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Our Ref  
Your Ref

Date: 22 December 2020

Dear Councillor,

### **Finance and Management Committee**

A Meeting of the **Finance and Management Committee** will be a **Virtual Committee (Special - Budget)**, held via Microsoft Teams on **Thursday, 07 January 2021 at 18:00**. You are requested to attend.

Yours faithfully,

Chief Executive

To:- **Conservative Group**

Councillor Watson (Chairman), Councillor Angliss (Vice-Chairman) and Councillors Mrs. Brown, Fitzpatrick, Ford, MacPherson, Pegg and Roberts

**Labour Group**

Councillors Dr. Pearson, Rhind, Richards, Southerd and Taylor



## AGENDA

### Open to Public and Press

- 1 Apologies and to note any Substitutes appointed for the Meeting.
- 2 To receive the Open Minutes of the Audit Sub-Committee Meeting:  
  
13th July 2020 **4 - 9**
- 3 To note any declarations of interest arising from any items on the Agenda
- 4 To receive any questions by members of the public pursuant to Council Procedure Rule No.10.
- 5 To receive any questions by Members of the Council pursuant to Council procedure Rule No. 11.
- 6 Reports of Overview and Scrutiny Committee
- 7 ANNUAL STATEMENT OF ACCOUNTS 2019-20 **10 - 109**
- 8 SERVICE BASE BUDGETS 2021-22 **110 - 122**
- 9 COUNCIL TAX PREMIUM ON LONG-TERM EMPTY PROPERTIES **123 - 127**
- 10 DISCRETIONARY BUSINESS RATES RELIEF **128 - 145**
- 11 REFUSE COLLECTION ROUTE OPTIMISATION **146 - 161**
- 12 COMMITTEE WORK PROGRAMME **162 - 168**

### Exclusion of the Public and Press:

- 13 The Chairman may therefore move:-

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

- 14** To receive any Exempt questions by Members of the Council pursuant to Council procedure Rule No. 11.
- 15** PCI COMPLIANCE & KEY PROJETS

AUDIT SUB-COMMITTEE

13<sup>th</sup> July 2020

**PRESENT:-**

**Conservative Group**

Councillors Atkin (Chairman), Churchill (Vice-Chairman) and Mrs. Wheelton.

**Labour Group**

Councillors Dunn and Shepherd.

AS/01 **APOLOGIES**

The Sub-Committee was informed that no Members had submitted apologies.

AS/02 **DECLARATIONS OF INTEREST**

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

AS/03 **TO RECEIVE ANY QUESTIONS FROM MEMBERS OF THE PUBLIC PURSUANT TO COUNCIL PROCEDURE RULE NO.10**

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

AS/04 **TO RECEIVE ANY QUESTIONS FROM MEMBERS OF THE COUNCIL PURSUANT TO COUNCIL PROCEDURE RULE NO.11**

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

**MATTERS DELEGATED**

AS/05 **EXTERNAL AUDIT PLANNING REPORT FOR THE YEAR ENDING 31<sup>ST</sup> MARCH 2020**

The External Auditor presented the report and advised Members of the strategy, which focused on changes due to Covid-19 and set out the risk areas for the year.

The Sub-Committee raised points regarding the actuary value of the pension scheme and asked if a report would be provided on this issue. The External Auditor advised Members that there would be no specific report on pension

balances as it would form part of the Audit Results Report due to be brought to the Committee at a later date.

The Chairman asked how value for money would be considered by the External Auditor during the Covid-19 pandemic and raised a query regarding the timeline for the Audit Results Annual Report. The External Auditor informed Members that considerations in relation to value for money were laid out in Guidance issued by the National Audit Office which had been updated to take into consideration the impact of Covid-19 for 2020/21. The External Auditor explained that they were on course to deliver the Annual Report in November 2020.

**RESOLVED:**

***Members considered and approved the proposed Audit Plan for the year ending 31st March 2020.***

***Abstention: Councillor Shepherd.***

AS/06 **PROPOSED INTERNAL AUDIT PLAN 2020/21**

The Internal Audit Manager presented the report giving an overview of its content setting out the plan for the year and identified the risk areas to be looked at, highlighting the Audit Charter agreement with Council which had not changed since last year

The Sub-Committee raised questions regarding the flexibility of timelines given the unknown quantity of COVID-19 and sought clarity of how risks were calculated. The Internal Audit Manager confirmed that the focus was on current risks and that revisions of coverage would be adopted if a second wave of COVID-19 occurred.

The Chairman raised queries regarding risk assessments and the relationship between the Internal and External Auditors. The Internal Audit Manager clarified that experience and understanding of the Council's systems, a vast knowledge base of other authorities, research of Committee Reports, regular meetings with the 151 Officer and consultation work are all considered when putting together risk assessments. Members were also informed that there was liaison between the Internal and External Auditors, sharing knowledge and identified risks.

**RESOLVED:**

***The Sub-Committee considered and approved that the proposed Internal Audit Plan for 2020/21 be implemented***

AS/ 07 **INTERNAL AUDIT PROGRESS REPORT**

The Internal Audit Officer presented the 2019/20 report up until 31<sup>st</sup> March 2020, highlighting the internal audits, risks, implemented recommendations and assurance ratings.

The Chairman asked about the impact of COVID-19 delaying the implementation of recommendations. The Internal Auditor advised that in absence of Committees sitting since the lockdown began it had been difficult where policy had been attached to recommendations

Councillor Churchill raised queries regarding improvement grants and the lack of implemented recommendations. The Head of Housing informed Members that the recommendations were presented to Housing and Community Services Committee for approval and that the Housing Team had worked on the recommendations, providing updates to the Internal Auditor on a monthly basis.

The Internal Audit Officer presented the 2020-21 Audit Plan Progress Report, to Committee from 31<sup>st</sup> March 2020 highlighting the three Audits undertaken, outstanding recommendations and the change in terminology explained at the rear of the report.

The Sub-Committee asked for updated positions regarding outstanding red recommendations and sought clarity regarding training. The Strategic Director (Corporate Resources) confirmed that training would be carried out remotely and added that PCI compliance training in relation to over the phone card payments had been delayed as an external facilitator was required to visit the contact centre to formulate a training plan, therefore it was not possible to update the recommendation.

The Internal Audit Manager advised that red outstanding recommendations which included two for Right To Buy, of which one had an implementation date of the 31<sup>st</sup> July 2020 and the second recommendation was delayed due to a process map required to ascertain what was to be procured. The housing safety inspections recommendation had a revised date of the 31<sup>st</sup> July and the rent accounting recommendation required a new process to be put in place which was awaiting Committee approval.

**RESOLVED:**

***Members considered the report of the Audit Manager and did not identify that any issues needed be referred to the Finance and Management Committee or be subject to a follow-up report.***

AS/ 08 **LOCAL GOVERNMENT AUDIT COMMITTEE BRIEFING: QUARTER 1 MARCH 2020**

The External Auditor presented the report and directed Members to the questions for consideration regarding the future funding and sustainability of public sector audit.

Councillor Dunn enquired if Officers had addressed the key questions noted by the External Auditor. The Strategic Director (Corporate Resources) informed the Committee that the questions had been addressed.

**RESOLVED:**

***The Sub-Committee considered the key questions highlighted by the Council's External Auditors contained in their latest sector update.***

AS/ 09 **THE ROLE AND RESPONSIBILITIES OF THE CHIEF FINANCE OFFICER IN LOCAL GOVERNMENT**

The Strategic Director (Corporate Resources) advised the Sub-Committee that the report was a new requirement under the Financial Management Code, that set out the five principles that an authority and Section 151 Officer must adhere to, to ensure the financial position of the Council remained sound and finances were properly controlled. The Strategic Director (Corporate Resources) explained the role and requirements of the Section 151 Officer.

**RESOLVED:**

***Members considered and noted the Council's compliance with the Statement on the role and responsibilities of the Chief Finance Officer as detailed in the report.***

AS/ 10 **THE CIPFA FINANCIAL MANAGEMENT CODE**

The Strategic Director (Corporate Resources) presented the report to the Sub-Committee explaining the new requirement for authorities to comply to 17 standards regarding financial management, which would be implemented as of April 2021. The Strategic Director (Corporate Resources) pointed out that the Council fully complied with 13 standards and that one of the remaining standards regarding a value for money statement, was being worked on and a report would go to the Finance and Management Committee soon. The Strategic Director (Corporate Resources) explained that another standard regarding good Governance and compliance with the Nolan Principles of Public life required a piece of work to evidence that the Council does comply but highlighted that the Council did not comply with the standard relating to

consultation on the medium term financial plans and requested that Members gave it consideration.

Members raised queries regarding the level of consultation required, the Strategic Director (Corporate Resources) informed Members that was an individual council's choice regarding the level of consultation involved.

**RESOLVED:**

***Members considered and noted the Council's compliance with the Financial Management Code as detailed in the report***

AS/ 11 **ANNUAL REPORT OF AGREED PROCEDURES 2018/19**

The External Auditor presented the report to the Sub-Committee, highlighting additional work carried out for the Council by the External Auditor relating to grant claims.

**RESOLVED:-**

***The Sub-Committee considered the Auditor's Report for 2018/19 and approved future arrangements, together with management actions, to ensure Housing Benefit claims are processed accurately.***

AS/ 12 **PROPOSED EXTERNAL AUDIT FEE 2019/20**

The Strategic Director (Corporate Resources) introduced the report and informed the Sub-Committee about the current debate concerning the level of audit fees and whether these would be sustainable for audit to deliver the service and provide opinions to local authorities.

The External Auditor appreciated the willingness of the Council to discuss the subject and explained that because the Public Sector Audit Appointments did not have enough information to set scale fees in the current environment it requested that auditor firms engage individual authorities regarding the increase in audit fees.

**RESOLVED:-**

***1.1 Members did not agree to increasing the Annual Audit Fee, payable to the Council's External Auditor, as detailed in the Report.***

***1.2 Members did agree to remain engaged with changes at national level.***

***Councillors Dunn and Shepherd voted against the increase.***

AS/13 **COMMITTEE WORK PROGRAMME**

The Strategic Director (Corporate Resources) presented the Work Programme to the Sub-Committee

**RESOLVED:**

*Members considered and approved the updated work programme.*

AS/14 **LOCAL GOVERNMENT ACT 1972 (AS AMENDED BY THE LOCAL GOVERNMENT [ACCESS TO INFORMATION] ACT 1985)**

**RESOLVED:**

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

AS/15 **EXEMPT QUESTIONS BY MEMBERS OF THE COUNCIL PURSUANT TO COUNCIL PROCEDURE RULE NO.11**

*The Sub-Committee was informed that no questions from Members of the Council had been received.*

The Meeting terminated at 6.20pm.

COUNCILLOR ATKIN

CHAIRMAN

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<b>REPORT TO:</b>	<b>FINANCE AND MANAGEMENT COMMITTEE – SPECIAL BUDGET</b>	<b>AGENDA ITEM: 7</b>
<b>DATE OF MEETING:</b>	<b>7<sup>th</sup> JANUARY 2021</b>	<b>CATEGORY: RECOMMENDED</b>
<b>REPORT FROM:</b>	<b>STRATEGIC DIRECTOR (CORPORATE RESOURCES)</b>	<b>OPEN</b>
<b>MEMBERS’ CONTACT POINT:</b>	<b>Vicki Summerfield (01283 595939)</b> <a href="mailto:Victoria.summerfield@southderbyshire.gov.uk">Victoria.summerfield@southderbyshire.gov.uk</a>	<b>DOC:</b> s/Finance/Committee/2021/Jan
<b>SUBJECT:</b>	<b>ANNUAL STATEMENT OF ACCOUNTS 2019-20</b>	<b>REF:</b>
<b>WARD(S) AFFECTED:</b>	<b>ALL</b>	<b>TERMS OF REFERENCE: FM 08</b>

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## **1.0 Recommendation**

- 1.1 That the Council’s Annual Statement of Accounts for 2019/20 (**Appendix 1**) are approved and signed by the Chairman of the Committee for publication.

## **2.0 Purpose of Report**

- 2.1 Under the Accounts and Audit Regulations 2015, the Council’s Audited Accounts and Financial Statements are presented for approval. The Committee is required to approve the accounts with the knowledge of the opinion of the Council’s External Auditor, Ernst and Young LLP (EY).
- 2.2 Their findings were contained in a report which was presented to the Audit Sub-Committee on 9 December 2020.
- 2.3 The Council issued its draft Statement of Accounts in accordance with the statutory date of 31 July 2020. They were published on the Council’s website and have been open for inspection.
- 2.4 As previously reported, the deadlines for publication and Audit of this year’s Accounts were extended by the Government due to Covid-19. The deadline for publishing the Statement of Accounts, following Audit, was 30 November 2020.
- 2.5 Following the Audit, an unqualified opinion was given on the Statement of Accounts for 2019/20. Therefore, they are now presented for approval, following which they will be formally published.

## **3.0 Detail**

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

- 3.2 The Statement of Accounts is considered to be a complex and technical document that is prepared to meet accounting and financial standards. It acts as the statutory report on the Council's financial position.
- 3.3 It is an in-depth analysis of the Council's accounts, including its assets, liabilities, and overall financial position at a point in time. The figures are supported by numerous commentaries and disclosure notes to help explain the various balances, together with income and expenditure in the Accounts.

### **International Financial Reporting Standards (IFRS)**

- 3.4 The Accounts for 2019/20 have been prepared on a full IFRS basis and in accordance with the Code of Practice on Local Authority Accounting in the UK.

### **The Statement of Accounts**

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

### **Narrative Report**

- 3.6 This sets out a summary to explain in non-technical terms, the most significant matters reported in the Accounts. It gives an overview of the year's performance, both financially and in more general terms against the key performance indicators in the Council's Corporate Plan.
- 3.7 General information regarding the District and the Council is also provided. This is aimed at helping the reader of the Accounts to understand the financial performance of the Council in the context of local service priorities and challenges.
- 3.8 The Narrative also outlines significant factors that affect the understanding of the accounts and provides an overview of assets, reserves, and liabilities. It also outlines the Council's medium-term financial position, together with the financial issues and risks that the Council faces.

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

- 3.9 This Statement is a summary that reports the accounting cost for the year of all functions for which the Council is responsible. However, the net expenditure in this Statement is not the amount funded from taxation.
- 3.10 Councils raise tax to cover expenditure in accordance with regulations and this is usually different from the accounting cost which includes debt financing and capital accounting charges such as depreciation. The taxation position is shown in the Movement in Reserves Statement.
- 3.11 Further analysis of the figures reported in the CIES is contained within the disclosure notes that follow later in the Accounts.

### **Movement in Reserves Statement**

- 3.12 This Statement shows the movement in reserves held by the Council during the year. It includes amounts charged in a [Page 1 of the CIES](#) Income and Expenditure Account for accounting purposes that are not a charge on the Council Tax or Rent Payer. It

reconciles the accounting cost in the CIES to the cost of services funded through taxation.

- 3.13 The balance as of 31 March 2020 reflects the level of resources available whether unallocated or held within earmarked reserves, i.e. *usable reserves*.
- 3.14 Other reserves, such as the Revaluation Reserve, reflect accounting transactions and are not available for spending, i.e. they are *unusable reserves*.

### **Balance Sheet**

- 3.15 This shows the Council's overall financial position as of 31 March 2020 with a comparison to the previous year, 2018/19. It reports the Council's assets and liabilities as valued at the financial year end. This includes land, property, money owing to and from the Council, together with reserves and provisions, etc.
- 3.17 The overall value of the Council's assets increased in 2019/20 from £87 million to £113 million. This was mainly due to a decrease in the deficit on the Pension Fund from approximately £41 million down to £27 million.
- 3.18 The other major change was an increase in cash held on deposit, which increased from approximately £35 million to £45 million.

### **The Pension Deficit**

- 3.18 The decrease in the Pension Fund Deficit is based on a valuation by the Fund's Actuaries. The Deficit can fluctuate between years due to changes in assumptions regarding investment returns and future liabilities. The Deficit effectively shows the underlying commitments that the Council has in the long-term to pay retirement benefits.
- 3.19 However, statutory arrangements for funding the deficit mean that the financial position of the Council is not materially affected in any one year. Recent reforms to the Local Government Pension Scheme are in place to reduce the deficit on the Pension Fund over time.

### **Cash Flow Statement**

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

### **Disclosure Notes to the Financial Statements**

- 3.21 These are designed to provide further explanations of the reported figures contained in the Financial Statements. The notes are required under the Code of Practice to give added clarity and understanding for readers and users of the Accounts.
- 3.22 The notes cover details of income and expenditure, including the Council's accounting policies, together with explanations regarding the critical judgements and assumptions used in preparing the Accounts.

### **Supplementary Financial Statements**

- 3.23 These contain further detail relating to the Ring-fenced Housing Revenue Account (HRA) and the Collection Fund. This Fund shows the amounts collected in Council

Tax and Business Rates and how that income has been distributed amongst the preceptors on the Collection Fund.

## **Glossary**

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

## **Value for Money**

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

- 3.26 For 2019/20, this was based on the overall evaluation criterion:

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

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

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

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

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

- 3.29 In EY’s Audit Plan for 2019/20, they identified a significant risk to their value for money conclusion, concerning financial resilience.

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

## **4.0 Financial Implications**

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

## **5.0 Corporate Implications**

- 5.1 None directly.

## **6.0 Community Implications**

- 6.1 The production of the Council's Statutory Annual Accounts and Financial Statements is an important part of stewardship and accountability for public resources.
- 6.2 The document aims to give electors, those subject to locally levied taxes and charges, Elected Members, employees and other interested parties, detailed information about the Council's financial position.

## **7.0 Background Papers**

- 7.1 None



South  
Derbyshire  
District Council



# Statement of Accounts

## 2019/20



Our Environment | [Page 15 of 168](#) | Our People | Our Future

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# Narrative Report

## INTRODUCTION

The Council's financial performance for the year ended 31<sup>st</sup> March 2020 is set out in the Comprehensive Income and Expenditure Statement and its financial position is set out in the Balance Sheet and Cash Flow Statement.

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

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

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

The Narrative Report is structured as follows:

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

## INTRODUCTION TO SOUTH DERBYSHIRE

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

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

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

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

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

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

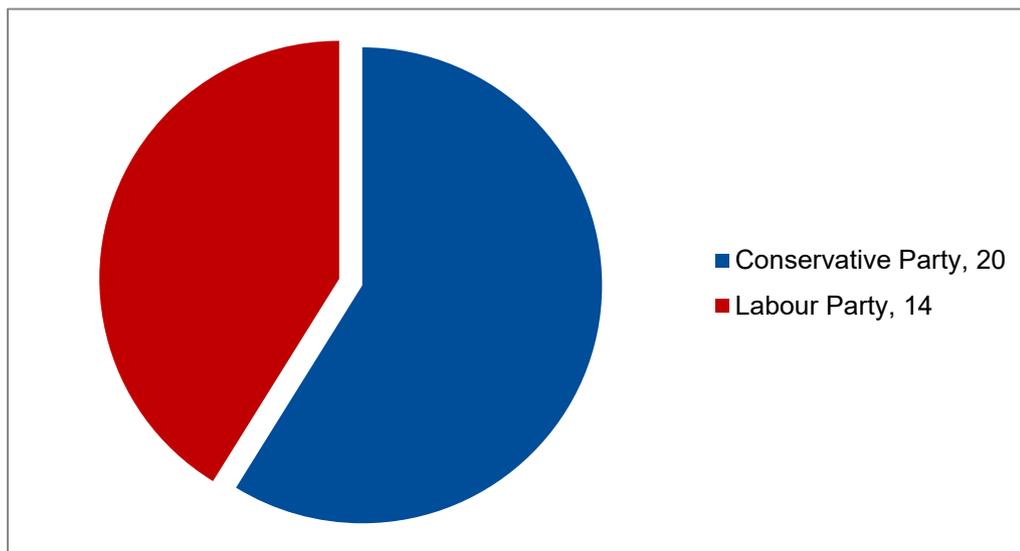
Working with our partners to keep crime and anti-social behaviour to a minimum has cemented South Derbyshire's reputation as one of the safest places to live in the county.

# Narrative Report (continued)

## INTRODUCTION TO SOUTH DERBYSHIRE DISTRICT COUNCIL

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

South Derbyshire is divided into 15 wards with a total of 36 seats. There were 2 vacant seats during 2019/20. The political composition of seats as at 31<sup>st</sup> March 2020 is as follows:



### About the Council

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

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

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

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

### How we work

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

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

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

# Narrative Report (continued)

## COUNCIL PERFORMANCE

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

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

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

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

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

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

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

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

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

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

# Narrative Report (continued)

## Our Future: growing our District and our skills base

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

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

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

## EXPLANATION OF THE FINANCIAL STATEMENTS

### The Movement in Reserves Statement

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

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

### Comprehensive Income and Expenditure Statement (CIES)

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

### The Balance Sheet

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

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

# Narrative Report (continued)

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

## The Cash Flow Statement

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

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

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

## Changes to the Financial Statements

There have been no significant changes to the Financial Statements for the year ended 31<sup>st</sup> March 2020. Some disclosures have been updated to ensure that the Financial Statements comply with best practice. A prior period adjustment for Housing Benefit overpayments has been recorded which increased the General Fund Reserve in 2018/19. Further detail is included in Note 36.

## Accounting Policies

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

## Financial Report

This narrative report now goes on to explain the broad facts and figures regarding the Council's financial performance and position for 2019/20.

## SUMMARY OF FINANCIAL PERFORMANCE

The statutory financial statements are intended to fulfil external reporting requirements and provide a comprehensive assessment of the Council's financial position. Management accounts, which show individual service expenditure, are to be reported to the Council on 30<sup>th</sup> July 2020.

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

## Income and Expenditure

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

## Narrative Report (continued)

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

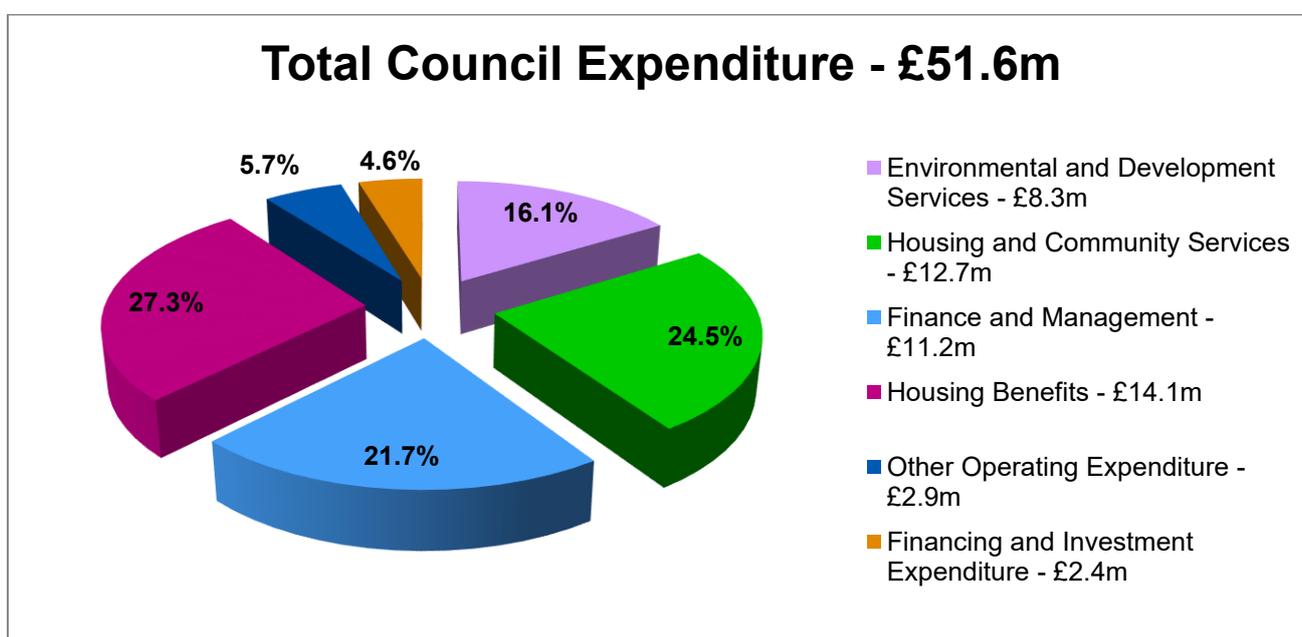
Costs within the HRA must be met by the rental income received from Council House tenants. Any surplus or deficit is adjusted through the HRA Reserve which has to remain “ring-fenced” from other Council reserves.

During 2019/20, the Council achieved a surplus on the Provision of Services of £5,804k. After adjustments in reserves for non-cash items and capital receipts, the adjusted surplus of £2,159k was allocated in the Movement in Reserves Statement between the General Fund and HRA.

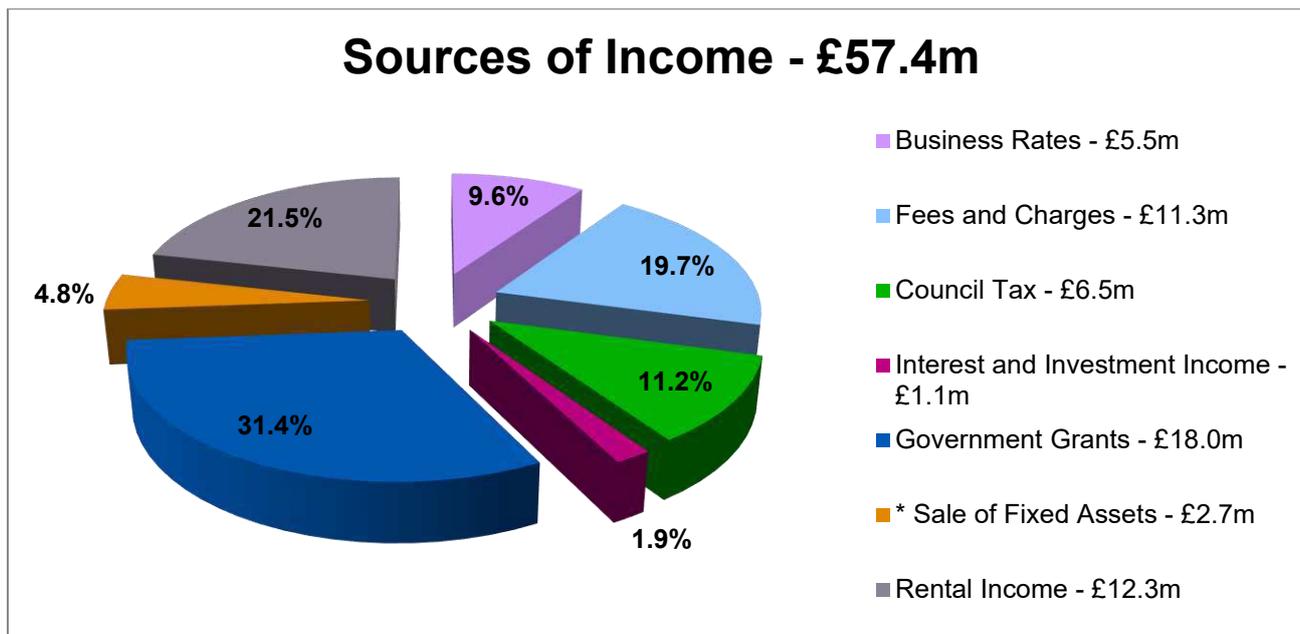
Additional revenue from Council Tax and Business Rates due to greater than budgeted growth in the District plus lower service expenditure has resulted in a contribution to the General Fund reserve of £818k. The HRA reserve has increased by £1,341k due mainly to lower service expenditure than budgeted.

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

The following charts show the income received and expenditure incurred by the Council during 2019/20 as shown in the Comprehensive Income and Expenditure Statement and the Expenditure and Funding Analysis in Notes 7 to 9:



# Narrative Report (continued)



\*The sale of fixed assets of £2.7m is not used to fund service expenditure and has been transferred into a capital reserve within the Movement in Reserves Statement

## Capital Expenditure and Financing

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

Approximately £4.7m was spent by the Council on capital schemes during 2019/20, compared to £4.3m in 2018/19.

