



**South
Derbyshire**
District Council

Statement of Accounts
2012/13



INVESTOR IN PEOPLE

South Derbyshire Changing for the Better

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Explanatory Foreword

INTRODUCTION

The Council's financial performance for the year ended 31 March 2013 is set out in the Comprehensive Income and Expenditure Summary 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 2012/13 (the Code). The purpose of this foreword is to explain, in a more easily understandable way, the financial facts in relation to the Council.

This Statement of Accounts themselves, detail the Council's finances during the financial year 2012/13 and its financial position at the end of that year. It follows approved accounting standards and is necessarily technical in parts.

THE ACCOUNTING STATEMENTS

The Movement in Reserves Statement

This Statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 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 Summary (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 Summary (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).

Explanatory Foreword

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

The Cash Flow Statement

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

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

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

Changes to the Financial Statements

There have been no significant changes to the Financial Statements for year ended 31 March 2013.

Accounting Policies

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

Financial Report

This foreword provides an introduction and a broad analysis of the Council's financial performance and position for 2012/13.

OVERVIEW OF SERVICE SPENDING – INCOME and EXPENDITURE COMPARED TO BUDGET

The detailed Budget Out-turn was reported to the Council on 22nd May 2013 (provisional) and 27th June 2013 (final). These papers reported the financial performance of Council services at both a detailed and strategic spending level. Those reports are intended to provide the management information required for decision making, whilst the statutory financial statements are intended to fulfil external reporting requirements.

The following sections provide a summary of the council's detailed financial performance for 2012/13, with the full detail being available at:

<http://south-derbys.cmis.uk.com/south-derbys/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/1577/Committee/278/Default.aspx>

Explanatory Foreword

General Fund Services

All services (excluding council housing) are accounted for in a General Fund.

Overall, financial performance was better with a total under spending compared to the Net Budget of £389,000. An under spending was expected as the year progressed as reported in monitoring statements. As at December 2012 (the third quarter's performance) the under spend was estimated slightly lower overall at £325,000. The overall position is summarised in the following table.

<i>£000's</i>	Budget	Actual	Variance
Environmental and Development Services	5,546	5,734	188
Housing and Community Services	3,512	3,140	(372)
Finance and Management Services	2,338	2,080	(258)
Total Expenditure	11,396	10,954	(442)

The under spend represents 3.5% of the net budget on the General Fund. The main reasons for the under spend were savings made in staffing, waste and cleansing, corporate and central costs, together with grounds maintenance. A large proportion of the under spend arose from an on-going programme of service, efficiency and budget reviews to realise cashable savings. Much of this is on-going and has been built into the Council's longer term financial plan.

However, the Council continued to see cost pressures in some areas such as utility costs and in repair and maintenance liabilities. In addition, income from planning fees was down compared to the Budget and the Council also incurred some additional legal fees and expenses. The main reasons for the net under spend are summarised in the following tables.

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Favourable Variances	£000's
Income and expenditure adjusted through Earmarked Reserves	(224)
Staff vacancies and reduction in National Insurance contributions	(135)
Net cost of Housing Benefit payments lower than estimated	(114)
Lower costs - Waste Collection and Street Cleansing	(111)
Lower costs in Grounds Maintenance and additional Tree Felling (income)	(87)
Backdated Pension and Deficit costs lower than estimated	(78)
Corporate Training budget not used in 2012/13	(47)
Income received towards Election costs for Police Commissioner poll	(41)
Democratic Services - lower expenses, allowances and restructure savings	(35)
Financial Services - operational costs	(32)
Income from Bretby Crematorium following settlement of final accounts	(32)
Income from Food Export Certificates	(30)
Licensing - increase in income and restructure savings	(30)
Increase in income from Building Regulation Charges	(30)
Homelessness costs (temporary accommodation) lower than estimated	(30)
Other corporate costs and small variances (net)	(29)
Additional income - off street parking and markets	(20)
Estates management - lower maintenance costs and increased income	(19)
Lower Payroll costs	(15)
Cemeteries - income higher than estimated	(13)
Lower External Audit fees	(13)
Maintenance and utility costs of Public Conveniences	(12)
Lower costs in Electoral Registration following restructure	(9)
Total Favourable Variances	(1,186)

Adverse Variances	£000's
Council restructure - one-off costs	258
Direct Services - one-off costs of approved restructure	131
Reduction in income from Planning Fees	107
Legal Fees and Expenses	78
Implementation of Council Tax Support Scheme (funded by specific grant)	76
Increase in Leisure Centre Costs - energy costs and contract transition	47
Repair and Maintenance of Transport and Plant	41
Civic Offices - utilities and repair costs higher	23
Rosliston Forestry Centre - higher utility and maintenance cost	20
Reduction in Land Charges income	16
Total Adverse Variances	797

Explanatory Foreword

Financing

After bringing into account financing from government grant and other accounting adjustments, the overall position on the General fund is summarised in the following table.

Summary General Fund 2012/13 £000's	Budget	Actual	Variance
Net Expenditure on Services	11,396	10,954	(442)
Contribution to Bad Debts Provision	25	12	(13)
Capital Charging Adjustments	(381)	(389)	(8)
Contingent Sums (see narrative below)	299	-	(299)
Total Net Revenue Expenditure	11,339	10,577	(762)
Less: Financing			
General Government Grant	5,203	5,203	-
New Homes Bonus	970	970	-
Council Tax Freeze Grant	241	241	-
Council Tax Support (Implementation) Grant	-	84	84
Welfare Reform Grant	-	21	21
Community Right to Bid Grant	-	5	5
Council Tax Payers	4,837	4,837	-
Collection Fund Surplus	20	20	-
Earmarked Reserves	43	-	(43)
Total Financing	11,314	11,381	67
Revenue Deficit / (Surplus) for the Year	25	(804)	(829)

The above table shows that the overall surplus for the year on the General Fund for 2012/13 was £804,000. In addition to the under spend on day to day activities, there was no requirement to draw down any amounts from the contingent sums set-aside for inflation, growth, and the pay/grading review.

Subject to a continuing review of income and expenditure, several of the variances in 2012/13 will be ongoing and have been built into the medium term financial plan.

General Fund Reserve

This is an unallocated reserve that the Council maintains to meet unforeseen circumstances and effectively acts as a contingency. It is credited with any under spends on General Fund services but is also drawn down to finance budget deficits and to meet one-off / emergency commitments.

The balance on this reserve is a key component of the Council's Financial Strategy. Basically, the Council plans on the basis that a minimum level of £1m will still remain in the Reserve at the end of a 5-year rolling period.

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Following the out-turn figures as detailed above the General Reserve at March 2013 (after appropriations) is greater than estimated by £835,000. Clearly this will be beneficial to the Council in the tight financial climate that currently exists. The General Reserve Balance is shown the following table.

General Fund Reserve as at 31 March 2013 <i>£000's</i>	Budget	Actual	Variance
Balance brought forward at 1 April 2012	3,852	3,852	-
Add: Deficit / (Surplus) for the Year	(25)	804	829
Pay and Grading Review - one-off costs	(200)	-	200
Additional Support for the Voluntary Sector	(50)	-	50
Transfer of License Income to Capital	(20)	(20)	-
Contribution to the Vehicle Renewals Fund	(20)	(20)	-
Contribution to Capital Works - Civic Offices	-	(25)	(25)
Net appropriations to other Earmarked Reserves	-	(277)	(277)
Transfer from Housing Benefits Provision	-	58	58
Balance at 31 March 2013	3,537	4,372	835

Housing Revenue Account (HRA)

The Council is required to account separately for income and expenditure in providing Council Housing. 2012/13 was the first financial year under the self-financing framework introduced on 1 April 2012.

The approved HRA Budget was set with a small surplus of £30,000. As the year progressed, it was forecasted that the surplus would be much higher due to additional income and lower expenditure on supervision and management costs.

The final out-turn is summarised in the following table.

Summary Housing Revenue Account 2012/13 <i>£000's</i>	Budget	Actual	Variance
Rent Income	(11,069)	(11,167)	(98)
Repairs and Maintenance	3,125	3,265	140
Transfer to Major Repairs Reserve	4,500	4,500	-
Interest on Debt	1,663	1,594	(69)
Supervision and Management Costs	1,751	1,507	(244)
Surplus	(30)	(301)	(271)

The above table shows a final surplus of £301,000 and increases the HRA reserve balance to approximately £2.7m at 31 March 2013. The reasons for the major variances compared to Budget are summarised below.

Housing Repairs

The increase was due to additional costs associated with repairing void properties. In total, these costs a total of £428,000 in the year, compared with £335,000 in the previous year, 2011/12. In addition, repairs during the final month of the year were much higher than usual.

Explanatory Foreword

Other Variances

As anticipated during the year, greater income was achieved from housing rents and also from contributions to Supported Housing and Careline Services, where income held up in line with previous years.

Reductions in expenditure (compared to the Budget) were made from staffing vacancies and recharges from the General Fund, together with lower interest payments on the variable element of the HRA's debt portfolio.

Self-financing Debt

On 1 April 2012, the Council took on a share of the national housing debt as the former national funding system ceased on 31 March 2012. Under the Localism Act 2011, the Council's housing service became self-financing.

Although no longer required to pay over to the national housing pool approximately £4m of its rental income each year, the Council is now servicing and repaying debt totalling £57.423m over the next 30-years. This has provided additional resources for the Council to invest in a significant programme of major upgrades and repairs to its housing stock.

HRA Debt Portfolio

On 28 March 2012, the Council borrowed £57m from the Public Works Loan Board at an average rate of 2.78%. This included a mixed portfolio of loans with repayment periods strategically placed from years 10 to 25 of the HRA's Business Plan. Predominantly, interest rates are fixed and guaranteed, although some of the funding (£10m) was taken at variable rates to benefit from extremely low rates of interest (0.7%) at the short end of the market. The associated interest payments are included in the HRA.

Capital Expenditure and Financing 2012/13

Within the cost of services, the Council incurs more significant expenditure on delivering capital investment on its assets or contributes to capital projects delivered by partners across the District. A significant amount of this expenditure is financed externally from government/agency grants, together with partner contributions. Capital expenditure for 2012/13 is summarised in the following table.

Capital Expenditure 2012/13 £000's	Budget	Actual	Variance
Council House Improvements	4,825	4,018	(807)
Private Sector Housing Renewal	405	346	(59)
Leisure and Community Schemes	2,151	576	(1,575)
Environmental and Development Schemes	89	132	43
Property and Other Assets	107	104	(3)
Total Expenditure	7,577	5,176	(2,401)

The table highlights that expenditure on schemes of approximately £2.4m was still to be incurred at 31 March 2013 against that planned. The reduction in planned expenditure was due to the lead in time required on several major projects where investment will be on-going over several years.

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Major schemes include significant upgrades to the Council's two principal leisure centres, provision of enhanced leisure facilities in the Melbourne area of the District, together with substantial works to council houses.

The lead in time has been utilised to secure the necessary external funding, together with considering options around the best procurement framework, before projects are commenced.

The capital investment in the year was financed as shown in the following table.

Capital Financing 2012/13 £000's	Budget	Actual	Variance
Government Grants	269	335	66
External / Partnership Contributions	1,694	718	(976)
Capital Reserves	4,825	4,018	(807)
Capital Receipts	789	105	(684)
Total Financing	7,577	5,176	(2,401)

The Collection Fund

The Council is required to maintain a separate income and expenditure account, showing the transactions relating to the collection of Business Rates and Council Tax. This account also illustrates how this money has been distributed to preceptors, the Government and into the Council's General Fund.

In principle, the Fund should balance. In respect of Business Rates, actual income collected is paid over to a National Pool and the impact of any arrears is adjusted accordingly. However, over time, not all Council Tax is collected due mainly to a build up of arrears and household's individual circumstances changing during a year which can affect the amount of tax collected compared to that set in the Budget.

These circumstances ultimately produce a balance on the Fund over time and this can vary from year to year. With a turnover of £48m in Council Tax in 2012/13, even a very small variation can affect the amount collected.

Any surplus balance on the Fund (which has traditionally been the case for the Council over many years) can be transferred to the General Fund as an additional financing element, with any deficit having to be made good. However, approximately 90% of any balance is attributed to other authorities, mainly the County Council, as the main preceptors of Council Tax.

During 2012/13, the Fund performed in accordance with that estimated as summarised below. The overall surplus for the year was slightly lower than estimated, with approximately £10,000 attributable to the Council compared to an estimate of £22,000.

The Council had previously approved that no surplus would actually be declared on the Collection Fund for the year and is being held as a contingency pending the effect of the new Local Council Tax Support Scheme which was implemented on 1 April 2013.

Explanatory Foreword

Summary Collection Fund 2012/13 <i>£000's</i>	Budget	Actual	Variance
Income	(69,440)	(69,827)	(387)
Expenditure	69,187	69,686	499
Surplus for the Year	(253)	(141)	112

Collection Fund Balance 2012/13 <i>£000's</i>	Budget	Actual	Variance
Opening Balance 1 April 2012	(116)	(116)	-
Add Surplus for the Year	(253)	(141)	112
Less Previous Year's Surpluses Paid Over	173	173	-
Closing Balance 31 March 2013	(196)	(84)	112
Share			
Derbyshire County Council	(143)	(61)	82
Derbyshire Police Authority	(22)	(9)	13
Derbyshire Fire and Rescue Service	(9)	(4)	5
South Derbyshire District Council	(22)	(10)	12
	(196)	(84)	112

TREASURY MANAGEMENT

Full details of the Council's Treasury Management Activities for the year are available at:

<http://south-derbys.cmis.uk.com/south-derbys/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/1601/Committee/322/Default.aspx>

Following the HRA debt take-on in 2011/12, there were no significant transactions in 2012/13 regarding new borrowing or long-term investments.

Cash Flow Management

With fixed rate debt, no long-term investments and no plans to borrow in 2012/13, the Council's borrowing and investment strategy for the year focused on managing cash flow through short-term borrowings and bank deposits. Overall, the Council's cash flow remained positive throughout the year as forecast. For the fourth consecutive financial year, the main Bank of England Base Rate remained at 0.5%. This continued to limit the amount of interest earned on short-term investments and bank deposits.

Investment of Surplus Funds

The Council effectively invests its balances and reserves over the year and this generates interest for the General Fund and Housing Revenue Accounts. In addition, the Council is generally able to collect its main income in the form of Council Tax and Business Rates before it is spent or re-distributed. This is invested on a short-term basis and generates a return for the Council.

Explanatory Foreword

Overall, the Council continued to benefit from a positive cash flow position in 2012/13. However, given the low level of interest rates, the financial benefit in the form of interest earned was low.

In general, the actual pattern of cash flow followed that projected. However, the amount of funds available was generally much higher than estimated. The amount on deposit at the end of the year was £4.5m, although it was as high as £14m during the year. Of the £4.5m, £3m was on deposit with other local authorities and £1.5m with the Government.

Interest earned

The interest rate earned on deposited funds was below the market average during the financial year, although both rates remained extremely low. The average rate on deposits at 31 March 2013 was 0.31% compared to an average market rate of 0.51%.

The Council has a very strict lending policy which is designed to keep funds secure and liquid rather than being invested for the rates of return (yield). Consequently, the Council's counterparty list is constrained as credit ratings of many financial institutions continue to be below the Council's requirements.

The Council places funds predominantly with the Government's Debt Management Office and other local authorities, but also has some limited investments in reserve accounts with UK banks. Although these are the safest form of deposit available and are "guaranteed," interest rates are lower than the market average.

Temporary Borrowings

Due to the positive cash flow position, the Council did not need to take on any short-term borrowings during 2012/13; this was also the position in 2011/12.

Prudential Indicators and Treasury Position

The Council is required to manage its borrowing and investments, together with its capital expenditure, in accordance with a National Prudential Code of Practice. This Code is designed to control local authority borrowing and to ensure that borrowing is undertaken prudently and is affordable within a council's longer term financial plans.

The Council's underlying need to borrow is called the Capital Financing Requirement (CFR). The CFR is a measure of the Council's underlying need to borrow for capital investment and is based on the value of its assets contained in the Balance Sheet.

The Council's borrowing remained within the CFR during the year. No new borrowing was undertaken in 2012/13. The position as at 31 March 2013 is summarised below.

Borrowing Compared to CFR at 31 March 2013	2012	2013	Change
<i>£000's</i>			
Gross Borrowing	58,815	58,763	(52)
Net Borrowing	55,682	54,251	(1,431)
Capital Financing Requirement	69,438	69,175	(263)

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In undertaking its treasury management activities during the year, the Council managed within the prudential indicators and approved lending policy. The treasury position at 31 March 2013 compared with the previous year is shown in the following table.

Net Borrowing Position as at 31 March 2013	2013		2012	
	Principal £000's	Average Rate (%)	Principal £000's	Average Rate (%)
Fixed Interest Rate Debt	(48,445)	3.21%	(48,460)	3.21%
Variable Interest Rate Debt	(10,318)	0.60%	(10,355)	0.70%
Total Debt	(58,763)		(58,815)	
Fixed Interest Investments	-	0.00%	-	0.00%
Variable Interest Investments	4,512	0.31%	3,133	0.25%
Total Investments	4,512		3,133	
Net Borrowing	(54,251)		(55,682)	

Repayment of Debt on Transferred Assets

Included in the variable debt outstanding, is £277,000 relating to assets transferred on Local Government Re-organisation in 1974. This was in respect of capital expenditure on council houses incurred under a previous capital accounting system. The debt is administered by a neighbouring local authority who took over the management of the assets and the associated debt in 1974. As this debt was owed to the Government and for administrative ease, the debt was transferred between the authorities with the Council making annual contributions to the other Authority.

Due to the relatively small amount involved, the two authorities agreed for the Council to repay the debt early without incurring any penalty. This was completed in April 2013. The effect on the Council's accounts will be to reduce the CFR and the debt outstanding by equal amounts, i.e. £277,000. On an on-going basis, the Council will save future interest costs in Housing Revenue Account.

