTIONS TO COLLECTION FUND SURPLUSES AND DEFICITS

The balance of the surplus of £677,773 on the Collection Fund at 31 March 2006 will be distributed in subsequent financial years to the District Council, Derbyshire County Council, the Police Authority and the Fire Authority in proportion to the value of the respective demands and precepts made on the Collection Fund.

## STATEMENT ON INTERNAL CONTROL

### 1. SCOPE OF RESPONSIBILITY

- 1.1 The 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.
- 1.2 The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.3 In discharging this overall responsibility, the Council is also responsible for ensuring that there is a sound system of internal control, which facilitates the effective exercise of the Council's functions including arrangements for the management of risk.

### 2. THE PURPOSE OF THE SYSTEM OF INTERNAL CONTROL

- 2.1 The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve the Council's policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.
- 2.2 The system of internal control is based on an ongoing process designed to:
  - **identify** and prioritise the risks to the achievement of the Council's policies, aims and objectives,
  - **evaluate** the likelihood of those risks being realised and the impact should they be realised, and
  - **manage** them efficiently, effectively and economically.
- 2.3 The system of internal control detailed below has been in place at the Council for the year ended 31<sup>st</sup> March 2006. Up to the date of approval of the annual report and accounts (June 2006) and, except for the details of significant internal control issues at Section 5, accords with proper practice.

### 3. THE INTERNAL CONTROL ENVIRONMENT

- 3.1 The internal control environment is designed to control the overall business of the Council, including:
  - **How it ensures that it is doing the right thing** - for example via consultation.
  - **How its business is controlled** - standards, regulations, etc.
  - **How it is accountable and operates with integrity** - lines of reporting and decision-making, codes of conduct, etc.
  - **How public resources are safeguarded** - for example through internal audit, anti fraud and corruption initiatives.
  - **How it delivers efficiency** - for example through procurement and how resources are utilised.

- How it monitors progress and identifies areas for improvement - for example through internal and external scrutiny and a performance management framework, and
- How risk is identified and managed.

3.2 These various facets can be identified in several forms across the Council. This document brings together the key elements of the Council's overall internal control framework. They are set out below.

### **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.

3.3 The Full Council makes decisions on key policies and sets the budget and levels of local taxation for the District's services.

### **Policy Making**

3.4 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

3.5 Each Committee is governed by its 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.

3.6 An Overview and 2 scrutiny committees shadow the policy committees.

3.7 Six area meetings and a Parish Forum are well established and these meet throughout the year. They 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**

3.8 The Council has designated the Head of Legal and Democratic Services as its Monitoring Officer. It is the function of this officer to ensure compliance with established policies, procedures, laws and regulations.

3.9 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.

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

- 3.11 In addition, the Council operates 2 regulatory committees focusing on Development Control (local planning) and a Licensing and Appeals Committee. Furthermore, a Standards Committee that includes independent members oversees the conduct of elected councillors.

#### **Standards of Financial Conduct**

- 3.12 Financial management is conducted in accordance with financial management and procedural rules as set out in Part 4 of the Constitution. The Council has designated the Director of Corporate Services in accordance with Section 151 of the Local Government Act 1972.
- 3.13 This officer is responsible for making arrangements for the proper administration of financial affairs in accordance with best professional practice.
- 3.14 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.

#### **Standards of Overall Conduct**

- 3.15 Elected councillors and employees 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. 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).

#### **Establishing Corporate Objectives**

- 3.16 These are set out in a Corporate Plan. This is effectively the Council's business/forward plan, set for 3 years and updated annually. This plan sets out the vision for South Derbyshire along with its priorities for delivering local services.
- 3.17 The District's Community Strategy also influences this plan. This aims to improve the economic, social and environmental wellbeing of South Derbyshire by tackling those issues that are important to the local community and service providers.
- 3.18 Therefore, the Corporate Plan is informed by consultation and is based on the views of local people, voluntary and community groups, businesses and other interested organisations.