In summary, the capital expenditure incurred was on Council Houses (£1.8m), investment in new vehicles (£0.3m), investment in upgrading leisure and recreational facilities (£0.3m), Disabled Facility Grants (£0.4m), asset sale and upgrades (£0.5m) plus new build and acquisition of Council housing (£1.4m).



*New build houses at Lullington Road*



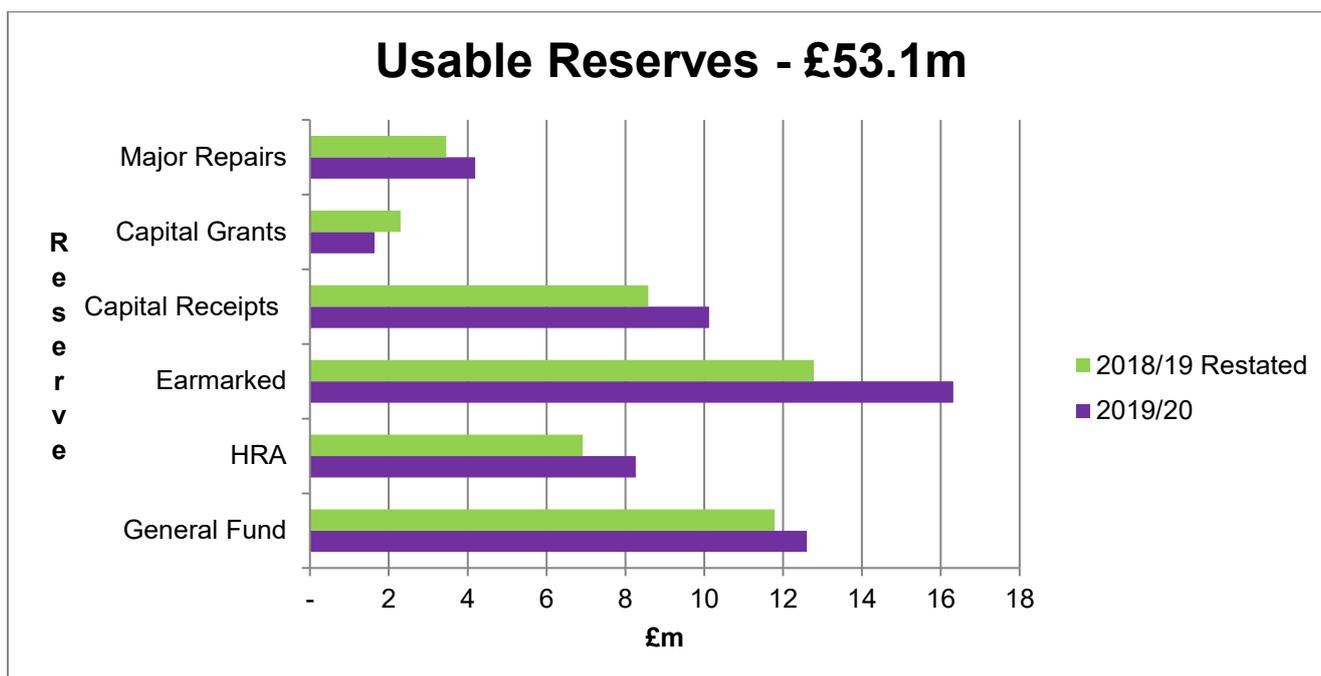
*Acquisitions in Aston*

## Council Reserves

The Council’s Usable Reserves have increased in the year from £45.8m (restated) to £53.1m due to surpluses in year, receipts of Section 106 (£2.5m) plus asset sale receipts.

# Narrative Report (continued)

Detail of the Council's Usable Reserves can be found in Note 24 to the Financial Statements but a summary chart showing the movement between 2018/19 and 2019/20 is below:



Unusable reserves have increased from £41.3m to £60.3m mainly due to an increase in the Revaluation Reserve of £2.4m, creation of a Deferred Capital Receipt and a decrease in the Pension deficit of £14.0m as detailed in Note 34 to the Financial Statements. Further detail of the Unusable Reserves held by the Council is listed in Note 25.

## Key Indicator

As part of the Council's Financial Strategy, a minimum unallocated contingency balance of £1.5m is maintained on the General Fund reserve and £1m on the Housing Revenue Account (HRA) reserve. This represents approximately 13% of net revenue expenditure. The balance on the General Fund of £12.6m and £8.3m on the HRA reserve comfortably exceeded this amount as at 31<sup>st</sup> March 2020.

## The Balance Sheet

The Balance Sheet is the Council's assets and liabilities as at 31<sup>st</sup> March each year. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. The overall value of the Council's net assets increased from £87.1m (restated) in 2018/19 to £113.4m in 2019/20.

## Assets

Non-current assets increased by £5.9m in year. This is as a result of increased revaluation of the Council's assets plus an investment of an additional £2m in the Local Authority Property Fund taking the total investment in the Fund to £4m. The link to the approval for the additional investment is included below.

[CMIS/October 2019](#)

Current assets increased by £11.2m in year. The reason for the large movement is mainly due to the increase in cash held by the Council. Reductions in expenditure and increased capital receipts in year

# Narrative Report (continued)

are the main cause for the increased levels of cash. Detail of movements in cash held by the Council is in Note 20.

## **Liabilities**

The liabilities of the Council decreased in year by £9.2m. The main movement was the large decrease of the Pension deficit.

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

## **Council Spending and Future Financial Position**

The Council's detailed budget and spending plans for 2020/21 and the projected medium-term financial position to 2025 is available at:

[CMIS/February 2020](#)

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

The current Medium-Term Financial Plan (MTFP) highlights budget deficits from 2019/20 onwards. Current base budget costs are forecast to increase year-on-year due to inflation, together with a rapid growth in the local population which will place additional demands upon services.

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

The Council continues to benefit from increased income, mainly through planning fees, Council Tax and Business Rates growth. These income streams can be volatile and not guaranteed, being subject to external factors. Some of this income is being reinvested back into services to meet increased demand.

## **The Future**

As mentioned previously, the Council is forecast to be in a deficit position from 2020/21 onwards in the current MTFP to 2025. The funding gap of £2.8m over the life of the MTFP is set to be funded from the General Reserve which is unsustainable in the longer-term. The General Fund reserve can fund this deficit without falling below the £1.5m approved minimum level at this stage and the level of expected future deficits is reviewed regularly.

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

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

# Narrative Report (continued)

## COVID-19 Pandemic

The World Health Organisation categorised COVID-19 as a pandemic on 11th March 2020. The Council's Financial Planning did not include a contingency for a pandemic therefore the projections to 2025 are compromised by additional unforeseen budget and resource pressures.

From 23rd March, all staff that were able to work from home were asked to do so and the Civic Offices were closed to members of the public. Essential services have continued throughout the pandemic and no collections of refuse or recycling have been cancelled. Front line staff have continued to provide services across the District and measures have been taken to protect employees and the public. Council employees assisted the most vulnerable and at risk of contracting COVID-19 by administering and training volunteers to deliver food parcels to those people who were shielding and unable to shop for themselves.

The Government released several Business Rate grant and relief schemes to assist small businesses and a Council Tax Hardship Fund to support the most vulnerable in the District. The Council received £15.2m for Business Grants and £0.6m for the Council Tax Hardship support and has been administering payments during the first quarter of 2020/21.

Further to the Council's additional budget pressures, the Government has provided funding totalling £1.1m to assist with losses in income and additional cost pressures caused by the pandemic. It is still too early to determine whether this will be enough to prevent a draw on reserves, but the financial situation is being closely monitored and updates are provided regularly to the Government and elected Members.

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

## AND FINALLY

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

The following sections set out the Council's Accounts and Financial Statements for 2019/20. As highlighted earlier, to meet accounting standards, they are necessarily detailed and technical in nature.

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

# Certificate of the Council's and CFO Responsibilities

## The Council's Responsibilities

The Council is required to:

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

## The Strategic Director (Corporate Resources) Responsibilities

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

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

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

The Strategic Director (Corporate Resources) has also:

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

## Certification by the Strategic Director (Corporate Resources)

I certify that this Statement of Accounts has been prepared in accordance with proper accounting practices and presents a true and fair view of the financial position of the Council at 31<sup>st</sup> March 2020, and its income and expenditure for the year ended on that date.



**Kevin Stackhouse (CPFA)**

**Chief Finance (Section 151) Officer**

**3rd July 2020**

# Certificate of Chief Financial Officer

I certify that:

- (a) The Statement of Accounts for the year ended 31<sup>st</sup> March 2020 on pages 19 to 22 has been prepared in the form directed by the Code and under the accounting policies set out on pages 23 to 36.
- (b) In my opinion the Statement of Accounts presents fairly the income and expenditure and cash flows for the financial year and the financial position as at the end of the financial year.

Signed: .....

Dated: .....

# Independent Auditor's Report

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

### Opinion

We have audited the financial statements of South Derbyshire District Council for the year ended 31 March 2020 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

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

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

In our opinion the financial statements:

- give a true and fair view of the financial position of South Derbyshire District Council as at 31 March 2020 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

### Basis for opinion

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

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

### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Finance Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### Other information

The other information comprises the information included in the Statement of Accounts 2019/20 set out on pages 1 to 94, other than the financial statements and our auditor's report thereon. The Chief Finance Officer is responsible for the other information.

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

# Independent Auditor's Report

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

We have nothing to report in this regard.

## **Opinion on other matters prescribed by the Local Audit and Accountability Act 2014**

### ***Arrangements to secure economy, efficiency and effectiveness in the use of resources***

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the Comptroller and Auditor General (C&AG) in April 2020, we are satisfied that, in all significant respects, South Derbyshire District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

### **Matters on which we report by exception**

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects

### **Responsibility of the Chief Finance Officer**

As explained more fully in the Statement of the Chief Finance Officer's Responsibilities set out on page 13, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, and for being satisfied that they give a true and fair view.

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

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

### **Auditor's responsibilities for the audit of the financial statements**

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

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

# Independent Auditor's Report

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in April 2020, as to whether South Derbyshire District Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether South Derbyshire District Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

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

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

## **Certificate**

We certify that we have completed the audit of the accounts of South Derbyshire District Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

## **Use of our report**

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

Helen Henshaw (Key Audit Partner)

Ernst & Young LLP (Local Auditor)

Birmingham

Date:

# Council Approval of Statement of Accounts

These accounts are to be approved by resolution of the Finance and Management Committee on 7th January 2021 after completion of the External Audit.

Signed: .....

Dated: .....

# Comprehensive Income and Expenditure Statement

For the year ended 31<sup>st</sup> March 2020

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

£000's	2019/20			2018/19		
	Expenditure	Income	Net	Restated Expenditure	Restated Income	Restated Net
Environmental and Development Services	8,343	(3,581)	4,762	7,486	(3,257)	4,229
Housing and Community Services (incl HRA)	12,640	(13,847)	(1,207)	11,978	(14,027)	(2,050)
Finance and Management	25,353	(20,921)	4,432	26,316	(23,250)	3,066
<b>Cost of Services</b>	<b>46,336</b>	<b>(38,349)</b>	<b>7,986</b>	<b>45,780</b>	<b>(40,535)</b>	<b>5,245</b>
Other Operating Income & Expenditure			1,716			519
Exceptional (Note 5)			(1,502)			(336)
Total Other Operating Income & Expenditure (Note 12)			214			183
Financing & Investment Income & Expenditure (Note 13)			1,330			1,671
Taxation & Non-Specific Grant Income (Note 14)			(15,334)			(13,821)
<b>(Surplus)/Deficit on Provision of Services</b>			<b>(5,804)</b>			<b>(6,722)</b>
(Surplus)/Deficit on revaluation of Assets			(4,149)			(3,757)
(Surplus)/Deficit on revaluation of Available for Sale Assets			267			55
Remeasurement of the Net Defined Benefit Liability (Note 34)			(16,636)			7,468
<b>Total Comprehensive Income &amp; Expenditure</b>			<b>(26,321)</b>			<b>(2,957)</b>

# Movement in Reserves Statement

For the year ended 31<sup>st</sup> March 2020

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

Reserves 2019/20	General Fund	Earmarked Reserves	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied Account	Major Repairs Reserve	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
<i>£000's</i>									
<b>Balance at 31 March 2018</b>	<b>10,044</b>	<b>9,713</b>	<b>5,147</b>	<b>3,573</b>	<b>2,415</b>	<b>4,271</b>	<b>35,161</b>	<b>48,973</b>	<b>84,136</b>
Movement in reserves during 2018/19:									
Restated Total Comprehensive Income & Expenditure	3,467	-	3,255	-	-	-	6,722	(3,765)	2,957
Adjustments between accounting basis & funding basis (Note 10)	1,182	-	(1,317)	5,008	(120)	(817)	3,936	(3,936)	-
<b>Net increase/(decrease) before transfers to Earmarked Reserves</b>	<b>4,649</b>	<b>-</b>	<b>1,938</b>	<b>5,008</b>	<b>(120)</b>	<b>(817)</b>	<b>10,658</b>	<b>(7,701)</b>	<b>2,957</b>
Transfers to/from Earmarked Reserves	(2,906)	3,072	(166)	-	-	-	-	-	-
<b>Increase/(decrease) for the year ended 31 March 2019</b>	<b>1,743</b>	<b>3,072</b>	<b>1,772</b>	<b>5,008</b>	<b>(120)</b>	<b>(817)</b>	<b>10,658</b>	<b>(7,701)</b>	<b>1,596</b>
<b>Restated Balance at 31 March 2019</b>	<b>11,787</b>	<b>12,785</b>	<b>6,919</b>	<b>8,580</b>	<b>2,295</b>	<b>3,454</b>	<b>45,820</b>	<b>41,272</b>	<b>87,092</b>
Movement in reserves during 2019/20:									
Total Comprehensive Income & Expenditure	3,990	-	1,814	-	-	-	5,804	20,518	26,321
Adjustments between accounting basis & funding basis (Note 10)	249	-	(362)	1,539	(660)	736	1,502	(1,502)	-
<b>Net increase/(decrease) before transfers to Earmarked Reserves</b>	<b>4,239</b>	<b>-</b>	<b>1,452</b>	<b>1,539</b>	<b>(660)</b>	<b>736</b>	<b>7,306</b>	<b>19,016</b>	<b>26,321</b>
Transfers to/from Earmarked Reserves	(3,421)	3,531	(111)	-	-	-	-	-	-
<b>Increase/(decrease) for the year ended 31 March 2019</b>	<b>818</b>	<b>3,531</b>	<b>1,341</b>	<b>1,539</b>	<b>(660)</b>	<b>736</b>	<b>7,306</b>	<b>19,016</b>	<b>26,321</b>
<b>Balance at 31 March 2020</b>	<b>12,605</b>	<b>16,316</b>	<b>8,260</b>	<b>10,120</b>	<b>1,635</b>	<b>4,190</b>	<b>53,126</b>	<b>60,288</b>	<b>113,413</b>

# Balance Sheet

For the year ended 31<sup>st</sup> March 2020

The Balance Sheet shows the value as at 31<sup>st</sup> March 2020 of the Council's assets and liabilities. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. The second category of reserves is those that the Council is not able to use to provide services. This category includes reserves that hold unrealised gains and losses from asset revaluations, together with reserves that account for timing differences.

£000's		2020	Restated 2019
	<i>Notes</i>		
Property, Plant & Equipment	15	148,417	145,480
Investment Property	16	6,333	5,845
Long-term Investments	17	3,664	1,931
Long-term Debtors	17	789	84
<b>Non-Current Assets</b>		<b>159,203</b>	<b>153,341</b>
Inventories		120	102
Short-term Debtors	18	7,398	5,401
Assets Held for Sale	21	400	1,318
Cash & Cash Equivalents	20	45,912	35,799
<b>Current Assets</b>		<b>53,829</b>	<b>42,619</b>
<b>TOTAL ASSETS</b>		<b>213,033</b>	<b>195,960</b>
Short-term Creditors	22	(13,728)	(8,663)
Short-term Borrowing	17	(28)	(28)
Provisions	23	(786)	(1,061)
<b>Current Liabilities</b>		<b>(14,542)</b>	<b>(9,752)</b>
Long-term Creditors	17	(48)	(43)
Long-term Borrowing	17	(57,423)	(57,423)
Pension Deficit	34	(27,606)	(41,650)
<b>Non-Current Liabilities</b>		<b>(85,078)</b>	<b>(99,117)</b>
<b>TOTAL LIABILITIES</b>		<b>(99,619)</b>	<b>(108,868)</b>
<b>NET ASSETS</b>		<b>113,413</b>	<b>87,092</b>
Usable Reserves	24	(53,125)	(45,820)
Unusable Reserves	25	(60,288)	(41,272)
<b>TOTAL RESERVES</b>		<b>(113,413)</b>	<b>(87,092)</b>

# Cash Flow Statement

For the year ended 31<sup>st</sup> March 2020

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

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

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

£000's	Notes	2020	Restated 2019
<b>Cash generated from operations</b>			
Net Surplus/(Deficit) on the provision of services		5,804	6,722
Adjustment for non-cash movements:			
Depreciation	15	4,909	4,657
Impairments/Revaluations		(1,114)	(1,133)
Movement in Pension Liability	34	2,592	2,513
(Profit)/Loss from the sale of Property, Plant & Equipment	12	562	(609)
Changes in working capital:			
(Increase)/Decrease in Inventory		(18)	(16)
(Increase)/Decrease in Debtors	17	(2,730)	(691)
Increase/(Decrease) in Provision for Bad Debts	18	28	589
Increase/(Decrease) in Creditors	22/23	4,795	(512)
<b>Net cash generated from operations</b>		<b>14,828</b>	<b>11,520</b>
<b>Cash flows from investing activities</b>			
Purchase of Property, Plant & Equipment	32	(3,928)	(3,353)
Purchase of Investment Properties	16	-	-
Purchase of long-term Investments	17	(2,000)	(1,000)
Proceeds from the sale of Non-Current Assets	12	1,213	2,039
<b>Net cash flows from investing activities</b>		<b>(4,715)</b>	<b>(2,314)</b>
<b>Cash flows from financing activities</b>			
Proceeds from new Borrowings	17	-	-
Repayment of Borrowings	17	-	-
<b>Net cash flows from financing activities</b>		<b>-</b>	<b>-</b>
Net increase in cash & cash equivalents		10,113	9,206
Cash & cash equivalents at the beginning of the period	20	35,799	26,593
<b>Cash &amp; cash equivalents at the end of the period</b>		<b>45,912</b>	<b>35,799</b>

# Notes to the Financial Statements

For the year ended 31<sup>st</sup> March 2020

## 1. Accounting Policies

### (a) General Principles

The Statement of Accounts summarises the Council's transactions for the 2019/20 financial year and its position as at 31<sup>st</sup> March 2020. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and the Service Reporting Code of Practice 2019/20, supported by the International Financial Reporting Standards (IFRS). The accounting convention adopted is historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

The Council's financial statements have been prepared on a going concern basis; the accounts have been prepared on the assumption that the functions of the Council will continue in operational existence for the foreseeable future. The provisions in the Code (Code Of Practice On Local Authority Accounting In The United Kingdom 2019/20) in respect of going concern reporting requirements reflect the economic and statutory environment in which the Council operates. As a result of this, it would not therefore be appropriate for the financial statements to be produced on anything other than a going concern basis.

COVID-19 has had an unprecedented impact on the UK economy with substantial falls in Gross Domestic Product. The length and extent of the economic impact remains uncertain however the finances of all local authorities have been adversely affected and these effects are likely to continue post 2020/21. Although the impact of Covid-19 has affected the Council's finances, it is considered that the overall impact as it currently stands will not be material to the Council's longer-term financial position. This is due to the level of Government funding of over £1.4m already received, the high level of Reserves held by the Council, together with its robust medium-term financial plans for the General Fund and Housing Revenue Accounts.

The Council has suffered increased cost pressures and reductions in income as a result of the pandemic. Expenditure increases have been incurred to maintain council services whilst operating in a COVID safe manner and the main income losses are as a result of closures of the leisure centres and parks plus restrictions on social events. The Government is still yet to issue detail on the coverage of income losses but the Council is comfortable at this stage that the grants already received will more than support services and will not require a drawdown on Reserves.

The main financial risk to the Council is the collection of Business Rates income due to local businesses being affected by lockdown and social distancing. Performance figures to the end of September show that collection rates are down against budget for the year by 4.19%, with reductions in collection rates against the prior year of 2.66%. The Council has the option to charge the General Fund with any deficit incurred during 2020/21 over a three-year period rather than one year which helps mitigate the risk.

Reports are regularly taken to the Finance and Management Committee updating the current and forecasted position of the Council's financial position. The latest full projected outturn was reported on 26th November with the next full update due in February 2021 after the Budget round. Specific reports about the pandemic are also presented to elected Members by the S151 Officer to ensure that Members and their constituents are fully informed on the Council's position, the latest update being reported on 26th November 2020.

The mitigating factor underpinning the going concern assessment is that the authority continues to have available General Fund balances above the current recommended minimum working balance. At the end of 2021/22 it is budgeted to be £10.6m which is £9.1m above the minimum level. Additionally, the Council's cash flow forecasts anticipate that cash balances will remain in a positive position for at least 12 months following approval of these financials statements and do not forecast

# Notes to the Financial Statements

For the year ended 31<sup>st</sup> March 2020

a need to borrow. The Council has undertaken cash flow modelling through to February 2022 which demonstrates the Council's ability to work within its Capital Financing Requirement and cash management framework, with a minimum cash balance forecast during the period of £29.2m. Given this, the Council considers that the Financial Statements can be prepared on a going concern basis.

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

The accounting policies are consistent with those applied in the year ended 31<sup>st</sup> March 2019, as amended to reflect the adoption of any new accounting standards as required by the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

## (b) Accruals of Income and Expenditure

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

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

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

## Accounting for Council Tax

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

# Notes to the Financial Statements (continued)

For the year ended 31<sup>st</sup> March 2020

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

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

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

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

### **(c) Cash and Cash Equivalents**

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

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

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

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

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

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

### **(e) Charges to Revenue for Non-Current Assets**

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

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

The Council is not required to raise Council Tax to cover depreciation, impairment losses or amortisations. However, it is required to make an annual provision from the revenue to contribute towards the reduction in its overall borrowing requirement (equal to either an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance). Depreciation, impairment losses and amortisations are replaced by the contribution in the General Fund of a

# Notes to the Financial Statements (continued)

For the year ended 31<sup>st</sup> March 2020

Minimum Revenue Provision (MRP) by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

## (f) Employee Benefits

### Benefits Payable during Employment

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

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

### Termination Benefits

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

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

### Post-Employment Benefits

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

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

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

# Notes to the Financial Statements (continued)

For the year ended 31<sup>st</sup> March 2020

- Unlisted securities - average of the bid and offer rates.
- Property - market value.

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

## Service cost comprising

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

## Re-measurement comprising

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

## Contributions paid to the Derbyshire County Council Pensions Fund

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

## Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any additional liabilities that arise as a result of a discretionary award to

# Notes to the Financial Statements (continued)

For the year ended 31<sup>st</sup> March 2020

an employee are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

## (g) Events after the Balance Sheet Date

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

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

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

## (h) Financial Instruments

### Financial Liabilities

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

### Financial Assets

Financial assets are classified into three types:

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

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially valued at fair value, based upon prevailing benchmark market rates for new borrowing. They are subsequently measured and carried on the Balance Sheet at amortised cost. PWLB loan fair value estimates are based upon new borrowing (certainty rate) discount rates. Annual credits to the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

# Notes to the Financial Statements (continued)

For the year ended 31<sup>st</sup> March 2020

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

## (i) Government Grants and Contributions (Revenue)

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

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

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

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

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

## (j) Investment Property

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

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

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

# Notes to the Financial Statements (continued)

For the year ended 31<sup>st</sup> March 2020

## (k) Property, Plant and Equipment

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

### Recognition

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

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

### Measurement

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

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

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

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

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

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

Level 3 – unobservable input for the asset or liability.

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

Assets are initially measured at cost, comprising:

- The purchase price

## Notes to the Financial Statements (continued)

For the year ended 31<sup>st</sup> March 2020

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

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

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

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

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

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

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

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

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

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

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

### Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the

## Notes to the Financial Statements (continued)

For the year ended 31<sup>st</sup> March 2020

recoverable amount of the asset is estimated and where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

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

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

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

### Depreciation

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

Depreciation is calculated on the following bases:

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

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

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

### Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for sale.

## Notes to the Financial Statements (continued)

For the year ended 31<sup>st</sup> March 2020

The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell.

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

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

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

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

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

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

### **(I) Provisions, Contingent Liabilities and Contingent Assets**

#### **Provisions**

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

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

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

# Notes to the Financial Statements (continued)

For the year ended 31<sup>st</sup> March 2020

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

## **Contingent Liabilities**

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

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

## **Contingent Assets**

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

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

## **(m) Reserves**

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

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

## **(n) Revenue Expenditure Funded from Capital under Statute**

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

## **(o) Value Added Tax (VAT)**

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

## **(p) Principal and Agent Transactions**

# Notes to the Financial Statements (continued)

For the year ended 31<sup>st</sup> March 2020

In its capacity as a billing authority the Council acts as an agent when collecting Council Tax & Non-Domestic Rate income. Council Tax income is collected and distributed by the Council both on its own behalf and as an agent for Precepting Authorities. Non-Domestic Rate (NNDR) income is collected on behalf of the Council, the Government, Derbyshire Fire and Rescue Authority & Derbyshire County Council.

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

## **(q) Inventories and Long-Term Contracts**

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

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

## **(r) Leases**

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

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

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

### **Operating Leases - The Council as a Lessee**

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

### **Operating Leases - The Council as a Lessor**

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

## **(s) Exceptional Items**

When items of income and expense are material, their nature and amount are disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or as a Note to the Statement of Accounts depending on how significant the items are to an understanding of the Council's financial performance.

# Notes to the Financial Statements (continued)

For the year ended 31<sup>st</sup> March 2020

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

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

### → IFRS 16 Leases

The impact of IFRS 16 will be considered for the 2020/21 Statement of Accounts. It is not considered that this standard will have a material impact on the Accounts although the exact impact is not currently known.

## 3. Critical Judgements

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

### Assets held for Sale

#### Former Depot site, Darklands Road, Swadlincote

Committee approval has been granted to sell this site and a planning application has been granted to the developer. A disposal was expected during 2019/20 although the impact of the COVID-19 pandemic has delayed the sale and negotiations remain ongoing.

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

### Deferred Capital Receipts

#### Oversetts Road, Swadlincote

The Council removed a covenant on land to access the site on Oversetts Road during 2018/19. This is part of a Collaboration Agreement with a third party, whereby Council and third-party land is being sold together. The Council is receiving a proportion of receipts from both the Council and third-party land, and these payments are therefore being received before and after the actual development on the Council land.

As a result, the land has been treated as sold and removed from the Fixed Asset Register during 2019/20. A corresponding Debtor has been created and a Deferred Capital Receipt of £1.5m is contained within Unusable Reserves until such time as the cash is received.

