



**South  
Derbyshire**  
District Council

Statement of Accounts  
2013/14



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 2014 is set out in the Comprehensive Income and Expenditure Statement and its financial position is set out in the Balance Sheet and Cash Flow Statement.

These financial statements have been prepared in line with the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 (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 2013/14 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 Statement (CIES).

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

### Comprehensive Income and Expenditure Statement (CIES)

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

### The Balance Sheet

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

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

The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve),

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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 2014. Additional disclosures have been made regarding the collection and distribution of local Business Rates following the introduction of the Rates Retention System for financing local authorities on 1<sup>st</sup> April 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 2013/14.

## OVERVIEW OF SERVICE SPENDING – INCOME and EXPENDITURE COMPARED TO BUDGET

The statutory financial statements are intended to fulfil external reporting requirements and provide a comprehensive assessment of the Council's financial position.

Management accounts, which show individual service expenditure, were reported to the Council on 20th May 2014 (provisional) and 26<sup>th</sup> June 2014 (final, subject to Audit).

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

<http://south-derbys.cmis.uk.com/south-derbys/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/1789/Committee/367/Default.aspx>

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<http://south-derbys.cmis.uk.com/south-derbys/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/1722/Committee/367/Default.aspx>

## General Fund Services

All services (excluding council housing) are accounted for in a General Fund. Overall, financial performance was better with a total decrease in net spending compared to the Budget of £1,562m. A decrease was expected as the year progressed as reported in monitoring statements. The overall position is summarised in the following table.

| <i>£000's</i>                          | Budget        | Actual       | Variance       |
|--|---------------|--------------|----------------|
| Environmental and Development Services | 5,700         | 5,331        | (369)          |
| Housing and Community Services         | 3,682         | 3,424        | (258)          |
| Finance and Management Services        | 2,101         | 1,166        | (935)          |
| <b>Total Expenditure</b>               | <b>11,483</b> | <b>9,921</b> | <b>(1,562)</b> |

The decrease represents 14% of the net budget on the General Fund. The main reasons for the decrease are detailed in the following table.

|  | <i>£000's</i>  |
|--|----------------|
| Depreciation and Capital Charges       | (325)          |
| Planned Budget Savings                 | (455)          |
| Lower Employee Costs                   | (301)          |
| Additional Income                      | (546)          |
| Net Cost of Housing Benefits           | (274)          |
| Income and Funding Received in Advance | (299)          |
| Other Budget Changes                   | (57)           |
| Additional Costs                       | 695            |
| <b>Total Expenditure</b>               | <b>(1,562)</b> |

A summary of the decrease is provided in the sections which follow.

## Depreciation and Capital Charges

These are charged within services but are reversed out in the financing section of the General Fund, so that there is no effect on the bottom line; these are accounting charges which reflect the value of assets used in service provision in accordance with accounting standards. The lower charge is due to revaluation gains on commercial units in the Town Centre following rent reviews.

## Planned Budget Savings

These mainly relate to a Senior Management Restructure in May 2013, together with an increase in apportionment of central costs from the General Fund to the HRA.

# Explanatory Foreword

## Lower Employee Costs (Vacant Posts)

The overall budget saving in vacancies equates to approximately 10 vacant posts (about 3% of the establishment) on average in the year.

## Additional Income

The total increase equates to 12% of the total income received from fees, charges, rents and other levies. The main increase was in Planning Fees.

## Net Cost of Housing Benefits

The variance equates to 1.5% of the total cost of benefits paid out.

## Additional Costs

This includes provisions made for the refund of Personal Searches and a Planning Appeal, subsidy clawback, together with some voluntary redundancy costs.

## Income and Funding Received in Advance

This is split between expenditure that is incurred and financed from earmarked reserves together with amounts received in advance, which need to be transferred into earmarked reserves to meet future expenditure. It mainly relates to funding for community projects and contributions received from developers in accordance with planning agreements.