#### **Service Delivery**

- 3.19 The Council has an established service-planning framework, which sets out the key tasks and targets for all of the Council's services.
- 3.20 As part of testing service delivery against best value principles, the Audit Commission regularly reviews individual services, crosscutting activities and the overall performance of the Council via a national Comprehensive Performance Assessment.
- 3.21 Action plans stemming from these reviews help to ensure that the Council is constantly seeking ways of ensuring economical, effective and efficient use of its

resources and for securing continuous improvements in service delivery.

### **Managing Performance**

- 3.22 The Corporate Plan drives the system. This sets out the plans and priorities for providing and improving local services. Targets and milestones are cascaded down into departmental service plans and then into personal development plans for individual employees.
- 3.23 The Council's policy committees monitor progress against targets and performance as part of the performance management framework. In addition, an Improvement Panel scrutinises key performance targets and considers corrective action where necessary.
- 3.24 All services are delivered by suitably trained and experienced staff. Within individual service plans, managers identify actions to address any risks or changes to the service that have an impact on employees.
- 3.25 This is used to develop a corporate approach to learning and development alongside events undertaken within each service area.

### **Risk Management**

- 3.26 The Council operates under a Risk Management Policy Statement, which sets out the principles, responsibilities and commitment to dealing with risk. It is effectively the framework for the management of risk throughout the Council.
- 3.27 The Council, through its service planning process, has a system for identifying and evaluating significant risks. Each divisional service plan contains a risk register and this is developed and maintained by officers involved in planning and delivering services.
- 3.28 In addition, the Council's corporate plan and financial strategy identify and evaluate risk at a more strategic level. Furthermore, evaluation of proposals for new spending and capital investment includes a risk assessment score.
- 3.29 A cross-departmental Risk Management Group has defined terms of reference to review and develop principles, challenge service risks, oversee significant business risks and to help embed risk management in the Council. Quarterly monitoring reports are provided to the Finance and Management Committee.

### **Internal Audit**

- 3.30 Under the Account and Audit Regulations 2003, the Council maintains an Internal Audit function, which operates to the standards set out in the Code of Practice for Internal Audit in Local Government in the UK (CIPFA).
- 3.31 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.
- 3.32 Internal audit is the main means by which the Council obtains assurances that systems are operating effectively. They are required to issue an Assurance Statement each year that provides an assessment of the Council's internal control system.

## External Scrutiny

- 3.33 The Audit Commission has been appointed as the Council's 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 economy, efficiency and effectiveness in the use of resources.
- 3.34 The Commission undertake regular reviews each year and issue reports with action plans to aid improvement in specific areas. The annual Audit and Inspection Letter that is reported to Council, summarises the conclusions and significant issues arising out of audit and other inspections undertaken.

## 4. REVIEW OF EFFECTIVENESS

- 4.1 The Council has responsibility for conducting, at least annually, a review of the system of internal control. Many aspects of the current framework are indeed subject to on-going review.
- 4.2 Its effectiveness is informed from work undertaken by Internal Audit and from senior managers, who have responsibility for the development and maintenance of the framework. In addition, recommendations from the Council's external auditors and other review agencies also inform this framework.
- 4.3 The processes and indicators that have been applied in maintaining and reviewing the effectiveness of internal control during the year 2005/06 are set out below.
- The Council has adopted a local code of corporate governance based on the recommended CIPFA/SOLACE framework. This sets out the systems by which the Council directs and controls its functions. This code effectively underpins internal control and is reviewed and updated on a ½ yearly basis.
  - Internal Audit is responsible for monitoring the quality and effectiveness of internal control. They review all fundamental financial and other management systems each year and all other activities over a 4-yearly cyclical period. This is based on a risk assessment of each area.
  - Internal Audit reports to the Council's Finance and Management Committee. 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 to ensure that they are acted upon.
  - Internal Audit is subject to regular inspection by the Council's external auditors. As part of this process, internal audit's operational plan is reviewed including their coverage of controls in important financial systems. External audit express an opinion on the adequacy of internal audit work and where appropriate, rely on their work for assurance.
  - During 2005/06, Internal Audit was subject to an external review, and recommendations made and agreed concerning how resources should be employed in the future to meet a changing agenda.