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

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

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

## Notes to the Financial Statements (continued)

For the year ended 31<sup>st</sup> March 2020

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

The items in the Council's Balance Sheet at 31<sup>st</sup> March 2020 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties
Property, Plant and Equipment	<p>Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current financial climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.</p> <p>The valuation of assets has a level of uncertainty in 2019/20 due to the COVID-19 pandemic and the availability of economic data to support the valuations which may mean that the Balance Sheet Non-Current Assets are not a true reflection of the amount the Council could generate by selling all of its assets.</p>
Provisions	<p>The Council has made provisions in 2019/20 totalling £786k, comprising Planning Appeals (£90k) and Business Rate appeals (£696k). The amounts are based on informed estimates of the final liability.</p>
Pensions Liability	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets, etc. A firm of consulting actuaries is engaged to provide the Pensions Administrator with expert advice about the assumptions to be applied.</p>
Valuations	<p>It is considered that a fair value basis under IFRS 13, applies to the Council's Investment Properties which are let under leases to local businesses in return for a rental income. These assets are not held as part of a wider economic development strategy for the District. Their value, at approximately £5.8m as shown in Note 16, reflects this position.</p> <p>In addition, long-term financial liabilities in the form of HRA loans outstanding of approximately £57m reflect a fair value measurement as shown in Note 17.</p>
Employee Benefits Payable During Employment	<p>The Council has accrued for known holiday entitlement outstanding as at 31<sup>st</sup> March 2020, but not taken. This was based on the Council's on-line Annual Leave System (ALS) which sets and records leave as it is authorised and taken during the year. Accrued leave was calculated as £11k at 31 March 2020, compared to £10k at 31<sup>st</sup> March 2019. The Council has policies in place concerning the taking of accrued leave and other time in lieu. Only in special circumstances can this be converted into cash payments to the employees concerned. Therefore, in practice, much of the accrued sum is unlikely to be a true financial cost and, in most circumstances, the accrued time is managed within the confines of service delivery. Therefore, the accrued sum is not a charge to the Council's Reserves and with any cash payments being accounted for in the year that they are made.</p>

# Notes to the Financial Statements (continued)

For the year ended 31<sup>st</sup> March 2020

Bad and Doubtful Debts	<p>The Council has several debts outstanding at 31<sup>st</sup> March 2020. It is likely that a proportion of this debt will not be collectable in the future. Therefore, judgements are made to determine the amount that will remain uncollected and this is converted into a sum which is transferred into a provision, in order that uncollectable debts can be written off.</p> <p>Debts are categorised into type and profile of the debtor. Judgements are then made, in some instances at an individual level, regarding the size of debt, period outstanding and any payments in place, etc. A percentage is then applied to debts that may not be collected. Generally, the older the debt, the greater the percentage applied. The percentage is also informed by past experience and the current economic climate. Within the overall resources of the Council, a prudent view is taken in calculating a bad debts provision.</p>
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## 5. Exceptional items of Income and Expense

### Oversetts Road, Swadlincote

Land at Oversetts Road, Swadlincote has been classed as sold during 2019/20 and a Deferred Capital Receipt of £1.5m has been created. The sale has been negotiated under a Collaboration agreement, detail of which is included in Note 3.

## 6. Events after the Balance Sheet Date

The former depot site in Swadlincote was valued at £400k at the Balance Sheet Date but subsequently sold for £900k during August 2020. The asset has previously been marketed for sale with limited interest and a reduced value was assumed based on the market conditions due to the pandemic and the difficulty found previously in securing a sale.

# Notes to the Financial Statements (continued)

For the year ended 31<sup>st</sup> March 2020

## 7. Expenditure and Funding Analysis

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

<i>£000's</i>	2019/20			2018/19		
	Net Expenditure Chargeable to GF & HRA	Adjustments between Accounting & Funding (Notes 8&10)	Net Expenditure in Comprehensive Income & Expenditure Statement	Restated Net Expenditure Chargeable to GF & HRA	Adjustments between Accounting & Funding (Notes 8&10)	Restated Net Expenditure in CIES
Environmental and Development Services	4,572	(190)	4,762	5,195	966	4,229
Housing and Community Services (incl HRA)	(1,448)	(240)	(1,207)	(1,239)	810	(2,050)
Finance and Management	3,783	(649)	4,432	1,216	(1,851)	3,066
<b>Net Cost of Services</b>	<b>6,907</b>	<b>(1,079)</b>	<b>7,986</b>	<b>5,172</b>	<b>(74)</b>	<b>5,245</b>
Other Operating Income & Expenditure	(12,597)	1,193	(13,790)	(11,759)	208	(11,967)
<b>(Surplus)/Deficit</b>	<b>(5,690)</b>	<b>114</b>	<b>(5,804)</b>	<b>(6,587)</b>	<b>135</b>	<b>(6,722)</b>
Opening General Fund and HRA Balances	(31,492)			(24,905)		
(Surplus) / Deficit on General Fund and HRA Balances in year	(5,690)			(6,587)		
<b>Closing General Fund and HRA Balances at 31st March</b>	<b>(37,182)</b>			<b>(31,492)</b>		

\*For a split of the balance between General Fund and HRA see the Movement in Reserves Statement  
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# Notes to the Financial Statements (continued)

For the year ended 31<sup>st</sup> March 2020

## 8. Note to the Expenditure and Funding Analysis

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

2018/19	Adjustments for Capital Purposes [1]	Net Change for the Pensions Adjustments [2]	Other Differences [3]	Total Adjustments
<i>£000's</i>				
Environmental and Development Services	966	-	-	<b>966</b>
Housing and Community Services	1,208	(398)	-	<b>810</b>
Finance and Management	264	(2,115)	-	<b>(1,851)</b>
<b>Net Cost of Services</b>	<b>2,439</b>	<b>(2,513)</b>	-	<b>(74)</b>
Other Income and Expenditure from Expenditure and Funding Analysis	337	-	(128)	<b>208</b>
<b>Difference between General Fund and HRA (Surplus)/Deficit and the (Surplus)/Deficit on the Provision of Services</b>	<b>2,776</b>	<b>(2,513)</b>	<b>(128)</b>	<b>135</b>

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

# Notes to the Financial Statements (continued)

For the year ended 31<sup>st</sup> March 2020

## 9. Expenditure and Income Analysed by Nature

£000's	2019/20	Restated 2018/19
<b>Expenditure</b>		
Employee Expenses	15,347	14,131
Other service expenses	29,406	30,226
Depreciation and Impairment	3,795	3,524
Interest payable	1,595	1,591
Parish precepts	842	816
Elected Members allowances	362	359
Payments to Housing Capital Receipts Pool	312	312
<b>Total expenditure</b>	<b>51,660</b>	<b>50,959</b>
<b>Income</b>		
Fees, charges and other service income	(11,295)	(11,474)
Interest and investment income	(1,106)	(888)
Income from Council Tax and Non-Domestic Rates	(11,975)	(11,059)
Rental income	(12,331)	(12,521)
Income from Sale of Fixed Assets	(2,732)	(2,375)
Government grants and contributions	(18,024)	(19,363)
<b>Total income</b>	<b>(57,463)</b>	<b>(57,680)</b>
<b>(Surplus) / Deficit on the Provision of Services</b>	<b>(5,804)</b>	<b>(6,722)</b>

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

£000's	2019/20	Restated 2018/19
Environmental and Development Services	(3,581)	(3,280)
Housing and Community Services (incl HRA)	(1,421)	(1,375)
Finance and Management	(6,293)	(6,819)
<b>Total income from external customers</b>	<b>(11,295)</b>	<b>(11,474)</b>

# Notes to the Financial Statements (continued)

For the year ended 31<sup>st</sup> March 2020

## 10. Adjustments between Accounting Basis and Funding Basis under Regulation

2019/20	Usable Reserves					Total
	General Fund	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	Major Repairs Reserve	
<i>£000's</i>						
<u>Adjustments to Revenue Resources</u>						
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:						
Pensions Costs (transferred to/from Pensions Reserve)	2,237	355	-	-	-	<b>2,592</b>
Council Tax and NNDR (transferred to/from Collection Fund Adjustment Account)	(865)	-	-	-	-	<b>(865)</b>
Deferred Capital Receipts (transferred to/from Deferred Capital Receipts Reserve)	(1,502)	-	-	-	-	<b>(1,502)</b>
Holiday Pay (transferred to/from Accumulated Absences Reserve)	(1)	2	-	-	-	<b>1</b>
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (charged to the Capital Adjustment Account)	1,544	4,025	-	-	-	<b>5,570</b>
<b>Total Adjustments to Revenue Resources</b>	<b>1,414</b>	<b>4,382</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,796</b>
<u>Adjustments between Revenue and Capital Resources</u>						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(454)	(1,060)	1,514	-	-	-
Payments to the Government Housing Receipts Pool	-	312	(312)	-	-	-
Posting of HRA resources from Revenue to the Major Repairs and Capital Receipts Reserve	-	(3,920)	1,424	-	2,496	-
Posting of General Fund resources from revenue to the Capital Grants Unapplied	649	-	-	(649)	-	-
Voluntary revenue contribution for capital funding	(131)	-	-	-	-	<b>(131)</b>
Statutory provision for the repayment of debt (transferred from the Capital Adjustment Account)	(197)	-	-	-	-	<b>(197)</b>
Capital expenditure financed from revenue (transferred to the Capital Adjustment Account)	(933)	-	-	-	-	<b>(933)</b>
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>(1,067)</b>	<b>(4,668)</b>	<b>2,627</b>	<b>(649)</b>	<b>2,496</b>	<b>(1,262)</b>
<u>Adjustments to Capital Resources</u>						
Use of Capital Receipts Reserve to finance capital expenditure	(98)	(76)	(1,087)	-	36	<b>(1,225)</b>
Use of Major Repairs Reserve to finance capital expenditure	-	-	-	-	(1,796)	<b>(1,796)</b>
Application of capital grants to finance capital expenditure	-	-	-	(11)	-	<b>(11)</b>
<b>Total Adjustments to Capital Resources</b>	<b>(98)</b>	<b>(76)</b>	<b>(1,087)</b>	<b>(11)</b>	<b>(1,760)</b>	<b>(3,032)</b>
<b>Total Adjustments</b>	<b>249</b>	<b>(362)</b>	<b>1,539</b>	<b>(660)</b>	<b>736</b>	<b>1,502</b>

# Notes to the Financial Statements (continued)

For the year ended 31<sup>st</sup> March 2020

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

2018/19	Usable Reserves					Total
	General Fund	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	Major Repairs Reserve	
<i>£000's</i>						
<u>Adjustments to Revenue Resources</u>						
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:						
Pensions Costs (transferred to/from Pensions Reserve)	2,115	398	-	-	-	<b>2,513</b>
Council Tax and NNDR (transferred to/from Collection Fund Adjustment Account)	128	-	-	-	-	<b>128</b>
Holiday Pay (transferred to/from Accumulated Absences Reserve)	(2)	(2)	-	-	-	<b>(4)</b>
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (charged to the Capital Adjustment Account)	1,380	3,573	-	-	-	<b>4,954</b>
<b>Total Adjustments to Revenue Resources</b>	<b>3,622</b>	<b>3,970</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,591</b>
<u>Adjustments between Revenue and Capital Resources</u>						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(721)	(1,627)	2,347	-	-	-
Payments to the Government Housing Receipts Pool	-	312	(312)	-	-	-
Posting of HRA resources from Revenue to the Major Repairs and Capital Receipts Reserve	-	(3,971)	3,509	-	462	<b>(0)</b>
Posting of General Fund resources from revenue to the Capital Grants Unapplied	43	-	-	(43)	-	-
Voluntary revenue contribution for capital funding	(131)	-	-	-	-	<b>(131)</b>
Statutory provision for the repayment of debt (transferred from the Capital Adjustment Account)	(206)	-	-	-	-	<b>(206)</b>
Capital expenditure financed from revenue (transferred to the Capital Adjustment Account)	(1,301)	-	-	-	-	<b>(1,301)</b>
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>(2,316)</b>	<b>(5,286)</b>	<b>5,545</b>	<b>(43)</b>	<b>462</b>	<b>(1,638)</b>
<u>Adjustments to Capital Resources</u>						
Use of Capital Receipts Reserve to finance capital expenditure	(124)	-	(537)	-	(11)	<b>(672)</b>
Use of Major Repairs Reserve to finance capital expenditure	-	-	-	-	(1,268)	<b>(1,268)</b>
Application of Capital Grants to finance capital expenditure	-	-	-	(77)	-	<b>(77)</b>
<b>Total Adjustments to Capital Resources</b>	<b>(124)</b>	<b>-</b>	<b>(537)</b>	<b>(77)</b>	<b>(1,279)</b>	<b>(2,017)</b>
<b>Total Adjustments</b>	<b>1,182</b>	<b>(1,317)</b>	<b>5,008</b>	<b>(120)</b>	<b>(817)</b>	<b>3,936</b>

# Notes to the Financial Statements (continued)

For the year ended 31<sup>st</sup> March 2020

## 11. Movements in Earmarked Reserves

This note details the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans, together with amounts posted back from earmarked reserves to meet General Fund expenditure in 2019/20.

£000's	Closing balance 2018/19	Transfers in	Transfers out	Closing balance 2019/20
<b>General Fund</b>				
IT Reserve	583	305	(251)	636
Committed Expenditure Reserve	109	36	-	145
Economic Regeneration Fund	1,000	-	-	1,000
S106 Receipts	8,119	3,890	(1,689)	10,320
Rosliston Capital Reserve	150	-	(24)	126
Public Buildings Maintenance	130	250	(129)	252
Welfare Reform, Fraud and Compliance	249	137	(94)	292
Homelessness Prevention	249	19	-	268
Schools Sport Partnership Project	228	27	-	256
Pensions Reserve	139	-	(8)	130
Planning Staffing & Support Costs Reserve	124	15	-	139
Public Open Space Reserves	-	654	(94)	560
District Growth	985	581	(444)	1,122
Garden Village Reserve	164	-	(86)	78
Other Earmarked Reserves	292	184	(29)	447
<b>Total</b>	<b>12,520</b>	<b>6,098</b>	<b>(2,849)</b>	<b>15,770</b>
Fixed Asset Replacement Fund	264	653	(371)	546
	<b>12,785</b>	<b>6,751</b>	<b>(3,220)</b>	<b>16,316</b>

## 12. Other Operating Income and Expenditure

Total £000's	2019/20	2018/19
Parish Council Precepts	798	773
Parish Council Tax Support Grant	44	44
Payments to the Government Housing Capital Receipts Pool	312	312
<b>Total - Other Operating Expenditure</b>	<b>1,154</b>	<b>1,128</b>
Profit on disposal of non-current assets		
Normal (see below)	562	(609)
Exceptional (Note 5)	(1,502)	(336)
<b>Total - profit on disposal of non-current assets</b>	<b>(940)</b>	<b>(945)</b>
<b>Total - Other Operating (Income) / Expenditure</b>	<b>214</b>	<b>183</b>

# Notes to the Financial Statements (continued)

For the year ended 31<sup>st</sup> March 2020

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

(Profits)/losses on the disposal of non-current assets £000's	2019/20	2018/19
Net Proceeds from Sale of General Assets	(171)	(527)
Net Proceeds from Sale of HRA Assets	(1,060)	(1,579)
Disposal Costs	18	68
Book Value of non-current assets sold	1,774	1,430
<b>Total</b>	<b>562</b>	<b>(609)</b>

## 13. Financing and Investment Income and Expenditure

Total £000's	2019/20	2018/19
Interest Payable and Similar Charges	1,601	1,596
Interest Receivable and Similar Income	(507)	(302)
Net Interest on the Net Defined Benefit Liability (note 34)	1,020	876
Income and Expenditure in Relation to Investment Properties	(783)	(499)
<b>Total</b>	<b>1,330</b>	<b>1,671</b>

## 14. Taxation and Non-Specific Income

Total £000's	2019/20	2018/19
Council Tax Income	(6,460)	(6,037)
NNDR Income	(5,515)	(5,022)
Non-Ring-Fenced Government Grants	(3,358)	(2,762)
<b>Total</b>	<b>(15,334)</b>	<b>(13,821)</b>

Council Tax Income £000's	2019/20	2018/19
Current Year	(6,460)	(6,037)
<b>Total</b>	<b>(6,460)</b>	<b>(6,037)</b>

# Notes to the Financial Statements (continued)

For the year ended 31<sup>st</sup> March 2020

## 14. Taxation and Non-Specific Income (continued)

National Non-Domestic Rates (NNDR) <i>£000's</i>	2019/20	2018/19
Current Year	(11,080)	(12,864)
Tariff Payments	6,525	8,242
Business Rate Reliefs	(1,554)	(537)
Derbyshire Economic Prosperity Board Payment	-	138
Payment to Business Rates Pool	594	-
<b>Total</b>	<b>(5,515)</b>	<b>(5,022)</b>

Non-Ring-Fenced Government Grants <i>£000's</i>	2019/20	2018/19
Council Tax Discount Grant	(5)	-
EU Exit Funding	(35)	(17)
Custom Build Grant	(15)	(30)
New Homes Bonus	(3,282)	(2,702)
New Burdens Grant	(21)	(13)
<b>Total</b>	<b>(3,358)</b>	<b>(2,762)</b>

# Notes to the Financial Statements (continued)

For the year ended 31<sup>st</sup> March 2020

## 15. Property, Plant and Equipment

Year ended 31 March 2020	Council Dwellings	Land & Buildings	Vehicles, Plant & Equipment	Community Assets	Assets Under Construction	Surplus Assets	Total
<i>£000's</i>							
<b>Cost or valuation</b>							
At 1 April 2019	122,871	18,266	4,472	1,300	517	105	<b>147,530</b>
Additions	2,877	-	654	-	353	-	<b>3,884</b>
Disposals	(731)	(43)	(145)	-	-	-	<b>(919)</b>
Transfers	869	-	-	-	(869)	-	-
Revaluations recognised in the Provision of Services	(909)	1,054	-	-	-	-	<b>145</b>
<b>At 31 March 2020</b>	<b>124,978</b>	<b>19,277</b>	<b>4,981</b>	<b>1,300</b>	<b>0</b>	<b>105</b>	<b>150,640</b>
<b>Depreciation &amp; Impairment</b>							
At 1 April 2019	-	-	(2,051)	-	-	-	<b>(2,051)</b>
Charge for the Year	(3,721)	(869)	(319)	-	-	-	<b>(4,909)</b>
Disposals	-	-	145	-	-	-	<b>145</b>
Transfer	-	-	-	-	-	-	-
Impairments recognised in the Provision of Services	1,466	(1,025)	-	-	-	-	<b>441</b>
Depreciation written out to the revaluation reserve	2,255	1,894	-	-	-	-	<b>4,149</b>
<b>At 31 March 2020</b>	<b>-</b>	<b>0</b>	<b>(2,225)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,225)</b>
<b>Net Book Value</b>							
<b>At 31 March 2020</b>	<b>124,978</b>	<b>19,277</b>	<b>2,756</b>	<b>1,300</b>	<b>0</b>	<b>105</b>	<b>148,416</b>
At 1 April 2019	122,871	18,266	1,357	1,300	517	105	145,480

# Notes to the Financial Statements (continued)

For the year ended 31<sup>st</sup> March 2020

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

Year ended 31 March 2019	Council Dwellings	Land & Buildings	Vehicles, Plant & Equipment	Community Assets	Assets Under Construction	Surplus Assets	Total
<i>£000's</i>							
<b>Cost or valuation</b>							
At 1 April 2018	123,402	17,885	3,421	1,225	-	305	<b>146,238</b>
Additions	1,302	83	1,385	-	517	-	<b>3,287</b>
Disposals	(976)	-	(334)	-	-	-	<b>(1,310)</b>
Transfers	-	(225)	-	14	-	(200)	<b>(411)</b>
Revaluations	(857)	522	-	61	-	-	<b>(274)</b>
	-	-	-	-	-	-	-
<b>At 31 March 2019</b>	<b>122,871</b>	<b>18,266</b>	<b>4,472</b>	<b>1,300</b>	<b>517</b>	<b>105</b>	<b>147,530</b>
<b>Depreciation &amp; Impairment</b>							
At 1 April 2018	-	-	(2,064)	-	-	-	<b>(2,064)</b>
Charge for the Year	(3,561)	(778)	(318)	-	-	-	<b>(4,657)</b>
Disposals	-	-	331	-	-	-	<b>331</b>
Transfer	-	-	-	-	-	-	-
Impairments	1,077	(137)	-	-	-	-	<b>940</b>
Revaluations	2,484	915	-	-	-	-	<b>3,399</b>
<b>At 31 March 2019</b>	<b>-</b>	<b>-</b>	<b>(2,051)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,051)</b>
<b>Net Book Value</b>							
<b>At 31 March 2019</b>	<b>122,871</b>	<b>18,266</b>	<b>2,421</b>	<b>1,300</b>	<b>517</b>	<b>105</b>	<b>145,480</b>
At 1 April 2018	123,402	17,885	1,357	1,225	-	305	144,175

# Notes to the Financial Statements (continued)

For the year ended 31<sup>st</sup> March 2020

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

### Valuations

In accordance with IAS 16, the Council revalues all Property, Land and Buildings annually on a fair value basis. It is considered that there is no material difference in a fair value basis compared to a valuation based on carrying value. All valuations were carried out externally by Richard Hemsworth MRICS, Senior Surveyor, VOA. Valuations of land and buildings were carried out as at 31<sup>st</sup> March 2020 in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

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

	Council Dwellings	Land & Buildings	Vehicles, Plant & Equipment	Community Assets	Assets under Construction	Surplus Assets	Total
<i>£000's</i>							
Carried at historical cost 2019/20	-	-	4,981	-	-	-	<b>4,981</b>
Carried at valuation as at:							
31 March 2020	124,978	19,277	-	1,300	0	105	<b>145,660</b>
31 March 2019	122,871	18,266		1,300	517	105	<b>143,059</b>

### Valuation Assumptions

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

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

# Notes to the Financial Statements (continued)

For the year ended 31<sup>st</sup> March 2020

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

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

On 18 March 2020, the RICS published guidance to the profession in relation to material valuation uncertainty in response to COVID-19 and the impact on individual markets. A detailed update regarding the basis of asset valuations is provided below by the Valuer.

The potential impact on the various asset categories is as follows:

### **a) Specialised In Use (Operational) assets - buildings valued using depreciated replacement cost**

There has been no diminution identified in the public sector's ongoing requirement for these operational assets nor reduction in their ongoing remaining economic service potential as a result of the incidence of Covid-19. Regarding the BCIS cost indices, BCIS have stated that they consider new construction output is likely to fall in 2020 as a result of the COVID-19 outbreak, as it affects labour availability on sites and delays or leads to cancellation of projects in the pipeline. However, at the present time, BCIS have advised, and we agree, that it is too early for COVID-19 related issues to impact on BCIS indices published and adopted in our valuations.

### **b) Non – Specialised In Use (Operational) assets including the land element of the depreciated replacement cost valuation of specialised assets**

There has been no diminution identified in the public sector's ongoing requirement for these operational assets nor reduction in their ongoing remaining economic service potential as a result of the incidence of COVID-19. Their basis of valuation is however current value in existing use, having regard to comparable market evidence and early commentary as it exists regarding direction of travel tends to suggest and support a downward movement in value. It is too early at this stage in our professional judgement to accurately evidence this impact and it is our opinion at the date of valuation on the information then available that the assessed impact falls within normal valuation tolerances.

### **c) Assets Held for Sale and Surplus Assets.**

Commentary as it exists tends to suggest that the direction of travel is again supporting a downward movement in value, but due to the specific nature of these assets we consider the impact to be greater than for the In Use (Operational) assets. We have therefore considered this in our reported valuations.

### **d) Investment assets**

Commentary as it exists tends to suggest that the direction of travel is again supporting a downward movement in value, but due to the various terms of occupation of these assets, the impact could be greater than for the In Use

# Notes to the Financial Statements (continued)

For the year ended 31<sup>st</sup> March 2020

(Operational) assets. We have therefore considered this in our reported valuations.

## Impairments

Impairments for the year ended 31<sup>st</sup> March 2020 recognised in the Income and Expenditure Statement were £626k, with £2,642k of impairments being reversed relating to previous years.

## 16. Investment Properties

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

£000's	2019/20	2018/19
Balance at the beginning of the year	5,845	5,412
Transfers In Year	-	225
Surplus/(Deficit) on revaluation	488	208
<b>Balance at the end of the year</b>	<b>6,333</b>	<b>5,845</b>

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

# Notes to the Financial Statements (continued)

For the year ended 31<sup>st</sup> March 2020

## 17. Financial Instruments

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

£000'S	Non-current		Current	
	2019/20	2018/19	2019/20	Restated 2018/19
<b>Investments</b>				
Loans and receivables at amortised cost	40	40	-	-
Investments elected to fair value through other comprehensive income	3,624	1,891	-	-
<b>Total Investments</b>	<b>3,664</b>	<b>1,931</b>	<b>-</b>	<b>-</b>
<b>Debtors</b>				
Loans and receivables at amortised cost	789	84	-	-
Financial assets carried at contract amounts	-	-	4,678	3,676
Debtors that are not financial instruments	-	-	2,720	1,725
<b>Total Debtors</b>	<b>789</b>	<b>84</b>	<b>7,398</b>	<b>5,401</b>
<b>Cash and cash equivalents</b>				
Loans and receivables at amortised cost	-	-	42,912	27,299
Investments held at fair value through profit and loss	-	-	3,000	8,500
<b>Total Cash and Cash Equivalents</b>	<b>-</b>	<b>-</b>	<b>45,912</b>	<b>35,799</b>
<b>Borrowings</b>				
Financial liabilities at amortised costs	(57,423)	(57,423)	(28)	(28)
<b>Total Borrowings</b>	<b>(57,423)</b>	<b>(57,423)</b>	<b>(28)</b>	<b>(28)</b>
Other long-term liabilities	(48)	(43)	-	-
<b>Total Other Long-Term Liabilities</b>	<b>(48)</b>	<b>(43)</b>	<b>-</b>	<b>-</b>
<b>Creditors</b>				
Financial liabilities carried at contract amounts	-	-	(3,267)	(1,736)
Creditors that are not financial instruments	-	-	(10,461)	(6,927)
<b>Total Creditors</b>	<b>-</b>	<b>-</b>	<b>(13,728)</b>	<b>(8,663)</b>

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

The investments elected to fair value through other comprehensive income of £3,624k is the fair value of the Council's investment in the CCLA Property Fund. The investments of £40k relate to money held in trust for a local community group. Debtors (Loans and receivables at amortised cost) relate to

# Notes to the Financial Statements (continued)

For the year ended 31<sup>st</sup> March 2020

charges placed on properties following work undertaken by the Council under statutory powers plus other small loans.

## 17. Financial Instruments (continued)

As at 31<sup>st</sup> March 2020, the debt outstanding comprised the following loans.

- A portfolio of loans from the Public Works Loan Board with a book value of £57,423k (2018: £57,423k). £47,423k of the loan portfolio is fixed with rates between 2.7% and 3.5%. The remaining £10,000k loan is a variable rate loan (with a benchmark of the six month gilt) currently incurring interest at 0.92% (2018: 0.79%) with a maturity of 2022.
- Loans of £28k have been received from various Parish Councils within the South Derbyshire District Council area who have deposited funds with the Council. These loans can be recalled on immediate notice. Interest is calculated at the Bank of England Base Rate, less 1%. In 2019/20 no interest was calculated due to the Bank of England Base Rate being less than 1%.