Prudential Borrowing

On 22nd May 2013, the Council approved new prudential borrowing to finance a capital investment of approximately £900,000 (after external contributions) to purchase receptacles to extend its Kerbside Recycling Service. This will allow additional recyclates (mainly plastic and cardboard) to be collected directly from households to improve recycling rates, a key priority for the Council.

This will increase the CFR within the borrowing headroom available. Due to its current cash flow position and level of reserves, the Council will borrow "internally" and write down the CFR by a revenue contribution over 8-years – the period of the initial contract to provide the additional service.

This period is also less than the average life of the assets purchased and together with the extremely low cost of borrowing, this is considered to be both prudent and affordable under the Prudential Code.

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THE COUNCIL'S BALANCE SHEET

The Balance Sheet shows the value, at 31 March 2013, 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.

Net Assets

The net assets of the Council reduced between March 2012 and March 2013 from £28.2m to £24.1m. This was due to an increase in the projected Pension Fund Deficit (£22m to £27m).

Pension Fund

The most recent valuation of the Council's Fund shows the underlying liabilities that the authority has in the long-term to pay retirement benefits. These liabilities have increased in the year due mainly to the return on investments falling, rather than any significant increase in benefits being, or due, to be paid.

However, statutory arrangements for funding the deficit mean that the financial position of the Council is not affected in any one year. Effectively, the deficit on the Pension Fund is being met over the long-term by increased contributions over the remaining working life of employees, as assessed by the Fund's Independent Actuary.

This is part of on-going changes to the Local Government Pension Scheme to ensure that pension deficits are funded with minimal impact on the Council Tax payer.

Reserves

Council reserves are split into 2 categories, i.e. usable and non-usable.

Usable reserves are those that the Council may use to provide services, subject to the need to maintain a prudent level, together with any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). In addition, some reserves are held for specific or earmarked purposes.

Unusable reserves cannot be used to provide services. They are effectively accounting 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. In addition, other reserves account for timing differences as shown in the Movement in Reserves Statement, i.e. 'Adjustments between accounting basis and funding basis under regulations'.

A summary of usable reserves as at 31 March 2013 is shown in the following table.

Usable Reserves at 31 March 2013	2013	2012
£000's		
General Fund	4,372	3,853
Housing Revenue Account	2,686	2,385
Capital Receipts	3,669	3,449
Major Repairs Reserve (Council Housing)	653	14
Earmarked Reserves	4,611	4,495
Total - Usable Reserves	15,991	14,196

Explanatory Foreword

Overall, usable reserves have increased in the year, mainly due to the surpluses generated on the General Fund and Housing Revenue Accounts as detailed previously.

MATERIAL FINANCIAL TRANSACTIONS

Council Restructure

In March 2013, the Council approved a new senior management structure. This was part of on-going measures to generate budget savings to meet reductions in central funding. The revised structure was implemented on 1st May 2013 and will save approximately £600,000 over the next 5 years.

This net saving is after meeting one-off costs associated with termination for employees who took voluntary redundancy as part of the restructure. These costs totalled £258,000 and are detailed in Note 26 to the accounts; these costs were fully accounted for in 2012/13.

Additional Capital Receipts

At the start of the year, the Council signed an agreement with the Government to enable it to retain a greater proportion of proceeds from future council house sales, subject to a minimum payment being made to the Government. Depending on the number of council houses sold in the future, this is aimed at generating additional capital proceeds for local investment compared to that allowed previously.

As part of the Agreement, the additional proceeds must be spent on increasing the amount of new dwellings to deliver more “affordable” housing. During 2012/13, 18 council house sales were completed which generated approximately £1m. Of this amount, approximately £0.75m has been retained to deliver new dwellings; under the previous system approximately £0.25m would have been retained.

In April 2013, the Council approved a plan to deliver new housing, which will utilise the proceeds generated in the year, together with other funding and future proceeds. The detailed report is available at:

<http://south-derbys.cmis.uk.com/south-derbys/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/1379/Committee/278/Default.aspx>

Other Items

Other significant items that could have an impact on the Council’s accounts in future years is the relocation of the main works depot.

Relocation of the Council’s Works Depot

Under its Asset Management Plan, the Council has for a number of years, been working to relocate its main depot site. This houses the waste collection, street cleansing, grounds and housing maintenance services. The project is part of a major regeneration scheme on the outskirts of Swadlincote Town Centre, known as Tetron Point.

Explanatory Foreword

The main outcomes for the Council will be a new purpose built depot which it will own on a freehold basis, together with a net capital receipt. This is being achieved through a land swap agreement between the Council and an appointed developer.

Heads of Terms were agreed in early 2010 and planning consent was granted in March 2011 for the new depot and for alternative land use associated with the existing depot. During 2011/12, outline planning agreements were negotiated for the residential development which is an integral part of the overall regeneration scheme.

During 2012/13, the Council agreed to sell its land for residential development; the associated contract, legal and planning agreements will be completed during 2013/14. The sale will be in 3 phases with the final phase expected to be complete by 2016.

During 2013/14, it is expected that the Council's current depot site will be sold following a recently completed marketing and tendering exercise which considered alternative bids. Final negotiations will take place with the preferred bidder during 2013/14 and it is anticipated that work will begin on relocating to the new site during 2014/15.

COUNCIL SPENDING & THE FUTURE FINANCIAL POSITION

The Council's detailed budget and spending plans for 2013/14 and the projected medium-term financial position is available at:

http://www.south-derbys.gov.uk/Images/Medium%20Term%20Financial%20Plan%202013-2018_tcm21-222036.pdf

The Council's overall financial position has been relatively strong over recent years and it has been able to maintain a fairly high level of general reserves. This has arisen both from prudent financial management, together with a programme of efficiency savings from transformation in procurement and service delivery. These savings have helped to sustain the Council's financial position against a background of reducing resources.

Similar to other areas of the Public Sector, local councils have had to lower costs due to their main source of funding, i.e. Central Government Grant being reduced significantly over the 3 years 2011/12 to 2013/14. This is a result of the Government's Policy to address the national budget deficit and this is expected to be on-going for the next few years.

For South Derbyshire, its core Revenue Support Grant was reduced by almost 30% in the 3-year period 2011/12 to 2013/14. This equated to approximately £2.25m or 20% of its net revenue expenditure. This was offset by approximately £900,000, generated through the Government's New Homes Bonus. However, the net reduction was still a substantial sum for the Council. For the period 2014/15 to 2017/18, mainstream resources are projected to reduce by a further £1m (15%).

With the introduction, on 1 April 2014, of a new system for financing local government, the Council should be in a stronger position in future years. This is due to the fact that the new system is designed to reward/compensate councils for growth, by allowing a greater share of business rates to be retained locally. As a growth area, this should benefit South Derbyshire.

Explanatory Foreword

However, in the current economic climate, this cannot be guaranteed. In the meantime, the Council faces a financial challenge to find savings in order to keep the financial position sustainable over the medium term. The Council restructure highlighted previously, was the first phase to generate £300,000 worth of budget savings during 2013/14.

Reviewing Service Costs

Some fundamental changes have taken place in recent years to sustain the Council's financial position and to place it in a position to withstand grant reductions. The strategy to deliver savings is broken down to focus on detailed base budgets, transformational reviews leading to restructures and rationalisation of management, together with savings made in procurement and by streamlining accommodation costs. In total, approximately £1m has been taken out of base budgets over the last 3-years. An on-going plan is in place in order to deliver the necessary savings in the future.

Risk Analysis

The financing of local government is entering a period of substantial change. Several key risks have been identified which could have a potential impact upon the Council's projected financial position. These are summarised below.

Key Financial Risks

Collection Fund Balance – deficit accumulates which falls as a cost on the General Fund	<ul style="list-style-type: none">• New Local Council Tax Support Scheme reduces collection rates.• Demand for support increases when resources are fixed.• Local businesses decline and empty properties increase, reducing income.
Growth – now a key factor influencing levels of grant	<ul style="list-style-type: none">• Growth is curtailed reducing business rates income and other income streams from planning and development.
CSR 2013 - setting new spending limits for councils	<ul style="list-style-type: none">• Overall funding for shire districts is reduced further and in excess of that projected.
Budget Savings – need to find £300,000 on-going in 2013/14	<ul style="list-style-type: none">• They are not identified and implemented within the next year.
Budget Overspend	<ul style="list-style-type: none">• Unexpected costs• On-going cost pressures and reducing income
General Economic Conditions	<ul style="list-style-type: none">• Higher price increases on fuel and utilities• Interest rates affect investment returns and debt portfolio

These risks are managed through a series of mitigation measures included in the financial planning framework and are monitored on an on-going basis.

Explanatory Foreword

CORPORATE GOVERNANCE

Besides the financial facts and figures contained in these Annual Accounts, the Council sets out (in its Annual Governance Statement – “AGS”) how it approaches and aims to continually develop “Governance.” 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 and leads its local community.

It is considered that this is as important as ever given the current economic climate. This has brought about a reduction in funding at the same time as expectations of local residents have increased. It is also expected that public authorities take a lead in “setting the example.”

Localism and Planning

The Council is facing further change over the next 12 months as the implementation of the Localism Act 2011 and detailed changes to local planning and development frameworks take effect. The impact of a new Local Plan will set the direction of future development, growth and regeneration in the District. This has been identified in the Council’s action plan contained in its AGS for 2013/14 and the Council will be addressing the emerging issues over the coming year.

AND FINALLY

The following sections set out the Council’s Accounts and Financial Statements for 2012/13. As highlighted earlier, to meet accounting standards, they are necessarily detailed and technical in nature.

Further information is available from the Council at www.south-derbys.gov.uk, or e-mail customer.services@south-derbys.gov.uk and reference any queries as Statement of Accounts.

Statement of Responsibilities for the Statement of Accounts

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 this Council that officer is the Head of Corporate Services;
- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- To approve the Statement of Accounts.

The Director of Finance and Corporate Services Responsibilities

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

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

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

The Director of Finance and Corporate Services has also:

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

Certification by the Director of Finance and Corporate Services

I certify that this Statement of Accounts has been prepared in accordance with proper accounting practices and presents a true and fair view of the financial position of the Council at 31 March 2013, and its income and expenditure for the year ended on that date.

SIGNED

Governance Statement

A SCOPE OF RESPONSIBILITY

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

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

Consequently, the Council has formulated a 'Local Code of Corporate Governance', which is consistent with the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government'. This Code is subject to a half-yearly review and is monitored by the Council's Audit Committee. The latest version of the Code is available at:

http://www.south-derbys.gov.uk/council_and_democracy/standards_and_behaviour/default.asp

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

B THE PURPOSE OF THE GOVERNMENT FRAMEWORK

The Governance Framework comprises:

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

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

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

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

The Governance Framework detailed in this Statement has been in place at South Derbyshire District Council for the year ended 31st March 2013, up to the date that the Annual Report and Statement of Accounts were approved.

Governance Statement

C THE GOVERNANCE FRAMEWORK AT SOUTH DERBYSHIRE

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

Decision Making

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

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

Policy Making

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

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

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

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

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

Governance and Accountability

The Council designated the Director of Operations as its Monitoring Officer during 2012/13 (*This was changed on 1st May 2013 following a Council restructure, with the post of Monitoring Officer being delegated to the Legal and Democratic Services Manager*).

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

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

Governance Statement

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

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

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

The Local Code of Corporate Governance

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

Standards of Financial Conduct

Financial management is conducted in accordance with financial management and procedural rules, as set out in Part 4 of the Constitution. The Council has designated the Head of Corporate Services (*the Director of Finance and Corporate Services with effect from 1st May 2013*) in accordance with Section 151 of the Local Government Act 1972.

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

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

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

The financial management system includes:

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

Governance Statement

Standards of Overall Conduct

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

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

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 is responsible for considering written complaints against elected or co-opted Members of both the District Council and the Parishes of South Derbyshire.

Development of Members and Officers

Members and officers receive a thorough induction tailored to their role in the Council, including when they take on new roles. The Council has adopted an e-induction package for Officers and an induction scheme is undertaken by Members at the beginning of each four year term of office.

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

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

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

Details of training are recorded on the Council's HR system. Training records are kept for each individual Member, with evaluation taking place on Member development courses. This enables Members to identify and address their own development needs and is supported by documentation such as the Members' IT Protocol and the Planning Code of Good Practice, along with the Members' Code of Conduct, which enables Members to clearly identify their roles and responsibilities.

Establishing Council Objectives

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

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

Governance Statement

Compliments and Complaints

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

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

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

Organisational Assessment and Performance Review

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

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

- Securing financial resilience
- Challenging and improving value for money

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

Data Quality

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

Data Management

During 2012/13, the Council updated its Data Retention Policy and set out its requirements to ensure compliance with Data Protection and Freedom of Information Requirements.

Business Improvement

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

Governance Statement

Procurement

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

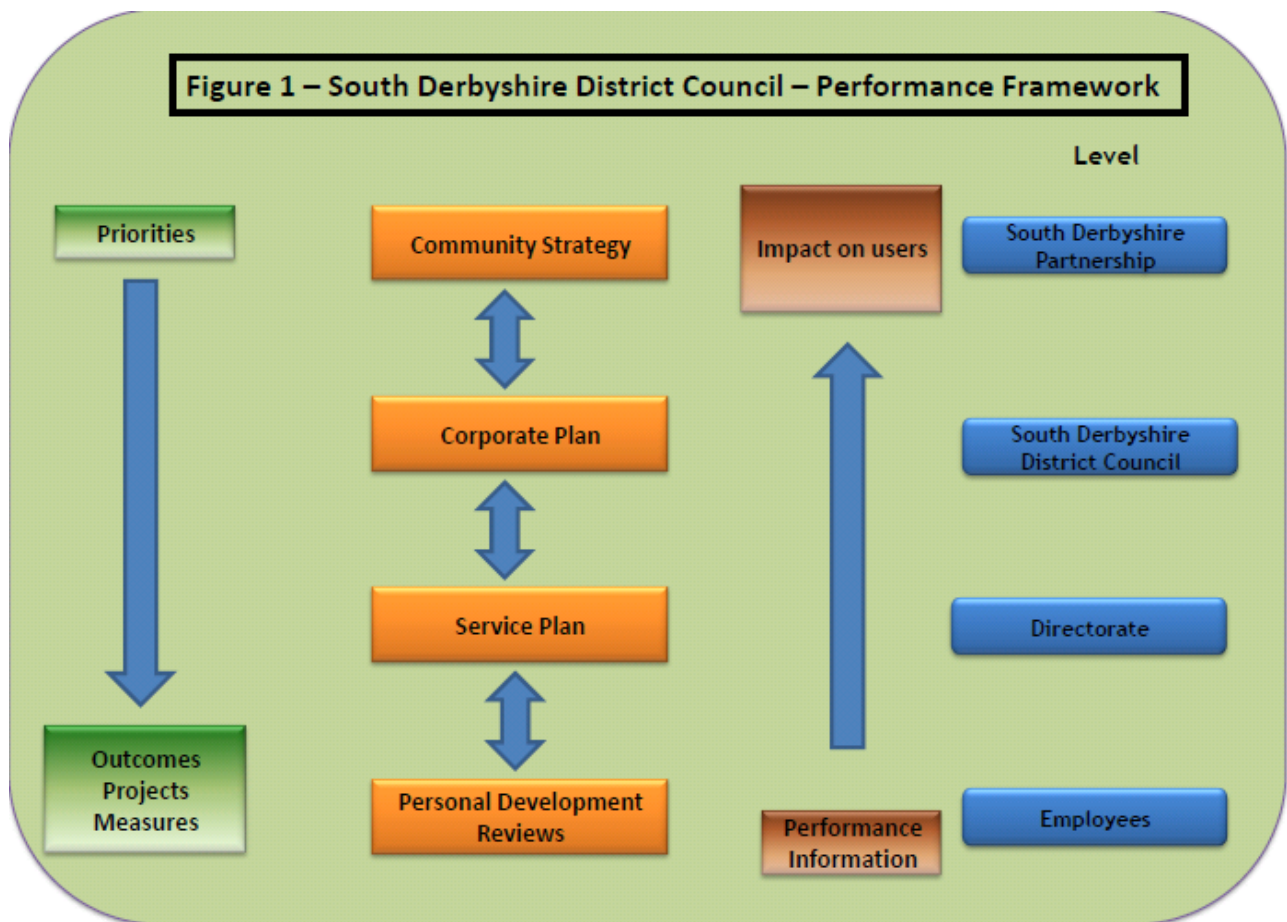
Continuous Service Review

As part of the Strategic Partnership with Northgate, the Council is reviewing every service area in the Council. This is part of a transformation programme which has now been embedded in the Council for some time and is being enhanced through the skills of the private sector partner.

The transformation programme aims to identify efficiency savings and in particular cashable/budget savings without adversely affecting service delivery. This has seen significant changes made in “back office” services, with other services areas being reviewed over a 3-year cycle.

Managing Performance

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



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

Governance Statement

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

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

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

Partnership Working

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

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

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

Risk Management

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

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

Following a review by Internal Audit, the Council made some changes to its approach to risk management and this is detailed in Section E.

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 strategy provides a framework to embed risk within services. It also includes guidance for managers in assessing and treating risk. The Strategy is overseen by a Corporate Risk Management Group.

Governance Statement

Internal Audit

Under the Account and Audit Regulations 2003 (as amended) the Council maintains an Internal Audit function, through the Central Midlands Audit Partnership, which operates to the standards set out in the Code of Practice for Internal Audit in Local Government in the UK.

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

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

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

New Public Sector Internal Auditing Standards are being introduced nationally from April 2013; the impact on working arrangements will be reviewed and implemented during 2013/14.

Health and Safety

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

The Council's Audit Sub-Committee

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

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

External Scrutiny

Grant Thornton UK is the Council's appointed external auditor. Besides auditing the accounts and financial statements of the Council, they also focus on more strategic performance and financial management arrangements. This includes reviewing arrangements in place for securing value for money.