## Financing

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

| Summary General Fund 2013/14<br>£000's          | Budget        | Actual         | Variance       |
|---|---------------|----------------|----------------|
| Net Expenditure on Services                     | 11,483        | 9,921          | (1,562)        |
| Capital Charging and Accounting Adjustments     | (439)         | 32             | 471            |
| Contingent Sums (see narrative below)           | 378           | -              | (378)          |
| <b>Total Net Revenue Expenditure</b>            | <b>11,422</b> | <b>9,953</b>   | <b>(1,469)</b> |
| <b>Less: Financing</b>                          |               |                |                |
| Government Grants                               | 3,276         | 3,465          | 189            |
| Share of Retained Business Rates                | 2,205         | 2,218          | 13             |
| New Homes Bonus                                 | 1,347         | 1,366          | 19             |
| Council Tax Payers                              | 4,411         | 4,411          | -              |
| Earmarked Reserves                              | 44            | -              | (44)           |
| <b>Total Financing</b>                          | <b>11,283</b> | <b>11,460</b>  | <b>177</b>     |
| <b>Revenue Deficit / (Surplus) for the Year</b> | <b>139</b>    | <b>(1,507)</b> | <b>(1,646)</b> |

## Explanatory Foreword

The table shows that the overall surplus for 2013/14 on the General Fund was approximately £1.5m. However, this is before transfers to earmarked reserves approved by the Council.

The table shows that there was no requirement to use any of the contingent sums of £378,000. These were allowed for:

- Provision for Pay and Grading Review - £130,000
- Growth - £100,000
- Inflation - £147,000

Additional Grant was received to implement changes arising from the Government's Welfare Reform programme together with administrative grants for "community rights." These amounts are being kept separate in an earmarked reserve pending any costs incurred by the Council.

### 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 surpluses on General Fund services but can also be 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.

Following the out-turn figures as detailed above the General Reserve at March 2014 (after appropriations) is greater than estimated by £1.4m. Movements in the year are summarised in the following table.

| General Fund Reserve as at 31 March 2014<br><i>£000's</i> | Budget       | Actual       | Variance     |
|---|--------------|--------------|--------------|
| Balance brought forward at 1 April 2013                   | 4,372        | 4,372        | -            |
| Add: Surplus for the Year                                 | 261          | 1,507        | 1,246        |
| Net appropriations to other Earmarked Reserves            | (141)        | 31           | 172          |
| <b>Balance at 31 March 2014</b>                           | <b>4,492</b> | <b>5,910</b> | <b>1,418</b> |

### Housing Revenue Account (HRA)

The Council is required to account separately for income and expenditure in providing Council Housing.

The approved HRA Budget for 2013/14 was set with a deficit to finance from reserves of £91,590. Following a budget review during the year, this deficit was increased to £572,469, due to a change in accounting methodology for housing rents and the revised apportionment of costs between the General Fund and the HRA.

# Explanatory Foreword

The final out-turn for 2013/14 is summarised in the following table.

| Summary Housing Revenue Account 2013/14<br>£000's | Budget     | Actual       | Variance     |
|---|------------|--------------|--------------|
| Rent Income                                       | (11,823)   | (11,764)     | 59           |
| Repairs and Maintenance                           | 3,261      | 2,698        | (563)        |
| Transfer to Major Repairs Reserve                 | 5,500      | 5,500        | -            |
| Interest on Debt                                  | 1,615      | 1,619        | 4            |
| Supervision and Management Costs                  | 2,020      | 1,822        | (198)        |
| <b>Surplus</b>                                    | <b>573</b> | <b>(125)</b> | <b>(698)</b> |

The table shows that the HRA achieved an overall surplus of £125,000 mainly due to slippage on the Planned Maintenance Programme. This was expected earlier in the year due to a review of procurement to ensure value for money would be achieved through some large contracts that were due to be let.

There were lower staffing (vacancies), IT, equipment and office accommodation costs. In addition, there were lower central and support costs (£60,000) allocated into the HRA as the relevant proportion of General Fund savings in these areas were reflected in the HRA.

As expected, rental income was lower compared to that estimated, mainly from garage rents together with a higher number of council house sales. There was also an increase in the Bad Debts provision for outstanding rent arrears. Overall, the HRA Reserve Balance increased to approximately £2.8m as at 31<sup>st</sup> March 2014.

## 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 and future HRA resources will be set-aside to repay the debt.

## 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 other agencies and partners across the District. A significant amount of this expenditure is financed externally from government/agency grants, together with partner contributions. Capital expenditure for 2013/14 is summarised in the following table.