## Interest Income, Expenses, Gains and Losses

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

£000'S	2019/2020					2018/19				
	Financial Liabilities measured at amortised cost	Financial Assets: Loans and Receivables	Financial Assets: Elected to Fair Value through OCI	Financial Assets: Fair Value through Profit & Loss	Total	Financial Liabilities measured at amortised cost	Financial Assets: Loans and Receivables	Financial Assets: Elected to Fair Value through OCI	Financial Assets: Fair Value through Profit & Loss	Total
Interest Expense	1,595	-			1,595	1,595	-			1,595
<b>Total Expense</b>	1,595	-			1,595	1,595	-			1,595
Interest and Dividend Income	-	(328)	(115)	(64)	(507)	-	(192)	(66)	(44)	(302)
<b>Total Income</b>	-	(328)	(115)	(64)	(507)	-	(192)		(44)	(302)
Losses on Revaluation			267		267			55		55
<b>Net (Gains)/Loss for the Year</b>	1,595	(328)	152	(64)	1,355	1,595	(192)	(11)	(44)	1,348

## Fair Values of Assets and Liabilities

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

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# Notes to the Financial Statements (continued)

For the year ended 31<sup>st</sup> March 2020

## 17. Financial Instruments (continued)

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

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

£000'S	Carrying amount 2019/20	Fair Value 2019/20	Carrying amount 2018/19	Fair Value 2018/19
Financial Liabilities				
Long Term	(57,423)	(64,347)	(57,423)	(64,174)
Short Term	(28)	(28)	(28)	(28)
	<b>(57,451)</b>	<b>(64,375)</b>	<b>(57,451)</b>	<b>(64,202)</b>
Financial Assets				
Money Market Investments	3,000	3,000	8,500	8,500
CCLA Property Fund	4,000	3,624	2,000	1,891
	<b>7,000</b>	<b>6,624</b>	<b>10,500</b>	<b>10,391</b>

The fair value adjustment for long term financial liabilities relates to the Public Works Loan Board Portfolio. The fair values were obtained from the Treasury Management advisor Arlingclose Ltd, which values all loans for the purpose of year-end financial statements. The fair value in 2020 is approximately £7m higher than the current book value. This reflects that the loans are currently worth more due to the average discount rate on these loans being 1.62%, compared to the average actual interest paid of 2.81%.

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

### Nature and Extent of Risks arising from Financial Instruments

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

### The Council is exposed to the financial risks:

- Credit risk - the possibility that other parties might fail to pay amounts due to the Council;
- Liquidity risk - the possibility that the Council might not have funds available to meet its commitments to make payments;

# Notes to the Financial Statements (continued)

For the year ended 31<sup>st</sup> March 2020

## 17. Financial Instruments (continued)

- Re-financing risk - the possibility that the Council might be required to renew a financial instrument on maturity at disadvantageous interest rates or terms
- Market Risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

### Overall Procedures for Managing Risk

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

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

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

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

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

### Credit Risk

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

The following table summarises the balances held at 31<sup>st</sup> March 2020:

# Notes to the Financial Statements (continued)

For the year ended 31<sup>st</sup> March 2020

## 17. Financial Instruments (continued)

Counterparty	Credit rating criteria met when Investment placed	Balance invested at 31 March 2020
£000'S		
Banks	Yes	2,413
Other local authorities	Yes	40,350
Money Market Funds	Yes	3,000
CCLA Property Fund	Yes	4,000
		<b>49,763</b>

### Liquidity Risk

The Council has ready access to borrowings from the Money Markets to cover any day-to-day cash flow need, and whilst the Public Works Loan Board (PWLB) provides access to longer term funds, it also acts as a lender of last resort to councils (although it will not provide funding to a council whose actions are unlawful). The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is, therefore, no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

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

The maturity analysis of financial liabilities is as follows:

Maturity analysis of financial liabilities	Balance at 31 March 2020	Balance at 31 March 2019
£000'S		
Less than one year	28	28
Between one and two years	10,000	-
Between two and five years	10,000	20,000
Between five and ten years	10,000	10,000
More than ten years	27,423	27,423
	<b>57,451</b>	<b>57,451</b>

### Refinancing and Maturity Risk

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

# Notes to the Financial Statements (continued)

For the year ended 31<sup>st</sup> March 2020

## 17. Financial Instruments (continued)

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

### Market Risks

#### a) Interest Rate Risk

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

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

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

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

During 2018/19, the average investment rate returned was 0.66%, compared to a market average of 0.65%. The average rate earned from the Government's Debt Management Office (DMO) was 0.39%, whilst that earned from other local authorities was 0.67%.

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

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

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

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

# Notes to the Financial Statements (continued)

For the year ended 31<sup>st</sup> March 2020

## 17. Financial Instruments (continued)

	2019/20	2018/19
£000's		
Increase in interest payable on variable rate borrowings	(100)	(100)
Increase in interest receivable on variable rate investments	(525)	(310)
<b>Impact on Surplus or Deficit on the Provision of Services</b>	<b>(625)</b>	<b>(410)</b>

### b) Price Risk

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

## 18. Debtors

Current	2019/20	Restated 2018/19
£000's		
Trade receivables	1,386	1,194
Prepayments	1,482	698
Other receivable amounts	7,098	6,105
	9,965	7,997
Less: Bad Debt Impairment Provisions	(2,567)	(2,596)
<b>Total</b>	<b>7,398</b>	<b>5,401</b>

## 19. Debtors for Local Taxation

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

Past Due	2019/20	2018/19
£000's		
Less than 3 Months	1,936	1,960
3 - 6 Months	-	-
6 Months - 1 Year	-	-
More than 1 Year	5,432	5,170
<b>Total</b>	<b>7,368</b>	<b>7,130</b>

# Notes to the Financial Statements (continued)

For the year ended 31<sup>st</sup> March 2020

## 20. Cash and Cash Equivalents

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

£000's	2019/20	2018/19
Cash and Bank Balances	2,561	2,298
Short Term Deposits (considered to be cash equivalents)	40,350	25,000
Money Market Funds	3,000	8,500
<b>Total</b>	<b>45,912</b>	<b>35,799</b>

Short term deposits were all invested with other local authorities as at 31 March 2020.

## 21. Assets Held for Sale

£000's	2020	2019
Balance at beginning of the year	1,318	900
Additions	43	65
Disposals	(1,000)	(450)
Revaluations	39	616
Transfers	-	186
<b>Balance at end of the year</b>	<b>400</b>	<b>1,318</b>

As detailed in Note 3, the asset held for sale is the former depot site at Darklands Road, Swadlincote.

The Council has classified this asset as "held for sale" in accordance with IFRS 5. This is because committee approval to sell and planning permission to develop has been confirmed. A firm plan is in place to complete within the next 12 months taking into consideration a number of conditions being satisfied.

## 22. Creditors

Current	2019/20	2018/19
£000's		
Trade payables	(670)	(555)
Other payables	(8,539)	(6,714)
Accruals	(4,519)	(1,393)
<b>Total</b>	<b>(13,728)</b>	<b>(8,663)</b>

# Notes to the Financial Statements (continued)

For the year ended 31<sup>st</sup> March 2020

## 23. Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. The Council has made 2 provisions in the accounts for 2019/20 as shown in the following table.

Current £000's	At 1 April	Increase in provision during year	Utilised during the year	Unused amounts released	At 31 March
2019/20					
Planning Appeal	(70)	(45)	11	14	(90)
NNDR Appeals	(991)	(270)	1	563	(696)
	<b>(1,061)</b>	<b>(315)</b>	<b>12</b>	<b>578</b>	<b>(786)</b>
2018/19					
Planning Appeal	(107)	(71)	8	100	(70)
NNDR Appeals	(822)	(510)	180	162	(991)
Termination Benefits	(64)	-	64	-	-
	<b>(993)</b>	<b>(581)</b>	<b>252</b>	<b>262</b>	<b>(1,061)</b>

### Planning Appeals

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

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

This was reduced in 2019/20 due to a large number of appeals lodged with the District Valuer in 2010 being settled in year.

## 24. Usable Reserves

£000's	2019/20	Restated 2018/19
General Fund <sup>1</sup>	12,605	11,787
Earmarked Reserves <sup>1,2</sup>	16,316	12,785
HRA <sup>1</sup>	8,260	6,919
Capital Receipts Reserve <sup>2</sup>	10,119	8,580
Capital Grants Unapplied Account <sup>2</sup>	1,635	2,295
Major Repairs Reserve <sup>2</sup>	4,190	3,454
<b>Total</b>	<b>53,125</b>	<b>45,820</b>

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

# Notes to the Financial Statements (continued)

For the year ended 31<sup>st</sup> March 2020

## 24. Usable Reserves (continued)

### Revenue Reserves

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

### Earmarked Reserves

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

£000's	2019/20	2018/19
IT Reserve	636	582
Welfare Reform, Fraud and Compliance	292	249
Committed Expenditure Reserve	145	109
S106 Capital Receipts	10,320	8,119
Economic Regeneration Fund	1,000	1,000
Rosliston Capital Reserve	126	150
Public Buildings Maintenance	252	130
Fixed Asset Replacement Fund	546	265
Homelessness Prevention	268	249
Schools Sport Partnership Project	256	228
Pensions Reserve	130	139
Public Open Space Reserves	560	0
Planning Staffing & Support Costs Reserve	139	124
Other Earmarked Reserves	447	292
District Growth	1,122	985
Garden Village Reserve	78	164
<b>Total</b>	<b>16,316</b>	<b>12,785</b>

### Capital Reserves

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

### Capital Receipts Reserve

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

# Notes to the Financial Statements (continued)

For the year ended 31<sup>st</sup> March 2020

## 24. Usable Reserves (continued)

### Capital Grants Unapplied

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

£000's	2019/20	2018/19
Public Open Space (Commuted Sums)	487	1,140
Crime and Disorder Partnership	362	351
Youth Engagement Partnership	584	605
Get Active in the Forest Partnership	73	61
Other Capital Grants Unapplied	128	138
<b>Total</b>	<b>1,635</b>	<b>2,295</b>

### Major Repairs Reserve

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

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

## 25. Unusable Reserves

£000's	2019/20	2018/19
Capital Adjustment Account <sup>2</sup>	58,679	58,203
Revaluation Reserve <sup>2</sup>	27,337	24,939
Pensions Reserve <sup>1</sup>	(27,658)	(41,702)
Collection Fund Adjustment Account <sup>1</sup>	815	(49)
Deferred Capital Receipts Reserve	1,502	-
Financial Instruments Revaluation	(376)	(109)
Accumulating Compensated Absences Adjustment Account <sup>1</sup>	(11)	(10)
<b>Total</b>	<b>60,288</b>	<b>41,272</b>

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

### Capital Adjustment Account

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

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

# Notes to the Financial Statements (continued)

For the year ended 31<sup>st</sup> March 2020

## 25. Unusable Reserves (continued)

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

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

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

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

£000's	2019/20
<b>Balance at 1st April 2019</b>	58,203
Charges for depreciation and impairment of non-current assets	(4,283)
Revaluation gains on Property, Plant and Equipment	1,752
Revenue expenditure funded from capital under statute	753
Amounts of non-current assets written off on disposal	(1,774)
<b>Net written out amount of the cost of non-current assets consumed in the year</b>	<b>54,650</b>
Capital financing applied in the year:	
Use of Capital Receipts to finance new capital expenditure	1,123
Use of Major Repairs Reserves to fund new capital expenditure	1,796
Application of grants to capital financing from the Capital Grants Unapplied Account	-
Minimum Revenue Provision	197
Voluntary Revenue Provision	131
Capital expenditure credited to the General Fund and HRA balance	294
Movements in the market value of Investment Properties	488
<b>Balance as at 31st March 2020</b>	<b>58,679</b>

### Revaluation Reserve

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

The balance is reduced when assets with accumulated gains are:

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

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

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

# Notes to the Financial Statements (continued)

For the year ended 31<sup>st</sup> March 2020

## 25. Unusable Reserves (continued)

£000's	2019/20
<b>Balance at 1st April 2019</b>	24,939
Upward revaluation of assets	4,149
Downward revaluation of assets	-
Amounts of non-current assets written off on disposal	-
<b>Surplus on revaluation of non-current assets not posted to the Provision of Services</b>	<b>29,088</b>
Accumulated gains on assets sold	(1,052)
Revaluation Reserve current excess depreciation	(699)
<b>Balance as at 31st March 2020</b>	<b>27,337</b>

### Financial Instruments Revaluation Reserve

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

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

£000's	2019/20
<b>Balance at 1st April 2019</b>	(109)
Upward/(Downward) revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	(267)
<b>Balance as at 31st March 2020</b>	<b>(376)</b>

### Pensions Reserve

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

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

### Collection Fund Adjustment Account

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

# Notes to the Financial Statements (continued)

For the year ended 31<sup>st</sup> March 2020

## 25. Unusable Reserves (continued)

### Accumulating Compensated Absences Adjustment Account

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

## 26. Agency Services

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

£000's	2018/19	2018/19
Income	275	275
Expenditure	(36)	(57)
<b>Net surplus arising on the agency agreement</b>	<b>239</b>	<b>218</b>

## 27. Members' Allowances

During the year Members allowances totalled £362k (2018/19: £359k) as shown in the following table.

£000's	2019/20	2018/19
Basic Allowance	236	228
Telephone Allowance	-	-
Travel and Subsistence	6	5
Special Responsibility Allowances	120	126
	<b>362</b>	<b>359</b>

# Notes to the Financial Statements (continued)

For the year ended 31<sup>st</sup> March 2020

## 28. Officers' Remuneration

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

	2019/20 Number	2018/19 Number
£50,001 to £55,000	1	3
£60,001 to £65,000	3	1
£65,001 to £70,000	6	1
£70,001 to £80,000	1	-
£80,001 to £90,000	-	2
£90,001 to £100,000	2	-
£125,000 to £130,000	1	1
£130,001 to £140,000	-	-
	<b>14</b>	<b>8</b>

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

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

\* The Head of Organisational Development & Performance, Head of Customer Services and Head of Cultural & Community Services were vacant posts for part of the financial year and therefore do not reflect their full annual salary

# Notes to the Financial Statements (continued)

For the year ended 31<sup>st</sup> March 2020

## 28. Officers' Remuneration (continued)

£'s	Salary, Fees and Allowances	Expenses Allowances	Pension Contributions	Total
<b>2018/19</b>				
<b>Previous Structure up to 31st March 2019:</b>				
Chief Executive	125,901	1,511	17,374	144,786
Strategic Director (Corporate Resources)	89,250	1,511	12,317	103,077
Strategic Director (Service Delivery)	88,754	1,503	12,248	102,505
Legal & Democratic Services Manager and Monitoring Officer	66,508	1,239	9,178	76,925
Head of Organisational Development	63,148	1,511	8,714	73,373
Direct Services Manager	50,615	1,511	6,985	59,111
Planning Services Manager	50,615	1,239	6,985	58,839
Housing Services Manager	50,355	1,239	6,949	58,543
<b>Total for 2018/19</b>	<b>585,146</b>	<b>11,263</b>	<b>80,750</b>	<b>677,160</b>

A Management Restructure was implemented on 1<sup>st</sup> April 2019.

### Exit Packages and Other Departures

£'s	2019/20 Number	2018/19 Number	2019/20 £	2018/19 £
£0 to £20,000	2	4	5,848	37,730
£20,001 to £40,000	-	-	-	-
£40,001 to £60,000	-	-	-	-
£60,001 to £80,000	-	-	-	-
£80,001 to £100,000	-	-	-	-
£101,001 to £120,000	-	-	-	-
	<b>2</b>	<b>4</b>	<b>5,848</b>	<b>37,730</b>

Two exit packages were agreed and severance of £5.8k was paid on termination of employment from the Council.

## 29. External Audit Fees

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

£000's	2019/20	2018/19
External Audit Fees	38	38
Grant Claim Certification Fees	16	16
Housing Pooling Certification	2	2
Public Sector Audit Appointments Rebate	(5)	-
<b>Total</b>	<b>51</b>	<b>54</b>

# Notes to the Financial Statements (continued)

For the year ended 31<sup>st</sup> March 2020

## 30. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2019/20:

£'000	2019/20	2018/19
<b>Credited to Taxation and Non-Specific Grant Income (Note 14)</b>		
General Government Grants	3,358	2,762
Business Rate Reliefs (Section 31 Grants)	1,554	537
	<b>4,913</b>	<b>3,300</b>
<b>Credited to Net Cost of Service</b>		
Department of Works and Pensions (Benefit Subsidy and Welfare Reform)	13,998	16,154
Supported Housing	183	175
Contributions from Developers (section 106 Planning Agreements)	4,635	3,320
Other Grants and Contributions to Service Expenditure	1,365	1,660
	<b>20,181</b>	<b>21,309</b>

The Council has received grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them, which if not met would require the monies or property to be returned to the giver. The balances as at 31<sup>st</sup> March 2020 are as follows:

£'000	2019/20	2018/19
Capital Grants Received in Advance	1,606	1,151

## 31. Related Parties

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

### Central Government

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

### Elected Members

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

# Notes to the Financial Statements (continued)

For the year ended 31<sup>st</sup> March 2020

## 31. Related Parties (continued)

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

All members are required to specify relationships that they have such as through employment and directorships, etc. During 2019/20, the Council had no significant dealings with any companies or organisations declared by elected members which would have a bearing on the Financial Statements.

## 32. Capital Expenditure and Capital Financing

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

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

The position for 2019/20 is shown in the following table.

£000's	2019/20	2018/19
Capital Financing Requirement at 1 April	66,902	67,239
<b>Add: Capital Expenditure</b>		
Property, Plant and Equipment	3,928	3,353
Investment Properties	0	0
Revenue Expenditure Funded from Capital under Statute	792	973
<b>Total Expenditure</b>	<b>4,720</b>	<b>4,326</b>
<b>Less: Source of Finance</b>		
Capital Receipts	(1,152)	(537)
Government Grants and External Financing	(458)	(600)
Other External Contributions	(76)	(403)
General Fund Revenue Contributions	(872)	(1,230)
Housing Revenue Account Contributions	(1,872)	(1,554)
Planning Agreements - S106 Developer Contributions	(291)	(1)
<b>Total Financing</b>	<b>(4,720)</b>	<b>(4,326)</b>
Minimum Revenue Provision	(197)	(206)
Voluntary Revenue Contribution	(131)	(131)
Actual Loan Principal Repaid	0	0
<b>Total Repayments and Revenue Provisions</b>	<b>(329)</b>	<b>(337)</b>
<b>Capital Financing Requirement at 31 March</b>	<b>66,574</b>	<b>66,902</b>
<b>Actual Borrowings Outstanding - Gross (Note 17)</b>	<b>57,451</b>	<b>57,451</b>
<b>Investments</b>		
Short-term Investments Outstanding	(43,350)	(33,500)
Long-term Investments Outstanding	(4,000)	(2,000)
<b>Net Borrowings Outstanding (Gross less Investments)</b>	<b>10,101</b>	<b>21,951</b>

## 33. Leases

# Notes to the Financial Statements (continued)

For the year ended 31<sup>st</sup> March 2020

Other land and building leases primarily consist of the lease of an Industrial Estate where the rental payable in 2019/20 was **£50k** (2018/19: £50k) plus some other minor commercial properties. The total future cash payments required under these leases are estimated at £360k (2018: £350k).

The Council was committed at 31<sup>st</sup> March 2019 to making payments of **£307k** (2019: £360k) under operating leases, comprising the following elements:

£000's	2020			2019		
	Other Land and Buildings	Vehicles, Plant and Equipment	Total	Other Land and Buildings	Vehicles, Plant and Equipment	Total
Within one year	55	-	55	54	-	54
Between two & five years	192	-	192	213	-	213
After five years	60	-	60	94	-	94
	<b>307</b>	-	<b>307</b>	<b>360</b>	-	<b>360</b>

The Council rents some properties to tenants under lease arrangements. Amounts receivable under these leases in 2019/20 was **£788k** (2018/19: £753k). The asset value of these properties at 31<sup>st</sup> March 2020 was **£6,333k** (2019: £5,845k)

## 34. Defined Benefit Pension Schemes

### Nature of the Scheme

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

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

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

### Participation in the Local Authority Pension Scheme

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

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

## 34. Defined Benefit Pension Schemes (continued)

### Governance of the Council's Pension Scheme

# Notes to the Financial Statements (continued)

For the year ended 31<sup>st</sup> March 2020

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

## Pensions Risk

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

## Discretionary Post Retirement Benefits

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

## Transactions relating to retirement benefits – CIES Charges

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

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

## 34. Defined Benefit Pension Schemes (continued)

£000's

2019/20

2018/19

# Notes to the Financial Statements (continued)

For the year ended 31<sup>st</sup> March 2020

<b>Included in Net Cost of Services:</b>		
Current Service Cost	3,471	2,872
Past Service Cost/(Gain) including curtailments	-	603
Pension Strain	-	-
	3,471	3,475
<b>Included in Financing and Investment Income and Expenditure</b>		
Interest income on plan assets	(2,242)	(2,403)
Interest cost on defined benefit obligations	3,262	3,279
	1,020	876
<b>Net charge/(credit) to the Comprehensive Income and Expenditure Account</b>	<b>4,491</b>	<b>4,351</b>
<b>Other Comprehensive Income and Expenditure</b>		
Changes in demographic assumptions	(4,220)	-
Changes in financial assumptions	(9,568)	10,103
Other Experience	(19,142)	18
Return on assets excluding amounts included in net interest	16,294	(2,653)
<b>Total</b>	<b>(16,636)</b>	<b>7,468</b>
<b>Adjustments Between Accounting Basis and Funding Basis under Regulations</b>		
Reversal of items relating to retirement benefits debited or credited on the Provision of Services in the CIES	(4,491)	(4,351)
<b>Actual Amount Charged Against the General Fund Balance for Pensions in the Year</b>		
Employers' Contributions Payable to the Scheme	1,899	1,838
<b>Net (credit)/charge to the General Fund</b>	<b>(2,592)</b>	<b>(2,513)</b>

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

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

Reconciliation of the Present Value of the Scheme Liabilities £000's	2019/20	2018/19
Balance at 1 April	(135,436)	(121,034)
Current Service Cost	(3,471)	(2,872)
Past Service Cost	-	(603)
Interest Cost on Defined Benefit Obligation	(3,262)	(3,279)
Contributions by Members	(508)	(484)
Changes in Demographic Assumptions	4,220	-
Changes in Financial Assumptions	9,568	(10,103)
Past Service (Costs) including curtailments	-	-
Effect of business combinations and disposals	-	-
Other Experience	19,142	(18)
Estimated Benefits Paid	3,431	2,809
Unfunded Benefits	151	148
<b>Balance at 31 March</b>	<b>(106,165)</b>	<b>(135,436)</b>

## 34. Defined Benefit Pension Schemes (continued)

Reconciliation of the Present Value of the Scheme Assets	2019/20	2018/19
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# Notes to the Financial Statements (continued)

For the year ended 31<sup>st</sup> March 2020

£000's		
Balance as at 1 April	93,787	89,366
Interest Income on Plan Assets	2,242	2,403
Contributions by Members	508	484
Contributions by Employer	1,748	1,690
Contributions in respect of unfunded benefits	151	148
Return on Assets excluding amounts included in net interest	(16,294)	2,653
Effect of business combinations and disposals	-	-
Estimated Benefits Paid	(3,431)	(2,809)
Unfunded Benefits Paid	(151)	(148)
Balance at 31 March	<b>78,560</b>	<b>93,787</b>

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

## Analysis of scheme assets and liabilities

£000's	2020	2019	2018	2017	2016
Fair Value of Assets in Pension Scheme	78,560	93,787	89,366	86,858	54,972
Present Value of Defined Benefit Obligation	(106,165)	(135,436)	(121,034)	(119,753)	(78,921)
(Deficit) in the Scheme	(27,605)	(41,649)	(31,668)	(32,895)	(23,950)

The table shows that there is a continuing deficit on the Pension Scheme. This can fluctuate between years due to changes in assumptions and the value of annual payments into the Fund. The liabilities show the underlying commitments that the Council has in the long-term to pay retirement benefits. The total liability of £134.8m (2018: £121.0m) has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in a net liability of £41.0m (2018: £31.6m).

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

The net increase in the deficit in 2018/19 is approximately £9.3m. Corporate bond yields are lower at 31<sup>st</sup> March 2019 than at 31<sup>st</sup> March 2018 which serves to increase the value placed on the obligations. The effect of this has been partially offset by investment returns being greater than the 31<sup>st</sup> March 2018 discount rate. However, service costs and net interest of the Fund are broadly in line with prior year assumptions.

## Major categories of plan assets

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

## 34. Defined Benefit Pension Schemes (continued)

£000's	2020	2020	2020	2020	2019	2019	2019	2019
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# Notes to the Financial Statements (continued)

For the year ended 31<sup>st</sup> March 2020

	Quoted Prices in Active Markets	Quoted Prices not in Active Markets	Total	Percentage of Total Assets	Quoted Prices in Active Markets	Quoted Prices not in Active Markets	Total	Percentage of Total Assets
<b>Equity Securities:</b>								
Consumer	2,142	0	2,142	3%	5,697	0	5,697	6%
Manufacturing	1,225	0	1,225	2%	5,919	0	5,919	7%
Energy & Utilities	575	0	575	1%	4,146	0	4,146	5%
Financial Institutions	865	0	865	1%	4,567	0	4,567	5%
Health & Care	1,236	0	1,236	2%	2,972	0	2,972	3%
Information Technology	1,841	0	1,841	2%	2,240	0	2,240	2%
Other	6,513	0	6,513	8%	10,024	0	10,024	10%
<b>Government Bonds:</b>								
Corporate Bonds (investment grade)	0	9,942	9,942	13%	0	9,892	9,892	10%
UK Government	7,805	0	7,805	10%	8,738	0	8,738	10%
Other	1,966	0	1,966	3%	1,826	0	1,826	2%
<b>Private Equity:</b>								
All	930	1,690	2,620	3%	1,308	1,253	2,560	3%
<b>Real Estate</b>								
UK property	0	6,904	6,904	9%	0	7,481	7,481	8%
<b>Investment Funds &amp; Unit Trusts</b>								
Equities	24,097	0	24,097	31%	16,520	0	16,520	17%
Bonds	0	0	0	0%	0	0	0	0%
Infrastructure	1,314	4,507	5,821	7%	1,479	2,277	3,755	4%
<b>Cash &amp; Cash Equivalents</b>								
All	0	5,008	5,008	6%	0	7,450	7,450	7%
	50,509	28,051	78,560	100%	65,435	28,352	93,787	100%

## Basis for Estimating Liabilities

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

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

## 34. Defined Benefit Pension Schemes (continued)

2019/20 2018/19

# Notes to the Financial Statements (continued)

For the year ended 31<sup>st</sup> March 2020

<b>Mortality Assumptions (years):</b>		
Men	21.6	21.9
Women	23.7	24.4
<b>Longevity at 65 for Future Pensioners:</b>		
Men	22.6	23.9
Women	25.1	26.5
<b>Principal Assumptions in the Valuation of the Liability</b>		
Inflation / Rate of Increase in Pensions	1.90%	2.50%
Rate of Increase in Salaries	2.60%	3.00%
Discount Rate	2.30%	2.40%
<b>Take-up of option to convert annual pension into retirement lump sum:</b>		
Service to April 2008	50%	50%
Service post April 2008	75%	75%

## Information about the Defined Benefit Obligation

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

Change in assumptions at 31 March 2020	Liability Split %	Weighted Average Duration
Active Members	40.30	23.10
Deferred Members	25.20	22.90
Pensioner Members	34.50	11.80
	<b>100.00</b>	<b>17.60</b>

## Sensitivity Analysis

The sensitivity analysis shows the effect a change in financial assumptions used would have on the value of the scheme liabilities as at 31<sup>st</sup> March 2020 on varying basis.

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

Change in assumptions at 31 March 2020	Approximate % Increase to Employer Liability	Approximate monetary amount £000
0.5% decrease in Real Discount Rate	9.0	9,853
0.5% increase in Salary Increase Rate	1.0	769
0.5% increase in Pension Increase Rate	8.0	9,013

## 34. Defined Benefit Pension Schemes (continued)

# Notes to the Financial Statements (continued)

For the year ended 31<sup>st</sup> March 2020

## Projected Defined Benefit Cost for the Period 31 March 2021

The Projected Defined Benefit is an analysis of the projected amount to be charged to the operating profit for the period to the 31<sup>st</sup> March 2021 and is shown in the following table.