- The external auditors also conducted a 3-yearly review, which concluded that the Council has appropriate constitutional and management arrangements in place for its Internal Audit service. They recommended some points for improvement but were also able to place reliance on Internal Audit's fundamental systems work to discharge elements of their statutory duties.
- Internal Audit's annual Assurance Statement that sets out an assessment of the internal control system is shown on pages 58 and 59.
- During 2005/06, the Council undertook a comprehensive consultation exercise on a new corporate plan for 2006 to 2009. This plan sets out the vision for South Derbyshire along with its priorities for delivering local services. It contains a new vision for South Derbyshire, a more concise statement of the values that will guide the Council's actions and 6 "cross cutting" themes, each of which contains its own clearly defined priorities.
- 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. Changes to the Constitution have to be approved by Full Council and reflect any changes to the Council's structure and responsibilities.
- Following a review of each Policy Committee's terms of reference in 2004/05, a formal work programme was drawn up in 2005/06 to help direct the role of policy committees in the future.
- The Overview and 2 Scrutiny Committees have 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. In addition, these committees scrutinise key policy issues, recommending and reporting back actions to the main policy committees.
- The Council's Improvement Panel meets on a regular basis to scrutinise progress against key performance targets and improvement milestones. A "traffic light" monitoring system is used to highlight areas at risk of being achieved/not achieved. Minutes of meetings are referred to the Finance and Management Committee.
- During the year, the Council adopted a new performance management framework - "achieving more." Policy Committees also received quarterly performance monitoring reports during 2005/06.
- During 2005/06, the Audit Commission undertook a review of performance and risk management in the Council and made recommendations for developing these areas further.
- In addition, they also inspected the Housing repairs and maintenance Service during the year. This was assessed as a fair service that had promising prospects for improvement.
- Furthermore, the Audit Commission also judged the Council's performance in how it uses its resources, including how well it achieves value for money. The Council scored an overall 2 (out of 4), which shows that adequate performance, and minimum requirements are being met.

- During 2005/06, the Council's insurers independently reviewed the council's arrangements for risk management. This informed the work of the Risk Management Group and helped identify the Council's significant business risks.
- The Council updated its Procurement strategy during the year and centralised its procurement function by shifting resources into this area. This is intended to co-ordinate and streamline the function and to deliver greater efficiency and effectiveness in the use of Council resources.
- During 2005/06, the Council increased its general communication and consultation with local residents by introducing a council newspaper, published on a quarterly basis. During the last budget round (January 2006) the Council also approved additional resources designed to consult "hard to reach" groups across the District.
- Generally, liaison takes place on an on going basis with Heads of Service who help assess the adequacy of internal control and to help identify areas for improvement.
- The Council's Annual Audit and Inspection Letter reports any significant weaknesses in the overall control framework, in arrangements to prevent and detect fraud and corruption, and in its framework for ensuring the legality of financial transactions.

## 5. SIGNIFICANT INTERNAL CONTROL ISSUES

- 5.1 The Council operates within a fast changing environment. Consequently, the system needs to be subject to constant review and there will always be room to strengthen and increase the effectiveness of internal control.
- 5.2 Indeed, issues identified in the corresponding statement for 2004/05, identified several areas to be developed. Many of these were acted upon during 2005/06 such as:
- Adopting a local code of corporate governance
  - Embedding risk management
  - Adopting a new performance management framework
  - Greater focus being placed upon procurement
  - Extensive consultation undertaken on a new corporate plan
  - Adopting a People Strategy to build capacity and skills of employees
- 5.3 Whilst these will continue to be embedded in the day-to-day business of the Council, there are other areas that have been identified that are considered **key** in further strengthening the internal control environment.
- 5.4 Primarily these have been highlighted from a review of the Local Code of Corporate Governance and through work undertaken by the Audit Commission during the last year, including its Use of Resources Judgement in March 2006.
- 5.5 These areas and how they will be actioned are summarised in the following table.