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

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

Governance Statement

ICT (Information Communication Technology)

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

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

Appropriate safeguards are in place to ensure the integrity of the Council's ICT infrastructure and this subject to an annual audit. 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. The latest compliance check was met in March 2013.

During 2012/13, the Council upgraded its disaster recovery arrangements. In addition, major project work was commenced in September 2012 to upgrade the Council's main server infrastructure. This was the beginning of a 12 month project to increase the power and functionality of ICT and to provide enhanced operational facilities, including updated E-mail and Microsoft Office functions.

Transparency in the Publication of Information

The Council publishes an Annual Pay Policy Statement which details:

- How pay and remuneration for Officers are considered and approved
- The level and elements of pay for the highest paid Officers
- The pay of the lowest paid employees
- The relationship (expressed as a percentage) between the pay of the highest paid Chief Officer and other Officers
- Other aspects of Chief Officers' remuneration including through recruitment, increases, performance related pay and bonuses (where applicable) and any termination payments.

The latest Policy Statement which was published on 31st March 2013 can be viewed at:

http://www.south-derbys.gov.uk/Images/Pay%20Policy%20Statement%20280312%20V4_tcm21-222700.pdf

In addition, the Council also publishes on its web site, on a monthly basis, all payments (excluding those to employees) in excess of £250. This typically shows Council expenditure on goods, supplies and services, together with costs incurred under major contracts.

D REVIEWING THE EFFECTIVENESS OF THE GOVERNANCE FRAMEWORK

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

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

Governance Statement

As part of an on-going review, the overall framework was strengthened in 2012/13 following a work programme arising out the Governance Statement for the previous year 2011/12. These are detailed in Section E.

The overall processes and indicators that have been applied in maintaining and reviewing the effectiveness of internal control during the year 2012/13 are set out below:

Overall Corporate Governance

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

The System of Internal Audit

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

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

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

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

Reports to the Audit Sub-Committee provide an overall assurance rating of each system or service area subject to audit. This includes a statement as to whether there are any possible implications for the Annual Governance Statement. All audits completed during 2012/13 found no material weaknesses which could affect the Governance framework.

External audit express an opinion on the adequacy of internal audit work each year and, where appropriate, rely on their work for assurance.

Furthermore, the Council is required to conduct an annual review of the effectiveness of its system of internal audit. The review is required to ensure that the opinion in the Annual Report of the Audit Manager may be relied upon as a key source of evidence for this Statement.

The Council's Chief Finance Officer, in conjunction with the Head of the Central Midlands Audit Partnership, conducted a review of its effectiveness and the impact upon South Derbyshire. The review was based on a test against several key principles for effective internal audit identified in professional guidance. The review concluded that during 2012/13, the system of internal audit was effective and this was noted by the Audit Committee on 19th June 2013.

Governance Statement

Annual Internal Audit Report

Under the Code of Practice for Internal Audit in Local Government in the United Kingdom 2006, the Head of Internal Audit (HIA) provided a written report to those charged with governance. This was considered and noted by the Council's Audit Committee on 19th June 2013. The Head of Internal Audit gave an opinion on the overall adequacy and effectiveness of the Council's internal control environment for 2012/13. The opinion is detailed below:

"Based on the work undertaken during the year, I have reached the overall opinion that there is an acceptable level of internal control within the Council's systems and procedures. There were no critical risk recommendations made within any audit reports issued in 2012/13. However, there were 5 significant risk recommendations.

There are no adverse implications for the Authority's Annual Governance Statement arising from any of the work that Internal Audit has undertaken in 2012/13. All of the risks raised within the internal audit reports have been accepted. Internal Audit's recommendations, or alternative proposed actions made by Management in response to the risk issue, have been agreed to be implemented in all but 2 cases. In these cases, management has agreed to accept the risk but not to implement any mitigating actions.

Full implementation of the agreed actions will realise the benefits of the control improvements detailed in each individual audit report. Internal Audit will follow-up the implementation of its recommendations, or any agreed alternative actions, with the relevant responsible officers, as soon as is practicable, after the target implementation dates. Progress on implementation of audit recommendations will be reported through to the Audit Sub-Committee in future reports on the 2013/14 work of Internal Audit.

Basis of the Opinion

In preparing the overall opinion, I have reviewed all audit activity carried out during 2012/13. Each audit assignment has an individual assurance rating and I have used these (together with the progress with agreed actions) to help form my overall opinion."

Communication

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

By targeting communication activities, the Council can enhance its reputation and profile at a local and national level. Good corporate communications can encourage people to feel positively about the Council because they are better informed, have higher levels of satisfaction and know they are getting value for money.

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

A series of media campaigns are undertaken by the Council each year. During 2012/13, these focused on:

- Promoting the message that South Derbyshire is a safe place to live and the activities that are happening across the District to promote community cohesion and deter crime and Anti Social Behaviour. Activities included Community Road Shows, Liberation Day and Skate Park Jams.

Governance Statement

- Supporting the full range of leisure and cultural activities in the run-up to and during the Olympics. Activities included South Derbyshire Day, Healthier South Derbyshire Day, Festival of Leisure and “Olympicnics” events across the District.
- Promoting the work of the Council in the opportunities it provides for tourism, economic development and job creation across the District. Activities included Business Advice Service, National Walking Festival and completion of the Pipeworks development.
- Communicating the change that is happening to the recycling service over the next year, clearly articulating the vision for the service by managing the short-term messages whilst focusing on the longer-term vision. Activities included Recycling Calendar and planning for the new Recycling Contract.

Consultation

The Corporate Plan is informed by consultation and is based on the views of stakeholders including local people, voluntary and community groups, together with local businesses. Based on work undertaken in 2011/12 and 2012/13 to develop the Council’s Local Plan for future growth, evidence is now also available through area profiles.

http://www.south-derbys.gov.uk/planning_and_building_control/planning_policy/local_development_framework/the_core_strategy/talk_to_us/default.asp

These will be used to inform future consultation.

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

The Constitution

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

In addition, the Overview and Scrutiny Committee has the power to “call in” a decision, which has been made by a policy committee but not yet implemented, to enable them to consider whether the decision is appropriate. No decisions were called in during 2012/13.

The Overview and Scrutiny Committee scrutinises key policy issues, recommending and reporting back actions to the main policy committees. Their annual reports to Full Council set out details of their work and outcomes during the year. The Annual Report for 2012/13 is available at:

<http://south-derbys.cmis.uk.com/south-derbys/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/1381/Committee/283/Default.aspx>

Propriety in the Conduct of Business

For the 2012/13 reporting period, South Derbyshire District Council has not been the subject of a finding of maladministration by the Local Government Ombudsman.

Governance Statement

No elected member of South Derbyshire District Council was found to be in breach of the Code of Conduct during 2012/13.

There were 3 reportable accidents (10 in the previous year) under Health & Safety Regulations during 2012/13. Following investigation of each accident, risk assessments were reviewed and updated as appropriate. No enforcement or other action was taken by the Health & Safety Executive.

Monitoring Performance

The Performance Management framework specifies the performance monitoring regime. A “traffic light” monitoring system is used to highlight areas at risk of not being achieved. During the year, policy committees received quarterly performance monitoring reports and agreed remedial measures where these were necessary. In addition, the Finance and Management Committee received quarterly financial monitoring reports.

Improving Service Performance

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

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

Value for Money (VFM) Assessment

The External Auditor is required to make a judgement on the Council’s performance in securing value for money. During 2012/13, their opinion was as follows:

“On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2011, we are satisfied that, in all significant respects, South Derbyshire District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2012.”

In addition, the Annual Audit Letter of the External Auditor reports any significant weaknesses in the overall control framework. None were reported in 2012/13. The Audit Letter for 2011/12 is available at:

<http://south-derbys.cmis.uk.com/south-derbys/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/1557/Committee/275/Default.aspx>

E KEY GOVERNANCE ISSUES FOR SOUTH DERBYSHIRE

The Council operates within a fast changing environment with constant development in ICT and increasing public expectations. The Council is also facing unprecedented reductions in its core funding from Central Government, together with a major change in the way in which local government is funded, from April 2013.

Consequently, Governance needs to be subject to constant review to take account of changing circumstances. Indeed, issues identified in the corresponding statement for 2011/12 have been addressed in

Governance Statement

2012/13, together with other developments to strengthen Governance at the Council; these are summarised below:

Implementation of the New Standards Regime for Local Government

Following the implementation of regulations arising out of the Localism Act 2011, the Council reviewed its arrangements for Standards in June 2012. It was resolved to maintain a Standards Committee, with the appointment of independent persons, whose main responsibility would be to recommend and police the Code of Conduct for Elected Members. A revised Code of Conduct was also adopted for Members, although it was based largely on the existing Code.

Community Rights

The Localism Act also extended the rights of local communities to become more involved in providing local services and how potential community assets are utilised. The Council adopted a process in December 2012 which allows parish councils, together with local voluntary and community groups, to nominate local land or buildings to be included in lists of community assets. Ultimately, subject to certain conditions, the local group then have the right to purchase the asset for community use.

Local Development

As a recognised growth area, the impact of development on local communities and the services that they receive is a key issue for the Council. During 2012/13, extensive public consultation took place across the District on the Council's preferred growth strategy for South Derbyshire.

The Council's role is to lead and the strategy sets out the amount of new housing considered appropriate for South Derbyshire up to 2028, together with the proposed strategy for future house building and employment.

The responses to the consultation will help us draw up a 'Publication Draft' Plan which will include our proposed vision, strategy, objectives, development site and detailed policies to guide the determination of planning applications. We expect to publish this in 2013 and there will be a statutory six-week consultation period during which time there may be further comment.

All representations received at this stage, along with the Plan will then be submitted to the Secretary of State who will appoint an independent Planning Inspector to convene a Public Examination into the soundness of the Plan.

Following the Examination, the Inspector will issue a report recommending whether changes are needed to the Plan and the Council will then issue a report recommending whether changes are needed. The Council will then proceed to formally adopt the Plan.

In late 2013 we expect to consult on our 'Site and Boundaries' or 'Local Plan Part 2'. This document will set out the detail of smaller development sites and propose any detailed amendments to settlements and Green Belt boundaries.

Risk Management

Following a review by Internal Audit, the Council allocated responsibility for its corporate risks to a specified officer. In addition, risks are now assessed with regard to a "risk appetite" i.e. how far is the Council willing

Governance Statement

to accept a risk and the degree to which it is treated. Decisions on individual risks are recorded in risk registers and monitored in service plans.

Safeguarding

The Council has a role in the local community and in service delivery to help ensure that children and vulnerable adults are kept safe from harm. Following some high profile incidents in recent times elsewhere in the Country, the Council looked closely at its role in 2012/13 and revised its policy, together with guidance for Members and Officers.

The main changes were to bring in a corporate approach to safeguarding with departmental responsibilities assigned and a Member Champion appointed. The Council's role and work in this area is now overseen by the Council's Equalities and Fairness Group.

Training and Development

During 2012/13, the Council approved a set of "management competencies" for its managers and supervisors. These lay down the expected standards and behaviours of Officers in managerial positions, operating in a modern Council. Following recent changes in the Council's structure and in times of diminishing resources, a new Leadership and Management Development Programme is currently being procured for 2013/14. This is intended to provide managers with the attributes required in order to take the Council forward.

Procurement

During 2012/13, the Council engaged external support to review its arrangements for the delivery of value for money in major procurement exercises. This focused on the planned capital spend on housing maintenance projects, following the increase in funding the Council obtained on the introduction of self-financing for Council Housing.

Following the review, the Council strengthened its process by introducing more evidenced based whole life costing into projects, together with supplier market analysis. In addition, it was introduced to alternative buying solutions such as E-auctions which are an option in future procurement exercises.

Work Plan 2013/14

Other areas have been identified that are considered important in maintaining and strengthening Governance at the Council. The developments are summarised below:

- A new Leadership and Development Programme for Officers
- An on-going review of Members Training, in particular through the induction process
- Application of the new Internal Auditing Standards for the Public Sector
- Introduction of E-committees to make greater use of IT in local democracy
- Introducing a policy for developing Neighbourhood Plans in local communities
- Updating the Scheme of Delegation to reflect the Council's new management structure
- Reviewing the Whistle blowing Policy following new legislation expected in October 2013
- A review of the Corporate Plan

Primarily, these areas have been highlighted from a review of the Local Code of Corporate Governance, audit work during 2012/13, the Council's improvement programme, together with changes in legislation. The detailed Governance Work Plan is shown below. The Work Plan will be monitored through the Local Code.

Governance Statement

Work Area	Timescale	Responsible Officer	Action/Comment
Continue to review the Local Code of Corporate Governance and to monitor the Governance Work Plan for the year	½ yearly review	Legal and Democratic Services Manager	Reviews to be held in December 2013 and June 2014
A new Leadership and Development Programme for Managers	Expected to commence in October 2013	Director of Housing and Environmental Services	This will help to provide managers with the attributes required in order to take the Council forward.
On-going review of Members' training and development and in particular, their role and responsibilities as community leaders	March 2014	Legal and Democratic Services Manager	To review the induction process for Members ahead of the next District Council Election
Application of the new Internal Auditing Standards for the Public Sector	March 2014 with a progress report in September 2013	Director of Finance and Corporate Services	The work of the Internal Audit function will need to be tested against the new standards; a new independent review of its effectiveness will be required at the year end.
Introduction of E-Committees	October 2013	Director of Finance and Corporate Services	Committee meetings to be conducted using technology rather than being paper based; Members to use "handheld" equipment to communicate and for Committee work in their role as community leaders.
Development of Neighbourhood Plans for local communities	March 2014	Director of Community and Planning Services	To be reviewed following consultation on second part of proposed Local Plan.
Update the Council's Scheme of Delegation to reflect the Council's new structure	July 2013	Legal and Democratic Services Manager	The existing scheme will be updated following the introduction of the new Council structure in May 2013.
Review of Whistleblowing policy	December 2013	Director of Finance and Corporate Services	A review will be undertaken following expected changes to legislation in October 2013.
A Review of the Corporate Plan, 2009 - 2014	March 2014	Director of Finance and Corporate Services	The current 5-year Plan ends in March 2014. Outcomes and projects to be reviewed.

Governance Statement

Council Sign Off

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

Signed:
(Leader of the Council)

Dated:

Signed:
(Chief Executive)

Dated:

Certificate of the Chief Financial Officer

I certify that:

- (a) The Statement of Accounts for the year ended 31 March 2013 on pages 39 to 44 has been prepared in the form directed by the Code and under the accounting policies set out on pages 45 to 58.
- (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:
(Chief Financial Officer)

Dated:

Council Approval of Statement of Accounts

These accounts were approved by resolution of the Council/Committee on 25th September 2013.

Signed:
(Chairman)

Dated:

Comprehensive Income and Expenditure Statement

For the year ended 31 March 2013

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	2012/13			2011/12		
	Expenditure	Income	Net	Expenditure	Income	Net
Central services	6,693	(5,919)	774	6,547	(6,041)	506
Cultural & Related Services	2,794	(811)	1,983	3,295	(655)	2,639
Environmental & Regulatory Services	6,518	(1,634)	4,884	4,904	(1,588)	3,316
Planning Services	2,379	(816)	1,563	2,528	(1,024)	1,504
Highways & transport services	388	(292)	95	925	(306)	619
Local authority housing (HRA)	9,472	(11,802)	(2,330)	67,932	(10,278)	57,654
Normal	9,472	(11,802)	(2,330)	10,509	(10,278)	231
Exceptional (note 5)	-	-	-	57,423	-	57,423
Other housing services	18,587	(18,143)	444	18,374	(17,176)	1,198
Corporate & Democratic Core	1,023	(68)	955	980	(9)	971
Non distributed costs	981	(521)	460	2,503	(684)	1,819
Cost of Services	48,836	(40,006)	8,830	107,988	(37,762)	70,226
Other Operating Income & Expenditure (Note 6)						
Normal			478			654
Exceptional (Note 5)			-			(3,074)
			478			(2,420)
Financing & Investment Income & Expenditure (Note 7)			2,265			404
Taxation & Non-Specific Grant Income (Note 8)			(11,952)			(13,065)
(Surplus)/Deficit on Provision of Services			(379)			55,145
Other Comprehensive Income & Expenditure						
(Surplus)/Deficit on revaluation of PP&E and Assets held for Sale			(303)			(525)
Actuarial losses on defined benefit pension scheme (Note 32)			4,804			4,297
			4,501			3,772
Total Comprehensive Income & Expenditure			4,122			58,917

Movement in Reserves Statement

For the year ended 31 March 2013

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

£000's	2012/13			2011/12		
	Usable Reserves	Unusable Reserves	Total	Usable Reserves	Unusable Reserves	Total
At beginning of the year	14,196	14,033	28,229	11,387	75,759	87,146
Deficit on provision of services	379	-	379	(55,145)	-	(55,145)
Surplus/(Deficit) on revaluation of Property, Plant & Equipment	-	303	303	-	525	525
Actuarial (losses)/gains on defined benefit pension scheme	-	(4,804)	(4,804)	-	(4,297)	(4,297)
Other Comprehensive Income & (Expenditure)	-	(4,501)	(4,501)	-	(3,772)	(3,772)
Total Comprehensive Income & (Expenditure)	379	(4,501)	(4,122)	(55,145)	(3,772)	(58,917)
Adjustments between accounting basis & funding basis (Note 22)	1,416	(1,416)	-	57,954	(57,954)	-
Net increase/(decrease) before transfers to Earmarked Reserves'	1,795	(5,916)	(4,122)	2,809	(61,726)	(58,917)
Transfers between Reserves	(0)	-	(0)	-	-	-
Increase/(decrease) for the year	1,795	(5,916)	(4,122)	2,809	(61,726)	(58,917)
At end of the year	15,991	8,117	24,107	14,196	14,033	28,229

Movement in Reserves Statement (continued)