Period Ended 31 March 2021	Assets	Obligations	Net (Liability)/asset	
	£000	£000	£000	% of pay
Projected Service Cost	0	2,603	(2,603)	(34)
Past Service Cost including curtailments	0	0	0	0
Effects of settlements	0	0	0	0
<b>Total Service Cost</b>	<b>0</b>	<b>2,603</b>	<b>(2,603)</b>	<b>(34)</b>
Interest Income on plan assets	1,799	0	1,799	23
Interest cost on defined benefit obligation	0	2,441	(2,441)	(32)
<b>Total Net Interest Cost</b>	<b>1,799</b>	<b>2,441</b>	<b>(642)</b>	<b>(8)</b>
<b>Total Included in Profit &amp; Loss</b>	<b>1,799</b>	<b>5,044</b>	<b>(3,245)</b>	<b>(42)</b>

## 35. Contingent Liabilities

There are no contingent liabilities to be reported by the Council in 2019/20.

## 36. Prior Year Adjustment

A review of Housing Benefit Overpayments has been undertaken in year and an increase to the reported Debtors of £1.71m and Bad Debt Provision of £0.35m for 2018/19 has been made. Restatements have been made to the Comprehensive Income and Expenditure Statement, the Balance Sheet, Cash Flow Statement, Movement in Reserves plus Notes 7, 9, 17, 18 and 24.

The Council has reflected the full impact of the above in 2018/19. If the Council had restated the 2018/19 Opening Balance Sheet, this would have increased the reported Debtor by £1.67m and Bad Debt Provision by £0.30m.

The impact on the Comprehensive Income and Expenditure statement for 2018/19 is to increase income and expenditure in respect of Finance and Management by £1.71m and £0.35m respectively.

# Housing Revenue Account

For the year ended 31<sup>st</sup> March 2020

## Income and Expenditure Account

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

	2019/20	2018/19
General	1,822	1,877
Special	870	823
Rents, rates & taxes	37	37
Depreciation & Impairment of NCA's	3,294	2,597
Provision for Bad Debts	136	64
<b>Supervision &amp; Management</b>	<b>6,160</b>	<b>5,398</b>
Repairs & Maintenance	2,771	2,561
<b>Total Expenditure</b>	<b>8,931</b>	<b>7,959</b>
Dwelling Rents	(11,872)	(12,097)
Non-Dwelling Rents	(114)	(112)
Charges for Services & Facilities	(209)	(214)
Contributions towards Expenditure	(21)	(42)
Supporting People	(183)	(175)
<b>Total Income</b>	<b>(12,400)</b>	<b>(12,639)</b>
<b>Net Cost of HRA Services as included in the Comprehensive I&amp;E</b>	<b>(3,469)</b>	<b>(4,680)</b>
HRA share of Corporate & Democratic Core	140	139
<b>Net Cost of HRA Services</b>	<b>(3,329)</b>	<b>(4,541)</b>
Losses/(Gains) on sale of HRA non-current assets	(17)	(336)
Interest payable and similar charges	1,598	1,593
HRA investment income	(205)	(109)
Pensions interest cost & expected return on pension assets	140	139
<b>Surplus for Year on HRA Services</b>	<b>(1,814)</b>	<b>(3,255)</b>

# Housing Revenue Account

For the year ended 31<sup>st</sup> March 2020

## Movement on the Housing Revenue Account

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

£000's	2019/20	2018/19
Balance at the beginning of the year	6,919	5,147
Surplus/(Deficit) for the year on the HRA Income and Expenditure Statement	1,814	3,255
Transfers in Reserves	(111)	(166)
Adjustments between accounting and funding basis under regulations	(362)	(1,317)
Increase for the year on the HRA	1,341	1,772
<b>Balance at the end of the year</b>	<b>8,260</b>	<b>6,919</b>

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

£000's	2019/20	2018/19
<b>Items included in the HRA Income and Expenditure Account but excluded from the movement on HRA Balance for the year</b>		
Revaluation and impairment of non-current assets <sup>1</sup>	3,294	2,597
Retirement benefits charged/(credited) <sup>2</sup>	615	689
Adjustments in relation to Short Term compensated absences	2	(2)
(Gains)/losses on sale of HRA non-current assets <sup>1,3</sup>	(17)	(291)
	<b>3,894</b>	<b>2,993</b>
<b>Items not included in the HRA Income and Expenditure Account but included in the movement on HRA Balance for the year</b>		
Revenue contribution to finance major repairs	(2,496)	(1,979)
Revenue contributions to finance new build	-	-
Revenue contributions to finance debt repayment and capital	(1,500)	(2,039)
Employer's contributions payable to the Pensions Fund and retirement benefits payable direct to pensioners <sup>2</sup>	(260)	(291)
	<b>(4,256)</b>	<b>(4,309)</b>
<b>Net additional amount required by statute to be debited or (credited) to the HRA for the year</b>	<b>(362)</b>	<b>(1,317)</b>

## Notes

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

# Notes to the Housing Revenue Account

For the year ended 31<sup>st</sup> March 2020

## 1. Introduction

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

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

## 2. Housing Stock

The number of dwellings in the Council's housing stock, as at 31<sup>st</sup> March 2020, totalled 2,970 (2019: 2,971) properties. This followed the sale of 16 properties under the Government's Right to Buy Scheme plus acquisitions of 15 dwellings, 2 of which were former Right to Buy. The stock is broken down over type of properties as shown in the following table.

	2019/20	2018/19	2017/18
Houses	1,538	1,540	1,562
Flats	793	793	793
Bungalows	639	638	638
	<b>2,970</b>	<b>2,971</b>	<b>2,993</b>

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

The vacant possession value (open market value) of Council dwellings as at 31<sup>st</sup> March 2020 was £297,568 (2019: £292,551k). This does not compare to the Balance Sheet, which shows the Existing Use Value, the difference being an indication of the economic and social costs of providing Council housing at less than market rent.

## 3. Major Repairs Reserve

The Major Repairs Reserve is used to fund major improvements to Council properties. Expenditure financed from this Reserve is shown in Note 5. The movement on the Reserve during the 2019/20 is summarised below:

£000's	2019/20	2018/19
Balance at the beginning of the year	3,454	4,271
Add Depreciation Provision	3,854	3,676
Use of Capital Receipts Reserve	-	-
Revenue Contribution for Capital	2,532	1,968
<b>Amount available for capital expenditure on HRA Land, Houses and Other Property</b>	<b>9,841</b>	<b>9,915</b>
Less Capital expenditure in the year (including Depreciation)	(5,651)	(4,944)
Transfer to Debt Repayment Reserve	-	(1,517)
<b>Balance at the end of the year</b>	<b>4,190</b>	<b>3,454</b>

# Notes to the Housing Revenue Account

For the year ended 31<sup>st</sup> March 2020

## 4. Property, Plant and Equipment

Year ended 31 March 2020	Council Dwellings	Land and Buildings	Vehicles, Plant and Equipment	Assets Under Construction	Surplus Assets	Total Property, Plant and Equipment	Investment Properties	Total
£000's								
<b>Cost or valuation</b>								
At 1 April 2019	122,871	2,276	272	517	105	126,042	211	126,253
Additions	2,877	-	-	353	-	3,230	-	3,230
Disposals	(731)	-	-	-	-	(731)	-	(731)
Transfers	869	-	-	(869)	-	-	-	-
Revaluations	(909)	-	-	-	-	(909)	-	(909)
<b>At 31 March 2020</b>	<b>124,978</b>	<b>2,276</b>	<b>272</b>	<b>0</b>	<b>105</b>	<b>127,632</b>	<b>211</b>	<b>127,843</b>
<b>Depreciation and Impairment</b>								
At 1 April 2019	-	-	(18)	-	-	(18)	-	(18)
Charge for the Year	(3,721)	(126)	(5)	-	-	(3,852)	-	(3,852)
Disposals	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-
Impairments	1,466	2	-	-	-	1,468	-	1,468
Revaluations	2,255	124	-	-	-	2,379	-	2,379
<b>At 31 March 20120</b>	<b>(0)</b>	<b>(0)</b>	<b>(23)</b>	<b>-</b>	<b>-</b>	<b>(23)</b>	<b>-</b>	<b>(23)</b>
<b>Net Book Value</b>								
<b>At 31 March 2020</b>	<b>124,978</b>	<b>2,276</b>	<b>249</b>	<b>0</b>	<b>105</b>	<b>127,609</b>	<b>211</b>	<b>127,820</b>
At 1 April 2019	122,871	2,276	253	517	105	126,023	211	126,234

# Notes to the Housing Revenue Account

For the year ended 31<sup>st</sup> March 2020

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

Year ended 31 March 2019	Council Dwellings	Land and Buildings	Vehicles, Plant and Equipment	Assets Under Construction	Surplus Assets	Total Property, Plant and Equipment	Investment Properties	Total
£000's								
<b>Cost or valuation</b>								
At 1 April 2018	123,402	2,276	116	-	105	125,899	211	126,110
Additions	1,302	-	240	517	-	2,059	-	2,059
Disposals	(976)	-	(84)	-	-	(1,061)	-	(1,061)
Transfers	-	-	-	-	-	-	-	-
Revaluations recognised in the Revaluation Reserve	(857)	-	-	-	-	(857)	-	(857)
<b>At 31 March 2019</b>	<b>122,871</b>	<b>2,276</b>	<b>272</b>	<b>517</b>	<b>105</b>	<b>126,041</b>	<b>211</b>	<b>126,252</b>
<b>Depreciation and Impairment</b>								
At 1 April 2018			(98)			(98)	-	(98)
Charge for the Year	(3,561)	(109)	(5)	-	-	(3,674)	-	(3,674)
Disposals	-	-	84	-	-	84	-	84
Transfers	-	-	-	-	-	-	-	-
Impairments recognised in the Provision of Services	2,484	2	-	-	-	2,486	-	2,486
Depreciation written out to the revaluation reserve	1,077	107	-	-	-	1,184	-	1,184
<b>At 31 March 2019</b>	<b>-</b>	<b>0</b>	<b>(18)</b>	<b>-</b>	<b>-</b>	<b>(18)</b>	<b>-</b>	<b>(18)</b>
<b>Net Book Value</b>								
<b>At 31 March 2019</b>	<b>122,871</b>	<b>2,276</b>	<b>253</b>	<b>517</b>	<b>105</b>	<b>126,023</b>	<b>211</b>	<b>126,234</b>
At 1 April 2018	123,402	2,276	18	-	105	125,801	211	126,012

# Notes to the Housing Revenue Account

For the year ended 31<sup>st</sup> March 2020

## 5. Capital Expenditure

£000's	2019/20	2018/19
<b>Capital Investment</b>		
Operational Assets	3,306	2,105
	<b>3,306</b>	<b>2,105</b>
<b>Sources of Funding</b>		
External Grants	62	135
Capital Receipts in year	1,058	382
Revenue contribution	2,186	1,588
Capital Receipts Reserve	-	-
Major Repairs Reserve	-	-
	<b>3,306</b>	<b>2,105</b>

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

£000's	2019/20	2018/19
Land	-	-
Council Homes	(1,060)	(1,579)
<b>Total Receipts</b>	<b>(1,060)</b>	<b>(1,579)</b>
Less: Pooled payments to Central Government	312	312
<b>Net Receipts Retained (transferred to Capital Receipts Reserve)</b>	<b>(748)</b>	<b>(1,267)</b>

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

## 7. Rent Arrears

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

£000's	2019/20	2018/19
Current Tenant Arrears	442	309
Former Tenant Arrears	116	101
<b>Total Tenant Arrears</b>	<b>558</b>	<b>410</b>

## 8. Provision for Bad and Doubtful Debts

The provision for bad and doubtful debts relating to rents and other charges, made against the Rent Arrears in Note 7 above, is £369k (2019: £251k).

# Notes to the Housing Revenue Account

For the year ended 31<sup>st</sup> March 2020

## 9. Depreciation and Impairment of Fixed Assets

The Dwellings in the Housing Revenue Account were valued as at £297,568k. After taking account of houses sold in 2019/20 and the Social Housing Discount Factor, the vacant possession value of the remaining dwellings at 31 March 2020 was £124,978k (2019: £122,871k). The lower figure of £124,978k shown in the accounts represents the cost to the Council of providing housing at less than open market rents. As a result of the valuation the CIES was credited with £2,484k (2017/18: £4,452k) for the reversal of previous year impairments. This gain has been transferred to the Capital Adjustment Account.

The Housing Revenue Account assets were valued as at 31<sup>st</sup> March 2020; the balance sheet value reflects sales of dwellings and depreciation in the year. The revaluation was in accordance with the Government's resource accounting policy, at Existing Use Value - Social Housing. The Social Housing Discount Factor is 42%.

As shown in Note 4, Depreciation of £3,852k (2019: £3,674k) has been charged to the HRA. This figure is made up of £3,852k (2019: £3,561k) for Council Dwellings and £131k (2019: £113k) in respect of garages, shops and other assets. These amounts have been credited back to the HRA below the net operating expenditure as a transfer from the Major Repairs Reserve.

## 10. Pension Costs

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

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

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

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

# The Collection Fund

For the year ended 31<sup>st</sup> March 2020

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

£000's	2019/20	2018/19
<b>Income</b>		
Council Tax Income	(62,163)	(57,262)
Business Rates Income	(27,253)	(25,226)
Transitional Protection Payments	(635)	(771)
<b>Total Income</b>	<b>(90,051)</b>	<b>(83,258)</b>
<b>Expenditure</b>		
Council Tax Precepts (Note 4)	60,010	55,923
Business Rates Precepts (Note 6)	26,796	26,676
Previous Year's Surplus/(Deficit) Paid to/by Preceptors (Notes 4 & 6)	527	(264)
Cost of Collection	91	91
Provision for Bad and Doubtful Debts	(154)	690
Provision for Business Rates Appeals	(241)	(72)
<b>(Surplus) / Deficit on the Fund</b>	<b>(3,022)</b>	<b>(213)</b>
Fund Balance Brought Forward	(1,442)	(1,229)
(Surplus) / Deficit in Year	(3,022)	(213)
<b>Fund Balance as at 31st March</b>	<b>(4,465)</b>	<b>(1,442)</b>
Council Tax Element (Note 1)	(3,310)	(1,819)
Business Rate Element	(1,155)	377

The increase in income for 2019/20 was due to continuing growth in the number of both residential and commercial properties, i.e. the Council’s Tax Base together with an average Band D equivalent of 4.67% across all Preceptors. South Derbyshire set its increase at 1.95%.

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

During 2019/20, the settlement of Business Rates Appeals from the 2010 valuation list resulted in a release of a proportion of the provision made in previous years of £241k.

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

# Notes to the Collection Fund

For the year ended 31<sup>st</sup> March 2020

## 1. Council Tax

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

- a) Interest is not payable between the General Fund and the Collection Fund on cash-flow deficits/surpluses. All interest is payable directly to the General Fund, as shown on the Income and Expenditure Account.
- b) The year end surplus or deficit on the Collection Fund is distributed to the Billing and Precepting Authorities on the basis of estimates, made in January of each year-end balance. This also applies to the Business Rates element.

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

	2019/20	2018/19
Derbyshire County Council	(2,430)	(1,343)
Derbyshire Police and Crime Commissioner	(398)	(203)
Derbyshire Fire and Rescue Authority	(140)	(79)
	(2,968)	(1,625)
South Derbyshire District Council	(342)	(193)
	<b>(3,310)</b>	<b>(1,819)</b>

## 2. Council Tax Valuation Bands

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

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

## 3. Council Tax Base

The amount of Council Tax payable is calculated by establishing a 'Council Tax Base'. This is the Council's estimated number of chargeable dwellings subject to Council Tax, expressed in relation to those dwellings in Band D. The Tax Base for 2019/20 was based on 43,964 chargeable dwellings (42,994 in 2018/19).

After allowing for national exemptions and local discounts, such as the Single Persons Discount, the Tax Base for 2019/20, on which the Council Tax rate was set, is shown in the following table.

# Notes to the Collection Fund

For the year ended 31<sup>st</sup> March 2020

## 3. Council Tax Base (continued)

Band	Calculated number of Dwellings	Ratio to Band D	Equivalent number of Dwellings 2019/20	Equivalent number of Dwellings 2018/19
X	22	5/9	12	10
A	7,809	6/9	5,206	5,167
B	8,195	7/9	6,374	6,267
C	6,825	8/9	6,067	5,825
D	6,491	1	6,491	6,312
E	3,941	11/9	4,817	4,621
F	1,902	13/9	2,748	2,707
G	877	15/9	1,461	1,450
H	63	18/9	126	130
			<b>33,302</b>	<b>32,488</b>

The Band D Council Tax rate for South Derbyshire District Council was £162.31 (2018/19: £159.21).

## 4. Council Tax Precepts and Demands

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

2018/19 £000's	Precept	Surplus	Total
Derbyshire County Council	41,302	367	41,669
Derbyshire Police and Crime Commissioner	6,253	56	6,309
Derbyshire Fire and Rescue Authority	2,427	22	2,449
South Derbyshire District Council	5,942	55	5,997
	<b>55,923</b>	<b>500</b>	<b>56,423</b>

# Notes to the Collection Fund

For the year ended 31<sup>st</sup> March 2020

## 5. Non-Domestic Rates

Non-Domestic Rates are managed on a National basis. The Government specifies an amount and subject to the effects of transitional arrangements and any other prevailing reliefs, local businesses pay rates calculated by multiplying their rateable value by that amount. In 2019/20 the amount was 50.4p in the pound (2018/19: 49.3p). The Council is responsible for collecting rates due from the ratepayers in its area.

The total rateable value of business premises in South Derbyshire at 31<sup>st</sup> March 2020 was £67,491,046 (2019: £65,975,301) – an increase of 2.3%, mainly due to growth in new business units and expansions. The total amount of Non Domestic Rates collected is shared on the following basis:

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

The surplus balance on the Business Rates element of £1,151k on the Collection Fund Account, has been disaggregated for the purpose of these Accounts to attribute relevant amounts to the precepting authorities and the Council as the Billing Authority as follows:

£000's	2019/20	2018/19
Central Government	(530)	(285)
Derbyshire County Council	(142)	413
Derbyshire Fire and Rescue Authority	(12)	4
	(683)	132
South Derbyshire District Council	(472)	189
	<b>(1,155)</b>	<b>377</b>

## 6. Non-Domestic Rates Demands

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

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

# Notes to the Collection Fund

For the year ended 31<sup>st</sup> March 2020

## 6. Non-Domestic Rates Demands (continued)

2018/19 <i>£000's</i>	Precept	Deficit	Total
Central Government	-	(382)	(382)
Derbyshire County Council	13,071	(69)	13,003
Derbyshire Fire and Rescue Authority	267	(8)	259
South Derbyshire District Council	13,338	(306)	13,033
	<b>26,676</b>	<b>(764)</b>	<b>25,913</b>

# Glossary

## **ACCOUNTING PERIOD**

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

## **ACCRUALS**

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

## **ACTUARIAL GAINS AND LOSSES**

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

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

## **ASSET**

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

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

## **AUDIT OF ACCOUNTS**

An independent examination of the Council's financial affairs.

## **BALANCE SHEET**

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

## **BUDGET**

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

## **CAPITAL EXPENDITURE**

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

## **CAPITAL FINANCING**

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

## **CAPITAL PROGRAMME**

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

# Glossary

## **CAPITAL RECEIPT**

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

## **CIPFA**

The Chartered Institute of Public Finance and Accountancy.

## **COLLECTION FUND**

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

## **COMMUNITY ASSETS**

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

## **CONSISTENCY**

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

## **CONTINGENT ASSET**

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

## **CONTINGENT LIABILITY**

A contingent liability is either:

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

## **CORPORATE AND DEMOCRATIC CORE**

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

## **CREDITOR**

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

## **CURRENT SERVICE COST (PENSIONS)**

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

## **DEBTOR**

# Glossary

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

## **DEFINED BENEFIT PENSION SCHEME**

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

## **DEPRECIATION**

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

## **DISCRETIONARY BENEFITS (PENSIONS)**

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

## **EQUITY**

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

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

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

## **EXCEPTIONAL ITEMS**

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

## **EXPECTED RETURN ON PENSION ASSETS**

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

## **EXTRAORDINARY ITEMS**

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

## **FAIR VALUE**

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

## **GENERAL FUND**

# Glossary

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

## **GOING CONCERN**

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

## **GOVERNMENT GRANTS**

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

## **HOUSING BENEFITS**

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

## **HOUSING REVENUE ACCOUNT (HRA)**

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

## **IMPAIRMENT**

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

## **INCOME AND EXPENDITURE ACCOUNT**

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

## **INFRASTRUCTURE ASSETS**

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

## **INTANGIBLE ASSETS**

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

## **INTEREST COST (PENSIONS)**

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

## **INVESTMENTS (PENSION FUND)**

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

## **LIABILITY**

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

# Glossary

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

## **LIQUID RESOURCES**

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

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

## **MATERIALITY**

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

## **MINIMUM REVENUE PROVISION (MRP)**

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

## **NET BOOK VALUE**

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

## **NET DEBT**

The Council's borrowings less cash and liquid resources.

## **NON-DISTRIBUTED COSTS**

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

## **NATIONAL NON-DOMESTIC RATES (NNDR)**

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

## **NON-OPERATIONAL ASSETS**

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

## **OPERATING LEASE**

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

## **OPERATIONAL ASSETS**

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

# Glossary

## **PAST SERVICE COST (PENSIONS)**

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

## **PENSION SCHEME LIABILITIES**

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

## **PRECEPT**

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

## **PRIOR YEAR ADJUSTMENT**

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

## **PROVISION**

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

## **PUBLIC WORKS LOAN BOARD (PWLB)**

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

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<b>REPORT TO:</b>	<b>FINANCE AND MANAGEMENT COMMITTEE (SPECIAL – BUDGET)</b>	<b>AGENDA ITEM: 8</b>
<b>DATE OF MEETING:</b>	<b>7<sup>th</sup> JANUARY 2021</b>	<b>CATEGORY: RECOMMENDED</b>
<b>REPORT FROM:</b>	<b>STRATEGIC DIRECTOR (CORPORATE RESOURCES)</b>	<b>OPEN</b>
<b>MEMBERS' CONTACT POINT:</b>	<b>VICKI SUMMERFIELD (01283595939)</b> <a href="mailto:victoria.summerfield@southderbyshire.gov.uk">victoria.summerfield@southderbyshire.gov.uk</a>	<b>DOC:</b> s/finance/committee/202021/Jan/budget
<b>SUBJECT:</b>	<b>SERVICE BASE BUDGETS 2021 - 2022</b>	<b>REF:</b>
<b>WARD (S) AFFECTED:</b>	<b>ALL</b>	<b>TERMS OF REFERENCE: FM 08</b>

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## **1.0 Recommendations**

- 1.1 That the proposed revenue income and expenditure for 2021/22 as detailed in **Appendix 1** for the Committee's Services are considered and included in the consolidated proposals for the General Fund.
- 1.2 That the proposed fees and charges as detailed in **Appendix 2** for 2021/22 are considered and approved.
- 1.3 That consideration is given to the level of any increase in contributions to Parish Councils in 2021/22 for Concurrent Functions.

## **2.0 Purpose of Report**

- 2.1 As part of the annual financial planning cycle, the report details the Committee's proposed base budget for 2021/22, with a comparison to the current year budget. This includes an overview of the Committee's main spending areas.
- 2.2 It is proposed that the estimated income and expenditure is included in the consolidated budget of the Council for 2021/22 subject to the Council's overall medium-term financial position. This will be subject to a separate report to the Committee on 11<sup>th</sup> February 2021.
- 2.3 The report also sets out proposals for the level of fees and charges under the responsibility of this Committee for the next financial year, 2021/22.

## **3.0 Summary and Overview**

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

- 3.2 It is also responsible for the strategic management of the Council's property portfolio, revenue collection, benefit payments and treasury management, etc. As such, the associated income and expenditure is a significant part of the Council's financial position.
- 3.3 In addition, several of these spending areas provide statutory, governance, legal and advisory support for the Council.
- 3.4 In accordance with local government accounting regulations, Central Support Services are no longer required to be recharged and allocated across other Policy Committees.

### The Council's Overall Financial Position

- 3.5 The Council's MTFP was reviewed and updated in November 2020. The overall position on the General Fund has not changed fundamentally over the last year. The current level of the General Fund Reserve remains above the £1.5m statutory balance by the end of the planning cycle.
- 3.6 However, the continuing issue is the projected deficits each year over the life of the Plan. Although the current level of reserves can be utilised to meet the projected deficits, this is not a sustainable solution in the longer-term. Delays to the Fair Funding Review also leaves the Council with uncertainty regarding future funding past 2021/22.
- 3.7 Therefore, ahead of considering the wider Council position, it is important that the Committee scrutinises its own spending base closely to identify potential budget savings and carefully examines any areas where there are cost pressures, together with any proposals to increase spending.

### Summary of Expenditure

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

	2021/22 £	2020/21 £	Movement £
Central Support Services	4,075,360	3,913,496	161,864
Corporate & Democratic Costs	534,770	500,053	34,717
Elections & Registration	228,425	222,502	5,922
Parishes, Interest, S106 Receipts & Provisions	725,594	618,745	106,849
Estate Management	-267,508	-276,481	8,972
Revenues & Benefits	676,265	629,479	46,786
	<b>5,972,905</b>	<b>5,607,795</b>	<b>365,110</b>

- 3.9 The above table shows that the Committee's net expenditure is estimated to increase overall between 2020/21 and 2021/22 by £365,110. An analysis of the changes within each service area is detailed in **Appendix 1**. Although this increase looks significant at approximately 6%, a large proportion of the movement between years was expected and included in the MTFP, such as a reduction in interest on investments and an increase in Members Allowances. Transfers from other policy Committees are also included within the above movement which are not an increased cost to the Council overall.

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

	£'000
Salaries	80
Bad Debt provision	75
Transfer from Housing & Community Services	50
Investment income	30
Member's Allowances	24
Earmarked reserve drawdown	22
ICT Strategy	20
Transfer from Environmental & Development Services	18
Industrial unit void allowance	10
NNDR charges	6
Cleaning materials	6
Protective clothing due to growth	6
Benefits and grant income	5
Insurance	5
Van hire	4
Professional fees	3
Stationery	-5
Printing and postage	-10
Computer maintenance agreements	-24
HRA recharge	-36
	<b>289</b>
Depreciation	76
<b>Base Budget Increase</b>	<b>365</b>

3.11 Excluding the increase in Depreciation, which is an accounting adjustment and not a cost to the Council, the increase in actual expenditure based on the proposed budgets, is £289k.

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

### **Salaries**

3.13 The budget has increased for incremental salary rises plus career graded trainee posts. Both areas were included within the MTFP in November.

### **Bad Debt Provision**

3.14 The bad debt provision for the General Fund includes debtors for Housing Benefit Overpayments, Bed and Breakfast and Sundry Debt. Over the past two years, the average provision charge has been approximately £150k.

3.15 It is proposed to increase the provision to £175k as the MTFP currently includes a provision of £100k each year. This is in light of the fact that there has been an additional cost incurred each year previously but also with the risk that debt recovery will be affected due to the pandemic therefore it is prudent to make an allowance for this.

### **Transfers between Committees**

- 3.16 As noted within both reports to Housing and Community Services and Environmental and Development Services, proposals have been made to transfer budgets from these Policy Committees into Finance and Management.
- 3.17 The responsibility for repairs and maintenance was transferred to the Head of Corporate Property as part of the Senior Management restructure in 2019. It is proposed to now transfer budgets for Green Bank Leisure Centre and Melbourne Assembly Rooms of £50k from Housing and Community Services for more transparent monitoring going forward.
- 3.18 A transfer of the budget of £18k for computer maintenance agreements for GIS from Street Naming and Numbering within Environmental and Development Services Committee into Digital Services within Finance and Management Committee has also been made.

### **Investment Income**

- 3.19 The reduction expected on investment income is in line with the MTFP as reported in November and is due to interest rates falling and likely lower levels of cash.

### **Members Allowances**

- 3.20 The remuneration review was reported to Full Council in July and included an increase on allowances that are to be phased over a three-year period. This additional cost was included in the updated MTFP in November.

