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Our Ref: DS

Your Ref:

Date: 2nd December 2019

Dear Councillor,

Finance and Management Committee

A Meeting of the **Finance and Management Committee** will be held in the **Council Chamber (Special)**, on **Thursday, 05 December 2019** at **18:00**. You are requested to attend.

Yours faithfully,

Chief Executive

To:- **Conservative Group**

Councillor Watson (Chairman), Councillor Fitzpatrick (Vice-Chairman) and Councillors Angliss, Billings, Mrs. Brown, Ford, MacPherson 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.
- 3** To receive any questions by members of the public pursuant to Council Procedure Rule No.10.
- 2** To note any declarations of interest arising from any items on the Agenda
- 4** To receive any questions by Members of the Council pursuant to Council procedure Rule No. 11.
- 5** ANNUAL STATEMENT OF ACCOUNTS 2018-19 **3 - 118**

Exclusion of the Public and Press:

- 6** 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.
- 7** To receive any Exempt questions by Members of the Council pursuant to Council procedure Rule No. 11.

REPORT TO:	FINANCE AND MANAGEMENT COMMITTEE	AGENDA ITEM: 5
DATE OF MEETING:	5th DECEMBER 2019	CATEGORY: RECOMMENDED
REPORT FROM:	STRATEGIC DIRECTOR (CORPORATE RESOURCES)	OPEN
MEMBERS' CONTACT POINT:	Vicki Summerfield (01283 595939) Victoria.summerfield@southderbyshire.gov.uk	DOC: u/ks/accounts/finalaccounts18 19/approval of accounts report 28 November 2019
SUBJECT:	ANNUAL STATEMENT OF ACCOUNTS 2018/19	REF:
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE: FM 08

1.0 Recommendation

- 1.1 That the Council's Annual Statement of Accounts for 2018/19 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 (known as EY).
- 2.2 Their findings were contained in a report which was presented to the Audit Sub-Committee earlier on 28 November 2018. [External Audit Report](#)
- 2.3 The Council issued its draft Statement of Accounts in accordance with the statutory date of 31 May 2019. They were published on the Council's website and have been open for inspection.
- 2.4 As previously reported, the Audit of the Accounts was delayed due to the availability of resources from EY in order to undertake their work by 31 July 2019. The Audit was subsequently rescheduled and took place during the final weeks of October and the early part of November 2019.
- 2.5 Following the Audit, an unqualified opinion was given on the Statement of Accounts for 2018/19. 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 2018/19 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. Some
- 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.

Governance Statement

- 3.9 This sets out the local governance framework comprising the systems, processes, culture and values, etc. by which the Council is directed and controlled. It also demonstrates how the Council accounts to and engages with the local community.

- 3.10 The Governance Statement reports on the effectiveness of the framework for 2018/19 and highlights any issues (in an Action Plan) that have been identified to ensure that the Council's governance arrangements remain robust. The Governance Statement was considered and approved for inclusion in the Statement of Accounts, by the Audit Sub-Committee on 29 May 2019.

Comprehensive Income and Expenditure Summary (CIES)

- 3.11 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.
- 3.12 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.
- 3.13 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

- 3.14 This Statement shows the movement in reserves held by the Council during the year. It includes amounts charged in and out of the Income and Expenditure Account for accounting purposes that are not a charge on the Council Tax or Rent Payer. It reconciles the accounting cost in the CIES to the cost of services funded through taxation.
- 3.15 The balance as at 31 March 2019 reflects the level of resources available whether unallocated or held within earmarked reserves, i.e. *usable reserves*. Other reserves such as the Revaluation Reserve reflect accounting transactions and are not available for spending, i.e. they are *unusable reserves*.

Balance Sheet

- 3.16 This shows the Council's overall financial position as at 31 March 2019 with a comparison to the previous year, 2017/18. 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 slightly in 2018/19 from £84.1m to £85.7m. Although there was increase in usable reserves from approximately £35 million to £44 million, this was offset by the increase in the reported Pension Deficit from approximately £31 million to £41 million.

The Pension Deficit

- 3.18 The increase in the Pension 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. 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.

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 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 2018/19, 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 2018/19, they identified two significant risks to their value for money conclusion, which were as follows:

- Securing financial resilience as the Council’s Medium Term Financial Plan currently forecasts budget deficits in future years. The Auditors concluded that *the Council will need to continue scrutinising the financial plan and consider whether a savings plan will be required to address forecast budget deficits in order to minimise the risk of requiring unplanned reserves contributions.*
- Procurement and related contract issues in the Housing and Environment Services Directorate. This risk was reported due to the control weaknesses identified in 2016/17 for which the Council was implementing actions during 2017/18 and 2018/19.

3.30 The Auditor concluded *that the Council has now implemented all of the outstanding recommendations and continues to embed arrangements to strengthen governance arrangements.*

3.31 The Auditors therefore stated that *they expected having no matters to report about your (the Council’s) arrangements to secure economy, efficiency and effectiveness in your use of resources.*

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



Statement of Accounts 2018/19

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Narrative Report

INTRODUCTION

The Council's financial performance for the year ended 31st March 2019 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 102,000 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.

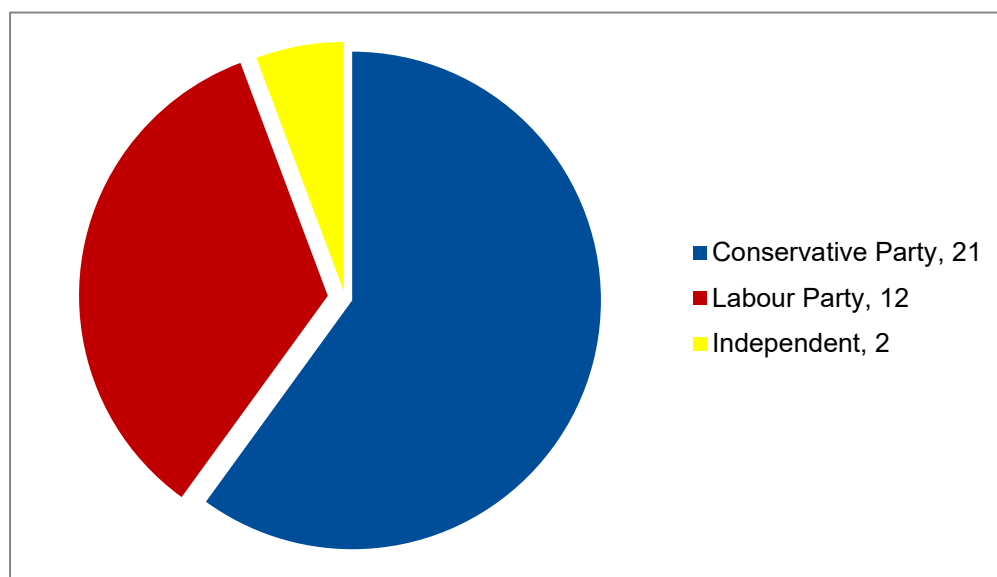
Working with our partners to keep crime and anti-social behaviour to a minimum has cemented South Derbyshire's reputation as one of the safest places to live in the county.

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 was 1 vacant seat during 2018/19. The political composition of seats as at 31st March 2019 is as follows:



About the Council

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

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

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

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

How we work

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

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

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

Narrative Report (continued)

COUNCIL PERFORMANCE

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

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

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

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

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

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

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

People: keeping residents happy, healthy and safe

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

Place: creating vibrant communities to meet residents' needs

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

Progress: encouraging inward investment and tourism opportunities

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

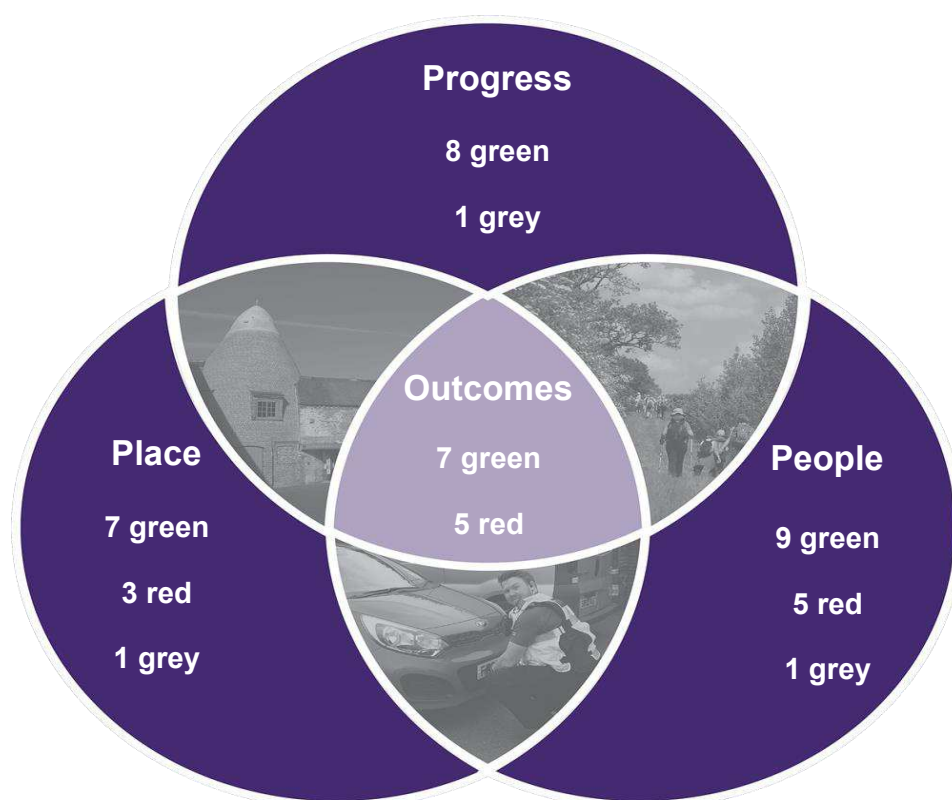
Narrative Report (continued)

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

Outcomes: work that underpins all of our activities

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

Below shows the overall Council performance against the Corporate Plan for 2018/19:



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

Of the 47 strategic projects and measures for the Council, 31 are green, 13 are red and 3 are grey at the year-end.

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

Narrative Report (continued)

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

EXPLANATION OF THE FINANCIAL STATEMENTS

The Movement in Reserves Statement

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

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

Comprehensive Income and Expenditure Statement (CIES)

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

The Balance Sheet

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

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

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

The Cash Flow Statement

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

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

Narrative Report (continued)

cash outflows have been made for resources which are intended to contribute to the Council's future service delivery.

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

Changes to the Financial Statements

There has been one change to the Financial Statements for the year ended 31st March 2019 in relation to the Council's Pension liability. Further detail on this change is included in Note 6 to the Financial Statements. Some disclosures have been updated to ensure that the Financial Statements comply with best practice.

Accounting Policies

The Council's Accounting Policies are set out in Note 1 to the Financial Statements. There have been two changes in the Accounting Policies during the year as listed below:

Accruals of Income and Expenditure

The accounting policy for Accruals of Income and Expenditure has been amended as a result of changes to the Code of Practice introduced by the adoption of IFRS 15 Revenue from Contracts with Customers.

IFRS 15 presents new requirements for the recognition of revenue, based on control-based revenue recognition model. The Council does not have any material revenue streams within the scope of the new standard so the impact of the change in accounting policy has been negligible.

Financial Instruments

The accounting policy for Financial Instruments has been amended as a result of changes to the Code of Practice introduced by the adoption of IFRS 9 Financial Instruments.

IFRS 9 introduces fundamental changes to the classification of financial assets. Under previous editions of the Code, there were three classes for financial assets: 1) Loans and Receivables, 2) Fair value through profit or loss, and 3) available for sale. Financial Instruments are now classified as either 1) amortised cost, 2) fair value through Other Comprehensive Income, or 3) fair value through profit or loss. The default position is that financial assets are carried at their fair value and that movements in fair value will be accounted for as income or expenditure as they arise.

The Code requires authorities to apply IFRS 9 retrospectively, however this is subject to some concessions, the most important of which mean that there should be no restatement of preceding year information. Consequently, where financial instruments have been reclassified and remeasured, adjustments will be calculated with retrospection, but the adjustments are only accounted for at 1st April 2018.

Financial Report

This narrative report now goes on to explain the broad facts and figures regarding the Council's financial performance and position for 2018/19.

Narrative Report (continued)

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 25th July 2019.

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

Income and Expenditure

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

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

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

During 2018/19, the Council achieved a surplus on the Provision of Services of £5,361k. After adjustments in reserves for non-cash items and capital receipts, the adjusted surplus of £2,155k was allocated in the Movement in Reserves Statement between the General Fund and HRA.

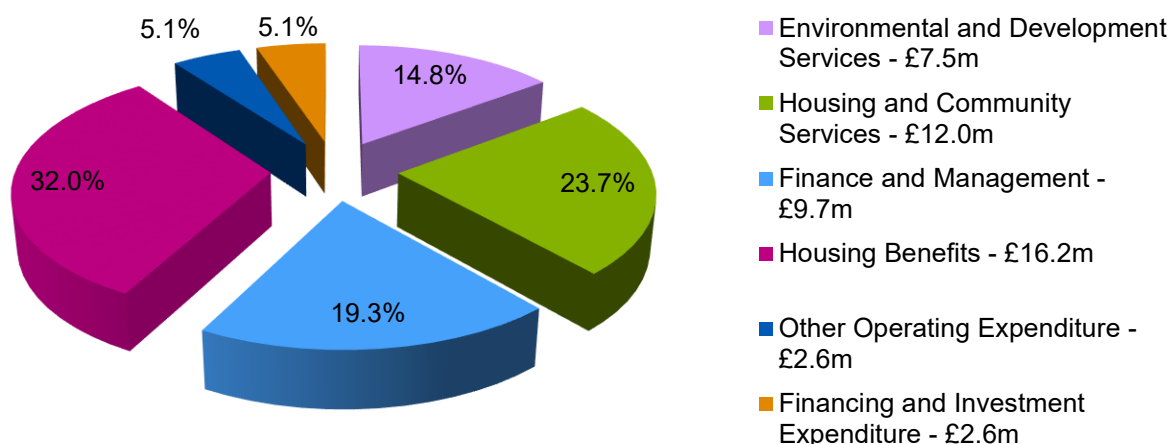
Additional revenue from Council Tax and Business Rates due to greater than budgeted growth in the District and participation in the 100% Business Rates Pilot for Derbyshire plus lower service expenditure has resulted in a contribution to the General Fund Reserve of £383k. The HRA Reserve has increased by £1,772k 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.