For the year ended 31 March 2013

Usable Reserves 2012/13	General Fund	Earmarked Reserves	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied Account	Major Repairs Reserve	Total Usable Reserves
<i>£000's</i>							
At 1 April 2011	3,009	2,935	2,532	953	1,853	105	11,387
Surplus/(deficit) on provision of services	2,768	-	(57,913)	-	-	-	(55,145)
Deficit on revaluation	-	-	-	-	-	-	-
Actuarial (gains) on defined benefit pension scheme	-	-	-	-	-	-	-
Other Comprehensive Income & Expenditure	-	-	-	-	-	-	-
Total Comprehensive Income & Expenditure for the year ended 31 March 2012	2,768	-	(57,913)	-	-	-	(55,145)
Adjustments between accounting basis & funding basis (Note 22)	(2,439)	-	57,763	2,721	-	(91)	57,954
Net increase/(decrease) before transfers to Earmarked Reserves'	329	-	(150)	2,721	-	(91)	2,809
Transfers between Reserves	515	(163)	3	(225)	(130)	-	-
Increase/(decrease) for the year ended 31 March 2012	844	(163)	(147)	2,496	(130)	(91)	2,809
At 31 March 2012	3,853	2,772	2,385	3,449	1,723	14	14,196
Deficit on provision of services	(291)	-	670	-	-	-	379
Deficit on revaluation	-	-	-	-	-	-	-
Actuarial (gains) on defined benefit pension scheme	-	-	-	-	-	-	-
Other Comprehensive Income & Expenditure	-	-	-	-	-	-	-
Total Comprehensive Income & Expenditure for the year ended 31 March 2013	(291)	-	670	-	-	-	379
Adjustments between accounting basis & funding basis (Note 22)	700	-	(368)	445	-	639	1,416
Net increase/(decrease) before transfers to Earmarked Reserves'	409	-	301	445	-	639	1,795
Transfers between Reserves	110	92	-	(225)	23	-	(0)
Increase/(decrease) for the year ended 31 March 2013	519	92	301	220	23	639	1,795
At 31 March 2013	4,372	2,864	2,686	3,669	1,746	653	15,991

Movement in Reserves Statement (continued)

For the year ended 31 March 2013

Unusable Reserves 2012/13	Capital Adjustment Account	Revaluation Reserve	Pensions Reserve	Deferred Capital Receipts Reserve	Collection Fund Adjustment Account	Accumulating Absences Adjustment Account	Total Unusable Reserves
£000's							
At 1 April 2011	88,126	5,086	(17,445)	-	79	(87)	75,759
Deficit on provision of services	-	-	-	-	-	-	-
Deficit on revaluation	-	525	-	-	-	-	525
Actuarial gains on defined benefit pension scheme	-	-	(4,297)	-	-	-	(4,297)
Other Comprehensive Income & Expenditure	-	525	(4,297)	-	-	-	(3,772)
Total Comprehensive Income & Expenditure for the year ended 31 March 2012	-	525	(4,297)	-	-	-	(3,772)
Adjustments between accounting basis & funding basis (Note 22)	(57,687)	-	(270)	-	(66)	69	(57,954)
Net (decrease)/increase before transfers to Earmarked Reserves'	(57,687)	525	(4,567)	-	(66)	69	(61,726)
Transfers between Reserves	384	(384)	-	-	-	-	-
(Decrease)/increase for the year ended 31 March 2012	(57,303)	141	(4,567)	-	(66)	69	(61,726)
At 31 March 2012	30,823	5,227	(22,012)	-	13	(18)	14,033
Deficit on provision of services	-	-	-	-	-	-	-
Surplus on revaluation	-	303	-	-	-	-	303
Actuarial (losses) on defined benefit pension scheme	-	-	(4,804)	-	-	-	(4,804)
Other Comprehensive Income & Expenditure	-	303	(4,804)	-	-	-	(4,501)
Total Comprehensive Income & Expenditure for the year ended 31 March 2013	-	303	(4,804)	-	-	-	(4,501)
Adjustments between accounting basis & funding basis (Note 22)	(1,022)	-	(395)	-	(4)	5	(1,416)
Net increase/(decrease) before transfers to Earmarked Reserves'	(1,022)	303	(5,199)	-	(4)	5	(5,916)
Transfers between Reserves	230	(230)	-	-	-	-	-
Increase/(decrease) for the year ended 31 March 2013	(792)	74	(5,199)	-	(4)	5	(5,916)
At 31 March 2013	30,031	5,301	(27,211)	-	9	(13)	8,117

Balance Sheet

As at 31 March 2013

The Balance Sheet, as set out below, 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'.

£000's		2013	2012
	<i>Notes</i>		
Property, Plant & Equipment	9	101,623	102,508
Investment Property	10	3,975	4,140
Intangible Assets	11	-	-
Long Term Investments	12	40	52
Long Term Receivables	14	35	48
Non Current Assets		105,672	106,748
Inventories	13	55	82
Short Term Receivables	14	1,283	2,530
Assets Held for Sale	15	70	-
Cash & Cash Equivalents	16	7,581	2,835
Current Assets		8,990	5,447
TOTAL ASSETS		114,662	112,195
Short Term Payables	17	(4,197)	(2,900)
Short Term Borrowing	18	(333)	(113)
Provisions	19	(352)	(205)
Current Liabilities		(4,882)	(3,218)
Long Term Payables	17	(30)	(34)
Long Term Borrowing	18	(58,430)	(58,702)
Pension Deficit	32	(27,212)	(22,012)
Non Current Liabilities		(85,673)	(80,748)
TOTAL LIABILITIES		(90,555)	(83,967)
NET ASSETS		24,107	28,229
Usable Reserves	20	(15,990)	(14,196)
Unusable Reserves	21	(8,117)	(14,033)
TOTAL RESERVES		(24,107)	(28,229)

Cash Flow Statement

For the year ended 31 March 2013

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 (i.e. borrowing) to the Council.

£000's		2013	2012
	<i>Notes</i>		
Cash generated from operations			
Net deficit on the provision of services		379	(55,145)
Adjustment for non-cash movements:			
Depreciation	9	3,330	3,328
Impairments/(Impairment reversals)	9	1,376	(258)
Pension scheme charge	32	1,897	1,732
(Profit) from the sale of Property, Plant & Equipment		(96)	(2,988)
Changes in working capital			
(Increase)/Decrease in Inventory	13	26	(39)
(Increase)/Decrease in Debtors	14	1,497	2,783
Increase/(Decrease) in Provision for Bad Debts	14	(225)	158
Increase/(Decrease) in Creditors	17	1,440	(1,855)
		2,738	1,047
Employer contributions to pension scheme	32	(1,502)	(1,462)
Net cash generated from operations		8,122	(53,746)
Cash flows from investing activities			
Purchase of Property, Plant & Equipment	9	(4,086)	(2,190)
Purchase of Investment Properties	10	-	-
Proceeds from the sale of Property, Plant & Equipment	6	762	3,120
Net cash flows from investing activities		(3,324)	930
Cash flows from financing activities			
Proceeds from new Borrowings	18	-	57,460
Repayment of Borrowings	18	(52)	(5,075)
Net cash flows from financing activities		(52)	52,385
Net increase in cash & cash equivalents		4,745	(431)
Cash & cash equivalents at the beginning of the period	16	2,835	3,266
Cash & cash equivalents at the end of the period	16	7,581	2,835

Notes to the Financial Statements

For the year ended 31 March 2013

1. Accounting Policies

(a) General Principles

The Statement of Accounts summarises the Council's transactions for the 2012/13 financial year and its position as at 31 March 2013. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 and the Service Reporting Code of Practice 2012/13, 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 have been prepared in Sterling rounded to the nearest thousand.

The accounting policies are consistent with those applied in the year ended 31 March 2012, as amended to reflect the adoption of new accounting standards as required by the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

(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.

(c) Cash and Cash Equivalents

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

Cash equivalents are investments that mature in a specified period of no more than 3 months, or less from the date of acquisition. They are readily convertible to known amounts of cash with insignificant risk of change in value. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

Notes to the Financial Statements

For the year ended 31 March 2013

1. Accounting Policies (continued)

(d) Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts. The significance of the items to the understanding of the Council's financial performance dictates where the items are disclosed.

(e) 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.

(f) 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 they 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, therefore, replaced by the contribution in the General Fund Balance of 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.

(g) 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, time off in lieu and flexi time 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.

Notes to the Financial Statements

For the year ended 31 March 2013

1. Accounting Policies (continued)

(g) Employee Benefits (continued)

Termination Benefits

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

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

Post Employment Benefits

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

The Local Government Pension Scheme is accounted for as a Defined Benefits 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 pensions liability is analysed into seven components:
 - ➔ 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 arising from current year decisions whose effect relates to years of service earned in earlier years, debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
 - ➔ Interest cost - the expected increase in the present value of liabilities during the year as they move one year closer to being paid, debited to the Finance and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Notes to the Financial Statements

For the year ended 31 March 2013

1. Accounting Policies (continued)

(g) Employee Benefits (continued)

- Expected return on assets - the annual investment return on the fund assets attributed to the Council, based on an average of the expected long-term return, credited to Finance and Investment Income and Expenditure line in Comprehensive Income and Expenditure Statement.
- Gains or losses on settlements and curtailments - the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees, debited or credit to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
- 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, debited to the Pensions Reserve.
- Contributions paid to the Derbyshire County Council Pensions Fund - cash paid as employer's contributions to the pensions fund in the settlement of liabilities; are not accounted as an expense.

In relation to retirement benefits, statutory provisions require the General Fund Balance 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 liabilities estimated to arise as a result of an award to any member of staff 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.

(h) 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.

Notes to the Financial Statements (continued)

For the year ended 31 March 2013

1. Accounting Policies (continued)

(i) Financial Instruments

Financial Liabilities

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

Financial Assets

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

(j) 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 31 March 2013

1. Accounting Policies (continued)

(j) Government Grants and Contributions (Revenue) (continued)

Area Based Grant

Area Based Grant (ABG) is a general grant allocated by central government directly to local authorities as additional revenue funding. ABG is non-ring fenced and is credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

(k) Inventories and Long Term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The majority of the Council's inventory is used in the delivery of services, the cost of which is assigned using replacement cost.

Long-term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

(l) 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.

(m) Jointly Controlled Operations and Joint Controlled Assets

Jointly controlled operations are activities undertaken by the Council in conjunction with other ventures that involve the use of the asset resources of the ventures rather than the establishment of a separate entity. The Council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Account with the expenditure it incurs and the share of income it earns from the activity of the operation.

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Council and other ventures, with the assets being used to obtain benefits for the ventures. The joint venture does not involve the establishment of a separate entity. The Council accounts for only its share of the jointly controlled asset, the liabilities and expenses that it incurs on its behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

(n) 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.

Notes to the Financial Statements (continued)

For the year ended 31 March 2013

1. Accounting Policies (continued)

(n) Leases (continued)

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). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

(o) 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 2012/13 (SerCoP). 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 and impairment losses chargeable on Assets held for sale.

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

(p) 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.

Notes to the Financial Statements (continued)

For the year ended 31 March 2013

1. Accounting Policies (continued)

(p) Property, Plant and Equipment (continued)

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

- Infrastructure, community assets and assets under construction – depreciated historical cost.
- Dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH).
- All other assets – fair value determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

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

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

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

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

The Revaluation Reserve contains revaluation gains recognised since 1 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.

Notes to the Financial Statements (continued)

For the year ended 31 March 2013

1. Accounting Policies (continued)

(p) Property, Plant and Equipment (continued)

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

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

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

Depreciation

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

Depreciation is calculated on the following bases:

- Dwellings and other buildings – Straight-line allocation over the useful life of the property as estimated by the Valuer.
- Vehicles, plant, furniture and equipment – Straight-line allocation over the useful life of the item, as advised by a suitably qualified officer.
- Infrastructure – straight-line allocation over 25 years.

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

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

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the surplus or deficit on provisions of services. Depreciation is not charged on Asset Held for Sale.

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

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

Notes to the Financial Statements (continued)

For the year ended 31 March 2013

1. Accounting Policies (continued)

(p) Property, Plant and Equipment (continued)

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 also part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 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.

(q) 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.

Notes to the Financial Statements (continued)

For the year ended 31 March 2013

1. Accounting Policies (continued)

(q) Provisions, Contingent Liabilities and Contingent Assets (continued)

Contingent Assets

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

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

(r) Reserves

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

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

(s) 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.

(t) 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.

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

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

For the 2013/14 Statement of Accounts, the CIPFA Code requires the adoption of the amendment to IFRS 7 'Financial Instruments: Disclosures' in respect of transfers of financial assets. The amendment requires additional disclosures in respect of the transfer of financial assets. The adoption of this amendment is not anticipated to have a material impact on the Council's financial statements.

3. Critical Judgements

Critical Judgements in Applying Accounting Policies

In applying the accounting policies 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 the Statement of Accounts are:

Notes to the Financial Statements (continued)

For the year ended 31 March 2013

3. Critical Judgements (continued)

- **Government Funding:** The Council relies on over 60% of its total funding coming from central government. There continues to be significant uncertainty over the level of this funding in future years due to the national budget deficit and current economic climate. This is reflected in the Council's future financial plan based on the best available information.

In 2012/13, the Council has only accounted for its main revenue support and other non ring fenced (cash) grants as notified by the Government, together with various specified grants where the grant conditions have been satisfied and matched with expenditure in the year.

- **Provisions:** The Council has made 2 provisions in the accounts for 2012/13.

Firstly, for a liability still existing with the Department for Works and Pensions (DWP). This relates to a likely claw back of benefit subsidy accounted for in 2011/12. Although this matter is still to be fully resolved, there is likely to be some transfer of economic benefit from the Council to the DWP. Following a prudent approach, the Council has "valued" the provision based on the maximum amount of claw back currently notified to the DWP (£147k as shown in Note 19).

Secondly, for voluntary redundancy costs associated with the new senior management structure which was approved by the Council in 2013. The total cost of voluntary redundancies is estimated at £205k; the officers involved are due to take redundancy at various times during 2013/14.

No other issues are currently known where a substantial cost may eventually fall on the Council arising out of a dispute or some other "one-off" event.

- **Classification of Leases:** All leases from and to the Council have been classified as Operating Leases in accordance with IAS 17. In each instance the risks and rewards incidental to ownership of the asset have not been substantially transferred, and classification as a Finance Lease has therefore been discounted.

Additional consideration is given to "special" arrangements such as the lease of Boardman's Industrial Site given the length and nature of the agreement. However, the Valuation Office Agency (VOA) has confirmed that this is an Operating lease.

- **Investment Property:** Properties have been classified as "Investment" where they fall within the IAS 40 definition as being held by the owner to earn rent or for capital appreciation. The investment properties have been valued to Fair Value, which is interpreted by the VOA as being the market value of the legal interest held.
- **Componentisation of Property, Plant and Equipment:** Assets have been componentised in accordance with the analysis of the asset provided by the VOA (which splits an asset into a number of components each with an individual value and remaining useful economic life).

If the analysis provided by the VOA was incorrect then the depreciation charge stated in the financial statements could be under or over stated. However, as the vast majority of Property, Plant and Equipment is revalued annually, any under or over statement in respect of the depreciation charge would be reversed through the revaluation process. As a consequence the carrying value in the balance sheet of Property, Plant and Equipment is unlikely to be materially misstated, and any error in the Income and Expenditure Account would be a misanalysis between depreciation and impairment charge.

- **Contingent Liabilities:** There are two events where there may be a financial cost to the Council. These relate to the possible refund of Personal Search Fees and outstanding claims with Municipal Mutual Insurance, as detailed in Note 34.

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Notes to the Financial Statements (continued)

For the year ended 31 March 2013

4. Assumptions made about the Future and Other Major Sources of Uncertainty

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

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

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

The items in the Council's Balance Sheet at 31 March 2013 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 economic 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 a provision of £147k for the settlement of benefit claw back from the Department of Works and Pension, together with £205k for voluntary redundancy costs.
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. A firm of consulting actuaries is engaged to provide the Pensions Administrator with expert advice about the assumptions to be applied.
Asset Valuation	Having regard to the prevailing market conditions there are no assets within the Surplus Properties category. Previously identified assets have either been sold or re-categorised. Where impairments have arisen explanatory notes have been included to explain the specific reasons for each asset.
Employee Benefits Payable During Employment	<p>The Council has accrued for known holiday entitlement outstanding as at 31 March 2013, 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 £13k at 31 March 2013, slightly less than at 31 March 2012 (£18k). The reduction is attributable to stricter application of the annual leave policy.</p> <p>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 (taken) within the confines of service delivery. Therefore, the accrued sum is not a charge to the Council's Reserves and with any cash payments being accounted for in the year that they are made.</p>

Notes to the Financial Statements (continued)

For the year ended 31 March 2013

Bad and Doubtful Debts	<p>The Council has a number of debts outstanding at 31 March 2013. 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>
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5. Material Items of Income and Expense

Council Restructure

In March 2013, the Council approved a new senior management structure. This was part of on-going measures to generate budget savings to meet reductions in central funding. The revised structure was implemented on 1 May 2013 and will save approximately £600,000 over the next five years.

This net saving is after meeting one-off costs associated with termination for employees who took voluntary redundancy as part of the restructure. These costs totalled £258,000 and were fully accounted for in 2012/13.

Additional Capital Receipts

At the start of the year, the Council signed an agreement with the Government to enable it to retain a greater proportion of proceeds from future council house sales, subject to a minimum payment being made to the Government. Depending on the number of council houses sold in the future, this is aimed at generating additional capital proceeds for local investment compared to that allowed previously.

As part of the Agreement, the additional proceeds must be spent on increasing the amount of new dwellings to deliver more “affordable” housing. During 2012/13, 18 council house sales were completed which generated approximately £1m. Of this amount, approximately £0.75m has been retained to deliver new dwellings and this has been transferred to the Capital Receipts reserve to finance future investment.

In the year ended 31 March 2012 the Council completed the sale of Bretby Crematorium which generated a surplus of £3,074k (Note 6). The Crematorium was managed jointly by East Staffordshire Borough (ESBC) and South Derbyshire District Councils. Although the site itself sits within the boundary of South Derbyshire, the land and buildings were owned by ESBC. The proceeds from the sale were effectively a “windfall” to the Council and have been earmarked for investment in several capital projects across the District.