### **Earmarked Reserves**

- 3.21 There is a reduction in reserve funding proposed in 2021/22 for the Housing Benefits Service.
- 3.22 Earmarked funding in 2020/21 was for professional services, undertaken with Erewash Borough Council, regarding the production of documents and eligibility checks. The Council is no longer looking to use the support going forwards as the Council's own technology is being upgraded to provide these services. Therefore, there has also been a budgeted saving included within this service area.

### **ICT Strategy**

- 3.23 There has been an increased budget proposed on licences and computer maintenance agreements (£42k) controlled by the Head of Business Change and ICT with a reduction on telephones and internet charges (£22k).
- 3.24 Movements in these cost lines were expected and included within the ICT Strategy provision in the MTFP. The strategy budget will now be reduced to compensate for the base budget increase.

### **Industrial Unit Voids**

- 3.25 It has been proposed to increase the income losses through void properties, as a result of Covid-19, as a prudent measure for budgeting purposes.

## HRA Recharges

- 3.26 A full review was undertaken for recharges from the General Fund to the HRA and reported in February 2020. It was expected based on the 2020/21 budget that there would be a reduction to these charges, and this was built into the MTFP.
- 3.27 Further to the collation of the budget, General Fund services that are recharged to the HRA have moved significantly due to differing factors.
- 3.28 The total impact of the increase in HRA recharges is £36k and after a full review of all charges, the following table details the movement by service area.

	Movement £'000
Head of Legal and Democratic	36
Head of Corporate Property	23
Strategic Director (Corporate Resources)	12
Head of Business Change and ICT	-2
Head of Customer Services	-16
Head of Organisational Development and Performance	-36
Head of Finance	-53
<b>Total HRA Recharge Movement</b>	<b>-36</b>

- 3.29 Corporate and Democratic costs plus Civic Offices overheads were reduced as part of the HRA review and Customer Services was increased due to call volumes now being diverted from HRA staff as approved by this Committee. The main increases are from direct support through Organisational Development and Finance which are based on transactional volumes, head count and cash responsibility.

## Computer Maintenance Agreements

- 3.30 There have been marginal increases and reductions proposed in the budget for different service areas, but the main movement is within Finance.
- 3.31 An upgrade to the Financial Management System was approved by this Committee in August 2020 and the implementation costs were then included in the budget. A reduction of £25k is due to the one-off implementation cost removal.

## Other Changes

- 3.32 Insurance cover is an overall increase to the Council of £31k between 2020/21 and 2021/22. The impact on this Committee is £5k across varying insurance lines. Computer insurance has increased by £2k however due to the purchase of the new laptops.
- 3.33 Van hire has been proposed for the Repairs Officer who maintains all public buildings. This was not included in the MTFP as a cost. The hire will be for twelve months to determine the amount of travel and type of vehicle required. This will enable cost benefit analysis to be undertaken with the potential that a new van may need to be added to the vehicle replacement schedule.
- 3.34 Protective clothing increases were included as part of the growth report that came to this Committee in October and have therefore been included within the MTFP.

- 3.35 A proposal to increase the budget for cleaning materials has been suggested due to the cleaning regime currently in place across the Civic Offices due to the pandemic. It is unlikely that the level of cleaning currently undertaken will reduce for at least the first half of next financial year.
- 3.36 Business Rates charges are included at an increase of 2% in the MTFP. The increase proposed is slightly more than the provision in the MTFP at 2.5% due to the void property losses expected as noted at 3.25.
- 3.37 Reductions were not expected for printing, postage and stationery but after full review of usage and with new ways of working due to the pandemic, it is considered that a reduction will be manageable.
- 3.38 Professional fee increases are covered by an inflationary increase within the MTFP and the increases in Benefit costs and reduction in grant income for the administration of Benefits were also expected and included in the MTFP.

#### **4.0 Detail**

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

##### **Basis of the Budget**

- 4.2 Budgets are generally calculated on a "no increase basis," i.e. they are maintained at the same level as the previous year adjusted only for known changes, price increases, inflation and variations due to contractual conditions, etc.
- 4.3 In addition, budgets are also subject to a base line review which is used to justify proposed spending. This process places responsibility on budget holders to justify their spending budgets by specifying their needs in a more constructed manner. This is supported by the Financial Services Unit, who analyse recent trends across services compared to current budgets.

##### **On-going Service Provision**

- 4.4 The budgets are based substantively on a continuation of existing service provision (in respect of staffing levels, frequency, quality of service, etc.).
- 4.5 The full year effects of previous year's restructures and budget savings have been included, with any non-recurring items removed.

##### **Changes in Pay**

- 4.6 A pay award is not included within the Base Budget at this stage as no official notification has been submitted to the Council although it is expected that no award will be made in 2021/22 in accordance with the Government's national pay freeze.
- 4.7 The MTFP includes a provision for a potential pay award increase of 2.5% per year for all employees from 2022/23.

##### **Inflation**

- 4.8 The base budget for 2021/22 has been uplifted by 2% for inflation/indexation where this applies, for example contract obligations.

- 4.9 Some base costs will be subject to inflation during future years and in some cases, it will be unavoidable, for example employee costs, when national pay increases are approved.
- 4.10 Allowances for inflation based on various assumptions regarding price increases, etc. are calculated across the main spending heads at an average of 2%.

### **Increase in Payments for Concurrent Functions to Parish Councils**

- 4.11 As part of the annual Budget Round, the Committee gives consideration to increasing the base contribution in payments to recognise inflationary pressures. Increases in recent years have been as follows:
- 2020/21 – 2.0%
  - 2019/20 – 2.0%
  - 2018/19 – 2.0%
  - 2017/18 – 1.0%
  - 2016/17 – 2.0%
  - 2015/16 – 2.3%
- 4.12 Latest inflation shows CPI running at 0.7%. The Office for Budget Responsibility is assuming that inflation will remain at this lower level, not returning to 2% until late in 2024. The Council includes a 2% increase in the MTFP.
- 4.13 Every 1% increase in the base level equates to approximately £3k per annum in total.

### **Risks**

- 4.14 All Committee budgets have been reviewed and known changes to income and expenditure have been reflected in the proposed base budget for 2021/22 as detailed in the report.

### **Housing Benefit**

- 4.15 The main financial risk is considered to be the payment and recovery of Housing Benefit. The total amount administered and paid in respect of Rent Allowances and Rent Rebates is approximately £11m per year. A 1% variance equates to £110k and therefore it is important that the Council maximises the subsidy it reclaims from the DWP. The DWP Regulations set a threshold for errors which, if exceeded, would mean subsidy being withdrawn.
- 4.16 As previously reported, the rollout of Universal Credit (UC) is having an impact on both the amount of benefit paid and the administration grant received. The rollout of UC for new claims went live in South Derbyshire in November 2018 and existing claimants have started to transfer across. The impact will be kept under review.

### **Factory Premises, Hearthcote Road**

- 4.17 The tenant of the above property has an option to break the lease on 24<sup>th</sup> March 2023, subject to six months' written notice. If the break is exercised, it is unlikely that the property could be let in the short-term. This is due to the overall size and configuration of the buildings at the property which could make it unattractive to a single occupier.

4.18 The current tenant pays a rental income of £190k per annum and the potential loss of income has been included in the MTFP.

### **Proposed Fees and Charges 2021/22**

4.19 **Appendix 2** provides a schedule of the proposed charges that will operate from 1st April 2021, together with a comparison to the existing charge. All charges are exclusive of VAT and where applicable, VAT is added at the appropriate rate in accordance with HMRC regulations.

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

4.21 No change to fees is proposed.

### **5.0 Financial Implications**

5.1 As detailed in the report.

### **6.0 Corporate Implications**

#### **Employment Implications**

6.1 None.

#### **Legal Implications**

6.2 None.

#### **Corporate Plan Implications**

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

#### **Risk Impact**

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

### **7.0 Community Impact**

#### **Consultation**

7.1 The Budget will be disseminated through Local Area Forums and separate consultation will be undertaken with the local business community.

#### **Equality and Diversity Impact**

7.2 None.

## **Social Value Impact**

7.3 None.

## **Environmental Sustainability**

7.4 None.

## **8.0 Conclusions**

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

## **9.0 Background Papers**

9.1 None.

## FINANCE &amp; MANAGEMENT - BUDGET SETTING 2021/22

	Proposed Budget 2021/22 £	Approved Budget 2020/21 £	Variance £	Comments
Business Change	98,042	100,362	-2,320	Favourable HRA recharge £8k; Adverse salaries £3k, training £2k, insurance £1k
Digital Services	153,559	170,552	-16,994	Favourable HRA recharge £31k, printing £8k; Adverse salaries £2k, computer main trf from CPD30 £18k, training £2k
Caretaking	135,993	121,423	14,570	Adverse materials £6k, HRA recharge £9k
Senior Management	445,826	427,426	18,399	Favourable salaries £1k; Adverse HRA recharge £19k
Financial Services	387,047	433,607	-46,560	Favourable HRA recharge £42k, comp maintenance £25k; Adverse salaries £17k, printing £3k
Internal Audit	109,307	108,340	967	Favourable HRA recharge £2k; Adverse prof fees £3k
Merchant Banking Services	61,200	69,942	-8,742	HRA recharge
ICT Support	732,555	616,900	115,655	Adverse salaries £2k, depreciation £55k, HRA recharge £37k, insurance £2k, computing costs to be drawn from Strategy budget £20k
Legal Services	264,534	250,898	13,636	Adverse salaries £2k, HRA recharge £12k
Performance & Policy	36,720	37,841	-1,120	Favourable HRA recharge £3k; Adverse salaries £2k
Personnel/HR	361,327	358,600	2,728	Favourable HRA recharge £12k; Adverse salaries £9k, comp maintenance £4k, long service awards £1k, insurance £1k
Communications	75,667	96,989	-21,322	Favourable salaries £3k, HRA recharge £18k
Customer Services	492,308	505,543	-13,235	Favourable stationary £5k, postage £5k, HRA recharge £16k; Adverse salaries £13k
Health & Safety	48,073	50,531	-2,458	Favourable HRA recharge £3k; Adverse salaries £1k

Admin Offices & Depot	632,236	524,261	107,975	Adverse salaries £3k, training £3k, trf of R&M from CCA00 & CCD30 £50k, refuse £2k, NNDR £3k, HRA recharge £22k, depreciation £20k, van hire £4k, insurance £1k
Protective Clothing	28,819	23,250	5,569	Growth approved Oct 20
Procurement	12,149	17,033	-4,885	HRA recharge
<b>CENTRAL SUPPORT SERVICES</b>	<b>4,075,360</b>	<b>3,913,496</b>	<b>161,864</b>	
Democratic Representation & Management	85,473	83,003	2,471	Favourable comp maintenance £3k, subs £1k; Adverse salaries £1k, HRA recharge £5k
Corporate Management	64,458	63,905	554	Subscriptions
Corporate Finance Management	37,437	37,114	323	Favourable HRA recharge £2k; Adverse prof fees £2k
Elected Members	347,401	316,032	31,369	Favourable prof fees £10k, expenses £2k; Adverse Allows £25k, HRA recharge £19k
<b>CORPORATE &amp; DEMOCRATIC COSTS</b>	<b>534,770</b>	<b>500,053</b>	<b>34,717</b>	
Registration of Electors	56,531	58,729	-2,198	Training
Conducting Elections	171,893	163,773	8,120	Salaries
<b>ELECTIONS &amp; REGISTRATION</b>	<b>228,425</b>	<b>222,502</b>	<b>5,922</b>	
Funded Pension Schemes	280,072	278,341	1,731	Actuary fees
Increase/Decrease in Provision for Bad or Doubtful Debts (GF)	175,000	100,000	75,000	Allowance for Benefits
Parish Councils	417,607	417,441	166	
Interest & Investment Income (GF)	-147,585	-177,738	30,152	Investment income
External Interest Payable (GF)	500	700	-200	
<b>PARISHES, INTEREST, S106 RECEIPTS &amp; PROVISIONS</b>	<b>725,594</b>	<b>618,745</b>	<b>106,849</b>	
Estate Management	-267,508	-276,481	8,972	Favourable HRA recharge £8k; Adverse salaries £3k, NNDR £3k, void allowance £10k, depreciation £1k
<b>ESTATE MANAGEMENT</b>	<b>-267,508</b>	<b>-276,481</b>	<b>8,972</b>	
Council Tax Collection	116,327	110,110	6,217	Salaries
Non-Domestic Rates Collection	-84,500	-84,500	0	
Revenues & Benefits Support & Management	136,633	114,957	21,676	Favourable prof fees £7k; Adverse salaries £5k, grant income £3k, reserve funding £21k
Rent Allowances Paid	53,047	84,266	-31,219	Recovery rate of overpays

Net cost of Rent Rebates Paid	81,999	48,809	33,191	Recovery rate of overpays
Corporate Fraud	45,474	44,500	974	Reserve funding
Universal Credit	0	0	0	
Housing Benefits Administration	327,285	311,337	15,947	Favourable training £6k; Adverse salaries £7k, prof fees £13k
<b>REVENUES &amp; BENEFITS</b>	<b>676,265</b>	<b>629,479</b>	<b>46,786</b>	
<b>TOTAL BUDGET</b>	<b>5,972,905</b>	<b>5,607,795</b>	<b>365,110</b>	

# PROPOSED FEES AND CHARGES 2021/22

## APPENDIX 2

VAT WILL BE CHARGED WHERE APPLICABLE AT THE APPROPRIATE RATE

MISCELLANEOUS FEES AND CHARGES	Fee 2020/21 £:P	Proposed Fee 2021/22	Note
<b>Court Costs</b>			
Court Costs Recovered	67.50	67.50	
<b>National Bus Pass Scheme</b>			
Replacement Card Scheme	5.00	5.00	
<b>Benefit Fraud</b>			
Fraud Investigation Court Costs recovered	At Cost	At Cost	
<b>Sale of Radar Keys</b>			
Sale of Radar Keys - disabled	2.55	2.55	
<b>Penalty Charge</b>			
Penalty charge for Council Tax payers who fail to notify us of a change in circumstances relating to a discount or exemption. Second or subsequent failure to notify	250.00	250.00	
Penalty charge for Council Tax accounts who fail to notify us of a change in circumstances relating to a discount or exemption.	70.00	70.00	

<b>REPORT TO:</b>	<b>FINANCE AND MANAGEMENT COMMITTEE – SPECIAL BUDGET</b>	<b>AGENDA ITEM: 9</b>
<b>DATE OF MEETING:</b>	<b>7<sup>th</sup> JANUARY 2021</b>	<b>CATEGORY: DELEGATED</b>
<b>REPORT FROM:</b>	<b>STRATEGIC DIRECTOR (COPORATE RESOURCES)</b>	<b>OPEN</b>
<b>MEMBERS' CONTACT POINT:</b>	<b>KEVIN STACKHOUSE (01283 595811)</b> <a href="mailto:Kevin.stackhouse@south-derbys.gov.uk">Kevin.stackhouse@south-derbys.gov.uk</a>	<b>DOC:</b> h/KS/council tax and precepts/council tax discounts and premiums/empty homes premiums Jan 21
<b>SUBJECT:</b>	<b>COUNCIL TAX PREMIUM ON LONG-TERM EMPTY PROPERTIES</b>	<b>REF:</b>
<b>WARD(S) AFFECTED:</b>	<b>ALL</b>	<b>TERMS OF REFERENCE: FM 12</b>

## **1.0 Recommendations**

1.1 That consideration is given to increasing the Council Tax Premium to 300% on properties empty beyond 10 years from 1 April 2021.

## **2.0 Purpose of Report**

2.1 To provide details regarding discretion given to local billing authorities that allows the Council Tax Premium on long term empty properties to be increased. This discretion was introduced in the Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018. [Rating \(Property in Common Occupation\) and Council Tax \(Exempt Dwellings\) Act 2018](#)

## **3.0 Detail**

3.1 With the aim of bringing empty properties back into use, local authorities have discretionary powers to charge additional Council Tax (a Premium) on empty properties. The Council has for several years used these discretions locally and adopted the following Policy:

- A free period with no Council Tax payable of three months, after a property becomes empty, thereafter a full charge is made.
- An empty property premium of 50% on top of the full charge is levied after a property remains empty for two years or more.

3.2 A long-term empty property is defined as one which has stood unoccupied for longer than 2 years and is substantially unfurnished. Certain properties are excluded, and these include:

- Properties where a person has been moved into residential care or hospital
- Properties where the occupant is serving in the armed forces

- Properties that have been repossessed
- Properties classified as being derelict
- Properties that have been compulsory purchased awaiting demolition

3.3 Alongside this Premium, the Council also has a Discretionary Policy to reduce the Premium in exceptional cases, through a local discount. This applies where there are unavoidable circumstances that render a property impossible or extremely difficult to either let or sell and applies to:

- Properties within retirement schemes where covenants/restrictions on sales and lettings apply.
- Unused accommodation within retail or commercial units that cannot be made available to let or sale for access or security reasons.
- Where the property owner has been actively engaged in attempting to sell the property over a period of time and can demonstrate this.
- Where a property is subject to significant structural repairs or renovation. These properties are exempt from Council Tax for a maximum of 2 years.

#### **Additional Discretion given to Local Authorities**

3.4 As part of the Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018, local authorities were given further discretion to increase the Empty Homes Premium further, as detailed in the following table.

<b>Discretion</b>	<b>Implementation Date</b>
To increase the Premium on properties, empty for over 2 years from 50% to 100%, i.e. <b>the Council Tax charge effectively doubles</b> . This Premium applies for properties remaining empty for up to 5 years.	1 April 2019  <i>The Committee approved this discretion on 10 January 2019, and it was implemented on 1 April 2019</i>
Where a property remains empty after 5 years, the Premium can be increased to 200%, i.e. <b>the Council Tax charge trebles</b> . This Premium applies for properties remaining empty for up to 10 years.	1 April 2020  <i>The Committee approved this discretion on 9 January 2020, and it was implemented on 1 April 2020</i>
Where a property remains empty beyond 10 years, the Premium can be increased to 300%, i.e. <b>the Council Tax charge would quadruple</b> .	1 April 2021

- 3.5 These increases are known as “escalator charges”, i.e. the longer a property remains empty, the greater the charge. To allow property owners time to prepare for these charges, there is a transitional period, with final Premium coming into force from April 2021 (if approved).
- 3.6 As highlighted in the above table, the Committee approved the implementation of the first of these escalator charges in January 2019 and 2020, and approved in principle, to introduce the final premium in 2021, subject to an annual review.

#### 4.0 **Financial Implications**

- 4.1 The Council currently has 91 empty properties that meet the criteria for the additional Premiums as shown in the following table.

<b>Period Empty</b>	<b>Number of Properties (Oct 2018)</b>	<b>Number of Properties (Oct 2019)</b>	<b>Number of Properties (Oct 2020)</b>	<b>Additional Council Tax Generated from Additional Premium</b>
Between 2 and 5 years ( <i>premium being applied</i> )	61	26	61	£72,000
Between 5 and 10 years ( <i>premium being applied</i> )	23	32	15	£44,000
Over 10 years ( <i>still subject to the 200% premium</i> )	20	16	14	£43,000
<b>Total</b>	<b>104</b>	<b>74</b>	<b>91</b>	<b>£159,000</b>

- 4.2 The above table shows the additional Council Tax that is being raised on the current number of empty properties. Approximately 9% of additional Council Tax is attributable to the Council, with the largest proportion flowing to the other Preceptors.
- 4.3 Increasing the premium on properties empty beyond 10 years, would generate an additional £22,000 per year in Council Tax.
- 4.4 However, a reduction in the number of empty homes generates additional New Homes Bonus (NHB) at the national average Band D Council Tax rate (*which is currently £1,818 per property*). 80% of this income flows directly to the District Council with 20% attributable to the County Council.
- 4.5 Therefore, if the Premium does have the effect of reducing the number of empty homes, then although the Council Tax would reduce by the amount of the Premium, this would partly be offset by an increase in NHB.
- 4.6 However, this assumes that the NHB or an equivalent, remains in place beyond 2021/22.

## **5.0 Corporate Implications**

### **Employment Implications**

5.1 None.

### **Legal Implications**

5.2 None.

### **Corporate Plan Implications**

5.3 None directly.

### **Risk Impact**

5.4 None.

## **6.0 Community Impact**

### **Consultation**

6.1 If the Committee approves the additional discretion and increases the Premium on properties empty beyond 10 years, current owners of those properties would be contacted and communicated with accordingly.

### **Equality and Diversity Impact**

6.2 None.

### **Social Value Impact**

6.3 The aim of these discretions is to bring forward the use of empty properties to increase the supply of housing across the Country.

6.4 In April 2013, long-term empty properties in the District, which were subject to the 50% premium totalled 124. This has steadily fallen year-on-year since, with a more significant fall since April 2019 when the additional premiums were first applied.

6.5 However, the overall number has risen again over the last 12 months but only in the two to five years category.

6.6 There is evidence to suggest that the introduction of the additional premiums has incentivised property owners to act. In addition, the Council employs an Inspection and Visiting Officer to check the status of empty properties and this has also had some effect.

6.7 It should be noted that the number of long-term empty properties in the District (91) is a very small proportion (0.2%) compared to the total number of homes on the Council Tax Register of just under 47,000.

### **Environmental Sustainability**

6.8 None.

## 7.0 **Background Papers**

7.1 None

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<b>REPORT TO:</b>	<b>FINANCE AND MANAGEMENT COMMITTEE</b>	<b>AGENDA ITEM: 10</b>
<b>DATE OF MEETING:</b>	<b>7<sup>th</sup> JANUARY 2021</b>	<b>CATEGORY: DELEGATED</b>
<b>REPORT FROM:</b>	<b>STRATEGIC DIRECTOR (CORPORATE RESOURCES)</b>	<b>OPEN</b>
<b>MEMBERS' CONTACT POINT:</b>	<b>KEVIN STACKHOUSE (01283 595811)</b> <a href="mailto:kevin.stackhouse@southderbyshire.gov.uk">kevin.stackhouse@southderbyshire.gov.uk</a>	<b>DOC:</b> u/ks/business rates/Discretionary Relief/Discretionary Relief Proposals Feb 19
<b>SUBJECT:</b>	<b>DISCRETIONARY BUSINESS RATES RELIEF</b>	<b>REF:</b>
<b>WARD (S) AFFECTED:</b>	<b>ALL</b>	<b>TERMS OF REFERENCE: FM 12</b>

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## **1.0 Recommendations**

1.1 That consideration is given to granting Discretionary Relief for Charitable and Rural organisations for a period of two years to cover the financial years 2021/22 and 2022/23.

## **2.0 Purpose of Report**

2.1 The report provides an update on the discretionary business rates relief awarded by the Council. This includes the Council's Local Scheme for allocating discretionary relief, to various organisations in accordance with the Council's policy.

2.2 This does not include temporary relief awarded by the Government to protect businesses adversely affected by the last Business Rates Revaluation in 2017. This temporary relief ends on 31 March 2021, having been phased out since 2018.

## **3.0 Detail**

3.1 Many businesses qualify for various exemptions, transitional relief and discounts which are awarded by the Council under national schemes (mandatory relief). As previously reported to the Committee, the Government have provided additional support to businesses in 2020/21 adversely affected by Covid-19.

3.2 In addition, councils have discretion to award further relief in limited circumstances and to "top-up" the mandatory relief where it is not 100%.

3.3 The main relief schemes are as follows:

- Small Business Rates Relief
- Rural Rate Relief
- Charitable Rate Relief
- Hardship Relief
- Part-occupied Relief

3.4 The cost of these reliefs is met through the national funding system.

### **Small Business Rates Relief**

3.5 No business nationally pays any rates on a property with a Rateable Value (RV) of £12,000 or less, i.e. they are awarded 100% relief. For properties with a RV between £12,001 and £15,000, the rate relief is tapered down from 100% to 0%.

3.6 If a property has a RV lower than £51,000, the rates payable are calculated using the small business multiplier, i.e. currently 49.9p in the pound compared to the full rate of 51.2p for 2020/21.

### **Rural Rate Relief**

3.7 This applies to businesses in a rural area with a population below 3,000. Qualifying businesses do not pay business rates if:

- Their property is the only village shop or post office with a RV up to £8,500.
- Their property is the only public house or petrol station with a RV up to £12,500.

3.8 The Council also has discretion to award up to 50% relief on other business properties in a rural settlement if the RV is £16,500 or less and the Council is satisfied that the property is being used for a purpose which benefits the local community.

### **Rural Settlement List**

3.9 Prior to the start of every financial year, all councils are required to publish this List, which sets out the areas which are classified as rural on the basis that the population is less than 3,000, based on the 2011 census.

3.10 For South Derbyshire, this effectively includes all Parished areas, excluding Etwall, Hilton, Melbourne, Stenson Fields, Hartshorne, Willington, and Woodville, together with the Swadlincote Urban Core.

### **Charitable Rate Relief**

3.11 Charities and community amateur sports clubs are entitled to 80% mandatory rates relief if their property is used solely for charitable purposes. The Council has discretion to top-up the 80% relief and award a further 20% relief so that an organisation may not pay any rates under this scheme.

3.12 The Council also has discretion to award up to 100% relief to non-profit or voluntary organisations, although many local charitable organisations and sports clubs automatically qualify for other Relief and therefore, pay no rates.

### **Hardship Relief**

3.13 The Council has discretion to reduce the business rates by up to 100% for certain businesses subject to the business demonstrating that:

- It would suffer financial difficulties without the relief, and

- It would be in the interests of local people and the Council is satisfied that the granting of relief would benefit the general body of local taxpayers.

3.14 Hardship relief can only be granted in exceptional circumstances and is dealt with on a case-by-case basis.

### **Part-occupied Relief**

3.15 The Council has discretion to grant up to 100% relief in respect of non-productive or unused parts of premises on a temporary basis. Again, this is dealt with on a case-by-case basis. The Council has previously used this discretion in support of major businesses in the District to safeguard local employment.

### **Other Reliefs**

3.16 From time-to-time, the Government grant other reliefs to support a particular business type or to support national policy. For example, in previous years, pubs and newsagents have received one-off discounts.

### **Current Discretionary Relief Awarded**

3.17 Where the Council awards discretionary relief, 50% of the cost is met by the Council through the Collection Fund. In order for the Council to award discretionary relief, it must adopt a local Policy/Scheme which sets out the criteria for awarding additional relief when applications are received. The Council's Policy (for information) is detailed in **Appendix 2**.

3.18 The current list of organisations who currently receive discretionary relief under the Policy from the Council is attached at **Appendix 1** and this is reviewed and paid every two years to give eligible organisations certainty over funding.

3.19 However, although the discretionary relief scheme is publicised, it is the responsibility of each organisation to apply for the relief (every two years) and demonstrate that they qualify.

### **Active Nation**

3.20 Consideration may be given to the relief awarded to Active Nation as the Council's Leisure Management Contractor. Under the Contract, they are responsible for Business Rates at Green Bank and Etwall Leisure Centres and receive 80% mandatory relief as a Charitable Trust.

3.21 They operate nationally but work in partnership with the Council to further the health and well-being of local communities in South Derbyshire. The Committee may wish to consider for example, evidence that the 20% discretionary relief is being reinvested in the local facilities prior to relief being awarded.

### **Sharpe's and Peoples Express**

3.22 Discretionary relief provided to Sharpe's and Peoples Express, including the Magic Attic and Visitor Centre, is in addition to the annual grant-aid provided to Sharpe's and the Tourist Information Centre.

## **Rural Rate Relief**

3.23 The Council currently awards rural rate relief to just one organisation, namely the Ukrainian Youth Association based in Weston-on-Trent.

### **4.0 Financial Implications**

4.1 The Council's 50% share of the discretionary relief granted, which is approximately £40,000 in 2020/21, is paid from the Collection Fund. Any changes to the relief would eventually impact on the General Fund depending on whether the Business Rates Account overall, achieves a surplus or deficit.

4.2 However, given the turnover on Business Rates at approximately £25million per year, the cost to the Council is relatively insignificant.