	Issues	Timescale	Responsible Officer
1	Maintain and strengthen current partnership arrangements - develop a good practice protocol to support effective partnership working.	By March 2007	Deputy Chief Executive
2	Develop a new communication and consultation strategy - to involve local residents and other stakeholders more in decision-making.	By March 2007	Deputy Chief Executive
3	Establish an Audit Sub-Committee - which has audit and governance issues as the principal responsibility in its terms of reference and which provides effective leadership on audit and governance issues.	By July 2006	Head of Finance and Property Services
4	Review the terms of reference and format/timing of internal audit reporting - to ensure the independence of the function, together with standardised reporting.	By December 2006	Head of Finance and Property Services
5	Improve financial reporting - by publishing a summary Statement of Accounts which is less technical in nature but more meaningful to members of the public.	By June 2006	Head of Finance and Property Services
6	Review the effectiveness of the new performance management framework - to see after the first year whether this has worked and how it can be improved.	By October 2006	Deputy Chief Executive
7	To report to Council at more regular intervals on risk management - at least quarterly to ensure that corporate business risks are being actively managed.	From May 2006	Head of Finance and Property Services
8	To promote and ensure propriety in the conduct of business - to be more proactive in counter fraud and corruption work and to better publicise the Council's "whistle blowing policy."	By September 2006	Head of Finance and Property Services, Revenues and Legal Services

..... Leader of the Council

..... Date

..... Chief Executive

..... Date

# INTERNAL AUDIT ASSURANCE STATEMENT

## Statutory Requirement

The requirement for an Internal Audit function of local authorities is implied by section 151 of the Local Government Act 1972, which requires that authorities make arrangements for the proper administration of their financial affairs and ensure that one of their officers has responsibility for that role. The appointed officer, for South Derbyshire District Council, is the Director of Corporate Services. The Accounts and Audit Regulations 2003 more specifically require that 'a relevant body shall maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper internal audit practices'.

## System of Internal Control

The Council is responsible for ensuring that there is a sound system of internal control, which facilitates the effective exercise of the Council's functions. The control environment comprises a number of elements within its framework; a key element is the use of internal controls.

Internal controls are processes designed and implemented by management to ensure statutory requirements, policies and procedures are complied with, assets are safeguarded and records are complete and accurate.

## The role of Internal Audit

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

Internal audit is the main means by which the Council obtains assurances that systems are operating effectively. This is achieved by reviewing systems over a period of time thereby assessing the effectiveness of the overall internal control system. A long-term strategic plan is formulated using a risk assessment methodology within the audit planning process and annual work plans are undertaken. Internal Audit operates to the standards set out in the CIPFA Code of Practice for Internal Audit in Local Government in the UK.

Internal Audit and external audit operate a joint working arrangement, known as the Managed Audit, to maximise the effectiveness of the audit process within the Council. The external auditor considers Internal Audit as a core component of the Council's internal control framework.

The Internal Audit Service is subject to regular inspection by the Council's external auditors who, in accordance with the Audit Commission's Code of Practice, place reliance on the work carried out. Internal Audit is responsible to the Head of Finance and Property Services.

## Internal Audit's Assessment of the Internal Control System

The review of the effectiveness of internal control is informed by the work of Internal Audit and the senior managers within the Council who have responsibility for the development and maintenance of the internal control environment. In addition the comments made by our external auditors, inspectorates and other review agencies are also part of the overall assessment.

Internal Audit examined systems operating in a range of Council functions and Services in 2005/2006 in accordance with the annual plan. Internal Audit's observations and recommendations were discussed with relevant managers as part of the operation of the internal audit service.

In relation to work carried out by Internal Audit for the 2005/2006 financial year, I consider that based on this work reliance can be placed upon the Council's internal control system. The Council has implemented a number of new computer systems and these are subject to ongoing review to ensure the level of internal control is maintained.

**Audit Manager**

# STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

## The Authority's responsibilities

The Authority is required:

- i) to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Corporate Services.
- ii) to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets
- iii) to approve the Statement of Accounts.

## The Director of Corporate Services' responsibilities

The Director of Corporate Services is responsible for the preparation of the Authority's statement of accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ('the Code of Practice').