HRA Self Financing

The Council has acquired the right to retain the income from its Council Dwellings from the Government. The cost of acquiring the right to retain the income from its Council Dwellings of £57,423k has been expensed in the Comprehensive Income and Expenditure Statement as part of the net costs of HRA Services. There were no other material items of income or expenditure.

Notes to the Financial Statements (continued)

For the year ended 31 March 2013

6. Other Operating Expenditure

Total £000's	2012/13	2011/12
Parish Council Precepts	574	568
Payments to the Government Housing Capital Receipts Pool	160	189
Profit on disposal of non current assets		
Normal	(255)	(103)
Exceptional (Note 5)	-	(3,074)
	(255)	(3,177)
Total	478	(2,420)

Parish Council Precepts £000's	2012/13	2011/12
Aston-on-Trent	29	29
Barrow-on-Trent	9	9
Bretby	4	3
Burnaston	13	13
Castle Gresley	21	21
Church Broughton	5	5
Coton-in-the-Elms	6	6
Dalbury Lees	2	2
Egginton	9	9
Elvaston	10	7
Etwall	37	39
Findern	18	18
Foston & Scropton	9	9
Hartshorne	10	10
Hatton	20	20
Hilton	105	100
Linton	30	30
Melbourne	29	26
Netherseal	10	10
Newton Solney	4	4
Overseal	28	28
Repton	14	14
Rosliston	6	6
Shardlow and Great Wilne	16	16
Smisby	4	4
Stenson Fields	8	13
Ticknall	12	12
Walton-on-Trent	6	6
Weston-on-Trent	13	14
Willington	54	54
Woodville	33	33
Total	574	568

Notes to the Financial Statements (continued)

For the year ended 31 March 2013

6. Other Operating Expenditure (continued)

(Profits)/losses on the disposal of non current assets £000's	2012/13	2011/12
Net Proceeds from Sale of General Assets	-	(3,074)
Net Proceeds from Sale of HRA Assets	(956)	(267)
Disposal Costs	35	32
Book Value of non current assets sold	666	132
Total	(255)	(3,177)

7. Financing and Investment Income and Expenditure

Total £000's	2012/13	2011/12
Interest Payable and Similar Charges	1,608	117
Interest Receivable and Similar Income	(35)	(70)
Pensions Interest Cost and Expected Return on Pensions Assets	810	516
Income and Expenditure in Relation to Investment Properties	(118)	(159)
Total	2,265	404

Interest Payable and Similar Charges £000's	2012/13	2011/12
Bank Interest	-	-
Loan Interest	1,608	117
Total	1,608	117

Interest Receivable and Similar Income £000's	2012/13	2011/12
Bank Interest	(10)	(42)
Loan Interest	(25)	(28)
Total	(35)	(70)

Pensions Interest Cost and Expected Return on Pensions Assets £000's	2012/13	2011/12
Expected return on assets in the scheme	(2,343)	(2,778)
Interest cost	3,153	3,294
Total	810	516

Income and Expenditure in Relation to Investment Properties £000's	2012/13	2011/12
Income including rental income	(436)	(426)
(Surplus)/deficit on revaluation of investment properties	10	(183)
Expenditure	308	450
Net (income)/expenditure from investment properties	(118)	(159)

Notes to the Financial Statements (continued)

For the year ended 31 March 2013

8. Taxation and Non Specific Grant Income

Total <i>£000's</i>	2012/13	2011/12
Council Tax Income	(5,427)	(5,361)
Revenue Grants	(5,222)	(4,553)
Non Ring Fenced Government Grants	(1,303)	(1,910)
Capital Grants	-	(1,241)
Total	(11,952)	(13,065)

Council Tax Income <i>£000's</i>	2012/13	2011/12
Current Year	(5,427)	(5,361)
Total	(5,427)	(5,361)

Revenue Grants <i>£000's</i>	2012/13	2011/12
National Non Domestic Rates (NNDR)	(5,222)	(4,553)
Total	(5,222)	(4,553)

Non Ring Fenced Government Grants <i>£000's</i>	2012/13	2011/12
Revenue Support Grant	(101)	(1,407)
Council Tax Freeze Grant	(121)	(120)
New Homes Bonus	(970)	(383)
New Burdens Grant	(84)	-
Welfare Reform Grant	(22)	-
Community Right to Bid	(5)	-
Total	(1,303)	(1,910)

Capital Grants <i>£000's</i>	2012/13	2011/12
Government and Other Grants-transfer from receipts in advance and applied in year	-	(1,241)
Total	-	(1,241)

Notes to the Financial Statements (continued)

For the year ended 31 March 2013

9. Property, Plant and Equipment

Year ended 31 March 2013	Council Dwellings	Land & Buildings	Infrastructure Assets	Vehicles, Plant & Equipment	Community Assets	Property, Plant & Equipment under Construction	Total
<i>£000's</i>							
Cost or valuation							
At 1 April 2012	87,302	13,264	-	2,808	1,238	-	104,612
Additions	4,018	1	-	67	-	-	4,086
Disposals	(666)	-	-	-	-	-	(666)
Transfers	(9)	146	-	-	-	-	137
Revaluations	(3,969)	(270)	-	-	104	-	(4,135)
At 31 March 2013	86,677	13,140	-	2,875	1,342	-	104,034
Depreciation & Impairment							
At 1 April 2012	-	(61)	-	(2,038)	(4)	-	(2,103)
Charge for the Year	(2,616)	(519)	-	(186)	(9)	-	(3,330)
Impairments	(1,365)	(1)	-	-	-	-	(1,365)
Revaluations	3,981	397	-	-	7	-	4,386
At 31 March 2013	-	(183)	-	(2,224)	(6)	-	(2,413)
Net Book Value							
At 31 March 2013	86,677	12,957	-	651	1,337	-	101,622
At 1 April 2012	87,302	13,202	-	770	1,234	-	102,508
Impairments recognised in CIES	(2,932)	(19)	-	-	-	-	(2,951)
reversed in CIES	1,567	19	-	-	-	-	1,586
	(1,365)	-	-	-	-	-	(1,365)
Revaluations recognised in Other CIES	12	241	-	-	129	-	383
reversed in Other CIES	-	(113)	-	-	(18)	-	(131)
	12	128	-	-	111	-	251

Notes to the Financial Statements (continued)

For the year ended 31 March 2013

9. Property, Plant and Equipment (continued)

Year ended 31 March 2012	Council Dwellings	Land & Buildings	Infrastructure Assets	Vehicles, Plant & Equipment	Community Assets	Property, Plant & Equipment under Construction	Total
<i>£000's</i>							
Cost or valuation							
At 1 April 2011	87,316	13,698	-	2,808	1,014	-	104,836
Additions	2,186	4	-	-	-	-	2,190
Disposals	(132)	-	-	-	-	-	(132)
Transfers	-	135	-	-	-	-	135
Revaluations	(2,068)	(574)	-	-	224	-	(2,418)
At 31 March 2012	87,302	13,263	-	2,808	1,238	-	104,611
Depreciation & Impairment							
At 1 April 2011	-	(22)	-	(1,762)	(14)	-	(1,798)
Charge for the Year	(2,521)	(523)	-	(276)	(8)	-	(3,328)
Impairments	386	(291)	-	-	(20)	-	75
Revaluations	2,135	775	-	-	38	-	2,948
At 31 March 2012	-	(61)	-	(2,038)	(4)	-	(2,103)
Net Book Value							
At 31 March 2012	87,302	13,202	-	770	1,234	-	102,508
At 1 April 2011	87,316	13,676	-	1,046	1,000	-	103,038
Impairments recognised in CIES	(1,628)	(311)	-	-	(24)	-	(1,963)
reversed in CIES	2,014	20	-	-	4	-	2,038
	386	(291)	-	-	(20)	-	75
Revaluations recognised in Other CIES	67	751	-	-	262	-	1,080
reversed in Other CIES	-	(550)	-	-	-	-	(550)
	67	201	-	-	262	-	530

Notes to the Financial Statements (continued)

For the year ended 31 March 2013

9. Property, Plant and Equipment (continued)

Valuations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is re valued at least every five years. All valuations were carried out externally by Scott Kershaw MRICS, Senior Surveyor, VOA. Valuations of land and buildings were carried out at 31 March 2013 in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

<i>£000's</i>	Council Dwellings	Land & Buildings	Vehicles, Plant & Equipment	Community Assets	Total
Carried at historical cost	-	-	2,875	-	2,875
Carried at valuation as at:					
31 March 2013	86,677	9,541	-	540	96,758
31 March 2012	-	3,599	-	802	4,401
	86,677	13,140	2,875	1,342	104,034

The significant assumptions applied in estimating the fair values are:

- That no high alumina cement, asbestos, or other deleterious material was used in the construction of any property and that none has been subsequently incorporated.
- That the properties are not subject to any unusual or especially onerous restrictions, encumbrances or outgoings and that good titles can be shown.
- That the properties and their values are unaffected by any matters which would be revealed by a local search or inspection of any register and that the use and occupation are both legal.
- That inspection of those parts which have not been inspected would not cause me to alter my opinion of value.
- That the land and properties are not contaminated nor adversely affected by radon.
- That no allowances have been made for any rights obligations or liabilities arising from the Defective Premises Act 1972.
- Parts of the property which are covered, unexposed or inaccessible have not been inspected, and inspection of those parts have not been inspected would neither reveal defects nor cause material alteration to any valuation.
- No potentially deleterious or hazardous material was used in the construction of the assets and none has subsequently been incorporated.
- The assets are not contaminated nor adversely affected by radon.
- In preparing this Report reliance had been placed on information provided by you, except where stated otherwise, and all information supplied by you with regard to details of tenure, tenancies, planning consents, details of floor areas an site areas, and all other relevant information is accurate.
- Original documents of title and lease documentation have not been read.

Notes to the Financial Statements (continued)

For the year ended 31 March 2013

9. Property, Plant and Equipment (continued)

Valuations (continued)

- l) Except where specifically mentioned, it has been assumed that the assets are not subject to any unusual or especially onerous restrictions, encumbrances, mortgages, charges or other outgoings would affect their value and a good title can be shown.
- m) 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 was, is or will be unlawful or in breach of any covenant
- n) Mechanical and electrical installations and other specialist installations and service have not been tested.
- o) No access audit has been undertaken to ascertain compliance with the Disability Discrimination Act 1995.
- p) No allowances have been made for any rights obligations or liabilities arising from the Defective Premises Act 1972.
- q) Where a building is either listed or is on a conservation area, this will be identified in any individual report or on the valuation schedules.
- r) To avoid an unduly lengthy report, description of the individual properties has not been included unless otherwise indicated.

Capital Commitments

The Council had no capital commitments at 31 March 2013 (2012: £nil).

Effects of Changes in Estimates

There were no material changes in accounting estimates for property, plant & equipment that happened during the period.

Impairments

Impairments for the year ended 31 March 2013 are £1,365k.

10. Investment Properties

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

£000's	2012/13	2011/12
Balance at the beginning of the year	4,140	3,672
Additions	-	-
Transfers to Property, Plant and Equipment	(155)	285
Surplus/(Deficit) on revaluation	(10)	183
Balance at the end of the year	3,975	4,140

Income and expenditure have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (Note 7).

Where an investment property is held under an operating lease, disclosure in respect of the operating lease is given in Note 31 Leases.

Notes to the Financial Statements (continued)

For the year ended 31 March 2013

11. Intangible Assets

The Council does not own any Intangible Assets.

12. Financial Instruments

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

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

£000's	Non Current		Current	
	2013	2012	2013	2012
Investments				
Loans and receivables	40	52	-	-
Debtors				
Loans and receivables	35	48	-	-
Financial assets carried at contract amounts	-	-	1,283	2,530
	35	48	1,283	2,530
Creditors				
Borrowings (Note 18)	(62,803)	(60,569)	(333)	(113)
Other liabilities (Note 17)	(30)	(34)	-	-
Financial liabilities carried at contract amounts (Note 17)	-	-	(4,197)	(2,900)
	(62,833)	(60,603)	(4,530)	(3,013)

13. Inventories

In undertaking its work the Council holds reserves of stock together with amounts of uncompleted work (work in progress).

£000's	2013	2012
Central Stores	48	74
Other	8	8
Total	55	82

14. Receivables

Current £000's	2013	2012
Central Government Bodies	204	871
Other Local Authorities	365	492
Other entities and individuals	1,416	2,093
	1,985	3,456
Less: Bad Debt Impairment Provisions	(701)	(926)
Total	1,283	2,530

Non Current £000's	2013	2012
Other entities and individuals	35	48
Total	35	48

Notes to the Financial Statements (continued)

For the year ended 31 March 2013

14. Receivables (continued)

The Council does not generally allow credit for its Trade Debtors, such that £279k (2012: £214k) is past its due date for payment but not provided. The past due amount can be analysed by age as follows:

Past Due £000's	2013	2012
Less than 3 Months	156	113
3 - 6 Months	15	10
6 Months - 1 Year	15	21
More than 1 Year	94	69
Total	279	214

15. Assets Held for Sale

£000's	2013	2012
Balance at beginning of the year	-	425
Disposals	-	-
Revaluations	52	(5)
Transfers	18	(420)
Balance at end of the year	70	-

The asset held for sale relates to land at Pennine Way, Church Gresley this land is due to be sold to Derbyshire County Council in early 2013/14.

16. Cash and Cash Equivalents

For the purposes of the cash flow statement, cash and cash equivalents include cash on hand and in bank and short term deposits and investments (considered to be cash equivalents), net of outstanding bank overdrafts.

Cash and cash equivalents at the end of the reporting period as shown in the statement of cash flows can be reconciled to the related items in the Balance Sheet as follows:

£000's	2013	2012
Cash and Bank Balances	3,069	494
Short Term Deposits (considered to be cash equivalents)	4,512	3,000
Bank Overdraft	-	(659)
Total	7,581	2,835

17. Payables

Current £000's	2013	2012
Central Government Departments	(1,372)	(538)
Other Authorities	(26)	(45)
NNDR & Council Tax	-	-
HRA	-	(533)
Accumulated Absences	(47)	(18)
Receipts in advance	-	-
Other	(2,752)	(1,766)
Total	(4,197)	(2,900)

Notes to the Financial Statements (continued)

For the year ended 31 March 2013

Non Current	2013	2012
<i>£000's</i>		
Other	(30)	(34)
Total	(30)	(34)

18. Borrowings

<i>£000's</i>	Non Current		Current	
	2013	2012	2013	2012
Councils	-	(258)	(318)	(19)
Other	(58,430)	(58,444)	(15)	(94)
Book Value	(58,430)	(58,702)	(333)	(113)
Fair Value Adjustment	(4,373)	(1,867)	-	-
Fair Value	(62,803)	(60,569)	(333)	(113)

The non current borrowing of £58,430k (2012: £58,702k) consists of the following:

- A loan of £1,000k (2012: £1,000k) that incurs a rate of interest of 4.875% and is due to mature in 2023. The lender has the right to increase the interest rate at any time, however, if the lender decides to increase the rate the Council has the option of rejecting the increase and repaying the loan without incurring any penalty;
- A portfolio of loans from the Public Works Loan Book in respect of the self financing of the Housing Revenue Account with a book value of £57,423k (2012: £57,423k). £47,423k of the loans are fixed with maturities between 2024 and 2042, and rates between 2.7% and 3.5%. The remaining £10,000k loan is a variable rate loan (with a benchmark of the six month gilt), currently incurring interest at 0.62% (2012: 0.62%), with a maturity of 2022.
- An interest free loan of £7k (2012: £22k) repayable in six monthly instalments of £7k, wholly repayable by September 2014;

The current borrowing of £333k (2012: £113k) consists of the following

- An interest free loan of £15k (2012: £15k) repayable in six monthly instalments of £7k, wholly repayable by September 2014;
- A loan from Erewash Borough Council as at 31 March 2013, £277k (2012: £277k). There is an agreement to repay the remaining principal in early 2013/14.
- Loans received from various Parish Councils within the South Derbyshire District Council area as at 31st March 2013, £41k (2012: £78k).

The fair value adjustment relates primarily to the £57,423k (2012: £57,423k) Public Works Loan Book Portfolio. The fair values were obtained from the Public Works Loan Book website, which values all loans for the purpose of year end financial statements.

Notes to the Financial Statements (continued)

For the year ended 31 March 2013

19. Provisions

Current £000's	At 1 April	Increase in provision during year	Utilised during the year	Unused amounts released	Interest charge	At 31 March
2012/13						
Benefit Claw Back	(205)	(147)	-	205	-	(147)
Termination Benefits	-	(205)	-	-	-	(205)
	(205)	(352)	-	205	-	(352)
2011/12						
Benefit Claw Back	(159)	(205)	-	159	-	(205)
	(159)	(205)	-	159	-	(205)

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 2012/13. Firstly, for a liability still existing with the Department for Works and Pensions (DWP), this relates to a likely claw back of benefit subsidy accounted for in 2011/12. Although this matter is still to be fully resolved, there is likely to be some transfer of economic benefit from the Council to the DWP. Following a prudent approach, the Council has "valued" the provision based on the maximum amount of claw back currently notified to the DWP. Secondly, for voluntary redundancy costs associated with the new senior management structure which was approved by the Council in 2013. The total cost of voluntary redundancies is estimated at £205k; the officers involved are due to take redundancy at various times during 2013/14.

20. Usable Reserves

£000's	2013	2012
General Fund ¹	4,372	3,853
Earmarked Reserves ^{1,2}	2,864	2,772
HRA ¹	2,686	2,385
Capital Receipts Reserve ²	3,669	3,449
Capital Grants Unapplied Account ²	1,746	1,723
Major Repairs Reserve ²	653	14
Total	15,991	14,196

Notes

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

General Fund

This the main revenue fund of a billing 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).