## Explanatory Foreword

| Capital Expenditure 2013/14<br>£000's | Budget        | Actual       | Variance       |
|---------------------------------------|---------------|--------------|----------------|
| Council House Improvements            | 5,653         | 4,666        | (987)          |
| Private Sector Housing Renewal        | 614           | 693          | 79             |
| Leisure and Community Schemes         | 3,599         | 681          | (2,918)        |
| Environmental and Development Schemes | 20            | 33           | 13             |
| Property and Other Assets             | 1,544         | 1,494        | (50)           |
| <b>Total Expenditure</b>              | <b>11,430</b> | <b>7,567</b> | <b>(3,863)</b> |

The table highlights that expenditure on schemes of approximately £3.9m is still to be incurred. Once all schemes are completed, it is anticipated that there will be no major under or over spends; outstanding budgets will be carried forward into 2014/15 to complete schemes.

The revised capital programme for council house improvements is now fully in progress. Following external funding being secured and relevant procurement having taken place, a number of the leisure schemes are now progressing

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

| Capital Financing 2013/14<br>£000's  | Budget        | Actual       | Variance       |
|--------------------------------------|---------------|--------------|----------------|
| Government Grants                    | 382           | 370          | (12)           |
| External / Partnership Contributions | 2,239         | 742          | (1,497)        |
| Internal Borrowing                   | 885           | 885          | -              |
| Capital Reserves and Earmarked Funds | 702           | 489          | (213)          |
| Capital Receipts                     | 7,222         | 5,081        | (2,141)        |
| <b>Total Financing</b>               | <b>11,430</b> | <b>7,567</b> | <b>(3,863)</b> |

### THE COLLECTION FUND

The Collection Fund is the statutory account that records the collection of Council Tax and Business Rates and shows how that income has been distributed to the Government and other Preceptors on the Fund, including this Council.

To reflect a change in accounting regulations following the introduction of the Retained Business Rates system in 2013/14, the Fund is now effectively split between Council Tax and Business Rates.

As regards any surplus or deficit on the Council Tax element, this is transferred to the General Funds of the Preceptors in the following year, with the proportion for South Derbyshire being approximately 11.5%.

The surplus or deficit on the Business Rates part is adjusted at the year-end in question with any monies owing between the preceptors in the form of levies, safety nets and business relief grants, being reflected in the final account. The Council's share of any surplus or deficit is then transferred to the Collection Fund.

# Explanatory Foreword

## Council Tax

This achieved a surplus for the year of £291k, which was better than estimated due to the increase in Council Tax collectable through a combination of:

- Increase in new properties
- Greater income from empty properties
- Lower costs of the Local Council Tax Support Scheme

The amount due to South Derbyshire is approximately £40,000.

## Business Rates – a new system

From April 2013, the national distribution of local authority funding changed significantly. The system moved away from a predominantly based central funding allocation, to a model based on retaining a proportion of local business rates.

Prior to each year, a local authority is given a Baseline Funding amount based on the estimated amount of business rates to be collected in its area.

50% of this amount is retained by the Government, with 10% paid over to the County Council and the Fire Authority (combined) in two tier areas. The remaining 40% is effectively the target Business Rates to be collected by the District Council.

For councils with a Need higher than their Baseline, a Top Up grant is paid and this is guaranteed. Conversely, for councils with a Need lower than their Baseline, a Tariff is paid to the Government, in addition to the 50% element. This funds a national redistribution mechanism.

Councils that see a higher level of actual business rate income compared to their Baseline will be rewarded through the scheme as they will be able to retain an element of the associated increase in revenues. However, councils that have a lower level of income will see a decline in their resources and, subject to a safety net, will not be compensated.

The Scheme contains a mechanism to limit individual gains and losses. A Safety Net limits losses and this is funded through a Levy (or charge) on disproportionate gains.

The Safety Net applies when a council's income falls by more than 7.5% from its original baseline funding level. The Levy limits what councils can gain in cash terms for any given level of Business Rates growth (set at 1:1) meaning that a 1% increase in growth cannot increase overall resources by more than 1%, but subject to a limit of 50p in the pound.

## The Council's Business Rates Performance in 2013/14

The overall amount collected was lower than estimated. This was mainly due to the extension of the national Small Business Rate Relief Scheme during the year. Consequently, the Business Rate Account made a deficit of £887k for 2013/14.