In preparing this statement of accounts, the Director of Corporate Services has:

- i) selected suitable accounting policies and then applied them consistently
- ii) made judgements and estimates that were reasonable and prudent
- iii) complied with the Code of Practice.

The Director of Corporate Services has also:

- i) kept proper accounting records which were up to date
- ii) taken reasonable steps for the prevention and detection of fraud and other irregularities.

### Certification by Director of Corporate Services

This Statement of Accounts presents fairly the financial position of South Derbyshire District Council at 31st March 2006 and its income and expenditure for the year ended 31st March 2006.

.....  
Director of Corporate Services

.....  
Date

### Certification by the Chair of the Finance & Management Committee

I certify that the Statement of Accounts relating to the year ended 31<sup>st</sup> March 2006 was considered and approved by the Finance & Management Committee of South Derbyshire District Council on 29<sup>th</sup> July 2006

.....  
Chair, Finance & Management Committee

.....  
Date

## SUMMARY OF ACCOUNTS 2005/06 (DRAFT)

### Introduction

This summary is intended to provide an overview of the Council's detailed Statement of Accounts for 2005/06. Some key points highlighted are as follows:

- The Council spent approximately £9.2m on providing local services in the year.
- Of this, 60% was met by Government Grant and 40% from Council Tax Payers.
- The Council spent £186,000 on publicity during the year, £321,000 on members' allowances and £103,000 on external audit fees.
- Capital investment of £7m was made in the year, of which £3m was spent on housing and £4m on community, infrastructure and environmental projects.
- The council had debt and other loan financing outstanding of £4.1m at the end of the year.
- Various reserves held for day-to-day spending and future capital investment stood at £8m at 31<sup>st</sup> March 2006.
- In addition, the Council's general reserves (resources unallocated or held as a contingency) stood at £5m.
- The total value of the Council's fixed assets (land, council houses, property and other buildings) stood at £162m at the year-end.
- Current assets (stock and debtors) amounted to £6.7m at the year-end, whilst current liabilities in the form of creditors and short-term borrowing stood at £5m.
- The deficit on the Council's pension fund was estimated at £20m at 31<sup>st</sup> March 2006.
- Arrangements are in place to fund this deficit over the longer-term and the effects are built into the Council's Medium-Term Financial Plan.
- The Council's cash turnover for the year, including council tax received, business rates collected for the Government and housing benefits paid locally, was £78m.
- Rent from council house tenants totalled £8m in the year, 50% of which was reinvested directly back into repairing, maintaining and managing the local housing stock.
- Insert opinion of External Audit here and any Internal Control issues.

## THE COUNCIL'S VALUE and WHAT IT OWNS

The Council owns a fairly substantial amount of assets, and its overall worth as at 31<sup>st</sup> March 2006 was valued as shown in the following table.

Assets and Liabilities	£'000	Land and Property Holdings	No.
Value of land and property	162,755	Council Houses	3,172
Stock (materials and fuel)	50	Garage Sites and Plots	604
Money owed to the Council	6,786	Parks and Open Spaces (Acres)	370
Earmarked Reserves	8,202	Leisure/Recreational Facilities	40
Unallocated Reserves	4,944	Off-Street Car Parks	20
Money owed by the Council	-10,767	Commercial and Industrial Property	29
Pensions Liability	-20,535	Admin and Operational Buildings	3
<b>Net Worth</b>	<b>151,435</b>	Various Other Holdings	<b>27</b>

## WHERE THE COUNCIL GOT IT'S MONEY and HOW IT SPENT IT DAY TO DAY

The Council got most of its money from Government Grants and its biggest expense was actually the payment of housing benefit.

Sources of Income	£'000	The Cost of Running Services	£'000
Government Grants	20,766	Employees	10,336
Council Tax	3,941	Premises	4,907
Housing Rents	8,226	Transport	1,675
Recharges & Contributions	14,343	Supplies and Services	4,796
Fees and Charges	3,807	Contracted Services	781
Interest Receipts	165	Housing Benefits	17,245
		Capital Charges	11,508
<b>Total Income</b>	<b>51,248</b>	<b>Total Costs</b>	<b>51,248</b>

## CAPITAL INVESTMENT IN 2005/06

The Council spent approximately £7m in the year on capital projects such as major improvements and development work across the District. The total is summarised in the following table.