Notes to the Financial Statements (continued)

For the year ended 31 March 2013

20. Usable Reserves (continued)

Earmarked Reserves

Earmarked Reserves are amounts set aside from the General Fund to provide financing for future expenditure plans. An analysis of the reserves is provided below:

£000's	2013	2012
IT Reserve	212	212
Revenue Contribution Repton	33	33
Committed Expenditure Reserve	226	246
Housing and Planning Delivery Grant	-	155
Growth Point Revenue	24	24
Rosliston Forestry Centre Reserve	24	13
S106 Capital Receipts	870	1,202
Capital Grants Unapplied	151	199
Dilapidation Deposit (Trelleborg Site)	261	261
Fixed Asset Replacement Fund	647	402
Innovation Fund	53	25
Housing Strategy	41	-
Homelessness Prevention	177	-
Local Council Tax Support Scheme	14	-
Welfare Reform	17	-
Community Right to Buy	5	-
Discretionary Housing Payments	15	-
Environmental Education	57	-
Schools Sport Partnership Project	39	-
Total	2,864	2,772

Analysis of transfers to / (from) Earmarked Reserves	2012/13	2011/12
£000's		
Transfers from General Fund	198	795
Transfers to General Fund	(331)	(1,180)
Transfer to Housing Revenue Account	-	(3)
Transfer from Capital Receipts Reserve	225	225
Transfers (from) Earmarked Reserves	92	(163)
Balance at beginning of the year	2,772	2,935
Balance at end of year	2,864	2,772

An explanation of the purposes of the Earmarked Reserves is given below:

- **IT Reserve:** to upgrade and develop the Council's ICT infrastructure to enable it to keep abreast of modern technology. This is supplemented each year from any budget savings on day to day IT expenditure.
- **Revenue Contribution Repton:** an amount remaining from the sale proceeds of Repton Depot that is earmarked to be spent on projects in Repton Parish.
- **Committed Expenditure Reserve:** to meet various commitments that were allocated in previous year's budgets but not spent.

Notes to the Financial Statements (continued)

For the year ended 31 March 2013

20. Usable Reserves (continued)

- **Housing and Planning Delivery Grant:** to cover commitments to develop the Local Plan. This reserve was fully utilised in 2012/13.
- **Growth Point Reserve:** to meet revenue commitments relating to small scale and one-off projects.
- **Rosliston Forestry Centre Reserve:** profits from the cafe set aside to be reinvested in the facility.
- **Section 106 Receipts:** contractual sums received from developers as part of the planning process to provide health, community and leisure facilities in new residential areas. In many cases, this money is eventually passed over to other agencies as they provide facilities.
- **Capital Grants Received in Advance:** government and other grants received to fund expenditure over a defined period. Funding is drawn down as associated expenditure is incurred and mainly relates to community and recreational facilities.
- **Dilapidation Deposit (Trelleborg Site):** held pending any commitment to repairs of the Council's main factory site upon termination of the Lease.
- **Fixed asset Replacement Fund:** to finance the replacement of vehicles, plant and equipment.
- **Innovation Fund:** to "pump prime" future efficiency initiatives. It is funded through savings generated by Northgate Public Services as part of the Partnership's Transformation Programme.
- **Housing Strategy:** to meet revenue commitments relating to Housing Strategy.
- **Homelessness Prevention:** to meet future commitments for prevention of homelessness.
- **Local Council Tax Support Scheme:** Resources to implement the local scheme following the abolition of the national benefits system on 31st March 2013.
- **Welfare Reform:** Resources to implement other changes arising out of the Government's welfare reform to the benefits system.
- **Community Right to Buy:** Resources to deal with applications from local residents to place assets of a community value onto the Community Asset Register.
- **Discretionary Housing Payments:** Resources to top-up the Council's allocation for awarding DHP in 2013/14.
- **Environmental Education:** to assist with ongoing commitments to Environmental Education.
- **Schools Sport Partnership Project:** funding received in advance for youth sports programmes.

Capital Receipts Reserve

These are cash receipts from the sale of Council assets, which have not yet been used to finance capital expenditure.

Notes to the Financial Statements (continued)

For the year ended 31 March 2013

20. Usable Reserves (continued)

Capital Grants Unapplied Account

This comprises Government and other grants received to fund expenditure. A list of unapplied grants is provided below:

£000's	2013	2012
Planning Specific Grants		
Local Strategic Partnership	16	16
Tetron Point (Planning Agreement)	53	53
Swadlincote Woodlands (Commuted Sums)	51	51
Public Open Space (Commuted Sums)	516	527
Crime and Disorder Partnership	442	415
Young Peoples' Cultural Partnership	60	78
Youth Engagement Partnership	456	479
Get Active in the Forest Partnership	109	60
Maurice Lea Park	23	23
BCU Funding	21	21
Free Swim Programme	-	-
Total	1,746	1,723

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 Note 3 to the Housing Revenue Account on page 98.

21. Unusable Reserves

£000's	2013	2012
Capital Adjustment Account ²	30,031	30,823
Revaluation Reserve ²	5,301	5,227
Pensions Reserve ¹	(27,211)	(22,012)
Deferred Capital Receipts Reserve ²	-	-
Collection Fund Adjustment Account ¹	9	13
Accumulating Compensated Absences Adjustment Account ¹	(13)	(18)
Total	8,117	14,033

Notes

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

Notes to the Financial Statements (continued)

For the year ended 31 March 2013

21. Unusable Reserves (continued)

Capital Adjustment Account

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

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

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

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

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

Note 22 '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.

Revaluation Reserve

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

The balance is reduced when assets with accumulated gains are:

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

The Reserve contains only revaluation gains accumulated since 1 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.

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.

Notes to the Financial Statements (continued)

For the year ended 31 March 2013

21. Unusable Reserves (continued)

Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

Collection Fund Adjustment Account

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

Accumulating Compensated Absences Adjustment Account

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

Notes to the Financial Statements (continued)

For the year ended 31 March 2013

22. Adjustments between Accounting Basis and Funding Basis under Regulations

Year ended 31 March 2013	General Fund	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	Major Repairs Reserve	Total
<i>£000's</i>						
Adjustments with the Capital Adjustment Account:						
Charges for depreciation and impairment of non current assets	608	1,365	-	-	2,722	4,695
Revaluation deficits / (surpluses) on:						-
· Property, Plant and Equipment	-	-	-	-	-	-
· Investment Property	10	-	-	-	-	10
Funding of Covenant Repayment	-	-	-	-	-	-
HRA self-financing debt take-on	-	-	-	-	-	-
Minimum Reserve Position for Capital Funding	(263)	-	-	-	-	(263)
Capital expenditure charged against the General Fund and Housing Revenue Accounts	92	-	(159)	-	-	(67)
Cost of disposals funded from capital	-	35	(35)	-	-	-
(Profit) / loss on disposal of non current asset disposals	-	(290)	956	-	-	666
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	(158)	-	158	-
Revenue contribution to finance major repairs	-	(1,778)	-	-	1,778	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	-	(4,019)	(4,019)
	446	(668)	605	-	639	1,022

Notes to the Financial Statements (continued)

For the year ended 31 March 2013

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

Year ended 31 March 2013	General Fund	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	Major Repairs Reserve	Total
<i>£000's</i>						
Adjustments with the Pensions Reserve:						
Reversal of items relating to retirement benefit debited or credited to the Comprehensive Income and Expenditure Statement (see Note 32)	1,528	369	-	-	-	1,897
Employer's pensions contributions and direct payments to pensioners payable in the year	(1,273)	(229)	-	-	-	(1,502)
	255	140	-	-	-	395
Adjustments with the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year	4	-	-	-	-	4
Adjustments with the Accumulating Compensated Absences Adjustment Account:						
Adjustments in relation to Short Term compensated absences	(5)	-	-	-	-	(5)
Other:						
Reversal of Major Repairs Allowance credited to the HRA	-	-	-	-	-	-
Contributions from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	-	160	(160)	-	-	-
	-	160	(160)	-	-	-
Total	700	(368)	445	-	639	1,416

Notes to the Financial Statements (continued)

For the year ended 31 March 2013

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

Year ended 31 March 2012	General Fund	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	Major Repairs Reserve	Total
<i>£000's</i>						
Adjustments with the Capital Adjustment Account:						
Charges for depreciation and impairment of non current assets	674	-	-	-	2,653	3,327
Revaluation deficits / (surpluses) on:						
· Property, Plant and Equipment	277	(353)	-	-	-	(76)
· Investment Property	(183)	-	-	-	-	(183)
Funding of Covenant Repayment	-	-	(472)	-	-	(472)
HRA self-financing debt take-on	-	57,423	-	-	-	57,423
Minimum Reserve Position for Capital Funding	(274)	-	-	-	-	(274)
Capital expenditure charged against the General Fund and Housing Revenue Accounts	38	-	(38)	-	-	-
Cost of disposals funded from capital	-	32	(32)	-	-	-
(Profit) / loss on disposal of non current asset disposals	(3,184)	(135)	3,452	-	-	133
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	-	-	-	-
Revenue contribution to finance major repairs	-	-	-	-	-	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	-	(2,191)	(2,191)
	(2,652)	56,967	2,910	-	462	57,687

Notes to the Financial Statements (continued)

For the year ended 31 March 2013

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

Year ended 31 March 2012	General Fund	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	Major Repairs Reserve	Total
<i>£000's</i>						
Adjustments with the Pensions Reserve:						
Reversal of items relating to retirement benefit debited or credited to the Comprehensive Income and Expenditure Statement (see Note 32)	1,386	346	-	-	-	1,732
Employer's pensions contributions and direct payments to pensioners payable in the year	(1,170)	(292)	-	-	-	(1,462)
	216	54	-	-	-	270
Adjustments with the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year	66	-	-	-	-	66
Adjustments with the Accumulating Compensated Absences Adjustment Account:						
Adjustments in relation to Short Term compensated absences	(69)	-	-	-	-	(69)
Other:						
Reversal of Major Repairs Allowance credited to the HRA	-	553	-	-	(553)	-
Contributions from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	-	189	(189)	-	-	-
	-	742	(189)	-	(553)	-
Total	(2,439)	57,763	2,721	-	(91)	57,954

Notes to the Financial Statements (continued)

For the year ended 31 March 2013

23. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Account is that specified by the Service Reporting Code of Practice 2012/13. However, decisions about resource allocation are taken by the Council on the basis of budget responsibilities analysed across Committee portfolios, to match the Council's decision making structure. To some extent, budget reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

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

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

<i>£000's</i>	Environment I & Development Services	Finance & Management	Housing & Community Services	Total
2012/13				
Income				
Fees, charges and other service income	2,619	1,359	13,092	17,070
Government grants	-	22,649	220	22,868
	2,619	24,008	13,312	39,939
Expenditure				
Employee expenses	3,608	1,700	3,381	8,689
Other service expenses	2,905	28,401	10,388	41,694
	6,513	30,101	13,769	50,383
Net Expenditure	3,894	6,093	457	10,445

Notes to the Financial Statements (continued)

For the year ended 31 March 2013

23. Amounts Reported for Resource Allocation Decisions (continued)

£000's	Environmental & Development Services	Finance & Management	Housing & Community Services	Total
2011/12				
Income				
Fees, charges and other service income	2,757	1,290	11,426	15,473
Government grants	152	17,263	799	18,214
	2,909	18,553	12,225	33,687
Expenditure				
Employee expenses	3,457	1,906	3,405	8,768
Other service expenses	2,892	27,150	9,978	40,020
	6,349	29,056	13,383	48,788
Net Expenditure	3,440	10,503	1,158	15,101

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

£000's	2012/13	2011/12
Net Expenditure in the Directorate Analysis	10,445	15,101
Add: Amounts included in the Comprehensive Income and Expenditure Statement not reported to management in the Directorate Analysis ¹	429	55,414
Deduct: Amounts included in the Directorate Analysis not reported in the Comprehensive Income and Expenditure Statement ²	(2,044)	(289)
Cost of Services in the Comprehensive Income and Expenditure Statement	8,830	70,226

1. These amounts mainly relate to capital and pension adjustments which are reversed out under the "Adjustments between accounting basis and funding basis under regulations". The amount in 2011/12 related to the cost of acquiring the right to retain the income from its Council Dwellings.
2. These amounts mainly relate to Financing and Investment Income included in the Comprehensive Income and Expenditure Statement after the Cost of Services Line.

Notes to the Financial Statements (continued)

For the year ended 31 March 2013

23. Amounts Reported for Resource Allocation Decisions (continued)

	Directorate Analysis	Services and Support Services not in Analysis	Amounts not reported to management for decision making	Amounts not included in Income and Expenditure Account	Allocation of Recharges	Cost of Services	Corporate Amounts	Total
<i>£000's</i>								
2012/13								
Income								
Fees, charges and other service income	(17,070)	(53)	(46)	-	-	(338)	-	(17,506)
Interest and investment income	-	-	-	(35)	-	-	-	(35)
Income from Council Tax	-	-	-	-	-	-	-	-
Government grants and contributions	(22,868)	-	-	-	-	-	(11,952)	(34,821)
Profit on disposal of fixed assets	-	-	-	-	-	-	(96)	(96)
	(39,939)	(53)	(46)	(35)	-	(338)	(12,048)	(52,458)
Expenditure								
Employee expenses	8,689	54	-	-	-	-	-	8,743
Other service expenses	41,694	-	257	-	-	-	-	41,952
Depreciation and Impairment (HRA)	-	-	-	-	-	-	-	-
Support service recharges	-	-	-	-	-	-	-	-
Interest and investment Expenditure	-	-	-	810	-	-	-	810
Precepts and levies	-	-	-	574	-	-	-	574
Prior Year Adjustment (Note 33)	-	-	-	-	-	-	-	-
Profit on disposal of fixed assets	-	-	-	-	-	-	-	-
	50,383	54	257	1,384	-	-	-	52,079
Deficit on the provision of services	10,445	1	212	1,349	-	(338)	(12,048)	(379)

Notes to the Financial Statements (continued)

For the year ended 31 March 2013

23. Amounts Reported for Resource Allocation Decisions (continued)

	Directorate Analysis	Services and Support Services not in Analysis	Amounts not reported to management for decision making	Amounts not included in Income and Expenditure Account	Allocation of Recharges	Cost of Services	Corporate Amounts	Total
<i>£000's</i>								
2011/12								
Income								
Fees, charges and other service income	(15,473)	-	-	(3,074)	-	-	-	(18,547)
Interest and investment income	-	-	-	-	-	-	-	-
Income from Council Tax	-	-	-	-	-	-	-	-
Government grants and contributions	(18,214)	-	-	-	-	-	(13,065)	(31,279)
	(33,687)	-	-	(3,074)	-	-	(13,065)	(49,826)
Expenditure								
Employee expenses	8,768	-	54	-	-	-	-	8,822
Other service expenses	40,020	1,410	(100)	-	-	-	-	41,330
Depreciation and Impairment (HRA)	-	-	376	-	-	-	-	376
Support service recharges	-	-	-	-	-	-	-	-
HRA Self Financing	-	-	-	-	-	-	57,423	57,423
Precepts and levies	-	-	-	568	-	-	-	568
Payments to Housing Capital Receipts Pool	-	-	-	-	-	-	189	189
Prior Year Adjustment (Note 33)	-	-	(3,840)	-	-	-	-	(3,840)
Loss on disposal of fixed assets	-	-	-	-	-	-	103	103
	48,788	1,410	(3,510)	568	-	-	57,715	104,971
	-	-	-	-	-	-	-	-
Deficit on the provision of services	15,101	1,410	(3,510)	(2,506)	-	-	44,650	55,145

Notes to the Financial Statements (continued)

For the year ended 31 March 2013

24. Agency Services

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

£000's	2012/13	2011/12
Income from Derbyshire County Council	277	274
Highways amenity and gully cleaning	(264)	(260)
Net surplus arising on the agency agreement	13	14

25. Members' Allowances

During the year Members allowances, including Employer's costs totalled £335k (2010/11: £334k) and are as follows:

£000's	2012/13	2011/12
Basic Allowance	215	215
Telephone Allowance	11	11
Travel and Subsistence	9	16
Special Responsibility Allowances	100	92
	335	334

26. Officer's Remuneration

Remuneration

£'s		Salary, Fees And Allowances	Expenses Allowances (including redundancy)	Pension Contributions	Total
Chief Executive	2012/13	111,702	1,477	25,144	138,324
	2011/12	110,235	1,469	25,354	137,058
Director of Operations	2012/13	88,188	43,852	19,851	151,891
	2011/12	88,188	1,469	20,283	109,940
Head of Corporate Services	2012/13	65,500	1,477	14,744	81,721
	2011/12	64,623	1,469	14,863	80,955

The Remuneration of Senior Employees' is provided below:

	2012/13 Number	2011/12 Number
£50,001 to £55,000	1	-
£55,001 to £60,000	-	-
£60,001 to £65,000	3	2
£65,001 to £70,000	-	1
£70,001 to £75,000	-	-
£75,001 to £80,000	-	-
£80,001 to £85,000	-	-
£85,001 to £90,000	1	1
£90,001 to £95,000	-	-
£95,001 to £100,000	-	-
£100,001 to £105,000	-	-
£105,001 to £110,000	-	-
£110,001 to £115,000	1	1

Notes to the Financial Statements (continued)

For the year ended 31 March 2013

£115,001 to £120,000	-	-
£120,001 to £125,000	-	-
£125,001 to £130,000	-	-
£130,001 to £135,000	-	-
£135,001 to £140,000	-	-
£140,001 to £145,000	-	-
£145,001 to £150,000	-	-
£150,001 to £155,000	-	-
£155,001 to £160,000	-	-
£160,001 to £165,000	-	-
	6	5

Exit Packages

£'s	2012/13 Number	2011/12 Number	2012/13 Total Cost Of Exit Packages	2011/12 Total Cost Of Exit Packages
£0 to £20,000	2	-	23,018	-
£20,001 to £40,000	3	-	158,000	-
£40,001 to £60,000	-	-	-	-
£60,001 to £80,000	1	-	100,000	-
£80,001 to £100,000	-	-	-	-
£100,001 to £150,000	-	-	-	-
£150,001 to £200,000	-	-	-	-
	6	-	281,018	-

The total cost of redundancies was charged in the Comprehensive Income and Expenditure Statement. All redundancies were voluntary and agreed at Committee in late 2012/13. The officers involved are due take redundancy at various times during 2013/14.