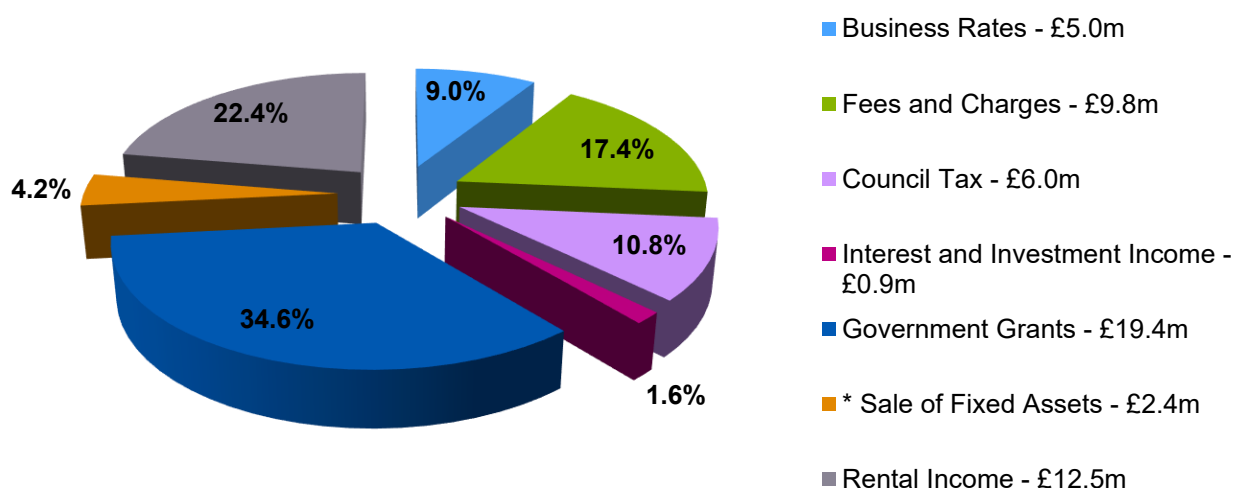
The following charts show the income received and expenditure incurred by the Council during 2018/19 as shown in the Comprehensive Income and Expenditure Statement and the Expenditure and Funding Analysis in Notes 7 to 9:

Narrative Report (continued)

Total Council Expenditure - £50.6m



Sources of Income - £56.0m



**The sale of fixed assets of £2.4m 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 £4.3m was spent by the Council on capital schemes during 2018/19, compared to £4.1m in 2017/18.

In summary, the capital expenditure incurred was on Council Houses (£1.3m), investment in new vehicles (£1.4m), investment in upgrading leisure and recreational facilities (£0.4m), Disabled Facility Grants (£0.5m), asset sale and upgrades (£0.2m) plus the final phase of Council house new build which is anticipated to be complete during the first quarter of 2019/20 (£0.5m).

Narrative Report (continued)



New Vehicle Fleet

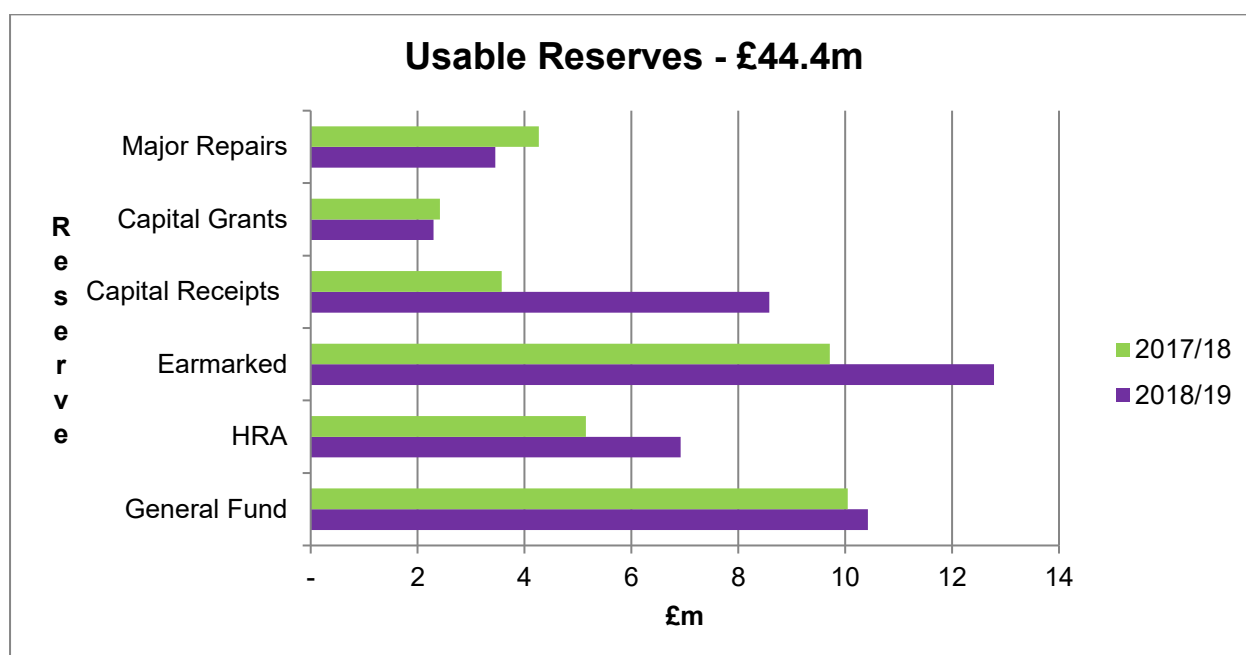


Construction of houses at Lullington Road

Council Reserves

The Council's Usable Reserves have increased in the year from £35.1m to £44.4m due to surpluses in year, receipts of Section 106 (£2.1m) plus asset sale receipts.

Detail of the Council's Usable Reserves can be found in Note 24 to the Financial Statements but a summary chart showing the movement between 2017/18 and 2018/19 is below:



Unusable reserves have decreased from £48.9m to £41.3m mainly due to an increase in the Revaluation Reserve of £2.5m which was more than offset by an increase in the Pension deficit of £9.9m 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 £10.4m and £6.9m on the HRA reserve comfortably exceeded this amount as at 31st March 2019.

Narrative Report (continued)

The Balance Sheet

The Balance Sheet is the Council's assets and liabilities as at 31st March each year. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. The overall value of the Council's net assets increased from £84.1m in 2017/18 to £85.7m in 2018/19.

Assets

Non-current assets increased by £2.7m in year. This is as a result of increased revaluation of the Council's assets plus an investment of an additional £1m in the Local Authority Property Fund taking the total investment in the Fund to £2m. The link to the approval for the additional investment is included below.

[CMIS/July 2018](#)

Current assets increased by £8.4m in year. The reason for the large movement is mainly due to the increase in cash held by the Council. Reductions in expenditure and increased capital receipts in year are the main cause for the increased levels of cash. Detail of movements in cash held by the Council is in Note 20.

Liabilities

The liabilities of the Council increased in year by £9.5m. The main movement was the large increase 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 2019/20 and the projected medium-term financial position to 2024 is available at:

[CMIS/February 2019](#)

The Council's General Fund is estimated to generate a deficit in 2019/20. 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.

Narrative Report (continued)

The Future

As mentioned previously, the Council is forecast to slip into a deficit from 2019/20 onwards in the current MTFP to 2024. The funding gap of £1.7m is set to be funded from the General Reserve which is unsustainable in the longer-term.

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

Two Government Consultations (Business Rates Retention Review and Fair Funding Review) were released as part of the settlement in December 2018 to help determine future core funding. It is unclear at this stage the potential impact but any updates will be included in future forecasts and will be reported to the Finance and Management Committee in detail.

During 2018/19 the County of Derbyshire was selected by Central Government to be part of a 100% Business Rates Retention Pilot. An additional £1m was generated in South Derbyshire through the Pilot which has been earmarked for use on future Economic Development projects within the District. The County has been unsuccessful in continuation of the 100% Pilot and will revert back to the former funding mechanism in 2019/20.

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

CORPORATE GOVERNANCE

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

AND FINALLY

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

The following sections set out the Council's Accounts and Financial Statements for 2018/19. As highlighted earlier, to meet accounting standards, they are necessarily detailed and technical in nature.

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

Certificate of the Council's and CFO Responsibilities

The Council's Responsibilities

The Council is required to:

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

The Strategic Director (Corporate Resources) Responsibilities

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

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

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

The Strategic Director (Corporate Resources) has also:

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

Certification by the Strategic Director (Corporate Resources)

I certify that this Statement of Accounts has been prepared in accordance with proper accounting practices and presents a true and fair view of the financial position of the Council at 31st March 2019, and its income and expenditure for the year ended on that date.



Kevin Stackhouse (CPFA)

Chief Finance (Section 151) Officer

28th November 2019

Governance Statement

A SCOPE OF RESPONSIBILITY

As a public authority, South Derbyshire District Council is responsible for ensuring that its business is conducted in accordance with the law, proper standards and that public money is safeguarded, properly accounted for and achieves value for money. The Council also has a duty to make arrangements to secure continuous improvement in the way in which its functions and services are delivered.

In discharging these responsibilities, the Council is required to put in place proper arrangements for the governance of its affairs, which includes arrangements for the management of risk.

The Local Code of Corporate Governance

In order to ensure it meets its responsibilities, the Council adheres to a Local Code of Corporate Governance. This is based on a National Framework which assists local authorities to ensure that they are delivering “Good Governance” in exercising their functions.

The Local Code sets out a range of principles for which an authority can assess its individual governance arrangements. This helps to identify any areas that fall short of the required standards, together with issues that need to be reviewed and developed.

The Code is based on 7 core principles which embody “good governance”. These principles are:

- Behaving with integrity.
- Ensuring stakeholder engagement
- Establishing clear outcomes
- Establishing interventions to achieve outcomes
- Developing capacity and leadership in the organisation
- Managing risks and performance
- Upholding good practice in reporting and transparency

The Annual Governance Statement (AGS)

The Local Code is published in a detailed report which documents how the Council achieves “Good Governance”. It is reviewed and updated every 6 months and is monitored by the Council’s Audit Committee.

The AGS is a formal statement which summarises a council’s governance arrangements for its stakeholders. It also provides an overview on how effective those arrangements have been, based on independent assessments and other evidence. In addition, it highlights any issues that have been identified which need to be strengthened.

The AGS and the Local Code are complimentary documents.

B THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The Governance Framework is diverse and comprises:

Governance Statement (continued)

- The systems and processes, culture and values, by which the Council is directed and controlled.
- The activities through which it accounts to, engages with and leads the local community.
- The management of risk to an acceptable and reasonable level through Internal Control

Good corporate governance is considered to be essential in demonstrating that there is credibility and confidence in public services. Sound arrangements should be founded on openness, integrity and accountability, together with the overarching concept of leadership.

C THE GOVERNANCE FRAMEWORK AT SOUTH DERBYSHIRE

The Governance Framework detailed in this Statement has been in place at South Derbyshire District Council for the year ended 31 March 2019. The key elements of the systems and processes that comprise South Derbyshire District Council's Governance Framework are set out in the following sections.

Decision Making

The Council operates under a Constitution ([the Constitution](#)). This sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people.

The Constitution sets out the individual roles and responsibilities of Members and the Council's 3 statutory officers who are as follows:

- The Chief Executive in their role as the Head of Paid Service.
- The Strategic Director of Corporate Resources in their role as the Chief Finance Officer.
- The Head of Legal and Democratic Services in their role as Monitoring Officer.

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

The Council's Leadership Team

This consists of a Chief Executive, two Strategic Directors and the Monitoring Officer. They work closely with Elected Members to deliver the Council's services.

Policy Making

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

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

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

Governance Statement (continued)

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

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

Compliance

It is the function of the Monitoring Officer to ensure compliance with established policies, procedures, laws and regulations. After consulting with the other Statutory Officers, they have the power to report to Full Council if they consider that any proposal, decision or omission would give rise to unlawfulness or maladministration.

Such a report would prevent the proposal or decision being implemented until the report has been considered.

The Council operates 2 regulatory committees; a Planning Committee focusing on development control (planning applications and enforcement) and a Licensing and Appeals Committee which deals with licensing applications and appeals.

In addition, a Standards Committee, which contains independent (of the Council) members, oversees the conduct of Elected Members in their respective roles.

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

Health and Safety

The Council has a Health and Safety Policy that sets out the Council's commitment to health and safety and identifies those positions with responsibility to ensure that the Council complies with Health and Safety legislation.

Compliance is monitored by a Health and Safety Committee, where employee representatives meet with service managers and Elected Members. The Committee monitors policies, working practices and reviews accident statistics for its own employees and members of the public using Council services.

Standards of Financial Conduct

Financial management is conducted in accordance with financial regulations and procedural rules, as set out in Part 4 of the Constitution. The Council has designated the Strategic Director of Corporate Resources as its Chief Finance Officer (CFO) in accordance with Section 151 of the Local Government Act 1972.

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

The CFO is responsible for making arrangements for the proper administration of the Council's financial affairs in accordance with best professional practice. This includes medium-term financial planning and regular monitoring of income and expenditure, all of which is reported quarterly to Policy Committees.

In addition, under a national Code of Audit Practice, the Council has a responsibility to ensure that its affairs are managed in accordance with proper standards and to prevent and detect fraud and

Governance Statement (continued)

corruption. The Council has adopted a Counter Fraud and Corruption Policy in order to achieve this and works to an annual programme which is monitored by the Council's Audit Sub-Committee ([Anti-Fraud and Corruption Plan 2018/19](#)).

Standards of Overall Conduct

Members and Officers of the Council operate under Codes of Conduct. These codes provide a set of standards of conduct expected of employees at work and for councillors in performing their public duties.

The Codes take into account the requirements of the law and the provisions of official conduct in the appropriate National Conditions of Service (for employees). Members and Officers are required to disclose any potential conflicts of interest in public registers. These are available for inspection from the Monitoring Officer.

In addition, the Council has adopted an Ethics Statement in its Constitution which sets out the behaviour requirements expected of Officers.

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

The Standards Committee hears Members' Code of Conduct complaints referred by the Monitoring Officer in line with the procedure for considering such complaints. These are complaints against Elected Members of the District Council and elected or co-opted Members of the Parishes of South Derbyshire.

The Standards Committee is also informed of complaints not referred to them for consideration and dealt with by the Monitoring Officer, with a summary of the outcome in relation to each matter.

Development of Members and Officers

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

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

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

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

Personal Development Reviews provide Employees with a clear understanding of how their work is enabling the Council to deliver its services, together with identifying their own individual training needs.