Spending	£'000	Financing	£'000
Council Homes	2,271	Government Grants	2,688
Improvement Grants	707	Other Grants and Contributions	1,599
Leisure and Recreation	1,800	Sale of Property and Land	1,270
Community Projects	212	Borrowing	847
Property and Vehicles	840	Planning Agreements	108
New Technology/Systems	482	Transfers from Revenue	99
Environmental Works	627	Reserves	328
<b>Total Income</b>	<b>6,939</b>	<b>Total Costs</b>	<b>6,939</b>

## COUNCIL TAX IN 2005/06

During 2005/06, the Council collected £36m in council tax from 32,700 properties. It collected 98.8% of all tax due in the year, compared to 97.8% in the previous year (2004/05). It also collected 99.5% of business rates due compared with 98.1% in the previous year.

The council tax collected was distributed between the main Authority's providing services within South Derbyshire as shown in the following table.

Authority	£M	%
Derbyshire County Council	26.8	74%
Derbyshire Police Authority	3.7	10%
Derbyshire Fire and Rescue Service	1.6	4%
Parish Councils	0.3	1%
Retained by South Derbyshire	3.8	11%
<b>TOTAL</b>	<b>36.3</b>	

## THE COST OF SERVICES

The Council spent £16m on providing local services on a day-to day basis during 2005/06. This is summarised in the following table.

Net 2004/05 £'000	Main Service Area	Cost 2005/06 £'000	Income 2005/06 £'000	Net 2005/06 £'000
678	Central Services to the Public	5,250	4,490	760
1,979	Cultural and Related Services	4,388	2,224	2,164
2,940	Environmental Services	7,031	3,573	3,458
787	Planning and Development	2,013	1,272	741
824	Highways, Roads and Transport	1,116	253	863
5,675	Housing Services (including benefits)	27,519	21,548	5,971
1,874	Corporate and Democratic Services	1,936	112	1,824
603	Other Central Costs	1,995	1,694	301
<b>15,360</b>	<b>Total Cost of Services</b>	<b>51,248</b>	<b>35,166</b>	<b>16,082</b>

### SOME OTHER STATISTICS ON SPENDING

Cost of Collecting Household Waste and Recycling	£47 per Household
Cost of Leisure, Parks and Recreational Facilities	£21 per Resident
Cost of Environmental and Street Cleaning Services	£23 per Resident
Cost of Planning and Economic Regeneration	£7 per Resident
Cost of Supporting Voluntary Groups and Cultural Activities	£3 per Resident
Cost of Supporting Crime Prevention	£2 per Resident
Cost of Collecting Council Tax	£13 per Household



## FURTHER INFORMATION

The figures and information in this summary were originally compiled having regard to proper accounting practice in local government. Some modifications have been made to provide less technical but more meaningful information. However, it should be noted that this Summary Statement is not subject to Audit.

The full Statement of Accounts is available on the Council's web site at:

<http://www.south-derbys.gov.uk/CouncilGovernmentDemocracy/Councils/CouncilTaxAndFinance/accounts.htm>

Or by contacting the Head of Finance and Property Services at the address below.

Further details regarding the Council's spending, how resources are spent, together with its financial position and planning arrangements, can be found in its 3-year Medium-Term Financial Plan (2006 to 2009) also available from the address below and on the web site at:

[http://www.south-derbys.gov.uk/CouncilGovernmentDemocracy/Councils/CouncilTaxAndFinance/Financial\\_reports.htm](http://www.south-derbys.gov.uk/CouncilGovernmentDemocracy/Councils/CouncilTaxAndFinance/Financial_reports.htm)

## INVITATION FOR FEEDBACK

In preparing its accounts the Council has attempted to present details of its finances in a way that is accurate, that meets legal requirements and is reasonably easy to understand.

However, efforts are continuing to improve the presentation of financial information, so if you have any views, comments, questions or suggestions for improvement, please contact:

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