27. External Audit Fees

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

£000's	2012/13	2011/12
External Audit Fees	68	99
Grant Claim Certification Fees	31	103
Review of Housing Capital Spend: Phase 1 & 2	17	-
Audit Commission Rebate	(6)	-
Total	112	202

Notes to the Financial Statements (continued)

For the year ended 31 March 2013

28. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2012/13:

£'000	2012/13	2011/12
Credited to Taxation and Non Specific Grant Income (Note 8)		
General Government Grants	1,303	1,910
Non Domestic Rates	5,222	4,553
Other Government Grants	-	1,241
	6,525	7,704
Credited to Net Cost of Service		
Department of Works and Pensions	17,932	17,207
Supporting People	356	354
Contributions from Developers	218	429
Other	883	973
	19,389	18,963

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 at the year end are as follows:

£'000	2012/13	2011/12
Capital Grants Received in Advance	208	1,723

29. Related Parties

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

Central Government

Central government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 23 Amounts Reported for Resources Allocation Decisions. Debtor and Creditor values are analysed in notes 14 and 17 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 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 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.

Notes to the Financial Statements (continued)

For the year ended 31 March 2013

29. Related Parties (continued)

All members are required to specify relationships that they have such as through employment and directorships, etc. During 2012/13, the Council had no dealings with any companies or organisations declared by the members concerned.

30. Capital Expenditure and Capital Financing

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

The Capital Financing Requirement (CFR) is a measure of the Council's underlying need to borrow for capital purposes. It increases with new borrowing and is reduced as loans are repaid. The position for 2012/13 is shown below.

£000's	2012/13	2011/12
Capital Financing Requirement at 1 April	69,438	12,309
Add: New Borrowing under HRA Self Financing	-	57,423
Add: Capital Expenditure		
Property, Plant and Equipment	4,086	2,190
Investment Properties	-	-
Revenue Expenditure Funded from Capital under Statute	1,091	2,042
	5,177	4,232
Less: Source of Finance		
Capital Receipts	(158)	(735)
Government Grants and Other Contributions	(665)	(392)
Other Contributions	(262)	(826)
Major Repairs Allowance	-	(1,925)
Direct Revenue Contributions: General	(219)	(305)
HRA	(3,842)	-
Developers S106 Contributions	(30)	(49)
	(5,177)	(4,232)
Direct Revenue Contributions: Minimum Revenue Provision	(263)	(274)
Loans Fund Principal	-	(20)
	(263)	(294)
	(5,440)	(4,526)
Capital Financing Requirement at 31 March	69,175	69,438
Actual Borrowings Outstanding: Gross	58,763	58,815
Net (Gross less Investments)	54,251	55,682

Notes to the Financial Statements (continued)

For the year ended 31 March 2013

31. Leases

Operating leases are used to finance a wide range of equipment, vehicles and plant. The amount paid under such leases in 2012/13 was **£5k** (2011/12: £17k). These leases are now fully complete and no further cash payments are due.

Other land and building leases primarily consist of the lease of an Industrial Estate where the rental payable in 2012/13 was **£50k** (2011/12: £50k) plus some other minor commercial properties. The total future cash payments required under these leases are estimated at **£635k** (2012: £704k).

The Council was committed at 31 March 2013 to making payments of **£635k** (2012: £709k) under operating leases, comprising the following elements:

£000's	2013			2012		
	Other Land and Buildings	Vehicles, Plant and Equipment	Total	Other Land and Buildings	Vehicles, Plant and Equipment	Total
Within one year	51	-	51	1	5	6
Between two & five years	204	-	204	29	-	29
After five years	380	-	380	650	-	650
	635	-	635	680	5	685

The Council rents some properties to tenants under lease arrangements. Amounts receivable under these leases in 2012/13 was **£499k** (2011/12: £406k). The asset value of these properties at 31 March 2013 was **£3,975k** (2012: £4,045k).

32. Defined Benefit Pension Schemes

Participation in the Local Authority Pension Scheme

As part of the terms and conditions of employment of its officers and other employees, 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 Officers' Pension Fund administered by Derbyshire County Council. This is a funded 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.

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 district rates 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 line, in the Movement on 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 on Reserves Statement during the year:

Notes to the Financial Statements (continued)

For the year ended 31 March 2013

32. Defined Benefit Pension Schemes (continued)

£000's	2012/13	2011/12
Included in Net Cost of Services:		
Current Service Cost	1,018	914
Past Service Cost/(Gain)	6	30
Pension Strain	53	-
Losses and (Gains) on Settlements or Curtailments	10	272
	1,087	1,216
Included in Financing and Investment Income and Expenditure		
Interest Cost	3,153	3,294
Expected Return on Scheme Assets	(2,343)	(2,778)
	810	516
Net charge/(credit) to the Comprehensive Income and Expenditure Account	1,897	1,732
Other Comprehensive Income and Expenditure		
Actuarial losses/(gains) on defined benefit pension scheme	4,804	4,297
Total	6,701	6,029
Adjustments Between Accounting Basis and Funding Basis under Regulations		
Reversal of Net (Credits)/Charges made for Retirement Benefits in Accordance with IAS 19	(1,897)	(1,732)
Actual Amount Charged Against the General Fund Balance for Pensions in the Year		
Employers' Contributions Payable to the Scheme	1,502	1,462
Net (credit)/charge to the General Fund	(395)	(270)

The service cost figures include an allowance for administration expenses of **0.16%** (2011/12: 0.16%).

The cumulative amount of actuarial gains and losses recognised in other comprehensive income and expenditure is a gain of **£4,443k** (2012: £361k).

The estimated pension employer contributions for 2013/14 is £1,041k.

Reconciliation of the Present Value of the Scheme Liabilities £000's	2012/13	2011/12
Balance at 1 April	(65,033)	(60,575)
Current Service Cost	(1,018)	(914)
Interest Cost	(3,153)	(3,294)
Contributions by Members	(357)	(357)
Actuarial (Losses)	(8,233)	(2,236)
Past Service (Costs)	(6)	(30)
(Losses) on Curtailments	(10)	(272)
Liabilities Extinguished on Settlements	-	-
Pension Strain	(53)	-
Estimated Benefits Paid	2,802	2,645
Balance at 31 March	(75,061)	(65,033)

The entire obligation relates to a funded scheme.

Notes to the Financial Statements (continued)

For the year ended 31 March 2013

32. Defined Benefit Pension Schemes (continued)

Reconciliation of the Present Value of the Scheme Assets £000's	2012/13	2011/12
Balance as at 1 April	43,021	43,130
Expected Return on Assets	2,343	2,778
Contributions by Members	357	357
Contributions by Employer	1,502	1,462
Actuarial Gains/(Losses)	3,429	(2,061)
Assets Distributed on Settlements	-	-
Estimated Benefits Paid	(2,802)	(2,645)
Balance at 31 March	47,850	43,021

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates experienced in the respective markets.

The actual return on scheme assets in the year was a gain of **£57,22k** (2011/12: £718k).

Major categories of plan assets as percentage of total plan assets

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

	2013 %	2012 %	2011 %	2013 £000's	2012 £000's	2011 £000's
Equity Investments	66.00	64.30	68.50	31,579	27,662	29,544
Government Bonds	15.00	16.70	6.80	7,178	7,185	2,933
Other Bonds	5.00	5.30	5.60	2,393	2,280	2,415
Property	5.00	5.40	5.10	2,393	2,323	2,200
Cash	8.00	7.30	6.30	3,828	3,141	2,717
Other	1.00	1.00	7.70	479	430	3,321
	100.00	100.00	100.00	47,850	43,021	43,130

Analysis of scheme assets and liabilities

£000's	2013	2012	2011	2010	2009
Fair Value of Assets in Pension Scheme	47,850	43,021	43,130	44,626	32,819
Present Value of Defined Benefit Obligation	(75,061)	(65,033)	(60,575)	(70,792)	(50,728)
(Deficit) in the Scheme	(27,211)	(22,012)	(17,445)	(26,166)	(17,909)

The liabilities show the underlying commitments that the Council has in the long-term to pay retirement benefits. The total liability of **£75,061k** (2012: £65,033k) has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in a net liability of **£27,211k** (2012: £22,012k).

However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy. The deficit on the Pension Fund will be made good by increased contributions over the remaining working life of employees, assessed by the scheme actuary.

Notes to the Financial Statements (continued)

For the year ended 31 March 2013

32. Defined Benefit Pension Schemes (continued)

Amounts recognised in Other Comprehensive Income and Expenditure

£000's	2012/13	2011/12	2010/11	2009/10	2008/09
Actual return less expected return on scheme assets	(3,429)	2,061	(1,582)	(9,350)	9,676
Experience losses/(gains) arising on scheme liabilities	8,233	2,236	(3,076)	16,924	(13,169)
Actuarial losses/(gains)	4,804	4,297	(4,658)	7,574	(3,493)
Cumulative actuarial (gains) and losses	4,443	(361)	(4,658)	-	(7,574)

History of experience gains and losses

The actuarial gains identified as movements on the Pensions Reserve 2012/13 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2013.

	2013 %	2012 %	2011 %	2010 %	2009 %
Experience (losses) and gains on scheme assets	7	-5	4	21	-30
Experience (losses) and gains on scheme liabilities	-11	-3	5	-24	26

Analysis of projected amount to be charged to the Comprehensive Income and Expenditure Statement for the year to 31 March 2014

£000's	2013/14
Projected current cost	1,279
Interest on obligation	3,126
Expected return on assets	(2,590)
	<u>1,815</u>

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in the future years dependent on assumptions about mortality rates, salary levels, etc. The Council's Fund liabilities have been assessed by an independent firm of actuaries, estimates for the Council Fund being based on data pertaining to the latest full valuation of the scheme as at 31 March 2010.

Notes to the Financial Statements (continued)

For the year ended 31 March 2013

32. Defined Benefit Pension Schemes (continued)

	2012/13	2011/12
Long term expected rate of return on assets in the scheme:		
Equity Investments	7.00%	7.00%
Government Bonds	2.80%	3.10%
Other Bonds	3.90%	4.10%
Property	5.70%	6.00%
Cash	0.50%	0.50%
Other	7.00%	7.00%
Mortality Assumptions:		
Men	22.2 years	21.8 years
Women	24.8 years	24.4 years
Longevity at 65 for Future Pensioners:		
Men	24.0 years	23.2 years
Women	26.8 years	26.0 years
Principal Assumptions in the Valuation of the Liability		
Inflation / Rate of Increase in Pensions	2.40%	2.50%
Rate of Increase in Salaries	4.15%	4.25%
Discount Rate	4.20%	4.90%
Take-up of option to convert annual pension into retirement lump sum:		
Service to April 2009	50%	50%
Service post April 2009	50%	50%

33. Prior Year Adjustment

A prior year adjustment has been made to the Comprehensive Income and Expenditure Statement to remove the impact of internal recharges on the division between income and expenditure. This adjustment has had no impact on the totals reported.

34. Events after the Balance Sheet Date

There have been no events occurring between the Balance Sheet date of 31 March 2013 and the date the accounts are audited, approved and signed off that have a bearing on the financial results.

35. Contingent Liabilities

Local Land Charges – Charging for Personal Searches

The Local Land Charges Act 1975 and the Local Land Charges Rules 1977 gives any person the right to search the Local Land Charges Register upon payment of the prescribed fee. This information is normally required by individuals as part of buying a house or other property.

During 2009/10, there had been an on-going issue around whether local authorities were able to charge for providing data on environmental information as part of a land/property search.

Based on an European Union Directive (2005), the UK Government made a decision that a majority of information contained in local authority property records is likely to be “environment information” and that under information regulations, it should be made available free of charge.

Notes to the Financial Statements (continued)

For the year ended 31 March 2013

35. Contingent Liabilities (continued)

Therefore, with effect from 17 August 2010, the Government revoked the statutory fee of £22 charged by local authorities for a personal search, effectively to conform to the European Directive.

The Directive is retrospective (dating back to 2005) and could mean that the charges and income received for personal searches dating back to 2005 will be recoverable.

The Local Government Association (LGA) is acting for local authorities across the country and has been lobbying the Government, not only from a financial viewpoint, but also on more practical/technical implications on accessing information.

The LGA consider that there is a case to argue concerning the point over whether local authorities should have to pay refunds as they have only implemented fees set by Statute. The LGA considered that that there should be compensation for local authorities if it is ultimately determined that refunds should be made.

During 2010/11, the Council received a one-off contribution from the Government totalling £34,356. This was intended to cover both potential restitutionary claims and loss of fees foregone in 2010/11. In a covering statement, the Government also confirmed that costs from 2011/12 had been factored into the grant settlement for local authorities.

In the period covering April 2005 to 30 July 2010, this Council received total income of approximately £97,000 for personal searches. Notwithstanding the Government contribution in 2010/11, the Council continues to set-aside £100,000 in its Medium Term Financial Plan to cover potential refunds.

However, this should not be taken that any refunds are necessarily due. The Council will look closely at any claims and considers that it is the responsibility of companies and individuals to demonstrate and provide evidence that money is owed. In this respect, definitive guidance is required to be provided at a national level.

To-date, no claims have been received by the Council. However, during 2012/13, the LGA issued a list of potential claims. The Council is currently working through this list and is expected to have confirmed claims or otherwise, by March 2014.

Municipal Mutual Insurance Limited (MMI)

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

Shortly after the run off declaration, MMI negotiated a Scheme of Arrangement with its creditors, who were mainly local authorities. This was subsequently agreed by the High Court and became effective from January 2004.

In summary, the scheme allows MMI to claw back claims paid on behalf of scheme creditors from October 1992 if at some point MMI could not foresee a solvent run off of for the Company. The Council was a policy holder with MMI in 1992; it subsequently became part of the Scheme and is covered by the arrangement.

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

In October 2012, MMI published their latest set of accounts which showed a deteriorating financial performance with a net liability on their balance sheet of £152.8m. Consequently, in November 2012, the

Notes to the Financial Statements (continued)

For the year ended 31 March 2013

35. Contingent Liabilities (continued)

Directors of MMI triggered the Scheme of Arrangement. The control of the company then transferred from the Directors to the appointed administrator, Ernst and Young (EY).

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

As part of EY reviewing the assets and liabilities of MMI, they commissioned an actuarial review of the insurance liabilities as at 31st December 2012. This concluded that the projection for future claims is uncertain and they provided MMI with a range of estimates.

Using this information and based on assumptions regarding investment returns, EY have indicated that a Levy of between 9.5% and 28% is required to achieve a projected solvent run off. In April 2013, EY informed all creditors, including the Council, that they were setting a Levy of 15%, which is based on a mid-point estimate.

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

The levy for each creditor is based on the amount of claims settled by MMI since 1992, subject to a minimum threshold of £50,000. As at 31st March 2013, MMI had settled claims on behalf of the Council since 1992 to the value of £131,645. At this stage, there are another two known claims outstanding.

After taking account of the threshold and applying 15% to the balance, this gives a Levy of **£12,247**. This will be payable in 2013/14.

Although this payment on its own will not materially affect the Council's overall financial position, the payment of future levies is possible and could be greater. As EY have highlighted, there is much uncertainty around any future payment and further claims, as yet unknown, may arise in the future.

Following the payment of £12,247, the Council's possible future liability based on claims paid to-date is £69,398. However, the value of the 2 outstanding claims is not yet known and further claims may arise. This is only a possibility at this stage and no further amounts may ever become due.

However, the Council is considering earmarking an amount in its longer term financial plan in much the same way as that provided for the possible refund of personal search fees (detailed above). This will be considered as part of the review of the Council's Medium-Term Financial Plan in 2013/14.

Notes to the Financial Statements (continued)

For the year ended 31 March 2013

36. Nature and Extent of Risks Arising from Financial Instruments

Key Risks

The Council's activities expose it to a variety of financial risks. The key risks are:

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

Overall Procedures for Managing Risk

The Council's overall 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, the CIPFA Treasury Management in the Public Services Code of Practice and Investment

Guidance issued through the Act. Overall, these procedures require the Council to manage risk in the following ways:

- By formally adopting the requirements of the Code of Practice.
- By 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 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 analysis summarises the Council's potential maximum exposure to credit risk on financial assets, based on the experience of default assessed by the ratings agencies.

Notes to the Financial Statements (continued)

For the year ended 31 March 2013

36. Nature and Extent of Risks Arising from Financial Instruments (continued)

	Estimated maximum exposure at 31 March 2013 £000's	Historical experience of default %	Estimated maximum exposure to default £000's	31 March 2012 £000's
Rated AAA - counterparties	4,500	-	-	3,000
Rated AA – counterparties	-	-	-	-
Rated A – counterparties	-	-	-	-
Total	4,500	-	-	3,000

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 above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well through cash flow management procedures required by the Code of Practice.

Refinancing and Maturity Risk

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

The approved prudential indicator limits for the maturity structure of debt, and the limits placed on investments, are the key parameters used to address this risk. The Council-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.

Maturity Analysis of Financial Liabilities £000's	2012/13	2011/12
Within one year	4,530	3,013
Between two and five years	30	82
More than five years	58,430	58,654
	62,990	61,749

Maturity Analysis of Financial Assets £000's	2012/13	2011/12
Within one year	1,283	2,530
Between two and five years	-	-
More than five years	-	-
	1,283	2,530

Notes to the Financial Statements (continued)

For the year ended 31 March 2013

36. Nature and Extent of Risks Arising from Financial Instruments (continued)

Market Risk

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

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

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Council's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure. Under the direction of the Council's Chief Finance Officer, the Financial Services Unit monitors market and forecast interest rates within the year to adjust exposures appropriately.

Price Risk: The Council does not invest in equity shares and so is not exposed to losses arising from movements in share prices.