Establishing Council Objectives

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

Governance Statement (continued)

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

The Sustainable Community Strategy for South Derbyshire (2009-2029) is co-ordinated by The South Derbyshire Partnership ([The Partnership and Strategy](#)).

This sets out the District wide priorities across a range of public service providers that include the District Council, County Council, Police, Health Authority and the Voluntary Sector.

This plan aims to improve the overall economic, social and environmental wellbeing of South Derbyshire by addressing issues that are important to the local community, businesses and service providers.

Consultation and Communication

What the Council does is informed through consultation and communication. The Council has strategies and work programmes in place to ensure that the views of stakeholders are gathered and fed into the decision-making process.

Through regular and targeted communication, the Council strives to enhance its reputation and profile as a community leader and to ensure that stakeholders are aware of what the Council is achieving and the issues and challenges that it faces.

Assessing and Reviewing Performance

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

During the year, the Policy Committees receive quarterly performance monitoring reports. A "traffic light" monitoring system is used to highlight areas at risk of not being achieved and agreed remedial measures in action plans are approved where these were necessary.

In addition, the Finance and Management Committee receive quarterly financial monitoring reports. Performance reporting includes a review of both service and corporate risks.

Data Quality

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

Compliments and Complaints

The Council has a Corporate Compliments and Complaints Procedure ([Complaints Procedure](#)). This is used to help identify service improvements from compliments, complaints and other comments received regarding the Council's services. Information is collated centrally and reported half yearly to the Finance and Management Committee, where performance can be challenged and areas for improvement identified.

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

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

Governance Statement (continued)

Information Communication Technology (ICT)

The Council is responsible for gathering, processing and managing large amounts of personal data and also maintains sensitive and confidential information.

The Council would not be able to operate without an effective ICT infrastructure in place. The Council's ICT and Digital Strategy ([ICT Strategy](#)) is designed to ensure that the appropriate infrastructure is in place to enable the Council to deliver its services efficiently and effectively, together with ensuring that data is secure and processed in accordance with Data Protection legislation.

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

Data Management

The Council has Records Management and Document Retention Policies that direct how the Council manages personal and other data that it holds and processes in accordance with the Data Protection Act 2018.

The Council has appointed its Business Change and ICT Manager as its Data Protection Officer. This Officer reports to the Leadership Team on a quarterly basis, including details of any data breaches or other data management issues.

Transparency in the Publication of Information

Besides producing an Annual Statement of Accounts, to demonstrate accountability, the Council publishes a wide range of information on its use of resources. This includes an Annual Pay Policy Statement which details how the pay and remuneration of Officers is determined. The Council also complies with regulations regarding the "Gender Pay Gap" and publishes its figures each year.

In addition, the Council publishes various data sets and information in accordance with the Government's Transparency Code. This includes details of all payments (excluding those to employees) in excess of £250, details of procurement card transactions, together with remuneration and expenses paid to Members. There are also details regarding assets owned and all contracts for goods and services awarded externally in a Contracts Register.

This information is available on the Council's web-site in the "*Open Data and Transparency*" section ([Open Data](#)).

Service Review

To support service delivery, the Council has Procurement and Business Change functions. These sections identify and co-ordinate projects to improve efficiency and effectiveness in the use of Council resources.

Partnership Working

The Council works in partnership with many other public agencies, including the voluntary sector, together with private organisations to deliver its services ([List of Partnerships](#)).

The Council's most significant partnerships are the South Derbyshire Partnership and the Safer South Derbyshire Partnership for Derbyshire. These partnerships are properly constituted and

Governance Statement (continued)

Committees are established (comprising representatives of the Council) who monitor and review progress.

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

Risk Management

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

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

In addition, the Council's Corporate and Financial Plans identify and evaluate risk at a more strategic level. Furthermore, evaluation of proposals for new spending and capital investment includes a risk assessment analysis. The Council's risk management process provides a framework to embed risk within services. It also includes guidance for managers in assessing and treating risk.

Business Continuity

The Council's arrangements are set out in a Business Continuity Plan in accordance with Civil Contingencies legislation. The Council is supported by Derbyshire County Council's Emergency Planning Unit and subscribes to the Government's Resilience Direct network.

Internal Audit

Under the Account and Audit Regulations 2015, the Council maintains an internal audit function to evaluate the effectiveness of the Council's risk management, internal control and overall governance processes. This is based on public sector internal auditing standards.

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

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

They work to an annual plan, agreed with and monitored by Members and Senior Officers ([Internal Audit Plan and Charter 2018/19](#)). Internal Audit provides opinions on internal controls in place to manage risks across the Council's activities. Its plans and outputs are monitored and challenged by the Council's Audit Sub-Committee.

Audit review all fundamental financial systems each year and other systems over a five yearly cyclical period. This is based on a risk assessment of each service area.

The reporting process requires a report of each audit to be submitted to the relevant service manager.

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

Governance Statement (continued)

Under Auditing Standards, CMAP is subject to an independent quality assessment of their operational effectiveness at least once in every 5 years.

The Council's Audit Sub-Committee

Under its terms of reference, the Committee independently oversees the Council's corporate governance, together with reviewing the adequacy of the risk management framework and internal control environment.

Internal Audit reports to the Council's Audit Sub-Committee on a quarterly basis. Reports to the Committee provide an overall assurance rating of each system or service area subject to audit. This includes a statement as to whether there are any possible implications for the Annual Governance Statement ([illustrative Reports](#)).

The Committee receive details of any issues that are found to have a potentially "high-risk" impact on the Council's control environment. These are subject to on-going monitoring until all recommended actions have been implemented

External Scrutiny

Ernst & Young LLP (EY) is the Council's appointed external auditor. Besides auditing the accounts and financial statements of the Council, they also focus on more strategic performance and financial management arrangements.

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

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

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

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

The Audit Sub-Committee and Officers of the Council meet regularly with the external auditors to discuss planned and on-going external audit activity through the Annual Audit Plan. The Annual Audit Letter, which is considered by a meeting of the Full Council, summarises the conclusions and significant issues arising out of their audit.

D REVIEWING THE EFFECTIVENESS OF THE GOVERNANCE FRAMEWORK

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its Governance Framework, including the system of internal control.

As part of an on-going review, the overall framework was strengthened in 2018/19 following a work programme arising out the Governance Statement for the previous year, 2017/18. Actions are detailed in **Section E**.

Evidence on which to base how effective the Council's governance and internal control framework (as detailed in Section C) has been during 2018/19 is provided in the following sections.

Governance Statement (continued)

The Local Code of Corporate Governance

The Council's Local Code was kept under review during and considered by the Audit Sub-Committee in December 2018 ([Local Code Dec 2018](#)) and May 2019 ([Local Code May 2019](#))

Compared to the 21 individual requirements in the Code, it was considered that the Council was performing satisfactorily in 20 as at May 2019, with 1 area identified for review and development, i.e. organisational development and capacity.

The Council's plan to strengthen this area is included in the Action Plan in **Section E**.

Internal Audits Undertaken in 2018/19

All audits completed and reported to the Audit Sub-Committee during 2018/19 found no material weaknesses which could affect the Council's Governance framework. All audits provided some assurance regarding the internal control environment.

Out of 33 individual audit assignments, only 2 attracted a Limited Assurance Rating with all others attracting either a Comprehensive or Reasonable Rating.

No critical risks were identified to those systems and processes audited during the year. From 142 individual recommendations made to maintain or strengthen control, 121 were considered to be low risk with 3 being considered significant; these significant risks have or are being addressed.

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

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

The report for 2018/19 was considered by the Audit Sub-Committee on 29 May 2019 ([Audit Committee 29 May 2019](#)).

The report concluded that:

*"Based on the work undertaken during the year, I have reached the overall opinion that there is a **Satisfactory System of Internal Control** - Findings indicate that on the whole, controls are satisfactory, although some enhancements may have been recommended."*

This report also provides further details of the work of Internal Audit during the year as outlined above.

Value for Money (VFM)

At the date of the publication of this Draft Statement, the External Auditor had not reported their conclusion on the Council's arrangements for securing VFM in 2018/19. When this has been issued, the Governance Statement will be updated alongside the publication of the Audited Accounts and Financial Statements later in the year.

The Effectiveness of Internal Audit

No independent review was undertaken in 2018/19 following that completed in 2017/18. The review in 2017/18 assessed Internal Audit as generally conforming to all approved standards.

Communication

Besides the normal publication of events and activities, the Council undertook specific media campaigns aimed at raising awareness of key issues in the Council's Corporate Plan. These were:

Governance Statement (continued)

- **“We’re Watching You Campaign”** aimed at reducing dog fouling and encouraging reporting.
- **Fly Tipping:** Publicising successful prosecutions and enforcement actions.
- **Recycling:** Targeting campaigns to reach new audiences and educate residents, particularly those on new housing developments on the importance of recycling,
- **The National Forest:** Focusing on South Derbyshire’s unique position at the heart of the Forest with the leisure and economic development opportunities that it presents.

Consultation

During 2018/19, there was a wide-ranging series of consultation in order to inform service provision. The main areas of consultation focused on:

- **April 2018:** Views were sought on proposals to clamp down on fly-tipping at a well-known fly-tipping and anti-social behaviour hot-spot in the District.
- **May 2018** – During the National Forest Walking Festival, participants on every walk were asked to complete an evaluation form and to provide feedback on the event.
- **June 2018** – Council tenants were given the opportunity to have their say on how satisfied they are with their homes and services provided. The Survey of Tenants and Residents (STAR) Survey explored areas such as the quality of homes and communities, the effectiveness of repairs and maintenance work and whether tenants think they are getting value for their money.
- **August 2018** - Tenants were invited to comment on methods of communication used by the Council via text message.
- **February 2019** – a six-week consultation on the Council’s proposed submission on the Local Green Spaces Plan.

Changes to the Constitution

The Monitoring Officer reported some cosmetic changes to the Constitution during the year. The only substantive change was the adoption of an Ethics Statement under Part 5 which was approved by the Council in May 2018.

Work of the Overview and Scrutiny Committee

The Committee did not “call-in” any decision during 2018/19 and was not required to undertake any special investigations.

The Committee presented its Annual Report to Full Council on 16 May 2019. This detailed the areas scrutinised in the year and included:

- *The Council’s use of its powers under the Regulation of Investigatory Powers Act 2000*
- *The Council’s Budget proposals for 2019/20*
- *Provision of rural play facilities*
- *The impact of Universal Credit*
- *Customer engagement in the Digital Age*
- *Allocations to Council housing*

Governance Statement (continued)

- *Litter collection following the publication of the Government's Litter Strategy for England.*
- *The use of Safer Neighbourhood grants*

In addition, the Committee scrutinised two issues of an external nature, i.e. the use of Section 106 Health Service contributions across the District, together with the provision of Broadband in rural areas.

Outcomes from these reviews and recommendations for service improvements were detailed in the Annual Report ([Item 11 Annual Report](#)).

Propriety in the Conduct of Council Business

In respect of 2018/19, the following matters are noted.

Ombudsman Complaints

There were no cases of maladministration found against the Council. The Local Government and Social Care Ombudsman issue their Annual Report in September each year.

Their latest report to the Council in September 2018 ([Ombudsman Annual Report](#)) highlighted that they had investigated 8 complaints against the Council in the most recent reporting period between April 2017 and March 2018. Of these, only one complaint was upheld and this was subsequently resolved.

Code of Conduct

There were no breaches of either the Member or Employee Code of Conduct during 2018/19.

Register Of interests

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

Whistleblowing

There were no matters raised under the Council's Whistleblowing Policy in 2018/19.

Data Protection

The Data Protection Officer reported 10 separate data incidents/breaches during 2018/19. They were all classed as minor and subsequently resolved. No incidents occurred which warranted separate notification to the Information Commissioners Office under the Data Protection Act 2018.

ICT Security

There was no major IT security incidents reported during 2018/19.

Health and Safety

There were 5 reportable accidents under Health & Safety Regulations during 2018/19 (4 in 2017/18) involving Council Employees. Following investigation of each accident, risk assessments were reviewed and updated where necessary. There were no major incidents which required reporting to the Health and Safety Inspectorate.

Governance Statement (continued)

During the year, the Council received a suspect package through the post. The incident was dealt with by the relevant agencies. A subsequent debrief of the incident led to further training and procedural changes for dealing with incoming post.

The Council once again achieved a Gold Award from the Royal Society for the Prevention of Accidents (RoSPA) in 2018/19 for its commitment to preventative Health and Safety ([ROSPA Gold Award](#)).

Litigation

During 2018/19, the Council was the subject of a case in the Employment Tribunal, but this was struck out and there were no implications for the Council. In April 2019, further cases were brought against the Council in the Employment Tribunal, all of which have also been dismissed.

Application Process – Infinity Garden Village

An investigation relating to the Expression of Interest submitted for the above was carried out by the Monitoring Officer in August 2017. It was determined, that although the application was submitted without the consent of Elected Members, the position was regularised with a formal resolution from the Environmental and Development Services Committee on 2nd March 2017.

Business Continuity

There were no major incidents during 2018/19 which necessitated the Council invoking its Business Continuity procedures. However, the Council was part of a multi-agency working group regarding the potential consequences on the Council's services of "Brexit" and in particular the scenario of the UK leaving the EU without a deal. At the time of the publication of this Statement, this issue was being kept under review.

A Review of the Local Code and Governance Statement

During the year, Internal Audit undertook a review of the Council's Local Code and Governance Statement. The Audit focused on the format and usefulness of these documents and how key messages were communicated to stakeholders. The review did not focus on the Governance Framework itself per se.

At the time of the publication of this Statement, the Audit report was in draft and subject to consultation with Senior Officers to finalise the recommendations. However, no major issues were identified and the recommendations arising from the Audit will be included in the preparation of the Governance Statement for 2019/20.

Assessment of the Overall Effectiveness of the Council's Governance Arrangements

Pending the External Auditor's report on the Council's arrangements for securing Value for Money, it is considered that the Council's overall Governance Framework continues to be effective. This is based on the Framework itself (as detailed in **Section C**) together with the evidence detailed in **Section D** above.

E KEY GOVERNANCE MATTERS FOR SOUTH DERBYSHIRE

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

Governance Statement (continued)

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

Some areas for review were identified in the Governance Statement for 2017/18 to strengthen the Council's arrangements. In particular, these related to the promotion of the Council's Culture and Ethical Standards amongst employees to ensure the expected standards of behaviour were communicated, implemented and maintained throughout the Council.