### **5.0 Corporate Implications**

#### **Employment Implications**

5.1 None

#### **Legal Implications**

5.2 None

#### **Corporate Plan Implications**

5.3 There is no specific aim or target contained in the Corporate Plan. However, it is considered that the awarding of discretionary relief supports local businesses which is a key part of the "*Our Future*" priority in the Corporate Plan.

#### **Risk Impact**

5.4 None

### **6.0 Community Impact**

#### **Consultation**

6.1 As detailed in the report, all affected organisations have been informed that their entitlement to discretionary relief will cease on 31 March 2021 and that they will need to reapply.

#### **Equality and Diversity Impact**

6.2 The proposed Revaluation Relief Scheme is generic and is therefore considered to be neutral regarding protected characteristics under the Equality Act 2010, i.e. there should be no negative impacts.

6.3 Relief provided to charitable and rural organisations should be considered on an individual case-by-case basis to ensure that there is no negative impact.

## **Social Value Impact**

- 6.4 The awarding of discretionary relief supports local community groups who provide cultural, recreational, and educational facilities for local residents. Several of these groups also seek to support more vulnerable members of the local community and people on low incomes, etc.

## **Environmental Sustainability**

- 6.5 None directly

## **7.0 Background Papers**

- 7.1 None

<b>Relief Granted to Charitable Organisations</b>		Mandatory Relief	Discretionary Relief
		2020/21 £:p	2020/21 £:p
Active Nation UK Limited - Etwall Leisure Centre	20% Discretionary	62,668.00	<b>15,667.20</b>
Active Nation UK Limited - Green Bank Leisure Centre	20% Discretionary	104,448.00	<b>26,112.00</b>
Goseley Community Centre	20% Discretionary	778.24	<b>194.56</b>
Hilton Village Hall	20% Discretionary	3,645.44	<b>911.36</b>
Melbourne Community Care Group (Derby Road, Melbourne)	20% Discretionary	1,964.10	<b>491.02</b>
People Express (Sharpe's Pottery)	20% Discretionary	3,495.20	<b>873.80</b>
Bus Park Community Café, Swadlincote	20% Discretionary	376.83	<b>94.21</b>
Swarkestone Cricket Club	20% Discretionary	1,393.18	<b>348.30</b>
Shardlow Canal and River Trust (Heritage Centre)	20% Discretionary	757.76	<b>189.44</b>
Sharpe's Pottery Heritage and Arts (Unit 16)	20% Discretionary	1,290.24	<b>322.56</b>
Community Transport (Swadlincote)	20% Discretionary	5,726.54	<b>1,431.64</b>
Diocese of Derby (Community Hall and Car Park, Hartshorne)	20% Discretionary	655.36	<b>163.84</b>
Community Club, Darklands Road	20% Discretionary	3,809.28	<b>952.32</b>
South Derbyshire Citizens Advice Bureau	20% Discretionary	5,427.00	<b>1,356.80</b>
1st Newhall Scouts	20% Discretionary	1,536.00	<b>384.00</b>
Sharpe's Pottery Heritage and Arts (Magic Attic)	20% Discretionary	3,635.20	<b>908.80</b>
Sharpe's Pottery Heritage and Arts (Visitor Centre)	20% Discretionary	8,192.00	<b>2,048.00</b>
Old Post Centre, Newhall	20% Discretionary	3,563.52	<b>890.88</b>
Hilton Harriers FC	20% Discretionary	6,041.60	<b>1,510.40</b>
Our Monkey Club Community Interest Company, Church Gresley	80% Discretionary	0.00	<b>19,960.00</b>
<b>Total Relief - Charitable Organisations</b>		<b>219,403.49</b>	<b>74,811.13</b>

**Relief Granted to Rural Organisations**

Ukrainian Youth Association (UK) Tarasivka Camp Weston-on-Trent	50% Discretionary	0.00	<b>6,237.00</b>
<b>Total Relief - Rural Organisations</b>		0.00	<b>6,237.00</b>

**Total Discretionary Relief Granted 2020/21**

**81,048.13**

**Cost to the Council at 50%**

**40,524.07**

# Discretionary Business Rates Relief Policy

Customer Services  
January 2021

## Version Control

Version	Description of version	Effective Date
1	New Policy	October 2013
2	Review and Amendments	February 2019
3	Review	January 2021

## Approvals

Approved by	Date
Finance and Management Committee	October 2013
Finance and Management Committee	February 2019

## Associated Documentation

Description of Documentation



## 1.0 Introduction

The Policy sets out the criteria which the Council will use when considering applications for awarding discretionary rate relief:

- To Charitable Organisations and Not-for Profit Making Bodies (Part 1)
- For Rural Rate Relief (Part 2)
- For Hardship Relief (Part 3)

## PART 1: CRITERIA TO BE TAKEN INTO ACCOUNT WHEN CONSIDERING APPLICATIONS FOR DISCRETIONARY RATE RELIEF

### 1.0 General Position

- 1.1 Relief from non-domestic rates is available to charities and other non-profit making organisations in certain circumstances.
- 1.2 Charities using premises for charitable purposes are entitled to an initial 80% relief from non-domestic rates. In addition the Council may give a further discretionary relief of up to 20%.
- 1.3 Relief from non-domestic rates may also be granted to non-profit making organisations with charitable or philanthropic objectives and those involved with education, religion, social welfare, science, literature, and the arts.
- 1.4 Relief is entirely at the discretion of the Council and can be set at any level up to 100%, but this will be net of any Small Business Rate Relief, or other relief, entitlement whether or not an application has been made that may from time to time be made available under any government scheme such as Supports for Pubs and Retail Relief.
- 1.5 The Council will assume that an application has been made and where the organisation is eligible grant relief, on the lower amount.
- 1.6 The Council may also exceptionally consider cases under the general powers to award discretionary rate relief as amended by the Localism Act 2011. See Part 1 Section 3.13.
- 1.7 Certain premises in rural areas, with a population of under 3,000, may qualify for Rural Rate Relief (See Part 2). The Council's Rural Rate Relief Leaflet updated annually at the end of December each year provides details of qualifying rural settlements and types of eligible premises.
- 1.8 Relief may also be granted where ratepayers would otherwise suffer hardship (See Part 3).



## 2.0 General Scheme

- 2.1 The Council considers each request for relief individually and on its merits. It does not adopt a policy which allows it to deal with a case without full consideration.
- 2.2 The range of bodies eligible for discretionary rate relief is wide. This document contains examples of criteria which might be adopted to assist in deciding whether to grant relief and the level of relief.
- 2.3 Where it applies, Small Business Rates Relief shall be claimed (or otherwise the equivalent value shall be assumed to have been awarded) before the award of discretionary rate relief.
- 2.4 Generally, subject to consideration of each case on its merits, the award of top-up discretionary relief where mandatory charity relief at 80% is in payment is unlikely to be made.

## 3.0 Criteria

- 3.1 Factors which will assist in deciding are:
- 3.2 Is membership open to all sections of the community? Are there barriers to membership?

*Clubs or organisations which have membership rates set at such a high level so as to exclude the general community or operate an exclusive system whereby membership is determined by the votes of existing members will not normally receive relief.*

- 3.3 Does the organisation actively encourage membership from particular groups in the community, e.g. young people, women, older age groups, persons with disability, ethnic minorities, etc.

*An organisation which encouraged such membership might expect more consideration than one which made no effort to attract members from groups which the authority considered to be deserving of support.*

- 3.4 Are the facilities made available to people other than members, e.g. to schools, open casual public sessions, etc.

*The wider use of facilities will be encouraged*

- 3.5 Does the organisation provide training or education for its members? Are there schemes for particular groups to develop their skills, e.g. young people, the disabled, retired people?

*An organisation that provides such facilities might deserve more support than one which did not.*



- 3.6 Is the membership drawn from people mainly resident in the charging authority's area?

*Where hereditaments are situated close to an authority's boundary, a substantial proportion of the membership may come from another charging authority area. In considering the weight to be given to the proportion of membership from within the authority's area, authorities should not penalise organisations because of their location.*

- 3.7 Have the facilities been provided by self-help?

*A club whose members have paid for the provision or improvement of facilities themselves may be deserving of relief compared to one whose facilities have been funded by grant aid. Similarly, a club which uses self-help for construction or maintenance might be more deserving of relief.*

- 3.8 Does the organisation run a bar? Would a casual visitor find more active users of the facilities or social visitors?

*The Council will look at the main purpose of the organisation and the balance between, for example, sporting or social activities. How much cross subsidy is there in the accounts of the organisation between the two elements ?*

- 3.9 Does the organisation provide facilities which indirectly relieve the authority of the need to do so, or enhance those which it does provide?

*The Council will look at the broader context of the needs of the community as a whole.*

- 3.10 Is the club affiliated to local or national organisations, e.g. local sports or art councils, national representative bodies and are they actively involved in local or national development of their interests?

*Evidence of the impact locally of any national organisation will be considered.*

- 3.11 When considering each case on its merits, the financial position of each organisation, as shown in the Accounts for the past two financial years, should show that there is a genuine need for rate relief.

*The general measure used for this is that any accumulated balances should not exceed half of the normal annual expenditure of the organisation, unless the organisation can demonstrate that a substantial part of the balance is reserved for repairs or improvements or that funds are otherwise earmarked for specific projects and it is a condition of the funding that they are so used (Ideally this will usually be noted in the Accounts).*

*Please note that financial consideration will be of importance and will include:*



- (i) *Accounts for the last financial year together with a statement on the current financial position and any important items likely to affect that position.*
- (ii) *The level of subscriptions and the date of the last increase.*
- (iii) *The extent to which the organisation relies on its own fundraising efforts.*
- (iv) *The pricing of the organisation's facilities and services.*
- (v) *The amount of grant and other aid made available to the organisation by the Council or other fund-raising bodies.*
- (vi) *What is shown in any trading accounts for subsidiary activities for items such as catering/bar?*
- (vii) *What is the relationship between any subsidiary and tmain accounts*

3.12 Applications are normally to be effective from the start of the financial year in which the application is made, or from the date of occupation if later, except in the case of a general review, which will take normally place every two years.

3.13 Exceptionally, applications may be considered for assistance in those cases where it is in the interests of the Council to offer discounts to attract firms, investment, and jobs to the area. Such matters will generally be of a strategic nature considering the long-term benefit of growth compared to the short-term cost.

3.14 These cases will be considered by the Finance and Management Committee and not by delegated authority as any expenditure will require budgetary approval .

## **4.0 Delegated Scheme**

4.1 The delegation scheme is set out below:

- (i) Any application where a bar is run that is more than supporting the activities of the organisation, i.e. where the social activities are more than 50% of use or income generated (see paragraph 3.8 above) should be refused.
- (ii) Cases that fulfil the criteria in all the paragraphs above be granted 80% relief.
- (iii) Any applications that fulfil the criteria but where there is a bar be granted 50% of the relief prescribed at ii above.
- (iv) Discretionary relief in addition to mandatory relief will only be granted in exceptional circumstances and not to national charities.



- (v) Any case which will have a financial impact to the Council of more than £2,500 will be submitted to the Finance and Management Committee for consideration.

## 5. General

- 5.1 In all cases where discretionary relief is granted, with the exception of 4.1 (v) above, the relief will be granted for a maximum period of 2 years.
- 5.2 All decisions will be notified in writing along with reasons for any refusal or restrictions in relief granted.
- 5.3 The mechanics of the procedure are as follows:
  - Report of delegated decisions to be submitted to the Finance and Management Committee.
  - Appeals to be made within 14 days of the notification of the decision.
  - Appeals to be on specific points i.e. those that are outlined in the decision to reject or restrict the award.
  - All appeals to be submitted to the Licensing and Appeals Committee.
  - No relief shall be awarded where it appears that the ratepayer will receive state aid that is above the current de minimis level.

## PART 2: CRITERIA TO BE TAKEN INTO ACCOUNT WHEN CONSIDERING APPLICATIONS FOR DISCRETIONARY RURAL RATE RELIEF

### 1.0 General Position

- 1.1 The Council also has discretion to remit all or part of the rate bills on other properties in a settlement on the Rural Settlement List if the rateable value is £16,500 or less and the Council is satisfied that the property is used for a purpose which benefits the local community.
- 1.2 The Rural Settlement List is published annually under the provisions of the Local Government and Rating Act, 1997 for use in the Rural Rate Relief Scheme. Areas are included in the list below if they have been prescribed as rural and appear to have a population of less than 3,000 on 31st December in any year

### 2.0 General Scheme

- 2.1 The Council considers each request for relief individually and on its merits. It does not adopt a policy which allows it to deal with a case without full consideration.
- 2.2 The range of bodies eligible for discretionary rural rate relief is wide.



- 2.3 Where it applies, Small Business Rates Relief shall be claimed (or otherwise the equivalent value shall be assumed to have been awarded) before the award of discretionary rate relief.
- 2.4 Generally, subject to consideration of each case on its merits, the award of top-up discretionary relief where mandatory charity relief at 80% is in payment is unlikely to be made.

### 3.0 Criteria

#### 3.1. Factors which will assist in deciding are

- (i) The nature of the business and the service(s) it provides.
- (ii) How the business benefits the local community.
- (iii) Trading accounts for the last two years.
- (iv) Why the business should be granted discretionary relief and the implications of it not receiving relief.
- (v) Any other information in support of the application e.g. steps taken to ensure the continuing viability of the business.
- (vi) The application will then be considered in accordance with the delegated scheme that is in operation. Copies of the scheme are available from the address on the back of this leaflet.

- 3.2 When considering each case on its merits, the financial position of each organisation, as shown in the Accounts for the past two financial years, should show that there is a genuine need for rate relief.

*The general measure used for this is that any accumulated balances should not exceed half of the normal annual expenditure of the organisation, unless the organisation can demonstrate that a substantial part of the balance is reserved for repairs or improvements or that funds are otherwise earmarked for specific projects and it is a condition of the funding that they are so used (Ideally this will usually be noted in the Accounts).*

- 3.3 Applications are normally to be effective from the start of the financial year in which the application is made, or from the date of occupation if later, except in the case of a general review, which will normally take place every two years.

## 4 Delegated Scheme

#### 4.1 The delegation scheme is set out below:

- (i) Any applications that fulfil the criteria be granted 50% relief.
- (ii) Discretionary relief in addition to mandatory relief will only be granted in exceptional circumstances.
- (iii) Any case which will have a financial impact to the Council of more than £2,500 will be submitted to the Finance and Management Committee for consideration.



4.2 An application should be made in writing

## 5.0 General

5.1 In all cases where discretionary rural rate relief is granted, the relief will be granted for a maximum period of 2 years.

5.2 All decisions will be notified in writing along with reasons for any refusal or restrictions in relief granted.

5.3 The mechanics of the procedure are as follows:

- Report of delegated decisions to be submitted to the Finance and Management Committee.
- Appeals to be made within 14 days of the notification of the decision.
- Appeals to be on specific points i.e. those that are outlined in the decision to reject or restrict the award.
- All appeals to be submitted to the Licensing and Appeals Committee.

No relief shall be awarded where it appears that the ratepayer will receive state aid that is above the current de minimis level.

## PART 3: CRITERIA TO BE TAKEN INTO ACCOUNT WHEN CONSIDERING APPLICATIONS FOR HARDSHIP RELIEF

### 1.0 General Position

1.1 Relief under this Section of the Policy is available to organisations and businesses that are experiencing unusual or exceptional pressures that threaten the ongoing viability of the business in the Council's area. This may include possibility of relocation, reorganisation business growth or shrinkage or unexpected events outside the control of the organisation.

1.2 Rate relief shall only be awarded on the grounds that:

- i. The ratepayer would sustain hardship if the Council failed to give relief, and
- ii. It is reasonable to grant hardship relief having regard to the interests of the general community of Council Taxpayers in the community.

1.3 The interest of Council Taxpayers is wider than the financial interest and considers matters such as employment and/or amenities in the area or locality if the business ceased.



- 1.4 An award will not be given to allow a business to establish itself but may be given to allow a business to relocate to alternative premises to ensure the continuation of trading. An application of such a nature must be supported by a clear business plan, including workforce and financial projections. It is expected that some independent evidence as to the continued viability of the business will also be provided to ensure that any relief is applied wisely.
- 1.5 Other forms of rate relief will be considered first and applications for such deemed to have been made, e.g. Section 44a relief.

## **2.0 General Scheme**

- 2.1 The Council considers each request for relief individually and on its merits. It does not adopt a policy which allows it to deal with a case without full consideration.
- 2.2 The range of bodies eligible for Hardship relief is wide.

## **3.0 Criteria**

- 3.1 Factors which will assist in making a decision are;
- 3.2 The business is generally profitable.
- 3.3 The majority of employees are SDDC residents
- 3.4 The business has a track record of good employment practices including recognised training facilities.
- 3.5 The business is able to demonstrate that it has a clear business plan to manage the short-term pressures.
- 3.6 The business adopts good, recognised and sustainable environmental practices to industry standards that cause no detriment to the residents of SDDC.
- 3.7 The business uses, whenever possible, local suppliers.
- 3.8 When considering each case on its own merits, the financial position of each organisation, as shown in the Accounts for the past two financial years, should show that there is a genuine need for rate relief.
- 3.9 Applications are normally to be effective from the start of the financial year in which the application is made, or from the date of occupation if later.

## **4. Delegated Scheme**

- 4.1 The delegation scheme is set out below:



- (i) Any case which will have a financial impact to the Council of more than £2,500 will be submitted to the Finance and Management Committee for consideration.

## 5.0 General

- 5.1 In all cases where hardship relief is granted, the relief will be granted for a maximum period of 1 year.
- 5.2 All decisions will be notified in writing along with reasons for any refusal or restrictions in relief granted.
- 5.3 The mechanics of the procedure are as follows:
  - Report of delegated decisions to be submitted to the Finance and Management Committee.
  - Appeals to be made within 14 days of the notification of the decision.
  - Appeals to be on specific points i.e. those that are outlined in the decision to reject or restrict the award.
  - All appeals to be submitted to the Licensing and Appeals Committee.
  - No relief shall be awarded where it appears that the ratepayer will receive state aid that is above the current de minimis level.



<b>REPORT TO:</b>	<b>FINANCE AND MANAGEMENT COMMITTEE</b>	<b>AGENDA ITEM: 11</b>
<b>DATE OF MEETING:</b>	<b>7<sup>th</sup> JANUARY 2020</b>	<b>CATEGORY:</b> <b>DELEGATED</b>
<b>REPORT FROM:</b>	<b>STRATEGIC DIRECTOR (SERVICE DELIVERY)</b>	<b>OPEN</b>
<b>MEMBERS' CONTACT POINT:</b>	<b>ADRIAN LOWERY (01283 595764)</b> <a href="mailto:Adrian.lowery@southderbyshire.gov.uk">Adrian.lowery@southderbyshire.gov.uk</a>	<b>DOC:</b>
<b>SUBJECT:</b>	<b>REFUSE COLLECTION ROUTE OPTIMISATION</b>	
<b>WARD(S) AFFECTED:</b>	<b>ALL</b>	<b>TERMS OF REFERENCE: FM08</b>

## **1. Recommendations**

- 1.1 That the Committee endorses the Business Case in **Appendix 1** that sets out the basis for the requirement to implement a route optimisation project and purchase the necessary consultancy and software.
- 1.2 That the Committee approves a contribution of £65,000 from the Growth provision for the implementation.
- 1.3 That the Committee approves the additional £7,000 per annum annual licence costs to be offset by reductions in the fuel budget.
- 1.4 That the Committee approves procurement through the most appropriate technology framework currently available.

## **2.0 Purpose of the Report**

- 2.1 To seek approval to commence a business transformation project to optimise refuse collection routes. This would incur an implementation cost of around £65,000, together with ongoing costs of an additional £7,000 per annum.

## **3.0 Detail**

- 3.1 Operational Services currently provides household waste collection services to over 46,000 residential properties spanning 2300 streets across the District. The waste collection routes currently in operation were derived from analysis work carried out over six years ago, with some updating over three years ago, using basic analysis tools and specialist knowledge from the senior officers within the Service. Since this work the District has grown by more than 5000 dwellings. The current rounds are calculated on a street basis, not individual property basis which does not provide the detailed information that is essential for a data-driven, customer focussed service.

- 3.2 To ensure that a resilient operating model is in place to resource front line waste and cleansing services, it has been identified a more sophisticated approach is needed to understand the impact of and meet the demands of growth, both in terms of ensuring adequate resources are available for the short term, but also in data modelling and forecasting of demand for the medium/long term.
- 3.3 A project team has been formed to research the options for the use of route optimisation consultancy and route optimisation software which can modernise the Service and use data to inform decisions, optimise service delivery and plan for future growth.
- 3.4 The current review of waste collection services and the implementation of the new Environment Bill will undoubtedly necessitate the reorganising of collection routes and the planning of new collection methods. Route optimisation software will enable officers to analyse the impacts and undertake scenario mapping. This will reduce both the financial and reputational risk of implementing new collection systems.
- 3.5 Should approval for the route optimisation project be given, then the future planned growth, approved by this Committee in September and by Finance and Management Committee in October would only be implemented where resource increases were identified by route optimisation.
- 3.6 Refuse collection vehicles account for around £512k of the total transport budget of £603k. The current budget allocation for fuel and tyres for the refuse collection vehicles is £263k, this consists of £240k diesel and £23k tyres, for the purposes of this project only the potential savings on fuel and tyres has been incorporated into the business case. Other spare parts and maintenance consumables attributable to refuse collection vehicles is budgeted at £88k and could contribute an additional £11k in savings.
- 3.7 Case studies from various Councils have shown real savings in the region of 15% dependent on the type of changes being introduced, Scarborough Borough Council have increased Commercial waste income by £600k and reduced operating costs by £250k per year. Gwynedd Council have achieved annual savings of £1.5M through optimising routes. Fenland District Council achieved an initial saving of 8% on fuel and a further 11% on other costs following introduction of route optimisation.
- 3.8 Given that the primary savings are delivered on fuel costs which can at times be quite volatile the projected return on investment is assessed on the current diesel cost of £1 per litre if diesel costs were to reduce by as much as 35% the project would still deliver a return on investment within five years. Any increases in fuel costs would have less impact on efficiently optimised routes.
- 3.9 It is proposed to use the most appropriate framework available to procure the consultancy and software. If the Council were to perform a full tender exercise, it is very likely that the costs of implementation would be similar, but the process would take far longer to implement.

#### **4.0 Financial Implications**

- 4.1 The one-off implementation cost of £65,000 is proposed to be funded from the Growth Provision due to the need for additional software being as a result of exponential growth of the District in the last five years.

4.2 The following table shows the projected balance on the Growth Reserve. The Reserve can comfortably cover this additional one-off cost.

#### GROWTH RESERVE

	2020.21	2021.22	2022.23	2023.24	2024.25	2025.26
Balance B/fwd	1,121,759	577,041	639,671	704,205	501,911	505,165
Growth Drawdown - Reported Oct 20	-400,000	0	0	172,294	0	0
General Fund Contribution	85,282	92,630	94,534	0	33,254	23,144
Transfer to Vehicle Replacement Reserve	-30,000	-30,000	-30,000	-30,000	-30,000	-30,000
Set-aside for Recycling Tender	-200,000	0	0	0	0	0
<b>Balance C/fwd</b>	<b>577,041</b>	<b>639,671</b>	<b>704,205</b>	<b>501,911</b>	<b>505,165</b>	<b>498,309</b>

4.3 Additional annual maintenance costs of £7,000 are proposed to be funded by a reduction in the annual fuel budget controlled by Operational Services.

4.4 A full financial assessment in section 3.5 of Appendix 1, demonstrates a potential return on invest over a five-year period of 217%.

#### **Value for Money**

4.5 Economy – Gross revenue budget savings of £33,000 per year, through reduced fuel usage and maintenance costs. Figure is based on the percentage of the transport budget directly attributed to refuse collection vehicles.

4.6 Efficiency – the purpose of the software is to produce balanced collection rounds which are efficient and achievable by design with the lowest possible resource use.

4.7 Effectiveness - Case studies from other local authorities show a median efficiency saving of 12.5%. With some local authorities achieving direct savings on a reduction in vehicles and a total saving in excess of 20% of transport budgets.

4.8 Equality – Better intelligence on individual properties improved planning for customers that require assistance or additional support.

### **5.0 Corporate Implications**

#### **Employment Implications**

5.1 None

#### **Legal Implications**

5.2 None

#### **Corporate Plan Implications**

5.3 Under the Theme “*Our Future*” to provide modern ways of working that support the Council to deliver services to meet changing needs.

#### **Risk Impact**

- 5.4 Implementing new collection routes carries a high cost risk and reputational risk. Utilizing route optimisation software allows for routes to be determined taking into account all variables, increasing confidence that new routes will work in practice minimizing both cost and reputational risk.

## **6.0 Community Implications**

### **Consultation**

- 6.1 None required.

### **Equality and Diversity Impact**

- 6.2 None

### **Social Value Impact**

- 6.3 None

### **Environmental Sustainability**

- 6.4 Reduced use of fuel by reducing vehicle miles will lead to lower emissions of CO2 achieved through using software designing more efficient routes.
- 6.5 Continually updating optimised routes at the point new properties come on stream will ensure the Council always achieves the lowest mileage, fuel use and CO2 emissions possible given the type of vehicles currently in use.

# PROJECT BRIEF

**South Derbyshire District Council**

**Project: Route Optimisation**

**Transformation Theme: Process**

**Date: 24th August 2020**

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## Version Control

Version	Description of version	Effective Date
0.1	DRAFT	24 <sup>th</sup> August 2020
1.1,1.2	Review by Business Change Team and Head of Operational Services	27 <sup>th</sup> August 2020
1.3	Case presented to Environmental & Development Services Committee	15 <sup>th</sup> September 2020

## Approvals

Approved by	Date
Transformation Steering Group	

### Associated Documentation

Description of Documentation	
Transformation and Business Change Plan 2020-2024	
Business Change Annual Work Programme 2020-2024	

*Once your Project Brief is complete check the document against the following Quality Criteria:*

- It is brief as its purpose, at this point, is to provide a firm basis on which to initiate a project.
- The Project Brief accurately reflects the project mandate and the requirements of the business and the users
- The project approach considers a range of solutions such as: bespoke or off-the-shelf; contracted out or developed in-house; designed from new or modified existing product etc.
- The project approach has been selected which maximises the chance of achieving overall success for the project
- The project objectives, project approach and strategies are consistent with the organization’s corporate social responsibility directive
- The project objectives are Specific, Measurable, Achievable, Realistic and Time-bound (SMART).

## 1.0 Corporate Governance

The project outcomes contribute towards the corporate plan objectives identified below:

Corporate Theme	Description	X
<b>OUR ENVIRONMENT</b> Keeping a clean, green District for future generations	Reduce waste and increase composting and recycling	X
	Reduce fly tipping and litter through education, engagement and zero tolerance enforcement action where appropriate	
	Enhance biodiversity across the District	
	Strive to make South Derbyshire District Council carbon neutral by 2030	X
	Work with residents, businesses, and partners to reduce their carbon footprint	
	Enhance the appeal of Swadlincote town centre as a place to visit	
	Improve public spaces to create an environment for people to enjoy	
<b>OUR PEOPLE</b> Working with communities and meeting the future needs of the District	With partners encourage independent living and keep residents healthy and happy in their homes.	
	Support and celebrate volunteering, community groups and the voluntary sector	
	Help tackle anti-social behaviour & crime through strong and proportionate action	
	Support social mobility to ensure people have the opportunity to access skilled jobs, higher and further education.	
	Have in place methods of communication that enables customers to provide and receive information.	
	Ensuring consistency in the way the Council deal with service users	
	Ensuring technology enables us to effectively connect with our communities.	
	Investing in our workforce	X
<b>OUR FUTURE</b> Growing our District and our skills bas	Attract and retain skilled jobs in the District	
	Support unemployed residents back into work	
	Encourage and support business development and new investment in the District	
	Enable the delivery of housing across all tenures to meet Local Plan targets	
	Influence the improvement of infrastructure to meet the demands of growth.	
	Provide modern ways of working that support the Council to deliver services to meet changing needs.	X
	Source appropriate commercial investment opportunities for the Council	X

## 2.0 Project Definition

### 2.1 Background

Operational Services currently provides household waste collection services to over 46,000 residential properties spanning 2300 streets across the District. The waste collection routes currently in operation were derived from analysis work carried out over six years ago, using basic analysis tools and specialist knowledge from the senior officers within the service. Since this work the District has grown by more than 5000 dwellings. The current rounds are calculated on a street basis, not individual property basis which does not provide the detailed information that is essential for a data-driven, customer focussed service.