Foreign Exchange Risk: The Council has no financial assets or liabilities denominated in foreign currencies. Therefore, there is no exposure to loss arising from movements in exchange rates.

Housing Revenue Account

For the year ended 31 March 2013

Income and Expenditure Statement

The Housing Revenue Account (HRA) Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities 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 Movement on the HRA Statement.

£000's	2012/13	2011/12
General	1,058	1,041
Special	681	930
Rents, rates & taxes	30	23
HRA Subsidy Payable (incl. MRA)	-	4,076
Depreciation & Impairment of NCA's	4,087	2,300
Provision for Bad Debts	45	44
Supervision & Management	5,901	8,414
Repairs & Maintenance	3,285	2,794
Total Expenditure before Exceptional Items	9,186	11,208
Cost of HRA Self Financing (Exceptional Item)	-	57,423
Total Expenditure	9,186	68,631
Dwelling Rents	(11,062)	(10,183)
Non-Dwelling Rents	(101)	(94)
Charges for Services & Facilities	(89)	(232)
Contributions towards Expenditure	(40)	(39)
External Grants	-	(175)
Supporting People	(356)	(414)
Total Income	(11,648)	(11,137)
Net Cost of HRA Services as included in the Comprehensive I&E	(2,463)	57,494
HRA share of Corporate & Democratic Core	105	131
HRA share of other amounts included in Cost of Services	29	29
Net Cost of HRA Services	(2,330)	57,654
Losses/(Gains) on sale of HRA non current assets	(96)	86
Interest payable and similar charges	1,608	89
HRA investment income	(14)	(19)
Pensions interest cost & expected return on pension assets	162	103
Surplus for Year on HRA Services	(670)	57,913

Housing Revenue Account

For the year ended 31 March 2013

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.

	2012/13	2011/12
Balance at the beginning of the year	2,385	2,532
Surplus/(Deficit) for the year on the HRA Income and Expenditure Statement	670	(57,913)
Adjustments between accounting and funding basis under regulations	(368)	57,763
Net decrease before transfers to Earmarked Reserves	-	(150)
Transfer to Earmarked Reserves	301	3
Decrease for the year on the HRA	301	(147)
Balance at the end of the year	2,686	2,385

Note to the Statement of Movement on the Housing Revenue Account

	2012/13	2011/12
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	1,365	(353)
Retirement benefits charged/(credited) ²	369	346
(Gains)/losses on sale of HRA non current assets ^{1,3}	(96)	86
HRA Self Financing Settlement Payment made to the Secretary of State ¹	-	57,423
	1,638	57,502
Items not included in the HRA Income and Expenditure Account but included in the movement on HRA Balance for the year		
Transfers to Major Repairs Reserve ⁴	-	553
Revenue contribution to finance major repairs	(1,778)	-
Employer's contributions payable to the Pensions Fund and retirement benefits payable direct to pensioners ²	(229)	(292)
	(2,007)	261
Net additional amount required by statute to be debited or (credited) to the HRA for the year	(368)	57,763

Notes

1. Transfers to / from Capital Adjustment Account
2. Transfers to / from Pensions Reserve
3. Transfers to / from Capital Receipts Reserve
4. Transfers to / from Major Repairs Reserve (Repairs and Renewals Fund)

Notes to the Housing Revenue Account

For the Year Ended 31 March 2013

1. Introduction

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

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

2. Housing Stock

The number of dwellings in the Council’s housing stock, as at 31 March 2013, totalled 3,024 (2012: 3,044) properties. The type of properties were as follows:

	2012/13	2011/12
Houses	1,598	1,616
Flats	790	791
Bungalows	636	637
	3,024	3,044

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

The vacant possession value (open market value) of Council dwellings as at 31 March 2013 was **£255,489k** (2012: £256,722k). 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 Allowance is an element of Housing Revenue Account Subsidy this no longer exists due to the introduction of self financing. The movement on the Major Repairs Reserve during the year ended 31 March 2013 is summarised below:

£000's	2012/13	2011/12
Balance at the beginning of the year	14	105
Major Repairs Allowance	-	1,925
Grant Received	-	175
Reversal of MRR allowance credited to the HRA	-	553
Depreciation	2,722	2,653
Use of Capital Receipts Reserve	158	-
Revenue Contribution for Capital	1,778	-
Amount transfer to the Major Repairs Reserve for capital expenditure on HRA Land, Houses and Other Property	4,658	-
Capital expenditure	(4,019)	(2,191)
Reversal of MRR allowance credited to the HRA ¹	-	(553)
Amount transferred from the Major Repairs Reserve for capital expenditure on HRA Land, Houses and Other Property	(4,019)	(2,744)
Balance at the end of the year	653	14

Notes

1. Transfers to / from the Housing Revenue Account

Notes to the Housing Revenue Account

For the Year Ended 31 March 2013

4. Property, Plant and Equipment

Year ended 31 March 2013	Council Dwellings	Land and Buildings	Infrastructure Assets	Vehicles, Plant and Equipment	Total Property, Plant and Equipment	Investment Properties	Total
£000's							
Cost or valuation							
At 1 April 2012	87,302	2,094	-	102	89,499	170	89,669
Additions	4,018	1	-	-	4,019	-	4,019
Disposals	(666)	-	-	-	(666)	-	(666)
Transfers	(9)	(9)	-	-	(18)	-	(18)
Revaluations	(3,969)	-	-	-	(3,969)	-	(3,969)
At 31 March 2013	86,677	2,086	-	102	88,864	170	89,034
Depreciation and Impairment							
At 1 April 2012	-	-	-	(51)	(51)	-	(51)
Charge for the Year	(2,616)	(89)	-	(17)	(2,722)	-	(2,722)
Disposals	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-
Impairments	(1,365)	-	-	-	(1,365)	-	(1,365)
Revaluations	3,981	-	-	-	3,981	-	3,981
At 31 March 2013	-	(89)	-	(68)	(157)	-	(157)
Net Book Value							
At 31 March 2013	86,677	1,998	-	34	88,707	170	88,877
At 1 April 2012	87,302	2,094	-	51	89,447	170	89,617
Impairments recognised in CIES	(2,932)	-	-	-	(2,932)	-	(2,932)
reversed in CIES	1,567	-	-	-	1,567	-	1,567
	(1,365)	-	-	-	(1,365)	-	(1,365)
Revaluations recognised in Other CIES	12	-	-	-	12	-	12
recognised in Other CIES	-	-	-	-	-	-	-
	12	-	-	-	12	-	12

Notes to the Housing Revenue Account

For the Year Ended 31 March 2013

4. Property, Plant and Equipment (continued)

Year ended 31 March 2012	Council Dwellings	Land and Buildings	Infrastructure Assets	Vehicles, Plant and Equipment	Total Property, Plant and Equipment	Investment Properties	Total
£000's							
Cost or valuation							
At 1 April 2011	87,316	2,142	35	135	89,628	3,528	93,156
Additions	2,186	4	-	-	2,190	-	2,190
Disposals	(132)	-	-	-	(132)	-	(132)
Transfers	-	153	(35)	(33)	85	(3,358)	(3,273)
Revaluations	(2,068)	(205)	-	-	(2,273)	-	(2,273)
At 31 March 2012	87,302	2,094	-	102	89,498	170	89,668
Depreciation and Impairment							
At 1 April 2011	-	(12)	-	(70)	(82)	-	(82)
Charge for the Year	(2,521)	(115)	-	(17)	(2,653)	-	(2,653)
Disposals	-	-	-	-	-	-	-
Transfers	-	12	-	36	48	-	48
Impairments	386	(33)	-	-	353	-	353
Revaluations	2,135	148	-	-	2,283	-	2,283
At 31 March 2013	-	-	-	(51)	(51)	-	(51)
Net Book Value							
At 31 March 2012	87,302	2,094	-	51	89,447	170	89,617
At 1 April 2011	87,316	2,130	35	65	89,546	3,528	93,074
Impairments recognised in CIES	(1,628)	(33)	-	-	(1,661)	-	(1,661)
reversed in CIES	2,014	-	-	-	2,014	-	2,014
	386	-	-	-	353	-	353
Revaluations recognised in Other CIES	67	203	-	-	270	-	270
recognised in Other CIES	-	(260)	-	-	(260)	-	(260)
	67	(57)	-	-	10	-	10

Notes to the Housing Revenue Account

For the Year Ended 31 March 2013

5. Capital Expenditure

£000's	2012/13	2011/12
Capital Investment		
Operational Assets	4,019	2,190
	4,019	2,190
Sources of Funding		
External Grants	-	175
Capital Receipts	158	-
Other Contributions	-	-
HRA Reserve	3,861	2,015
	4,019	2,190

Supported borrowing levels are issued annually by Central Government, authorising the Council to borrow monies, which will be funded by Central Government to cover capital expenditure. Additionally, the Council is able to take out unsupported borrowing which must be financed from its own resources. In 2011/12 however, no such borrowing was undertaken by the HRA.

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

£000's	2012/13	2011/12
Land	-	(11)
Council Homes	(956)	(256)
Other Property	-	-
	(956)	(267)
Less: Pooled (paid to Central Government)	160	189
	(797)	(78)

7. Housing Revenue Account Subsidy

Government Subsidy on the Housing Revenue Account has been abolished due to self financing.

8. Rent Arrears

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

£000's	2013	2012
Current Tenant Arrears	204	157
Former Tenant Arrears	115	112
Total Tenant Arrears	319	269

9. Provision for Bad and Doubtful Debts

The provision for bad and doubtful debts relating to the Housing Revenue Account is **£179k** (2012: £158k).

Notes to the Housing Revenue Account

For the Year Ended 31 March 2013

10. Depreciation and Impairment of Fixed Assets

The Dwellings in the Housing Revenue Account were valued as at **£255,489k**. After taking account of houses sold in 2012/13 and the Social Housing Discount Factor, the vacant possession value of the remaining dwellings at 31 March 2013 was **£86,676k** (2012: £87,302k). The lower figure of **£86,676k** shown in the accounts represents the cost to the Government of providing housing at less than open market rents. As a result of the valuation the CIES was debited with **£1,365k** (2011/12: £353k) for the reversal of previous year impairments. This gain has been transferred to the Capital Adjustment Account.

The Housing Revenue Account assets were valued as at 31 March 2013; 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.

Depreciation of **£2,722k** (2012: £2,653k) has been charged. This figure is made up of **£2,616k** (2012: £2,521k) for Council Dwellings; the other **£106k** (2012: £132k) is in respect of garages, shops and other assets, which has been credited back to the HRA below the net operating expenditure as a transfer from the Major Repairs Reserve.

11. 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 Authority 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.

Collection Account

For the Year Ended 31 March 2013

This account reflects the statutory requirements for all Billing Authorities, such as the Council, to maintain a separate Collection Fund Account. This shows the transactions of the Billing Authority in relation to Non-Domestic Rates and the Council Tax, and illustrates the way in which these have been distributed to preceptors (Derbyshire County Council and Police Authority) and the General Fund.

£000's	2012/13	2011/12
Council Tax Income	(43,013)	(42,131)
Transfers from General Fund:		
Council Tax Benefit	(4,952)	(5,066)
Income collectable from Business Ratepayers	(21,749)	(20,372)
	(26,701)	(25,438)
Total Income	(69,714)	(67,569)
Precepts	47,488	46,926
Business Rates:		
Payment to National Pool	21,658	20,281
Cost of Collection	91	91
	21,749	20,372
Write-offs of uncollectable amounts	335	214
Contribution towards previous year's estimated Collection Fund Surplus	173	895
Total Expenditure	69,745	68,407
Movement on Fund Balance	31	837

Notes to the Collection Account

For the year ended 31 March 2013

1. Council Tax

The introduction of Council Tax on 1 April 1993 revised the method of accounting for the Council's Collection Fund. The main features of the arrangements may be summarised as follows:

- a) Revenue Support Grant and amounts for distribution from the NNDR National Pool are paid directly to all Billing and Precepting Authorities and are disclosed in the Income and Expenditure Account.
- b) Interest is no longer payable between the General Fund and the Collection Fund on cash-flow deficits/surpluses. All interest is now payable directly to the General Fund, as shown on the Income and Expenditure Account.
- c) The year-end surplus or deficit on the Collection Fund is to be distributed between Billing and Precepting Authorities on the basis of estimates, made in January of each year-end balance. For 2012/13, the amount outstanding in January 2012 in respect of Council Tax when compared with the provision made by the Council for non-payment, above the level anticipated and therefore a surplus of £253k was declared.

The balance has been disaggregated for the purpose of these Accounts to attribute relevant amounts to the precepting authorities and the billing authority as follows:

£'s	2012/13	2011/12
Derbyshire County Council	61,415	84,744
Derbyshire Police Authority	9,158	12,637
Derbyshire Fire Authority	3,830	5,285
	74,403	102,666
South Derbyshire District Council	9,583	13,223
	83,986	115,889

2. Council Tax Valuation Bands

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

Notes to the Collection Account

For the year ended 31 March 2013

3. Council Tax Income

The amount of Council Tax payable is calculated by establishing a 'Council Tax Base'. This is the Council's estimated number of chargeable dwellings expressed in relation to those dwellings in Band D. Once this has been determined, the Council Tax payable for each band is established as follows:

(The actual amount payable for each property is also subject to discounts where applicable.)

Band	Calculated number of dwellings	Ratio to Band D	Equivalent number of Dwellings
X	28	5 to 9	16
A	9,450	6 to 9	6,300
B	8,268	7 to 9	6,431
C	6,204	8 to 9	5,514
D	5,828	9 to 9	5,828
E	3,345	11 to 9	4,088
F	1,729	13 to 9	2,497
G	842	15 to 9	1,404
H	59	18 to 9	<u>117</u>
			<u>32,194</u>

4. Non-Domestic Rates

Non-Domestic Rates are organised on a national basis. The Government specifies an amount and subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. In 2012/13 the amount was **45.8p** (2011/12: 43.3p). The Council is responsible for collecting rates due from the ratepayers in its area but pays the proceeds into an NNDR Pool administered by the Government.

The Government redistributes the sums paid into the Pool back to local authorities on the basis of a fixed amount per head of population. This is shown in the Income and Expenditure Account.

The total rateable value at 31 March 2013 was **£55,051,365** (2012: £54,183,240).

Notes to the Collection Account

For the year ended 31 March 2013

5. Precepts and Demands

2012/13	Precept	Surplus	Total
<i>£000's</i>			
Derbyshire County Council	34,643	125	34,768
South Derbyshire District Council	5,411	21	5,432
Derbyshire Police Authority	5,271	19	5,290
Derbyshire Fire Authority	2,162	8	2,170
Total Income	47,488	173	47,661

2011/12	Precept	Surplus	Total
<i>£000's</i>			
Derbyshire County Council	34,315	653	34,968
South Derbyshire District Council	5,354	102	5,456
Derbyshire Police Authority	5,117	99	5,216
Derbyshire Fire Authority	2,140	41	2,181
Total	46,926	895	47,821

Glossary

AAA FITCH RATING

Highest credit quality - 'AAA' ratings denote the lowest expectation of credit risk. They are assigned only in case of exceptionally strong capacity for timely payment of financial commitments. This capacity is highly unlikely to be adversely affected by foreseeable events.

AA FITCH RATING

Very high credit quality - 'AA' ratings denote a very low expectation of credit risk. They indicate very strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.

A FITCH RATING

High credit quality - 'A' ratings denote a low expectation of credit risk. The capacity for timely payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to changes in circumstances or in economic conditions than is the case for higher ratings.

ACCOUNTING PERIOD

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

ACCRUALS

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

Glossary

BORROWING

Government support for capital investment is described as either Supported Capital Expenditure (Revenue) known as SCE(R) or Supported Capital Expenditure (Capital Grant) known as SCE(C). SCE can be further classified as either Single Capital Pot (SCP) or ring-fenced.

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.

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.

CLAW-BACK

Where average council house rents are set higher than the government's prescribed average limit rent, used in the calculation of rent rebates, the percentage difference reduces the amount of rent rebate subsidy due to the Council, i.e. it is "clawed-back" by the government.

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.

Glossary

CONTINGENT ASSET

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

CONTINGENT LIABILITY

A contingent liability is either:

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

CORPORATE AND DEMOCRATIC CORE

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

CREDITOR

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

CURRENT SERVICE COST (PENSIONS)

The increase in the present value of a defined benefits pension scheme's liabilities, expected to arise from employee service in the current period.

DEBTOR

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.

DEFERRED CHARGES

Expenditure which can be properly deferred (i.e. treated as capital in nature), but which does not result in, or remain matched with, a tangible asset. Examples of deferred charges are grants of a capital nature to voluntary organisations.

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.

Glossary

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.

EQUITY

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

EVENTS AFTER THE BALANCE SHEET DATE

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

EXCEPTIONAL ITEMS

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

EXPECTED RETURN ON PENSION ASSETS

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

EXTRAORDINARY ITEMS

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

FAIR VALUE

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

GENERAL FUND

The main revenue fund of a billing 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.

Glossary

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 includes the income and expenditure arising from the provision of housing accommodation by the Council.

IMPAIRMENT

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

INCOME AND EXPENDITURE ACCOUNT

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

INFRASTRUCTURE ASSETS

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

INTANGIBLE ASSETS

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

INTEREST COST (PENSIONS)

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

INVESTMENTS (PENSION FUND)

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

LIABILITY

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

- 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.

Glossary

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.

LONG-TERM CONTRACT

A contract entered into for the design, manufacture or construction of a single substantial asset or the provision of a service (or a combination of assets or services which together constitute a single project), where the time taken to substantially complete the contract is such that the contract activity falls into more than one accounting period.

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.

NEGATIVE SUBSIDY

If the Subsidy Housing Revenue Account produces a result, which assumes that the Council's income is higher than its expenditure, a "negative subsidy" situation arises. In this case the Council must pay an amount equivalent to the deficit, from its Housing Revenue Account to the government.

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.

Glossary

OPERATING LEASE

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

OPERATIONAL ASSETS

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

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 for 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.