Subsequent actions were completed in 2018/19 as reported to the Audit Sub-Committee in the Local Code on 29 May 2019 ([Local Code Report](#)).

Work Plan 2019/20

The main area identified for development during 2019/20 as detailed in the Local code is:

- To commission an External Peer Review to benchmark the Council's capacity to deliver services in a period of significant change and identify any areas for improvement based on good practice at other local authorities.

Note: This has been identified in the Local Code of Corporate Governance as good practice and was originally planned to be undertaken during 2018/19. However, a restructure of the Council's Senior Management during 2018/19 delayed this work being undertaken.

This development is set out and included in a Governance Work Plan for 2019/20 as detailed in the following table.

GOVERNANCE WORK PLAN 2019/20

Work Area	Timescale	Lead Officers	Corporate Plan Priority
Continue to review the Local Code of Corporate Governance and to monitor the Governance Work Plan for the year.	½ yearly reviews reported to the Audit Sub-Committee in December 2019 and May 2020.	Head of Legal and Democratic Services	Maintain Proper Corporate Governance
Undertake an External Peer Assessment	<ul style="list-style-type: none">• Outline approved and assessment commissioned (October 2019)• Report and findings submitted to the Council (December 2019)• Action Plan approved (February 2020)	Chief Executive	Maintain a skilled workforce

Governance Statement (continued)

Council Sign Off

We propose over the coming year to take steps to address the issues identified in the Work Plan to further enhance our governance arrangements.

We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

This Annual Governance Statement is signed by the Leader of the Council and the Chief Executive on behalf of South Derbyshire District Council.

Signed:

Dated:

Signed:

Dated:

Certificate of Chief Financial Officer

I certify that:

- (a) The Statement of Accounts for the year ended 31st March 2019 on pages 34 to 37 has been prepared in the form directed by the Code and under the accounting policies set out on pages 38 to 50.
- (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

TO BE INCLUDED AFTER COMPLETION OF THE AUDIT

Independent Auditor's Report

TO BE INCLUDED AFTER COMPLETION OF THE AUDIT

Independent Auditor's Report

TO BE INCLUDED AFTER COMPLETION OF THE AUDIT

Council Approval of Statement of Accounts

These accounts are to be approved by resolution of the Finance and Management Committee on 28th November 2019 after completion of the External Audit.

Signed:

Dated:

Comprehensive Income and Expenditure Statement

For the year ended 31st March 2019

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	2018/19			2017/18		
	Expenditure	Income	Net	Expenditure	Income	Net
Environmental and Development Services	7,486	(3,257)	4,229	7,318	(3,369)	3,949
Housing and Community Services (incl HRA)	11,978	(14,027)	(2,050)	9,306	(14,580)	(5,274)
Finance and Management	25,965	(21,538)	4,427	25,840	(20,821)	5,020
Cost of Services	45,429	(38,822)	6,606	42,464	(38,770)	3,694
Other Operating Income & Expenditure			519			(255)
Exceptional (Note 5)			(336)			(739)
Total Other Operating Income & Expenditure (Note 12)			183			(994)
Financing & Investment Income & Expenditure (Note 13)			1,671			3,766
Taxation & Non-Specific Grant Income (Note 14)			(13,821)			(13,995)
(Surplus)/Deficit on Provision of Services			(5,361)			(7,529)
(Surplus)/Deficit on revaluation of Assets			(3,757)			(1,461)
(Surplus)/Deficit on revaluation of Available for Sale Assets			55			55
Remeasurement of the Net Defined Benefit Liability (Note 34)			7,468			(3,088)
Total Comprehensive Income & Expenditure			(1,596)			(12,023)

Movement in Reserves Statement

For the year ended 31st March 2019

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 2018/19	General Fund	Earmarked Reserves	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied Account	Major Repairs Reserve	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
<i>£000's</i>									
Balance at 31 March 2017	8,434	8,460	3,703	1,949	2,408	1,266	26,219	45,893	72,113
Movement in reserves during 2017/18:									
Total Comprehensive Income & Expenditure	1,759	-	5,769	-	-	-	7,529	4,494	12,023
Adjustments between accounting basis & funding basis (Note 10)	625	-	(4,095)	1,873	7	3,004	1,414	(1,414)	-
Net increase/(decrease) before transfers to Earmarked Reserves'	2,384	-	1,674	1,873	7	3,004	8,943	3,080	12,023
Transfers to/from Earmarked Reserves	(774)	1,253	(229)	(250)	-	-	-	-	-
Increase/(decrease) for the year ended 31 March 2018	1,610	1,253	1,444	1,623	7	3,004	8,943	3,080	12,023
Balance at 31 March 2018	10,044	9,713	5,147	3,573	2,415	4,271	35,161	48,973	84,136
Movement in reserves during 2018/19:									
Total Comprehensive Income & Expenditure	2,106	-	3,255	-	-	-	5,361	(3,765)	1,596
Adjustments between accounting basis & funding basis (Note 10)	1,182	-	(1,317)	5,008	(120)	(817)	3,936	(3,936)	-
Net increase/(decrease) before transfers to Earmarked Reserves'	3,288	-	1,938	5,008	(120)	(817)	9,297	(7,701)	1,596
Transfers to/from Earmarked Reserves	(2,906)	3,072	(166)	-	-	-	-	-	-
Increase/(decrease) for the year ended 31 March 2019	383	3,072	1,772	5,008	(120)	(817)	9,297	(7,701)	1,596
Balance at 31 March 2019	10,427	12,785	6,919	8,580	2,295	3,454	44,458	41,272	85,732

Balance Sheet

For the year ended 31st March 2019

The Balance Sheet shows the value as at 31st March 2019 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		2019	2018
	<i>Notes</i>		
Property, Plant & Equipment	15	145,480	144,175
Investment Property	16	5,845	5,412
Long-term Investments	17	1,931	985
Long-term Debtors	17	84	89
Non-Current Assets		153,341	150,662
Inventories		102	85
Short-term Debtors	18	4,041	5,295
Assets Held for Sale	21	1,318	900
Cash & Cash Equivalents	20	35,799	26,593
Current Assets		41,259	32,873
TOTAL ASSETS		194,599	183,535
Short-term Creditors	22	(8,663)	(9,243)
Short-term Borrowing	17	(28)	(28)
Provisions	23	(1,061)	(993)
Current Liabilities		(9,752)	(10,264)
Long-term Creditors	17	(43)	(43)
Long-term Borrowing	17	(57,423)	(57,423)
Pension Deficit	34	(41,650)	(31,669)
Non-Current Liabilities		(99,117)	(89,136)
TOTAL LIABILITIES		(108,868)	(99,399)
NET ASSETS		85,731	84,135
Usable Reserves	24	(44,459)	(35,162)
Unusable Reserves	25	(41,272)	(48,973)
TOTAL RESERVES		(85,731)	(84,135)

Cash Flow Statement

For the year ended 31st March 2019

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		2019	2018
	<i>Notes</i>		
Cash generated from operations			
Net Surplus/(Deficit) on the provision of services		5,361	7,529
Adjustment for non-cash movements:			
Depreciation	15	4,657	5,659
Impairments/Revaluations		(1,133)	(3,043)
Movement in Pension Liability	34	2,513	1,862
(Profit)/Loss from the sale of Property, Plant & Equipment	12	(609)	(1,367)
Changes in working capital:			
(Increase)/Decrease in Inventory		(16)	4
(Increase)/Decrease in Debtors	17/18	1,021	(2)
Increase/(Decrease) in Provision for Bad Debts	18	238	146
Increase/(Decrease) in Creditors	22/23	(512)	2,086
Net cash generated from operations		11,520	12,874
Cash flows from investing activities			
Purchase of Property, Plant & Equipment	32	(3,353)	(3,312)
Purchase of Investment Properties	16	-	-
Purchase of long-term Investments	17	(1,000)	(1,000)
Proceeds from the sale of Non-Current Assets	12	2,039	2,484
Net cash flows from investing activities		(2,314)	(1,828)
Cash flows from financing activities			
Proceeds from new Borrowings	17	-	-
Repayment of Borrowings	17	-	-
Net cash flows from financing activities		-	-
Net increase in cash & cash equivalents		9,206	11,046
Cash & cash equivalents at the beginning of the period	20	26,593	15,547
Cash & cash equivalents at the end of the period	20	35,799	26,593

Notes to the Financial Statements

For the year ended 31st March 2019

1. Accounting Policies

(a) General Principles

The Statement of Accounts summarises the Council's transactions for the 2018/19 financial year and its position as at 31st March 2019. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and the Service Reporting Code of Practice 2018/19, supported by the International Financial Reporting Standards (IFRS). The accounting convention adopted is historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. The Council's financial statements have been prepared on a going concern basis; that is, the accounts have been prepared on the assumption that the functions of the Council will continue in operational existence for the foreseeable future.

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

The accounting policies are consistent with those applied in the year ended 31st March 2018, 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 2018/19.

(b) Accruals of Income and Expenditure

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

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

Notes to the Financial Statements (continued)

For the year ended 31st March 2019

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

Accounting for Council Tax

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

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

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

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

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

(c) Cash and Cash Equivalents

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

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

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

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

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

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

Notes to the Financial Statements (continued)

For the year ended 31st March 2019

(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 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.

Notes to the Financial Statements (continued)

For the year ended 31st March 2019

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

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

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

Service cost comprising

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

Re-measurement comprising

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

Notes to the Financial Statements (continued)

For the year ended 31st March 2019

Contributions paid to the Derbyshire County Council Pensions Fund

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

Discretionary Benefits

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

(g) Events after the Balance Sheet Date

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

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

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

(h) Financial Instruments

Financial Liabilities

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

Financial Assets

Financial assets are classified into three types:

- Loans and receivables - assets that have fixed or determinable payments but are not quoted on an active market.
- Fair value through other comprehensive income (FVOCI) – where cash flows are solely payments of principal and interest and the Council's business model is to both collect those

Notes to the Financial Statements (continued)

For the year ended 31st March 2019

cash flows and sell the instrument; and equity investments that the Council has elected into this category.

- Fair value through profit and loss – all other financial assets.

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

Investments elected 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.

Notes to the Financial Statements (continued)

For the year ended 31st March 2019

(j) Investment Property

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

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

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

(k) Overheads and Support Services

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

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

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

(l) Property, Plant and Equipment

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

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.

Notes to the Financial Statements (continued)

For the year ended 31st March 2019

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 Councils fair value measurement of its assets and liabilities are categorised within the fair value hierarchy as follows:

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

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

Level 3 – unobservable input for the asset or liability.

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

Assets are initially measured at cost, comprising:

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

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

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

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

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

Notes to the Financial Statements (continued)

For the year ended 31st March 2019

- All other assets – fair value determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

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

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

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

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

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

Impairment

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

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

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

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

Depreciation

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

Notes to the Financial Statements (continued)

For the year ended 31st March 2019

Depreciation is calculated on the following bases:

- Dwellings and other buildings – Straight-line allocation over the useful life of the property as estimated by the Valuer (between 4 and 60 years)
- Vehicles, plant, furniture and equipment – Straight-line allocation over the useful life of the item, as advised by a suitably qualified officer (between 2 and 7 years)
- Community Assets – Not depreciated as their life is non-determinable
- Land, Surplus assets not held for sale (land) and assets under construction - Not depreciated
- Surplus assets not held for sale (property) - Straight-line depreciation over the useful life of the asset (between 7 and 45 years)
- Infrastructure Assets - Straight-line depreciation allocation over the useful life of the asset (between 10 and 20 years)
- Depreciation is not charged in the year of acquisition or disposal

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

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

Disposals and Non-current Assets Held for Sale

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

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

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

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

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

Notes to the Financial Statements (continued)

For the year ended 31st March 2019

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

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

(m) Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

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.

Notes to the Financial Statements (continued)

For the year ended 31st March 2019

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

(n) Reserves

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

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

(o) Revenue Expenditure Funded from Capital under Statute

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

(p) Value Added Tax (VAT)

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

(q) Principal and Agent Transactions

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

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

(r) Inventories and Long-Term Contracts

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

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

Notes to the Financial Statements (continued)

For the year ended 31st March 2019

(s) Leases

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

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

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

Operating Leases - The Council as a Lessee

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

Operating Leases - The Council as a Lessor

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

(t) Exceptional Items

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

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 2019/20 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.

Notes to the Financial Statements (continued)

For the year ended 31st March 2019

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 is expected during 2019/20 although negotiations remain ongoing.

Oversetts Road, Swadlincote

The Council has 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 sale of the Council land.

As a result, £290k was received for removal of the covenant, and further receipts will be forthcoming as the Council's share in the sale of land within the Collaboration is completed.

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

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

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

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

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

The items in the Council's Balance Sheet at 31st March 2019 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current financial climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.
Provisions	The Council has made provisions in 2018/19 totalling approximately £1m, comprising Planning Appeals (£70k) and Business Rate appeals (£991k). The amounts are based on informed estimates of the final liability.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets, etc. A firm of consulting actuaries is engaged to provide the Pensions Administrator with expert advice about the assumptions to be applied.

Notes to the Financial Statements (continued)

For the year ended 31st March 2019

Asset Valuation	<p>It is considered that a fair value basis under IFRS 13, applies to the Council's Investment Properties which are let under leases to local businesses in return for a rental income. These assets are not held as part of a wider economic development strategy for the District. Their value, at approximately £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 31st March 2019, 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 £10k at 31 March 2019, compared to £14k at 31st March 2018. The Council has policies in place concerning the taking of accrued leave and other time in lieu. Only in special circumstances can this be converted into cash payments to the employees concerned. Therefore, in practice, much of the accrued sum is unlikely to be a true financial cost and in most circumstances the accrued time is managed within the confines of service delivery. Therefore, the accrued sum is not a charge to the Council's Reserves and with any cash payments being accounted for in the year that they are made.</p>
Bad and Doubtful Debts	<p>The Council has a number of debts outstanding at 31st March 2019. It is likely that a proportion of this debt will not be collectable in the future. Therefore, judgements are made to determine the amount that will remain uncollected and this is converted into a sum which is paid into a provision, in order that uncollectable debts can be written off.</p> <p>Debts are categorised into type and profile of the debtor. Judgements are then made, in some instances at an individual level, regarding the size of debt, period outstanding and any payments in place, etc. A percentage is then applied to debts that may not be collected. Generally, the older the debt, the greater the percentage applied. The percentage is also informed by past experience and the current economic climate. Within the overall resources of the Council, a prudent view is taken in calculating a bad debts provision.</p>

5. Exceptional items of Income and Expense

Oversetts Road, Swadlincote

Land at Oversetts Road, Swadlincote was listed as "surplus" in the 2017/18 Accounts. A receipt of £290k has been received during 2018/19 under the Collaboration agreement, detail of which is included in note 3. The land has been reclassified as "held for sale" and "community assets".