In November 2017 a report was presented to Environmental and Development Services Committee and Finance and Management Committee which set out the impact District growth was having on the capacity for service delivery of waste collections and further resources were approved at this time. A further report is being presented to both Committees in September/October 2020 identifying the need for further operational growth. Route optimisation could delay the implementation of the increased costs of growth.

'Table 8: Housing Trajectory' of the Council's Housing Position Paper February 2020 states that over the current Local Plan period (up to 2028), District growth will continue with Net Projected Completions 2020/21 to 2027/28 predicted to provide an additional 7300 dwellings, with 5336 of these expected over the five-year supply period (2020/21 to 2024/25) To ensure that a resilient operating model is in place to resource these front-line waste and cleansing services, it has been identified a more sophisticated approach is needed to understand the impact of and meet the demands of growth, both in terms of ensuring adequate resources are available for the short-term, but also in data modelling and forecasting of demand for the medium/long-term.

Alongside the financial efficiencies, that a new operating model will bring, there are also the ambitions within the Corporate Plan which aim to reduce the carbon emissions the Council produces. A route optimisation solution will produce these optimal routes and reduce the environmental impact of the vehicles.

A project team has been formed to research the options for the use of route optimisation consultancy and route optimisation software which can modernise the service and use data to inform decisions, optimise service delivery and plan for future growth.

### 2.2 Project Objectives

The aim of the project is to baseline the current provision of household waste collections services, articulate a future operating model incorporating route optimisation software, procure and implement a solution to release efficiencies, make financial savings and provide modern ways of working that support the Council to deliver services to meet changing needs and growth across the District.

### 2.3 Desired Outcomes

The benefits of the project will be but are not limited to:

- Reduce the cost of vehicles by balancing rounds between vehicles and crew
- Cut the cost of fuel (and emission of CO2) by reducing vehicle miles by using software designing more efficient routes.
- Reduce the risk of disruption when introducing new services or changing rounds by using robust data models to design rounds that are achievable in practice.
- Plan rounds properly so that they perform better, reducing the cost of mop-ups rounds and ad-hoc jobs.
- Develop in-house skills to allow for future optimisation.
- Ensure an ongoing ability to keep routes optimised as District growth continues.
- Enhance processes within the Operational Services and Customer Services Teams.
- Improve performance management within the Operational Services Team
- Develop skills within the Operational Services Team
- Improve reporting and performance data to the organisation
- Deliver efficiencies across Waste Collection services, with possible expansion to street cleansing and grounds maintenance.
- Mitigate financial and reputational risk through better planning for growth.

## 2.4 Project scope and exclusions

The scope of this project of the route optimisation for household waste collections, explores other applications which use the Local Land and Property Gazetteer (LLPG) or derived from Geographical Information System (GIS) layers created to enhance the maintenance standards such as, gullies, grounds maintenance.

This type of route optimisation would not be deemed suitable for other service areas – housing repairs, planning etc.

## 2.5 Assumptions

Resource allocation or availability of appropriate skills.

Project teams always work under some limitations and restrictions, a balance will need to be struck between members of a virtual team who are contributing to the discussion and evaluation and their substantive responsibilities.

Current provision to customers will remain unchanged until completion.

Current operating model remains intact until new model is implemented.

No option shall be precluded on submission by any member of the project team, however only those identified as a viable business solution will be considered for implementation.

## 2.6 Stakeholders and Interfaces

Transformation Steering Group  
 Customer Services  
 Business Change, IT, Digital  
 Operational Services  
 Residents, Customers, Businesses.  
 Service users  
 Front-line employees

## 3.0 Outline Business Case

### Why the project is needed:

The current methods available to carry out route optimisation for the household waste collection services would be the use of excel spreadsheets and route optimisation techniques known by the current Head of Service. To carry out this piece of work in house, existing staff would have to be trained on these techniques and this could take up to two months to complete. Once completed, this would not necessarily be the most optimal routes as it is very much a manual process. Therefore, more sophisticated tools should be considered, either through regular outsourcing of the task to a specialist supplier, or through a combination of outsourcing through initial consultancy to train staff and the procurement of a solution to enable the continuous improvement of the Service to adapt to change and growth

### 3.1 Option 1: One off consultancy

One off consultancy can be carried out to baseline the as-is of the household collections and to provide a recommendation for the best routes for the Council to adopt as of now. However, these routes will become out of date within a matter of weeks as new properties are being completed on a daily basis. The routes will be more efficient, but this does not represent good value for money as the data is flawed almost immediately.

This option is not recommended.

### 3.2 Option 2: Consultancy for recurring optimisation

A contractual arrangement for regular consultancy can be procured, to provide a regular update of the optimised routes. This could be carried out two or three times per financial year. This type of contract would be expensive and would also fail to enhance the skills and knowledge of staff within the service.

This option is not recommended.

### 3.3 Option 3: Purchase software (partial consultancy starting project) SDDC complete

Specialist consultants can be engaged to carry out the baseline of current provision (the As-Is), a full review of the As-Is as well as a tactical and operational reviews of the current service and then pass on these recommendations to Council staff to implement within the software and then refine the results. This approach comes with risk as currently there is little in the way of in-house skills in the use of route optimisation products. This could result in an initial software implementation that is not as effective as planned, and therefore not realising the most efficient routes straight away. Any changes to routes may result in some operational changes to the way waste collections are carried out and this disruption would need to be kept to a minimum.

This option is not recommended.

### 3.4 Option 4: Purchase software and full consultancy

Specialist consultants can be engaged to carry out the baseline of current provision (the As-Is), a full review of the As-Is as well as a tactical and operational reviews of the current service and then build the new models into the software whilst training officers fully. This option provides the most

secure route to a successful software implementation as it ensure the Council takes on the recommendations of the specialist consultancy as well as building up the skills within the Service to both operate the software, but also to observe the correct way to do so in a collaborative working arrangement.

In addition, the more refined use of property based data, which for the first time would be directly linked to the Council's LLPG matching to waste collection data, would be the first steps towards using data intelligence to best serve customers and provides the basis for enhancements to the Council's website, back office systems and Customer Relationship Management System (CRM) which will delivered over the next two years, but initially the website search for customers will be improved as part of this project through the improved data relating to individual household collections.

**This is the recommended option.**

### 3.5 Financial Assessment

The table below represents the additional investment required to deliver the preferred option highlighted above based on soft market engagement. An implementation fee of approximately £65,000 is payable in the financial year 2020-2021 then an additional £7,000 would be required each year of a five-year term for licencing, hosting, management, and support. If these figures increase significantly following the procurement process a further report to Finance and Management Committee will follow.

	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025	Total
Software Implementation	£30,000					£30,000
Software Licencing and Maintenance		£7,000	£7,000	£7,000	£7,000	£28,000
Consultancy	£35,000					£35,000
<b>Total</b>	<b>£65,000</b>	<b>£7,000</b>	<b>£7,000</b>	<b>£7,000</b>	<b>£7,000</b>	<b>£93,000</b>

The total additional cost to the Council will be no more than £93,000

A breakdown of how the investment is profiled over the MTFP is shown below along with identified revenue budget savings and efficiency savings. An initial investment of approximately £65,000 will be needed to implement the software and receive expert consultancy to optimise the collection routes.

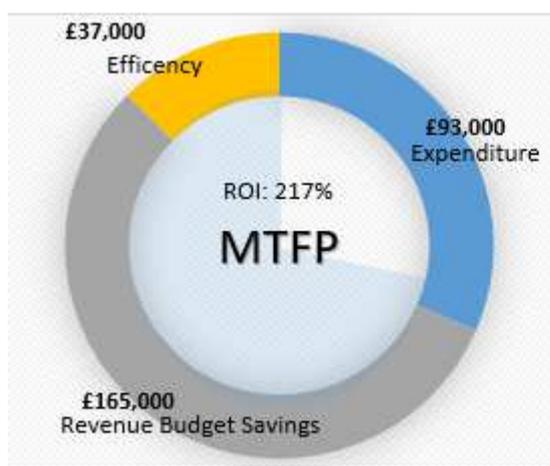
This will save approximately £8,500 every three years in officer time.

The revenue budget savings are made up from reductions of 12.5% on fuel cost and maintenance of vehicles which is the equivalent at time of writing to £33,000 per annum.

A further £4,000 efficiency saving will be realised by the mechanic posts.

	2020/21	2021/22	2022/2023	2023/2024	2024/2025	TOTAL
	Year 1	Year 2	Year 3	Year 4	Year 5	MFTP
<b>Expenditure</b>						
Implementation	£65,000					
Licence		£7,000	£7,000	£7,000	£7,000	
	£65,000	£7,000	£7,000	£7,000	£7,000	£93,000
<b>Return</b>						
Revenue Budget Savings	£33,000	£33,000	£33,000	£33,000	£33,000	£165,000
Efficiency Gains	£12,500	£4,000	£4,000	£12,500	£4,000	£37,000
Combined	£45,500	£37,000	£37,000	£45,500	£37,000	£202,000

ROI 217%



### 3.6 Value for Money

The recommended option 4 provides value for money as detailed below:

**Economy** – Gross revenue budget savings of £33,000 per year, through reduced fuel usage and maintenance costs. Figure is based on the percentage of the transport budget directly attributed to refuse collection vehicles.

**Efficiency** – the purpose of the software is to produce balanced collection rounds which are efficient and achievable by design with the lowest possible resource use.

**Effectiveness** - Case studies from other local authorities show a median efficiency saving of 12.5%. With some local authorities achieving direct savings on a reduction in vehicles and a total saving in excess of 20% of transport budgets.

**Equality** – Better intelligence on individual properties improved planning for customers that require assistance or additional support.

## 4.0 Project Product Description (project components and success criteria)

Project Name	
Modernise Finance System	
Project Purpose	To baseline the current provision, articulate a future operating model incorporating route optimisation software, procure and implement a solution to release efficiencies, make financial savings and provide modern ways of working that support the Council to deliver services to meet changing needs and growth across the District.
Composition: What are the major components, resources or activities needed to complete the project	Analyse As-Is Design new operating model Procure solution Extract, cleanse and prepare system data Migration process Interfaces Quality control and end user testing
Skills Required	Route optimisation knowledge and skills Internal super-users Project management Technical evaluation GIS/Spatial data skills and knowledge System interfaces
Customer Expectations	<ol style="list-style-type: none"> <li>1. The system will be more automated and will streamline processes</li> <li>2. The system will be user adaptable to show relevant information on a dashboard</li> <li>3. The system will enable forecasting and monitoring to be performed eliminating the need for Microsoft Excel data manipulation</li> <li>4. The new solution will enable quicker service adaptations</li> <li>5. The system will offer a modern and easy to navigate profile to enhance the user experience.</li> <li>6. The solution will have and utilise the most up to date address data.</li> <li>7. Routes will be more efficient</li> </ol>
Acceptance Criteria	<ol style="list-style-type: none"> <li>1. Head of Service and senior officers will spend less time manually manipulating routes.</li> <li>2. Reports and dashboards will be available and adaptable.</li> <li>3. Models will be developed through use of key datasets to project future impact on rounds.</li> <li>4. Change will be understood more quickly through desktop analysis and operational changes planned.</li> </ol>

	<p>5. Staff will be adequately trained with comprehensive process documentation to enable users to feel confident in the use of the tools.</p> <p>6. The solution will receive the daily updates from the LLPG</p> <p>7. There will be a reduction of fuel usage.</p>
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## 5.0 Project Approach

The project will use the corporate approach to change management as outlined by the Business Change team and report to the Transformation Steering Group periodically to provide highlight reports against the project plan.

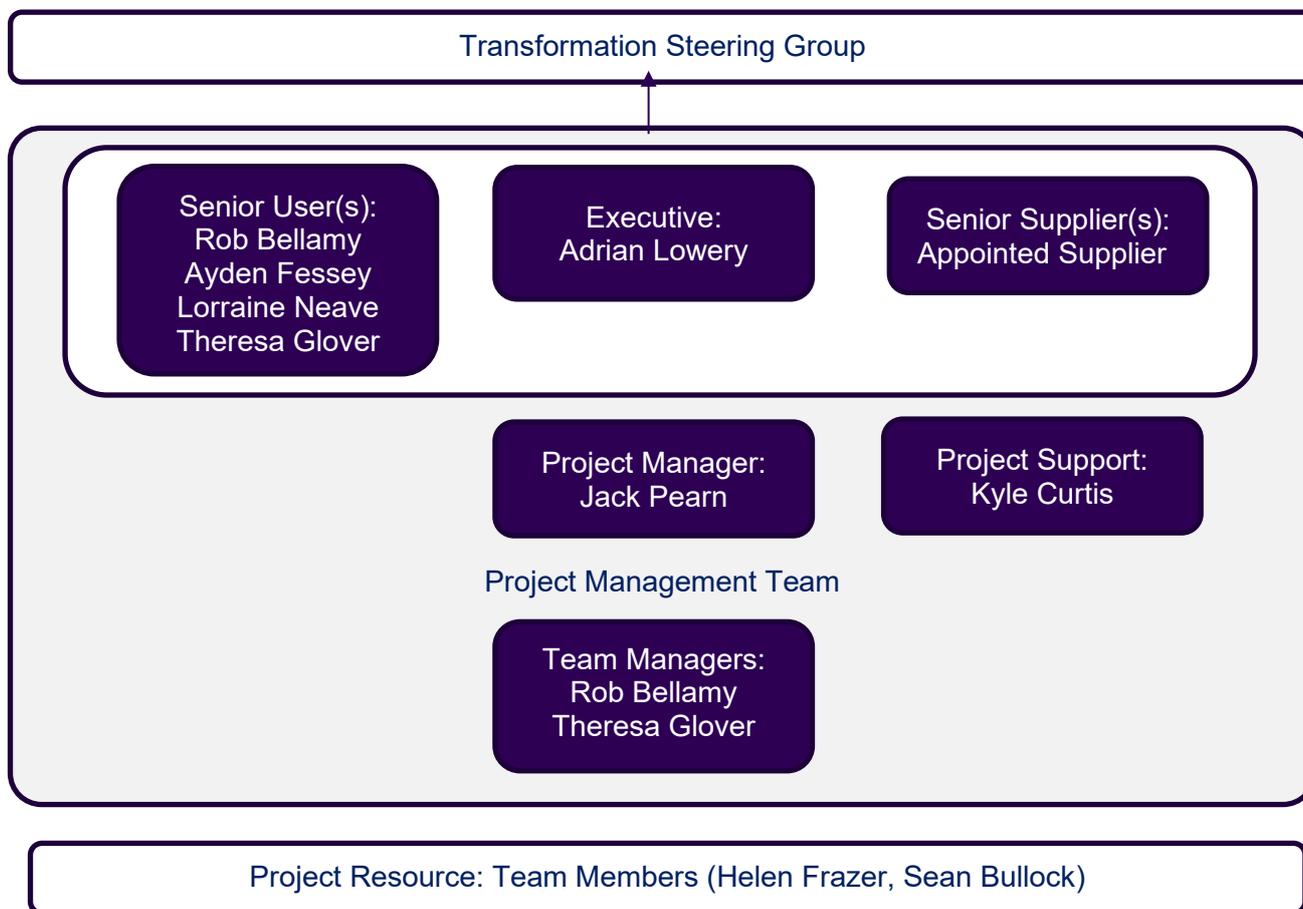
### 5.1 Environmental considerations:

The Council’s Environmental Protection Officer has been consulted and will provide information on the expected reduction in the Carbon Budget through this project, thus contributing to the Corporate Plan target of the Council achieving Carbon Neutrality by 2030.

### 5.2 Privacy impact:

The Council’s Data Protection Officer will request a copy of the supplier’s Privacy Notice and Data Security Credentials. An initial review has taken place and found no obvious causes for concern however a full Data Protection Impact Assessment will take place.

## 6.0 Project Management Team Structure



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<b>REPORT TO:</b>	<b>FINANCE AND MANAGEMENT COMMITTEE</b>	<b>AGENDA ITEM: 12</b>
<b>DATE OF MEETING:</b>	<b>7<sup>th</sup> JANUARY 2021</b>	<b>CATEGORY: DELEGATED</b>
<b>REPORT FROM:</b>	<b>STRATEGIC DIRECTOR (CORPORATE RESOURCES)</b>	<b>OPEN</b>
<b>MEMBERS' CONTACT POINT:</b>	<b>KEVIN STACKHOUSE (EXT 5811)</b> <a href="mailto:kevin.stackhouse@southderbyshire.gov.uk">kevin.stackhouse@southderbyshire.gov.uk</a>	<b>DOC:</b>
<b>SUBJECT:</b>	<b>COMMITTEE WORK PROGRAMME</b>	<b>REF:</b>
<b>WARD(S) AFFECTED:</b>	<b>ALL</b>	<b>TERMS OF REFERENCE: G</b>

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## **1.0 Recommendations**

1.1 That the Committee considers and approves the updated work programme.

## **2.0 Purpose of Report**

2.1 The Committee is asked to consider the updated work programme.

## **3.0 Detail**

3.1 Attached at Annexe 'A' is an updated work programme document. The Committee is asked to consider and review the content of this document.

## **4.0 Financial Implications**

4.1 None arising directly from this report.

## **5.0 Background Papers**

5.1 Work Programme.

**Finance and Management Committee – Next F&M Committee 7<sup>th</sup> January 2021  
Work Programme for the Municipal Year 2020/2021**

<b>Work Programme Area</b>	<b>Date of Committee Meeting</b>	<b>Contact Officer (Contact details)</b>
Coronavirus (Covid-19) Financial Impact	2 July 2020	Kevin Stackhouse Strategic Director (Corporate Resources) <a href="mailto:Kevin.stackhouse@southderbshire.gov.uk">Kevin.stackhouse@southderbshire.gov.uk</a> (01283 595811)
Revenue Financial Monitoring 2019/20	2 July 2020	Victoria Summerfield (Head of Finance) <a href="mailto:Victoria.summerfield@southderbyshire.gov.uk">Victoria.summerfield@southderbyshire.gov.uk</a> (01283 595939)
Capital Financial Monitoring / Provisional Out-turn 2019/20	2 July 2020	Victoria Summerfield (Head of Finance) <a href="mailto:Victoria.summerfield@southderbyshire.gov.uk">Victoria.summerfield@southderbyshire.gov.uk</a> (01283 595939)
Treasury Management Update 2019/20	2 July 2020	Victoria Summerfield (Head of Finance) <a href="mailto:Victoria.summerfield@southderbyshire.gov.uk">Victoria.summerfield@southderbyshire.gov.uk</a> (01283 595939)
Homelessness / Rough Sleeping	2 July 2020	Paul Whittingham (Housing Services Manager) <a href="mailto:Paul.whittingham@southderbyshire.gov.uk">Paul.whittingham@southderbyshire.gov.uk</a> (01283595984)
Corporate Plan 2020 to 2024: Quarterly Performance Reports	9 July 2020	Fiona Pittam <a href="mailto:fiona.pittam@southderbsyhire.gov.uk">fiona.pittam@southderbsyhire.gov.uk</a> (01283 595735)
Evaluation of Capital Projects	9 July 2020	Kevin Stackhouse Strategic Director (Corporate Resources) <a href="mailto:Kevin.stackhouse@southderbshire.gov.uk">Kevin.stackhouse@southderbshire.gov.uk</a> (01283 595811)

Transformation and Business Change Programme 2020 to 2024	9 July 2020	Anthony Baxter Head of Business Change and ICT <a href="mailto:Anthony.baxter@southderbyshire.gov.uk">Anthony.baxter@southderbyshire.gov.uk</a> (01283 595712)
Sponsorship Policy and Guidance	9 July 2020	Nicola Lees <a href="mailto:nicola.lees@southderbsyhire.gov.uk">nicola.lees@southderbsyhire.gov.uk</a> (01233 595755)
Comments, Compliments, Complaints and FOI Requests	9 July 2020	Kevin Stackhouse Strategic Director (Corporate Resources) <a href="mailto:Kevin.stackhouse@southderbshire.gov.uk">Kevin.stackhouse@southderbshire.gov.uk</a> (01283 595811)
Equalities Annual Report 2019/20	9 July 2020	Fiona Pittam <a href="mailto:fiona.pittam@southderbsyhire.gov.uk">fiona.pittam@southderbsyhire.gov.uk</a> (01283 595735)
Revenue Budget Out-turn 2019/20	30 July 2020	Victoria Summerfield (Head of Finance) <a href="mailto:Victoria.summerfield@southderbyshire.gov.uk">Victoria.summerfield@southderbyshire.gov.uk</a> (01283 595939)
Capital Out-turn 2019/20	30 July 2020	Victoria Summerfield (Head of Finance) <a href="mailto:Victoria.summerfield@southderbyshire.gov.uk">Victoria.summerfield@southderbyshire.gov.uk</a> (01283 595939)
Treasury Management Annual Report 2019/20	30 July 2020	Victoria Summerfield (Head of Finance) <a href="mailto:Victoria.summerfield@southderbyshire.gov.uk">Victoria.summerfield@southderbyshire.gov.uk</a> (01283 595939)

Annual Value for Money Statement 2019/20	30 July 2020	Kevin Stackhouse Strategic Director (Corporate Resources) <a href="mailto:Kevin.stackhouse@southderbshire.gov.uk">Kevin.stackhouse@southderbshire.gov.uk</a> (01283 595811)
Asset Management Plan 2020 to 2024	30 July 2020	Steve Baker (Head of Corporate Property) <a href="mailto:Steve.baker@southderbyshire.gov.uk">Steve.baker@southderbyshire.gov.uk</a> (01283 595965)
Annual Health and Safety Report 2019/20	30 July 2020	David Clamp <a href="mailto:David.clamp@southderbsyhire.gov.uk">David.clamp@southderbsyhire.gov.uk</a> (01283 595729)
Revenue Financial Monitoring 2020/21	27 <sup>th</sup> August 2020	Victoria Summerfield (Head of Finance) <a href="mailto:Victoria.summerfield@southderbyshire.gov.uk">Victoria.summerfield@southderbyshire.gov.uk</a> (01283 595939)
Capital Revenue Monitoring 2020/21	27 <sup>th</sup> August 2020	Victoria Summerfield (Head of Finance) <a href="mailto:Victoria.summerfield@southderbyshire.gov.uk">Victoria.summerfield@southderbyshire.gov.uk</a> (01283 595939)
Treasury Management Update 2020-21	27 <sup>th</sup> August 2020	Victoria Summerfield (Head of Finance) <a href="mailto:Victoria.summerfield@southderbyshire.gov.uk">Victoria.summerfield@southderbyshire.gov.uk</a> (01283 595939)
Procurement Strategy 2020 To 2024	27 <sup>th</sup> August 2020	Kevin Stackhouse Strategic Director (Corporate Resources) <a href="mailto:Kevin.stackhouse@southderbshire.gov.uk">Kevin.stackhouse@southderbshire.gov.uk</a> (01283 595811)
Q1 Corporate Plan Performance 20-24	8 <sup>th</sup> October 2020	Clare Booth Corporate Performance & Policy Officer <a href="mailto:Clare.booth@southderbyshire.gov.uk">Clare.booth@southderbyshire.gov.uk</a>

Joint Consultative Committee: Terms of Reference	8 <sup>th</sup> October 2020	David Clamp Head of Organisational Development <a href="mailto:David.clamp@southderbyshire.gov.uk">David.clamp@southderbyshire.gov.uk</a> (01283 595729)
Evaluation of Bids for New Capital Projects	8 <sup>th</sup> October 2020	Kevin Stackhouse Strategic Director (Corporate Resources) <a href="mailto:Kevin.stackhouse@southderbyshire.gov.uk">Kevin.stackhouse@southderbyshire.gov.uk</a> (01283 595811)
Audit Results Report for the Year Ending 31 March 2020	26 <sup>th</sup> November 2020	Jason Burgess (Assistant Manager) EY Jburgess3@uk.ey.co
Q2 Corporate Plan Performance 20-24	26th November 2020	Clare Booth Corporate Performance & Policy Officer <a href="mailto:Clare.booth@southderbyshire.gov.uk">Clare.booth@southderbyshire.gov.uk</a>
Revenue Financial Monitoring 2020/21	26th November 2020	Victoria Summerfield (Head of Finance) <a href="mailto:Victoria.summerfield@southderbyshire.gov.uk">Victoria.summerfield@southderbyshire.gov.uk</a> (01283 595939)
Capital Revenue Monitoring 2020/21	26th November 2020	Victoria Summerfield (Head of Finance) <a href="mailto:Victoria.summerfield@southderbyshire.gov.uk">Victoria.summerfield@southderbyshire.gov.uk</a> (01283 595939)
Treasury Management Update 2020-21	26th November 2020	Victoria Summerfield (Head of Finance) <a href="mailto:Victoria.summerfield@southderbyshire.gov.uk">Victoria.summerfield@southderbyshire.gov.uk</a> (01283 595939)
Comments, Compliments, Complaints and FOI Requests	26th November 2020	Kevin Stackhouse Strategic Director (Corporate Resources) <a href="mailto:Kevin.stackhouse@southderbyshire.gov.uk">Kevin.stackhouse@southderbyshire.gov.uk</a> (01283 595811)

Annual Accounts and Financial Statements 2019/20	7 <sup>th</sup> January 2021	Victoria Summerfield (Head of Finance) <a href="mailto:Victoria.summerfield@southderbyshire.gov.uk">Victoria.summerfield@southderbyshire.gov.uk</a> (01283 595939)
Service Base Budgets 2021/22	7 <sup>th</sup> January 2021	Victoria Summerfield (Head of Finance) <a href="mailto:Victoria.summerfield@southderbyshire.gov.uk">Victoria.summerfield@southderbyshire.gov.uk</a> (01283 595939)
Council Tax Premium on Long Term Empty Properties	7 <sup>th</sup> January 2021	Kevin Stackhouse Strategic Director (Corporate Resources) <a href="mailto:Kevin.stackhouse@southderbyshire.gov.uk">Kevin.stackhouse@southderbyshire.gov.uk</a> (01283 595811)
Discretionary Rate Relief	7 <sup>th</sup> January 2021	Kevin Stackhouse Strategic Director (Corporate Resources) <a href="mailto:Kevin.stackhouse@southderbyshire.gov.uk">Kevin.stackhouse@southderbyshire.gov.uk</a> (01283 595811)
Refuse Collection Route Optimisation	7 <sup>th</sup> January 2021	Adrian Lowery Head of Operational Services <a href="mailto:Adrian.lowery@southderbyshire.gov.uk">Adrian.lowery@southderbyshire.gov.uk</a>
Introduction of Pre-Planning Application Charging	TBC	Steffan Saunders Head of Planning and Strategic Housing <a href="mailto:Steffan.saunders@southerbyshire.gov.uk">Steffan.saunders@southerbyshire.gov.uk</a>
Transformation/Route Optimisation,	11 <sup>th</sup> February 2021	Anthony Baxter Head of Business Change and ICT <a href="mailto:Anthony.baxter@southderbyshire.gov.uk">Anthony.baxter@southderbyshire.gov.uk</a> (01283 595712)
Q3 Corporate Plan Performance 20-24	18 <sup>th</sup> March 2021	Clare Booth Corporate Performance & Policy Officer <a href="mailto:Clare.booth@southderbyshire.gov.uk">Clare.booth@southderbyshire.gov.uk</a>

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