Nettlefold Crescent, Kings Newton

A payment of £45k was received in 2018/19 as consideration for the release of a Council controlled covenant which restricted the use to garden land. The release enabled the land owner to develop the land off Nettlefold Crescent for residential purposes.

Notes to the Financial Statements (continued)

For the year ended 31st March 2019

6. Events after the Balance Sheet Date

On 27th June 2019, the Supreme Court denied the Government's request for an appeal in the McCloud and Sargeant case in respect of age discrimination and pension protection. They ruled that the transitional protections afforded to older members when the Public Service Pension Schemes were amended constituted unlawful age discrimination.

At this stage it is uncertain whether there will be an issue for the Local Government Pension Scheme and its employers, nor is it clear what the exact extent would be of any required changes. The potential effects if the transitional protections need to be extended to younger members of the Scheme have been included in the final version of the Statement of Accounts.

The Pension Liability, Reserve and charge to the Surplus on Provision of Services has increased by £611k as a result of the adjustment.

Notes to the Financial Statements (continued)

For the year ended 31st March 2019

7. Expenditure and Funding Analysis

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

£000's	2018/19			2017/18		
	Net Expenditure Chargeable to GF & HRA	Adjustments between Accounting & Funding (Notes 8&10)	Net Expenditure in Comprehensive Income & Expenditure Statement	Net Expenditure Chargeable to GF & HRA	Adjustments between Accounting & Funding (Notes 8&10)	Net Expenditure in Comprehensive Income & Expenditure Statement
Environmental and Development Services	5,195	966	4,229	4,323	374	3,949
Housing and Community Services (incl HRA)	(1,239)	810	(2,050)	(1,533)	3,742	(5,274)
Finance and Management	2,576	(1,851)	4,427	3,482	(1,538)	5,020
Net Cost of Services	6,532	(74)	6,606	6,272	2,578	3,694
Other Operating Income & Expenditure	(11,759)	208	(11,967)	(10,330)	892	(11,223)
(Surplus)/Deficit	(5,226)	135	(5,361)	(4,058)	3,471	(7,529)
Opening General Fund and HRA Balances	(24,905)			(20,597)		
(Surplus) / Deficit on General Fund and HRA Balances in year	(5,226)			(4,058)		
Transfers between reserves	-			(250)		
Closing General Fund and HRA Balances at 31st March	(30,131)			(24,905)		

*For a split of the balance between General Fund and HRA see the Movement in Reserves Statement [Page 63 of 148](#)

Notes to the Financial Statements (continued)

For the year ended 31st March 2019

8. Note to the Expenditure and Funding Analysis

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

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

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

Notes to the Financial Statements (continued)

For the year ended 31st March 2019

9. Expenditure and Income Analysed by Nature

£000's	2018/19	2017/18
Expenditure		
Employee Expenses	14,131	13,102
Other service expenses	29,874	30,444
Depreciation and Impairment	3,524	2,616
Interest payable	1,591	1,554
Parish precepts	816	800
Elected Members allowances	359	349
Payments to Housing Capital Receipts Pool	312	312
Total expenditure	50,607	49,177
Income		
Fees, charges and other service income	(9,762)	(9,254)
Interest and investment income	(888)	(693)
Income from Council Tax and Non-Domestic Rates	(11,059)	(10,679)
Rental income	(12,521)	(12,900)
Income from Sale of Fixed Assets	(2,375)	(2,484)
Government grants and contributions	(19,363)	(20,696)
Total income	(55,968)	(56,705)
(Surplus) / Deficit on the Provision of Services	(5,361)	(7,529)

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

£000's	2018/19	2017/18
Environmental and Development Services	(3,280)	(3,339)
Housing and Community Services (incl HRA)	(1,375)	(1,607)
Finance and Management	(5,107)	(4,308)
Total income from external customers	(9,762)	(9,254)

Notes to the Financial Statements (continued)

For the year ended 31st March 2019

10. Adjustments between Accounting Basis and Funding Basis under Regulation

2018/19	Usable Reserves					Total
	General Fund	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	Major Repairs Reserve	
£000's						
<u>Adjustments to Revenue Resources</u>						
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:						
Pensions Costs (transferred to/from Pensions Reserve)	2,115	398	-	-	-	2,513
Council Tax and NNDR (transferred to/from Collection Fund Adjustment Account)	128	-	-	-	-	128
Holiday Pay (transferred to/from Accumulated Absences Reserve)	(2)	(2)	-	-	-	(4)
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	-	-	-	4,954
Total Adjustments to Revenue Resources	3,622	3,970	-	-	-	7,591
<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	(0)
Posting of General Fund resources from revenue to the Capital Grants Unapplied	43	-	-	(43)	-	-
Voluntary revenue contribution for capital funding	(131)	-	-	-	-	(131)
Statutory provision for the repayment of debt (transferred from the Capital Adjustment Account)	(206)	-	-	-	-	(206)
Capital expenditure financed from revenue (transferred to the Capital Adjustment Account)	(1,301)	-	-	-	-	(1,301)
Total Adjustments between Revenue and Capital Resources	(2,316)	(5,286)	5,545	(43)	462	(1,638)
<u>Adjustments to Capital Resources</u>						
Use of Capital Receipts Reserve to finance capital expenditure	(124)	-	(537)	-	(11)	(672)
Use of Major Repairs Reserve to finance capital expenditure	-	-	-	-	(1,268)	(1,268)
Application of capital grants to finance capital expenditure	-	-	-	(77)	-	(77)
Total Adjustments to Capital Resources	(124)	-	(537)	(77)	(1,279)	(2,017)
Total Adjustments	1,182	(1,317)	5,008	(120)	(817)	3,936

Notes to the Financial Statements (continued)

For the year ended 31st March 2019

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

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

Notes to the Financial Statements (continued)

For the year ended 31st March 2019

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 2018/19.

£000's	Closing balance 2017/18	Transfers in	Transfers out	Closing balance 2018/19
General Fund				
IT Reserve	282	300	-	582
Committed Expenditure Reserve	109	-	-	109
Economic Regeneration Fund	-	1,000		1,000
S106 Receipts	5,972	3,244	(1,097)	8,119
Rosliston Capital Reserve	-	150	-	150
Public Buildings Maintenance	-	130		130
Welfare Reform, Fraud and Compliance	241	89	(80)	249
Homelessness Prevention	174	75	-	249
Schools Sport Partnership Project	190	38	-	228
Pensions Reserve	139	-	-	139
Planning Staffing & Support Costs Reserve	94	30	-	124
District Growth	600	415	(30)	985
Garden Village Reserve	229	-	(65)	164
Other Earmarked Reserves	614	174	(496)	292
Total	8,644	5,644	(1,769)	12,521
Fixed Asset Replacement Fund	1,070	503	(1,308)	265
	9,714	6,147	(3,077)	12,785

12. Other Operating Income and Expenditure

Total £000's	2018/19	2017/18
Parish Council Precepts	773	756
Parish Council Tax Support Grant	44	44
Payments to the Government Housing Capital Receipts Pool	312	312
Total - Other Operating Expenditure	1,128	1,111
Profit on disposal of non-current assets		
Normal (see below)	(609)	(1,367)
Exceptional (Note 5)	(336)	(739)
Total - profit on disposal of non-current assets	(945)	(2,105)
Total - Other Operating (Income) / Expenditure	183	(994)

Notes to the Financial Statements (continued)

For the year ended 31st March 2019

12. Other Operating Income and Expenditure (continued)

(Profits)/losses on the disposal of non-current assets £000's	2018/19	2017/18
Net Proceeds from Sale of General Assets	(527)	(1,029)
Net Proceeds from Sale of HRA Assets	(1,579)	(1,455)
Disposal Costs	68	1
Book Value of non-current assets sold	1,430	1,116
Total	(609)	(1,367)

13. Financing and Investment Income and Expenditure

Total £000's	2018/19	2017/18
Interest Payable and Similar Charges	1,596	1,559
Interest Receivable and Similar Income	(302)	(109)
Net Interest on the Net Defined Benefit Liability (note 33)	876	868
Income and Expenditure in Relation to Investment Properties	(499)	1,448
Total	1,671	3,766

14. Taxation and Non-Specific Income

Total £000's	2018/19	2017/18
Council Tax Income	(6,037)	(5,842)
NNDR Income	(5,022)	(4,837)
Non Ring Fenced Government Grants	(2,762)	(3,316)
Total	(13,821)	(13,995)

Council Tax Income £000's	2018/19	2017/18
Current Year	(6,037)	(5,842)
Total	(6,037)	(5,842)

National Non Domestic Rates (NNDR) £000's	2018/19	2017/18
Current Year	(12,864)	(10,096)
Tariff Payments	8,242	6,194
Business Rate Reliefs	(537)	(1,529)
Derbyshire Economic Prosperity Board Payment	138	-
Payment to Business Rates Pool	-	1,149
Receipt from Business Rates Pool	-	(556)
Total	(5,022)	(4,837)

* NNDR between years has changed due to the 100% Derbyshire Business Rates Pilot which has resulted in a larger precept and tariff but reductions in other reliefs. The Council will no longer be part of the Pilot in 2019/20.

Notes to the Financial Statements (continued)

For the year ended 31st March 2019

14. Taxation and Non Specific Income (continued)

Non Ring Fenced Government Grants <i>£000's</i>	2018/19	2017/18
Revenue Support Grant	-	(668)
Transition Grant	-	(3)
EU Exit Funding	(17)	-
Custom Build Grant	(30)	-
New Homes Bonus	(2,702)	(2,619)
New Burdens Grant	(13)	(26)
Total	(2,762)	(3,316)

Notes to the Financial Statements (continued)

For the year ended 31st March 2019

15. Property, Plant and Equipment

Year ended 31 March 2019	Council Dwellings	Land & Buildings	Vehicles, Plant & Equipment	Community Assets	Assets Under Construction	Surplus Assets	Total
<i>£000's</i>							
Cost or valuation							
At 1 April 2018	123,402	17,885	3,421	1,225	-	305	146,239
Additions	1,302	83	1,385	-	517	-	3,287
Disposals	(976)	-	(334)	-	-	-	(1,311)
Transfers	-	(225)	-	14	-	(200)	(411)
Revaluations recognised in the revaluation reserve	(857)	522	-	61	-	-	(274)
At 31 March 2019	122,871	18,266	4,472	1,300	517	105	147,531
Depreciation & Impairment							
At 1 April 2018	-	-	(2,064)	-	-	-	(2,064)
Charge for the Year	(3,561)	(778)	(318)	-	-	-	(4,657)
Disposals	-	-	331	-	-	-	331
Transfer	-	-	-	-	-	-	-
Impairments recognised in the Provision of Services	1,077	(137)	-	-	-	-	940
Depreciation written out to the revaluation reserve	2,484	915	-	-	-	-	3,399
At 31 March 2019	(0)	0	(2,051)	-	-	-	(2,051)
Net Book Value							
At 31 March 2019	122,871	18,266	2,421	1,300	517	105	145,480
At 1 April 2018	123,402	17,885	1,357	1,225	-	305	144,175

**The balance of £411k on transfers is due to a classification change from Surplus Assets to Assets Held for Sale for land at Oversetts Road, from Land & Buildings to Investment Property for the Caretaker's house at Melbourne and Surplus Assets to Community Assets for the split of land at Oversetts Road*

Notes to the Financial Statements (continued)

For the year ended 31st March 2019

15. Property, Plant and Equipment (continued)

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

Notes to the Financial Statements (continued)

For the year ended 31st March 2019

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 31st March 2019 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
£000's							
Carried at historical cost 2018/19	-	-	4,472	-	-	-	4,472
Carried at valuation as at:							
31 March 2019	122,871	18,266	-	1,300	517	105	143,059
31 March 2018	123,402	17,885		1,225	-	305	142,818

Valuation Assumptions

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

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

Notes to the Financial Statements (continued)

For the year ended 31st March 2019

15. Property, Plant and Equipment (continued)

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

Impairments

Impairments for the year ended 31st March 2019 recognised in the Income and Expenditure Statement were £1,484k, with £2,364k 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	2018/19	2017/18
Balance at the beginning of the year	5,412	5,161
Transfers In Year	225	168
Surplus/(Deficit) on revaluation	208	83
Balance at the end of the year	5,845	5,412

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

The transfer in year is for the Caretaker's house in Melbourne which has been reclassified as an Investment Property.

Notes to the Financial Statements (continued)

For the year ended 31st March 2019

17. Financial Instruments

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

£000'S	Non-current		Current	
	2018/19	2017/18	2018/19	2017/18
Investments				
Loans and receivables at amortised cost	40	40	-	-
Investments elected to fair value through other comprehensive income	1,891	945	-	-
Total Investments	1,931	985	-	-
Debtors				
Loans and receivables at amortised cost	84	89	-	-
Financial assets carried at contract amounts	-	-	3,676	3,107
Debtors that are not financial instruments	-	-	364	2,188
Total Debtors	84	89	4,041	5,295
Cash and cash equivalents				
Loans and receivables at amortised cost	-	-	27,299	22,593
Investments held at fair value through profit and loss	-	-	8,500	4,000
Total cash and Cash Equivalents	-	-	35,799	26,593
Borrowings				
Financial liabilities at amortised costs	(57,423)	(57,423)	(28)	(28)
Total Borrowings	(57,423)	(57,423)	(28)	(28)
Other Long Term Liabilities	(43)	(43)	-	-
Total Other long term liabilities	(43)	(43)	-	-
Creditors				
Financial liabilities carried at contract amounts	-	-	(1,736)	(1,449)
Creditors that are not financial instruments	-	-	(6,927)	(7,794)
Total Creditors	-	-	(8,663)	(9,243)

The Council adopted the IFRS9 Financial Instruments accounting standard with effect from 1st April 2018. The main changes include the reclassification and measurement of financial assets and the earlier recognition of the impairment of financial assets.

Upon transition to IFRS 9 on 1st April 2018, 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 Council has made use of the transitional provisions in IFRS9 to not restate the prior year's financial statements and the changes made to the Balance Sheet on transition are summarised in the following table.

Notes to the Financial Statements (continued)

For the year ended 31st March 2019

17. Financial Instruments (continued)

£000'S	IAS 39 31-Mar-18	IFRS 9 01-Apr-18
Investments		
Loans and receivables	40	
Loans and receivables at amortised cost		40
Available for Sale Investments	945	
Investments elected to fair value through other comprehensive income		945
Total Investments	985	985
Debtors		
Loans and receivables	89	
Loans and receivables at amortised cost		89
Financial assets carried at contract amounts	3,107	3,107
Debtors that are not financial instruments	2,188	2,188
Total Debtors	5,384	5,384
Cash and cash equivalents		
Loans and receivables	22,593	
Loans and receivables at amortised cost		22,593
Available for Sale Investments	4,000	
Investments held at fair value through profit and loss		4,000
Total Cash and Cash Equivalents	26,593	26,593
Borrowings		
Financial liabilities at amortised costs	(57,451)	(57,451)
Total Borrowings	(57,451)	(57,451)
Other Long Term Liabilities	(43)	(43)
Total Other long term liabilities	(43)	(43)
Creditors		
Financial liabilities carried at contract amounts	(1,449)	(1,449)
Creditors that are not financial instruments	(7,794)	(7,794)
Total Creditors	(9,243)	(9,243)

The investments elected to fair value through other comprehensive income of £1,891k is the fair value of the Council's investment in the CCLA Property Fund. The investments of £40k relate to money held in trust for a local community group. Debtors (Loans and receivables at amortised cost) relate to charges placed on properties following work undertaken by the Council under statutory powers plus other small loans.

As at 31st March 2019, 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%.

Notes to the Financial Statements (continued)

For the year ended 31st March 2019

17. Financial Instruments (continued)

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 2018/19 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	2018/19					2017/18			
	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: Available-for-Sale	Total
Interest Expense	1,595	-			1,595	1,559	-		1,559
Total Expense	1,595	-			1,595	1,559	-		1,559
Interest and Dividend Income	-	(192)	(66)	(44)	(302)	-	(84)	(25)	(109)
Total Income	-	(192)	(66)	(44)	(302)	-	(84)	(25)	(109)
Losses on Revaluation			55		55			55	55
Net (Gains)/Loss for the Year	1,595	(192)	(11)	(44)	1,348	1,559	(84)	30	1,505

Fair Values of Assets and Liabilities

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

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

Notes to the Financial Statements (continued)

For the year ended 31st March 2019

17. Financial Instruments (continued)

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

£000'S	Carrying amount 2018/19	Fair Value 2018/19	Carrying amount 2017/18	Fair Value 2017/18
Financial Liabilities				
Long Term	(57,423)	(64,174)	(57,423)	(63,491)
Short Term	(28)	(28)	(28)	(28)
	(57,451)	(64,202)	(57,451)	(63,519)
Financial Assets				
Money Market Investments	8,500	8,500	4,000	4,000
CCLA Property Fund	2,000	1,891	1,000	945
	10,500	10,391	5,000	4,945

The fair value adjustment for long term financial liabilities relates to the Public Works Loan Board Portfolio. The fair values were obtained from the Treasury Management advisor Arlingclose Ltd, which values all loans for the purpose of year-end financial statements. The fair value in 2019 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 1.71%, 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 note.

Nature and Extent of Risks arising from Financial Instruments

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

The Council is exposed to the financial risks:

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

Notes to the Financial Statements (continued)

For the year ended 31st March 2019

17. Financial Instruments (continued)

Overall Procedures for Managing Risk

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

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

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

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

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

Credit Risk

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

The following table summarises the balances held at 31st March 2019:

Counterparty	Credit rating criteria met when Investment placed	Balance invested at 31 March 2019
£000's		
Banks	Yes	2,500
Other local authorities	Yes	25,000
Money Market Funds	Yes	8,500
CCLA Property Fund	Yes	2,000
		38,000

Notes to the Financial Statements (continued)

For the year ended 31st March 2019

17. Financial Instruments (continued)

Liquidity Risk

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

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

The maturity analysis of financial liabilities is as follows:

Maturity analysis of financial liabilities	Balance at 31 March 2019	Balance at 31 March 2018
£000'S		
Less than one year	28	28
Between one and two years	-	-
Between two and five years	20,000	10,000
Between five and ten years	10,000	20,000
More than ten years	27,423	27,423
	57,451	57,451

Refinancing and Maturity Risk

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

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

Market Risks

a) Interest Rate Risk

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

Notes to the Financial Statements (continued)

For the year ended 31st March 2019

17. Financial Instruments (continued)

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

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

The Council's benchmark, as approved in the Treasury Management Strategy, is to achieve a return on its 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:

	2018/19	2017/18
£000'S		
Increase in interest payable on variable rate borrowings	(100)	(100)
Increase in interest receivable on variable rate investments	310	243
Impact on Surplus or Deficit on the Provision of Services	210	143

Notes to the Financial Statements (continued)

For the year ended 31st March 2019

17. Financial Instruments (continued)

b) Price Risk

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

18. Debtors

Current £000's	2018/19	2017/18
Trade receivables	1,194	885
Prepayments	698	834
Other receivable amounts	4,392	5,581
	6,285	7,300
Less: Bad Debt Impairment Provisions	(2,244)	(2,006)
Total	4,041	5,295

19. Debtors for Local Taxation

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

Past Due £000's	2018/19	2017/18
Less than 3 Months	1,960	1,296
3 - 6 Months	-	-
6 Months - 1 Year	-	-
More than 1 Year	5,170	5,725
Total	7,130	7,021

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	2018/19	2017/18
Cash and Bank Balances	2,299	3,093
Short Term Deposits (considered to be cash equivalents)	25,000	19,500
Money Market Funds	8,500	4,000
Total	35,799	26,593

Short term deposits were all invested with other local authorities as at 31 March 2019.

Notes to the Financial Statements (continued)

For the year ended 31st March 2019

21. Assets Held for Sale

£000's	2019	2018
Balance at beginning of the year	900	1,000
Additions	65	1
Disposals	(450)	(1,001)
Revaluations	616	50
Transfers	186	850
Balance at end of the year	1,318	900

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

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

The land at Oversetts Road, Swadlincote is to be redeveloped as residential property whilst the old depot has been highlighted as a potential site for economic regeneration which would bring significant community benefits to Swadlincote Town Centre.

22. Creditors

Current	2018/19	2017/18
£000's		
Trade payables	(555)	(468)
Other payables	(6,714)	(7,221)
Accruals	(1,393)	(1,554)
Total	(8,663)	(9,243)

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 2018/19 as shown in the following table.

Notes to the Financial Statements (continued)

For the year ended 31st March 2019

23. Provisions (continued)

Current £000's	At 1 April	Increase in provision during year	Utilised during the year	Unused amounts released	At 31 March
2018/19					
Planning Appeal	(107)	(71)	8	100	(70)
NNDR Appeals	(822)	(510)	180	162	(991)
Termination Benefits	(64)	-	64	-	-
	(993)	(581)	252	262	(1,061)
2017/18					
Personal Searches	(13)	-	-	13	-
Planning Appeal	(102)	(108)	12	91	(107)
NNDR Appeals	(993)	(401)	-	572	(822)
Termination Benefits	-	(64)	-	-	(64)
	(1,109)	(573)	12	676	(993)

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 2018/19 due to a large number of appeals lodged with the District Valuer in 2010 being settled in year.

24. Usable Reserves

£000's	2018/19	2017/18
General Fund ¹	10,426	10,044
Earmarked Reserves ^{1,2}	12,785	9,714
HRA ¹	6,919	5,147
Capital Receipts Reserve ²	8,580	3,573
Capital Grants Unapplied Account ²	2,295	2,415
Major Repairs Reserve ²	3,454	4,271
Total	44,459	35,163

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

Revenue Reserves

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

Notes to the Financial Statements (continued)

For the year ended 31st March 2019

24. Usable Reserves (continued)

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	2018/19	2017/18
IT Reserve	582	282
Welfare Reform, Fraud and Compliance	249	241
Committed Expenditure Reserve	109	109
S106 Capital Receipts	8,119	5,972
Economic Regeneration Fund	1,000	0
Rosliston Capital Reserve	150	0
Public Buildings Maintenance	130	0
Fixed Asset Replacement Fund	265	1,070
Homelessness Prevention	249	174
Schools Sport Partnership Project	228	190
Pensions Reserve	139	139
Planning Staffing & Support Costs Reserve	124	94
Other Earmarked Reserves	292	614
District Growth	985	600
Garden Village Reserve	164	229
Total	12,785	9,714

Capital Reserves

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

Capital Receipts Reserve

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

Capital Grants Unapplied

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

Notes to the Financial Statements (continued)

For the year ended 31st March 2019

24. Usable Reserves (continued)

£000's	2018/19	2017/18
Public Open Space (Commutated Sums)	1,140	1,237
Crime and Disorder Partnership	351	332
Youth Engagement Partnership	605	638
Get Active in the Forest Partnership	61	43
Other Capital Grants Unapplied	138	165
Total	2,295	2,415

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	2018/19	2017/18
Capital Adjustment Account ²	58,203	58,261
Revaluation Reserve ²	24,939	22,423
Pensions Reserve ¹	(41,702)	(31,721)
Collection Fund Adjustment Account ¹	(49)	79
Financial Instruments Revaluation	(109)	-
Available for Sale Financial Instruments	-	(55)
Accumulating Compensated Absences Adjustment Account ¹	(10)	(14)
Total	41,272	48,973

1. Reserve for Revenue purposes

2. Reserve for Capital purposes

Capital Adjustment Account

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

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

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

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

Notes to the Financial Statements (continued)

For the year ended 31st March 2019

25. Unusable Reserves (continued)

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

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

£000's	2018/19
Balance at 1st April 2018	58,261
Charges for depreciation and impairment of non-current assets	(3,774)
Revaluation gains on Property, Plant and Equipment	1,241
Revenue expenditure funded from capital under statute	973
Amounts of non-current assets written off on disposal	(1,430)
Net written out amount of the cost of non-current assets consumed in the year	55,271
Capital financing applied in the year:	
Use of Capital Receipts to finance new capital expenditure	595
Use of Major Repairs Reserves to fund new capital expenditure	1,268
Application of grants to capital financing from the Capital Grants Unapplied Account	77
Minimum Revenue Provision	206
Voluntary Revenue Provision	131
Capital expenditure credited to the General Fund and HRA balance	406
Movements in the market value of Investment Properties	250
Balance as at 31st March 2019	58,203

Revaluation Reserve

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

The balance is reduced when assets with accumulated gains are:

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

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

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

Notes to the Financial Statements (continued)

For the year ended 31st March 2019

25. Unusable Reserves (continued)

£000's	2018/19
Balance at 1st April 2018	22,423
Upward revaluation of assets	3,955
Downward revaluation of assets	(198)
Amounts of non-current assets written off on disposal	-
Surplus on revaluation of non-current assets not posted to the Provision of Services	26,180
Accumulated gains on assets sold	(1,241)
Balance as at 31st March 2019	24,939

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	2018/19
Balance at 1st April 2018	(55)
Upward/(Downward) revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	(55)
Balance as at 31st March 2019	(109)

The Council adopted IFRS9 Financial Instruments during 2018/19 and changes to the Reserves and Balance Sheet are listed in detail in note 17.

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 31st March 2019

25. Unusable Reserves (continued)

Accumulating Compensated Absences Adjustment Account

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

26. Agency Services

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

£000's	2018/19	2017/18
Income	275	275
Expenditure	(57)	(95)
Net surplus arising on the agency agreement	218	180

27. Members' Allowances

During the year Members allowances totalled £359k (2017/18: £349k) as shown in the following table.

	2018/19	2017/18
Basic Allowance	228	224
Telephone Allowance	-	-
Travel and Subsistence	5	6
Special Responsibility Allowances	126	119
	359	349

Notes to the Financial Statements (continued)

For the year ended 31st March 2019

28. Officers' Remuneration

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

	2018/19 Number	2017/18 Number
£50,001 to £55,000	3	-
£60,001 to £65,000	1	3
£65,001 to £70,000	1	-
£80,001 to £85,000	-	-
£85,001 to £90,000	2	1
£120,001 to £125,000	-	1
£125,001 to £130,000	1	-
	8	5

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
2018/19				
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
TOTAL FOR 2018/19	585,146	11,263	80,750	677,160
2017/18				
Previous Structure up to 30th November 2017:				
Chief Executive	82,288	1,004	11,356	94,648
Director of Finance & Corporate Services	56,534	1,004	7,802	65,339
Director of Housing & Environmental	-	-	-	-
Director of Community & Planning	59,372	1,353	10,196	70,921
Legal & Democratic Services Manager and Monitoring Officer	42,794	826	5,906	49,525
Head of Organisational Development	41,273	1,004	5,696	47,973
TOTAL	282,261	5,191	40,954	328,406
Revised Structure from 1st December 2017:				
Chief Executive - Strategic Director (Central Services)	41,144	502	5,678	47,324
Strategic Director (Corporate Resources)	29,167	502	4,025	33,694
Strategic Director (Service Delivery)	-	-	-	-
Legal & Democratic Services Manager and Monitoring Officer	21,403	413	2,954	24,770
Head of Organisational Development	20,637	502	2,848	23,986
TOTAL	112,351	1,919	15,504	129,774
TOTAL FOR 2017/18	394,611	7,109	56,459	458,179

Notes to the Financial Statements (continued)

For the year ended 31st March 2019

28. Officers' Remuneration (continued)

Exit Packages and Other Departures

	2018/19 Number	2017/18 Number	2018/19 £	2017/18 £
£0 to £20,000	4	3	37,730	39,070
£20,001 to £40,000	-	-	-	-
£40,001 to £60,000	-	-	-	-
£60,001 to £80,000	-	-	-	-
£80,001 to £100,000	-	1	-	85,313
£101,001 to £120,000	-	1	-	115,018
	4	5	37,730	239,401

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

In addition, two other exit packages were agreed and severance of £8.3k 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	2018/19	2017/18
External Audit Fees	38	49
Grant Claim Certification Fees	16	16
Audit Commission Rebate	-	(7)
Total	54	58

30. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2018/19:

£'000	2018/19	2017/18
Credited to Taxation and Non Specific Grant Income (Note 14)		
General Government Grants	2,762	3,316
Business Rate Reliefs (Section 31 Grants)	537	1,529
	3,300	4,845
Credited to Net Cost of Service		
Department of Works and Pensions (Benefit Subsidy and Welfare Reform)	16,154	16,817
Supported Housing	175	190
Contributions from Developers (section 106 Planning Agreements)	3,320	2,271
Other Grants and Contributions to Service Expenditure	1,660	1,409
	21,309	20,687

Notes to the Financial Statements (continued)

For the year ended 31st March 2019

30. Grant Income (continued)

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them, which if not met would require the monies or property to be returned to the giver. The balances as at 31st March 2019 are as follows:

£'000	2018/19	2017/18
Capital Grants Received in Advance	1,151	793

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 21 respectively.

Elected Members

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

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

All members are required to specify relationships that they have such as through employment and directorships, etc. During 2018/19, 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.

Notes to the Financial Statements (continued)

For the year ended 31st March 2019

32. Capital Expenditure and Capital Financing (continued)

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

The position for 2018/19 is shown in the following table.

£000's	2018/19	2017/18
Capital Financing Requirement at 1 April	67,239	67,584
Add: Capital Expenditure		
Property, Plant and Equipment	3,353	3,312
Investment Properties	0	0
Revenue Expenditure Funded from Capital under Statute	973	845
Total Expenditure	4,326	4,157
Less: Source of Finance		
Capital Receipts	(537)	(1,288)
Government Grants and External Financing	(600)	(557)
Other External Contributions	(403)	(168)
General Fund Revenue Contributions	(1,230)	(825)
Housing Revenue Account Contributions	(1,554)	(1,279)
Planning Agreements - S106 Developer Contributions	(1)	(41)
Total Financing	(4,326)	(4,157)
Minimum Revenue Provision	(206)	(214)
Voluntary Revenue Contribution	(131)	(131)
Actual Loan Principal Repaid	0	0
Total Repayments and Revenue Provisions	(337)	(345)
Capital Financing Requirement at 31 March	66,902	67,239
Actual Borrowings Outstanding - Gross (Note 17)	57,451	57,451
Investments		
Short-term Investments Outstanding	(33,500)	(23,500)
Long-term Investments Outstanding	(2,000)	(1,000)
Net Borrowings Outstanding (Gross less Investments)	21,951	32,951

33. Leases

Other land and building leases primarily consist of the lease of an Industrial Estate where the rental payable in 2018/19 was **£50k** (2017/18: £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 31st March 2019 to making payments of **£360k** (2018: £350k) under operating leases, comprising the following elements:

Notes to the Financial Statements (continued)

For the year ended 31st March 2019

33. Leases (continued)

	2018			2017		
£000's	Other Land and Buildings	Vehicles, Plant and Equipment	Total	Other Land and Buildings	Vehicles, Plant and Equipment	Total
Within one year	54	-	54	53	-	53
Between two & five years	213	-	213	206	-	206
After five years	94	-	94	91	-	91
	360	-	360	350	-	350

The Council rents some properties to tenants under lease arrangements. Amounts receivable under these leases in 2018/19 was **£753k** (2017/18: £723k). The asset value of these properties at 31st March 2019 was **£5,845k** (2018: £5,412K)

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 21st July 2008 and incorporates changes approved by the Pensions Committee on 26th September 2008.

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

Participation in the Local Authority Pension Scheme

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

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

Governance of the Council's Pension Scheme

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

Notes to the Financial Statements (continued)

For the year ended 31st March 2019

34. Defined Benefit Pension Schemes (continued)

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 is no investment assets built up to meet these pension liabilities and cash has to be generated to meet actual pension payments as they eventually fall due.

Transactions relating to retirement benefits – CIES Charges

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

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

£000's	2018/19	2017/18
Included in Net Cost of Services:		
Current Service Cost	2,872	2,798
Past Service Cost/(Gain) including curtailments	603	42
Pension Strain	-	-
	3,475	2,840
Included in Financing and Investment Income and Expenditure		
Interest income on plan assets	(2,403)	(2,250)
Interest cost on defined benefit obligations	3,279	3,118
	876	868
Net charge/(credit) to the Comprehensive Income and Expenditure Account	4,351	3,708
Other Comprehensive Income and Expenditure		
Changes in demographic assumptions	-	-
Changes in financial assumptions	10,103	(2,323)
Other Experience	18	(19)
Return on assets excluding amounts included in net interest	(2,653)	(746)
Total	7,468	(3,088)
Adjustments Between Accounting Basis and Funding Basis under Regulations		
Reversal of items relating to retirement benefits debited or credited on the Provision of Services in the CIES	(4,351)	(3,708)
Actual Amount Charged Against the General Fund Balance for Pensions in the Year		
Employers' Contributions Payable to the Scheme	1,838	1,846
Net (credit)/charge to the General Fund	(2,513)	(1,862)

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

Notes to the Financial Statements (continued)

For the year ended 31st March 2019

34. Defined Benefit Pension Schemes (continued)

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

Reconciliation of the Present Value of the Scheme Liabilities £000's	2018/19	2017/18
Balance at 1 April	(121,034)	(119,752)
Current Service Cost	(2,872)	(2,798)
Past Service Cost	(603)	(42)
Interest Cost on Defined Benefit Obligation	(3,279)	(3,118)
Contributions by Members	(484)	(459)
Changes in Demographic Assumptions	-	-
Changes in Financial Assumptions	(10,103)	2,323
Past Service (Costs) including curtailments	-	-
Effect of business combinations and disposals	-	-
Other Experience	(18)	19
Estimated Benefits Paid	2,809	2,644
Unfunded Benefits	148	149
Balance at 31 March	(135,436)	(121,034)

Reconciliation of the Present Value of the Scheme Assets £000's	2018/19	2017/18
Balance as at 1 April	89,366	86,858
Interest Income on Plan Assets	2,403	2,250
Contributions by Members	484	459
Contributions by Employer	1,690	1,697
Contributions in respect of unfunded benefits	148	149
Return on Assets excluding amounts included in net interest	2,653	746
Effect of business combinations and disposals	-	-
Estimated Benefits Paid	(2,809)	(2,644)
Unfunded Benefits Paid	(148)	(149)
Balance at 31 March	93,787	89,366

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	2019	2018	2017	2016	2015
Fair Value of Assets in Pension Scheme	93,787	89,366	86,858	54,972	55,689
Present Value of Defined Benefit Obligation	(135,436)	(121,034)	(119,753)	(78,921)	(85,473)
(Deficit) in the Scheme	(41,649)	(31,668)	(32,895)	(23,950)	(29,784)

Notes to the Financial Statements (continued)

For the year ended 31st March 2019

34. Defined Benefit Pension Schemes (continued)

The table shows that there is a continuing deficit on the Pension Scheme. This can fluctuate between years due to changes in assumptions and the value of annual payments into the Fund. The liabilities show the underlying commitments that the Council has in the long-term to pay retirement benefits. The total liability of £135.4m (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 £41.6m (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 £9.9m. Corporate bond yields are lower at 31st March 2019 than at 31st 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 31st 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:

£000's	2019 Quoted Prices in Active Markets	2019 Quoted Prices not in Active Markets	2019 Total	2019 Percentage of Total Assets	2018 Quoted Prices in Active Markets	2018 Quoted Prices not in Active Markets	2018 Total	2018 Percentage of Total Assets
Equity Securities:								
Consumer	5,697	0	5,697	6%	5,745	0	5,745	6%
Manufacturing	5,919	0	5,919	7%	7,848	0	7,848	9%
Energy & Utilities	4,146	0	4,146	5%	4,890	0	4,890	5%
Financial Institutions	4,567	0	4,567	5%	6,187	0	6,187	7%
Health & Care	2,972	0	2,972	3%	3,083	0	3,083	3%
Information Technology	2,240	0	2,240	2%	2,656	0	2,656	3%
Other	10,024	0	10,024	10%	10,183	0	10,183	11%
Government Bonds:								
Corporate Bonds (investment grade)	0	9,892	9,892	10%	0	7,040	7,040	8%
UK Government	8,738	0	8,738	10%	8,448	0	8,448	9%
Other	1,826	0	1,826	2%	1,393	0	1,393	2%
Private Equity:								
All	1,308	1,253	2,560	3%	1,215	592	1,807	2%
Real Estate								
UK property	0	7,481	7,481	8%	0	5,879	5,879	7%
Investment Funds & Unit Trusts								
Equities	16,520	0	16,520	17%	17,007	0	17,007	19%
Bonds	0	0	0	0%	0	0	0	0%
Infrastructure	1,479	2,277	3,755	4%	1,372	1,536	2,907	3%
Cash & Cash Equivalents								
All	0	7,450	7,450	7%	0	4,294	4,294	5%
	65,435	28,352	93,787	100%	70,025	19,341	89,366	100%

Notes to the Financial Statements (continued)

For the year ended 31st March 2019

34. Defined Benefit Pension Schemes (continued)

Basis for Estimating Liabilities

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

	2018/19	2017/18
Mortality Assumptions (years):		
Men	21.9	21.9
Women	24.4	24.4
Longevity at 65 for Future Pensioners:		
Men	23.9	23.9
Women	26.5	26.5
Principal Assumptions in the Valuation of the Liability		
Inflation / Rate of Increase in Pensions	2.50%	2.40%
Rate of Increase in Salaries	3.00%	2.90%
Discount Rate	2.40%	2.70%
Take-up of option to convert annual pension into retirement lump sum:		
Service to April 2008	50%	50%
Service post April 2008	75%	75%

Information about the Defined Benefit Obligation

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

Change in assumptions at 31 March 2019	Liability Split %	Weighted Average Duration
Active Members	40.30	23.10
Deferred Members	25.20	22.90
Pensioner Members	34.50	11.80
	100.00	17.60

Sensitivity Analysis

The sensitivity analysis shows the effect a change in financial assumptions used would have on the value of the scheme liabilities as at 31st March 2019 on varying basis.

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

Notes to the Financial Statements (continued)

For the year ended 31st March 2019

34. Defined Benefit Pension Schemes (continued)

Change in assumptions at 31 March 2019	Approximate % Increase to Employer Liability	Approximate monetary amount £000
0.5% decrease in Real Discount Rate	10.0	13,960
0.5% increase in Salary Increase Rate	1.0	1,581
0.5% increase in Pension Increase Rate	9.0	12,167

Projected Defined Benefit Cost for the Period 31 March 2020

The Projected Defined Benefit is an analysis of the projected amount to be charged to the operating profit for the period to the 31st March 2020 and is shown in the following table.

Period Ended 31 March 2020	Assets	Obligations	Net (Liability)/asset	
	£000	£000	£000	% of pay
Projected Service Cost	0	3,308	(3,308)	(45)
Past Service Cost including curtailments	0	0	0	0
Effects of settlements	0	0	0	0
Total Service Cost	0	3,308	(3,308)	(45)
Interest Income on plan assets	2,242	0	2,242	30
Interest cost on defined benefit obligation	0	3,245	(3,245)	(44)
Total Net Interest Cost	2,242	3,245	(1,003)	(14)
Total Included in Profit & Loss	2,242	6,553	(4,311)	(58)

When the LGPS benefit structure was reformed in 2014, transitional protections were applied to certain older members close to normal retirement age. The benefits accrued from 1 April 2014 by these members are subject to an ‘underpin’ which means that they cannot be lower than what they would have received under the previous benefit structure. The underpin ensures that these members do not lose out from the introduction of the new scheme, by effectively giving them the better of the benefits from the old and new schemes.

In December 2018 the Court of Appeal upheld a ruling (“McCloud/Sargeant”) that similar transitional protections in the Judges’ and Firefighters’ Pension Schemes were unlawful on the grounds of age discrimination. The implications of the ruling are expected to apply to the LGPS (and other public service schemes) as well. The UK Government requested leave to appeal to the Supreme Court, but this was denied at the end of June 2019. LGPS benefits accrued from 2014 may therefore need to be enhanced so that all members, regardless of age, will benefit from the underpin. Alternatively, restitution may be achieved in a different way, for example by paying compensation. In either case, the clear expectation is that many more members would see an enhanced benefit rather than just those currently subject to these protections. There will therefore be a retrospective increase to members’ benefits, which in turn will give rise to a past service cost for the Fund employers.

Quantifying the impact of the judgement at this stage is very difficult because it will depend on the compensation awarded, members’ future salary increases, length of service and retirement age, and whether (and when) members withdraw from active service. Salary increases in particular can vary significantly from year to year and from member to member depending on factors such as budget restraint, job performance and career progression. The Government Actuary’s Department

Notes to the Financial Statements (continued)

For the year ended 31st March 2019

(GAD) has estimated that the impact for the LGPS as a whole could be to increase active member liabilities by 3.2%, based on a given set of actuarial assumptions. A full description of the data, methodology and assumptions underlying these estimates is given in GAD's paper, dated 10 June 2019.

The Fund's actuary has adjusted GAD's estimate to better reflect the Derbyshire Fund's local assumptions, particularly salary increases and withdrawal rates. The revised estimate as it applies to the South Derbyshire Pension Fund is that total liabilities (i.e. the increase in active members' liabilities expressed in terms of the employer's total membership) could be around 0.3% higher as at 31 March 2019, an increase of approximately £380k.

These numbers are high level estimates based on scheme level calculations and depend on several key assumptions.

The impact on employers' funding arrangements will likely be dampened by the funding arrangements they have in place. However, if the judgement is upheld then there will be unavoidable upward pressure on contributions in future years.

Guaranteed minimum pension (GMP) was accrued by members of the Local Government Pension Scheme (LGPS) between 6 April 1978 and 5 April 1997. The value of GMP is inherently unequal between males and females for a number of reasons, including a higher retirement age for men and GMP accruing at a faster rate for women. However overall equality of benefits was achieved for public service schemes through the interaction between scheme pensions and the Second State Pension. The introduction of the new Single State Pension in April 2016 disrupted this arrangement and brought uncertainty over the ongoing indexation of GMPs, which could lead to inequalities between men and women's benefits.

As an interim solution to avoid this problem, GMP rules were changed so that the responsibility for ensuring GMPs kept pace with inflation passed in full to pension schemes themselves for members reaching state pension age between 6 April 2016 and 5 April 2021. This new responsibility leads to increased costs for schemes (including the LGPS) and hence scheme employers.

The fund's actuary has carried out calculations in order to estimate the impact that the GMP indexation changes will have on the liabilities of South Derbyshire Pension Fund for financial reporting purposes. The estimate assumes that the permanent solution eventually agreed will be equivalent in cost to extending the interim solution to all members reaching state pension age from 6 April 2016 onwards.

The estimate as it applies to South Derbyshire Pension Fund is that total liabilities could be 0.3% higher as at 31 March 2019, an increase of approximately £230k.

These numbers are approximate estimates based on employer data as at 31 March 2016 and will be revised at the upcoming valuation.

35. Contingent Liabilities

There are no contingent liabilities to be reported by the Council in 2018/19.

36. Prior Year Adjustment

There are no prior year adjustments affecting the Accounts for 2018/19.

Housing Revenue Account

For the year ended 31st March 2019

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.

	2018/19	2017/18
General	1,877	1,635
Special	823	821
Rents, rates & taxes	37	2
Depreciation & Impairment of NCA's	2,597	296
Provision for Bad Debts	64	48
Supervision & Management	5,398	2,802
Repairs & Maintenance	2,561	2,747
Total Expenditure	7,959	5,549
Dwelling Rents	(12,097)	(12,376)
Non-Dwelling Rents	(112)	(110)
Charges for Services & Facilities	(214)	(210)
Contributions towards Expenditure	(42)	(21)
Supporting People	(175)	(190)
Total Income	(12,639)	(12,907)
Net Cost of HRA Services as included in the Comprehensive I&E	(4,680)	(7,358)
HRA share of Corporate & Democratic Core	139	131
Net Cost of HRA Services	(4,541)	(7,227)
Losses/(Gains) on sale of HRA non-current assets	(336)	(207)
Interest payable and similar charges	1,593	1,556
HRA investment income	(109)	(36)
Pensions interest cost & expected return on pension assets	139	144
Surplus for Year on HRA Services	(3,255)	(5,769)

Housing Revenue Account

For the year ended 31st March 2019

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	2018/19	2017/18
Balance at the beginning of the year	5,147	3,703
Surplus/(Deficit) for the year on the HRA Income and Expenditure Statement	3,255	5,769
Transfers in Reserves	(166)	(229)
Adjustments between accounting and funding basis under regulations	(1,317)	(4,095)
Increase for the year on the HRA	1,772	1,444
Balance at the end of the year	6,919	5,148

Note to the Statement of Movement on the Housing Revenue Account

£000's	2018/19	2017/18
Items included in the HRA Income and Expenditure Account but excluded from the movement on HRA Balance for the year		
Revaluation and impairment of non-current assets ¹	2,597	296
Retirement benefits charged/(credited) ²	689	617
Adjustments in relation to Short Term compensated absences	(2)	(1)
(Gains)/losses on sale of HRA non-current assets ^{1,3}	(291)	(207)
	2,993	705
Items not included in the HRA Income and Expenditure Account but included in the movement on HRA Balance for the year		
Revenue contribution to finance major repairs	(1,979)	(4,244)
Revenue contributions to finance new build	-	-
Revenue contributions to finance debt repayment and capital	(2,039)	(250)
Employer's contributions payable to the Pensions Fund and retirement benefits payable direct to pensioners ²	(291)	(306)
	(4,309)	(4,800)
Net additional amount required by statute to be debited or (credited) to the HRA for the year	(1,317)	(4,095)

Notes

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

Notes to the Housing Revenue Account

For the year ended 31st March 2019

1. Introduction

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

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

2. Housing Stock

The number of dwellings in the Council's housing stock, as at 31st March 2019, totalled 2,971 (2018: 2,993) properties. This followed the sale of 22 properties under the Government's Right to Buy Scheme. The stock is broken down over type of properties as shown in the following table.

	2018/19	2017/18	2016/17
Houses	1,540	1,562	1,584
Flats	793	793	793
Bungalows	638	638	638
	2,971	2,993	3,015

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

The vacant possession value (open market value) of Council dwellings as at 31st March 2019 was £292,551 (2018: £293,815k). 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 2018/19 is summarised below:

£000's	2018/19	2017/18
Balance at the beginning of the year	4,271	1,267
Add Depreciation Provision	3,676	4,749
Use of Capital Receipts Reserve	-	-
Revenue Contribution for Capital	1,968	4,246
Amount available for capital expenditure on HRA Land, Houses and Other Property	9,915	10,261
Less Capital expenditure in the year (including Depreciation)	(4,944)	(5,990)
Transfer to Debt Repayment Reserve	(1,517)	-
Balance at the end of the year	3,454	4,271

Notes to the Housing Revenue Account

For the year ended 31st March 2019

4. Property, Plant and Equipment

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								
Cost or valuation								
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	(857)	-	-	-	-	(857)	-	(857)
At 31 March 2019	122,871	2,276	272	517	105	126,041	211	126,252
Depreciation and Impairment								
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	2,484	2	-	-	-	2,486	-	2,486
Revaluations	1,077	107	-	-	-	1,184	-	1,184
At 31 March 2019	0	0	(18)	-	-	(18)	-	(18)
Net Book Value								
At 31 March 2019	122,871	2,276	254	517	105	126,023	211	126,234
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 31st March 2019

4. Property, Plant and Equipment (continued)

Year ended 31 March 2018	Council Dwellings	Land and Buildings	Vehicles, Plant and Equipment	Assets Under Construction	Surplus Assets	Total Property, Plant and Equipment	Investment Properties	Total
£000's								
Cost or valuation								
At 1 April 2017	121,634	2,288	116	-	105	124,143	211	124,354
Additions	1,316		-	-	-	1,316	-	1,316
Disposals	(923)	(13)	-	-	-	(936)	-	(936)
Transfers	-	-	-	-	-	-	-	-
Revaluations recognised in the Revaluation Reserve	1,376	-	-	-	-	1,376	-	1,376
At 31 March 2018	123,402	2,276	116	-	105	125,899	211	126,110
Depreciation and Impairment								
At 1 April 2017			(94)			(94)	-	(94)
Charge for the Year	(4,581)	(160)	(4)	-	-	(4,745)	-	(4,745)
Disposals	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-
Impairments recognised in the Provision of Services		-	-	-	-	-	-	-
Depreciation written out to the revaluation reserve	4,581	160	-	-	-	4,741	-	4,741
At 31 March 2018	-	-	(98)	-	-	(98)	-	(98)
Net Book Value								
At 31 March 2018	123,402	2,276	18	-	105	125,801	211	126,012
At 1 April 2017	121,634	2,288	22	-	105	124,049	211	124,260

Notes to the Housing Revenue Account

For the year ended 31st March 2019

5. Capital Expenditure

£000's	2018/19	2017/18
Capital Investment		
Operational Assets	2,120	1,329
	2,120	1,329
Sources of Funding		
External Grants	135	-
Capital Receipts in year	382	1,143
Revenue contribution	1,603	178
Capital Receipts Reserve	-	8
Major Repairs Reserve	-	-
	2,120	1,329

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

£000's	2018/19	2017/18
Land	-	-
Council Homes	(1,579)	(1,455)
Total Receipts	(1,579)	(1,455)
Less: Pooled payments to Central Government	312	312
Net Receipts Retained (transferred to Capital Receipts Reserve)	(1,268)	(1,143)

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

7. Rent Arrears

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

£000's	2018/19	2017/18
Current Tenant Arrears	309	258
Former Tenant Arrears	101	130
Total Tenant Arrears	410	389

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 £251k (2017: £234k).

Notes to the Housing Revenue Account

For the year ended 31st March 2019

9. Depreciation and Impairment of Fixed Assets

The Dwellings in the Housing Revenue Account were valued as at £292,551k. After taking account of houses sold in 2018/19 and the Social Housing Discount Factor, the vacant possession value of the remaining dwellings at 31 March 2019 was £122,871k (2018: £123,402k). The lower figure of £122,871k 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 31st March 2019; the balance sheet value reflects sales of dwellings and depreciation in the year. The revaluation was in accordance with the Government's resource accounting policy, at Existing Use Value - Social Housing. The Social Housing Discount Factor changed in 2016/17 from 34% to 42%.

As shown in Note 4, Depreciation of £3,674k (2018: £4,746k) has been charged to the HRA. This figure is made up of £3,561k (2018: £4,581k) for Council Dwellings and £113k (2018: £164k) is in respect of garages, shops and other assets. These amounts have been credited back to the HRA below the net operating expenditure as a transfer from the Major Repairs Reserve.

10. Pension Costs

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

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

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

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

The Collection Fund

For the year ended 31st March 2019

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	2018/19	2017/18
Income		
Council Tax Income	(57,262)	(53,295)
Business Rates Income	(25,226)	(24,457)
Transitional Protection Payments	(771)	(590)
Total Income	(83,258)	(78,342)
Expenditure		
Council Tax Precepts (Note 4)	55,923	52,056
Business Rates Precepts (Note 6)	26,676	24,804
Previous Year's Surplus/(Deficit) Paid to/by Preceptors (Notes 4 & 6)	(264)	(212)
Cost of Collection	91	91
Provision for Bad and Doubtful Debts	690	75
Provision for Business Rates Appeals	(72)	(428)
(Surplus) / Deficit on the Fund	(213)	(1,956)
Fund Balance Brought Forward	(1,229)	727
(Surplus) / Deficit in Year	(213)	(1,956)
Fund Balance as at 31st March	(1,442)	(1,229)
Council Tax Element (Note 1)	(1,819)	(1,421)
Business Rate Element	377	192

The increase in income for 2018/19 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 4.79% across all Preceptors. South Derbyshire set its increase at 1.95%.

Approximately 90% of Council Tax income is passed over to other Preceptors. During 2018/19, the County of Derbyshire was included in a 100% Business Rates Retention Pilot resulting in an increase in income to be retained within the County. Central Government received no precept from Business Rates during the year but the Pilot is not set to continue in 2019/20 which will result in the Council returning to a retained income level of 40%. The above table reflects the increases in 2018/19.

During 2018/19, 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 £72k.

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

Notes to the Collection Fund

For the year ended 31st March 2019

1. Council Tax

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

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

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

£000's	2018/19	2017/18
Derbyshire County Council	(1,343)	(1,047)
Derbyshire Police and Crime Commissioner	(203)	(156)
Derbyshire Fire and Rescue Authority	(79)	(63)
	(1,625)	(1,266)
South Derbyshire District Council	(193)	(156)
	(1,819)	(1,421)

2. Council Tax Valuation Bands

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

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

3. Council Tax Base

The amount of Council Tax payable is calculated by establishing a 'Council Tax Base'. This is the Council's estimated number of chargeable dwellings subject to Council Tax, expressed in relation to those dwellings in Band D. The Tax Base for 2018/19 was based on 42,994 chargeable dwellings (42,131 in 2017/18).

After allowing for national exemptions and local discounts, such as the Single Persons Discount, the Tax Base for 2018/19, on which the Council Tax rate was set, is shown in the following table.

Notes to the Collection Fund

For the year ended 31st March 2019

3. Council Tax Base (continued)

Band	Calculated number of Dwellings	Ratio to Band D	Equivalent number of Dwellings 2018/19	2017/18
X	18	5/9	10	13
A	7,751	6/9	5,167	5,108
B	8,057	7/9	6,267	6,137
C	6,553	8/9	5,825	5,701
D	6,312	1	6,312	6,140
E	3,781	11/9	4,621	4,366
F	1,874	13/9	2,707	2,632
G	870	15/9	1,450	1,447
H	65	18/9	130	131
			32,488	31,676

The Band D Council Tax rate for South Derbyshire District Council was £159.21 (2017/18: £156.17).

4. Council Tax Precepts and Demands

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
	55,923	500	56,423

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

Notes to the Collection Fund

For the year ended 31st March 2019

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 2018/19 the amount was 49.3p in the pound (2017/18: 47.9p). The Council is responsible for collecting rates due from the ratepayers in its area.

The total rateable value of business premises in South Derbyshire at 31st March 2019 was £65,975,301(2018: £63,814,684) – an increase of 3.4%, mainly due to growth in new business units and expansions. The total amount of Non Domestic Rates collected is shared on the following basis:

Public Body	%
Central Government	0%
South Derbyshire District Council	50%
Derbyshire County Council	49%
Derbyshire Fire and Rescue Authority	1%

The deficit balance on the Business Rates element of £377k 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	2018/19	2017/18
Central Government	-	96
Derbyshire County Council	185	17
Derbyshire Fire and Rescue Authority	4	2
	189	115
South Derbyshire District Council	189	77
	377	192

6. Non-Domestic Rates Demands

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

2018/19 £000's	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
	26,676	(764)	25,913

Notes to the Collection Fund

For the year ended 31st March 2019

6. Non-Domestic Rates Demands (continued)

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

Glossary

ACCOUNTING PERIOD

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

ACCRUALS

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

ACTUARIAL GAINS AND LOSSES

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

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

ASSET

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

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

AUDIT OF ACCOUNTS

An independent examination of the Council's financial affairs.

BALANCE SHEET

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

BUDGET

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

CAPITAL EXPENDITURE

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

CAPITAL FINANCING

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

CAPITAL PROGRAMME

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

Glossary

CAPITAL RECEIPT

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

CIPFA

The Chartered Institute of Public Finance and Accountancy.

COLLECTION FUND

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

COMMUNITY ASSETS

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

CONSISTENCY

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

CONTINGENT ASSET

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

CONTINGENT LIABILITY

A contingent liability is either:

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

CORPORATE AND DEMOCRATIC CORE

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

CREDITOR

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

CURRENT SERVICE COST (PENSIONS)

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

Glossary

DEBTOR

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

DEFINED BENEFIT PENSION SCHEME

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

DEPRECIATION

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

DISCRETIONARY BENEFITS (PENSIONS)

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

EQUITY

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

EVENTS AFTER THE BALANCE SHEET DATE

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

EXCEPTIONAL ITEMS

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

EXPECTED RETURN ON PENSION ASSETS

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

EXTRAORDINARY ITEMS

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

FAIR VALUE

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

Glossary

GENERAL FUND

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

GOING CONCERN

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

GOVERNMENT GRANTS

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

HOUSING BENEFITS

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

HOUSING REVENUE ACCOUNT (HRA)

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

IMPAIRMENT

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

INCOME AND EXPENDITURE ACCOUNT

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

INFRASTRUCTURE ASSETS

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

INTANGIBLE ASSETS

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

INTEREST COST (PENSIONS)

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

INVESTMENTS (PENSION FUND)

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

Glossary

LIABILITY

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

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

LIQUID RESOURCES

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

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

MATERIALITY

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

MINIMUM REVENUE PROVISION (MRP)

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

NET BOOK VALUE

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

NET DEBT

The Council's borrowings less cash and liquid resources.

NON-DISTRIBUTED COSTS

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

NATIONAL NON-DOMESTIC RATES (NNDR)

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

NON-OPERATIONAL ASSETS

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

OPERATING LEASE

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

Glossary

OPERATIONAL ASSETS

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

PAST SERVICE COST (PENSIONS)

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

PENSION SCHEME LIABILITIES

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

PRECEPT

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

PRIOR YEAR ADJUSTMENT

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

PROVISION

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

PUBLIC WORKS LOAN BOARD (PWLb)

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