The Council's share (40%) of this was £355k. However, after adjusting for the Compensation Grant from the Government for the loss of relief income, the amount of retained rates before the payment of any Levy was £25,000 greater than estimated for 2013/14.

# Explanatory Foreword

This is summarised in the following table.

| <i>Business Rates Performance 2013/14</i>        | <i>£000's</i> |
|--|---------------|
| Share of Estimated Rates received in the Year    | 8,292         |
| Less Tariff Payment                              | (5,968)       |
| Add Small Business Relief Compensation Grant     | 261           |
| Less Share of Collection Fund Deficit            | (355)         |
| Retained Rates before Payment of Levy            | 2,230         |
| Less Baseline                                    | (2,205)       |
| Additional Net Rates Generated                   | 25            |
| Less Government levy at 50%                      | (13)          |
| <b>Additional Amount Retained by the Council</b> | <b>12</b>     |

The share of the Collection Fund Deficit was transferred to the Collection Fund Account as an appropriation from the General Fund.

## 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/1722/Committee/367/Default.aspx>

There were no significant transactions in 2013/14 regarding new borrowing or long-term investments.

## Cash Flow Management

With fixed rate debt, no long-term investments and no plans to borrow in 2013/14, 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.

Overall, the Council continued to benefit from a positive cash flow position in 2013/14. 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 £7m, and averaged £12.4m during the year. Deposits were made with the Government, other local authorities and with UK Banks in reserve accounts subject to immediate recall.

## Interest earned

## Explanatory Foreword

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 2014 was 0.33% compared to an average market rate of 0.47%.

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 2013/14; this was also the position in 2011/12 and 2012/13.

### 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 additional external borrowing was undertaken in 2013/14, although the CFR did increase during the year due to "internal borrowing."

### Prudential Borrowing

During 2013/14, 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 allowed additional recyclates (mainly plastic and cardboard) to be collected directly from households to improve recycling rates, a key priority for the Council.

This increased the CFR within the borrowing headroom available. Due to its current cash flow position and level of reserves, the Council borrowed "internally" and will 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.

# Explanatory Foreword

The overall debt position as at 31 March 2014 is summarised in the following table.

| Borrowing Compared to CFR at 31 March 2014<br>£000's | 2013          | 2014          | Change     |
|--|---------------|---------------|------------|
| Gross Borrowing                                      | 58,763        | 58,458        | (298)      |
| Net Borrowing  | 54,251        | 51,429        | (2,815)    |
| <b>Capital Financing Requirement</b>                 | <b>69,175</b> | <b>69,475</b> | <b>300</b> |

In undertaking its treasury management activities during the year, the Council managed within the prudential indicators and its approved lending policy. The treasury position at 31 March 2014 compared with the previous year is shown in the following table.

| Net Borrowing Position as at 31 March 2014   | 2014                |                     | 2013                |                     |
|--|---------------------|---------------------|---------------------|---------------------|
|  | Principal<br>£000's | Average<br>Rate (%) | Principal<br>£000's | Average<br>Rate (%) |
| Fixed Interest Rate Debt                     | (48,430)            | 3.21%               | (48,445)            | 3.21%               |
| Variable Interest Rate Debt (see note below) | (10,028)            | 0.57%               | (10,318)            | 0.60%               |
| <b>Total Debt</b>                            | <b>(58,458)</b>     |                     | <b>(58,763)</b>     |                     |
| Fixed Interest Investments                   | -                   | 0.00%               | -                   | 0.00%               |
| Variable Interest Investments                | 7,029               | 0.33%               | 4,512               | 0.31%               |
| <b>Total Investments</b>                     | <b>7,029</b>        |                     | <b>4,512</b>        |                     |
| <b>Net Borrowing</b>                         | <b>(51,429)</b>     |                     | <b>(54,251)</b>     |                     |

## Note - Repayment of Debt on Transferred Assets

Included in the variable debt outstanding in 2013, was £279,000 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 was 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 in 2013/14 without incurring any penalty. The effect on the Council's accounts was to reduce the CFR and the debt outstanding by equal amounts, i.e. £279,000. On an on-going basis, the Council will save future interest costs in the Housing Revenue Account.

## THE COUNCIL'S BALANCE SHEET

The Balance Sheet shows the value, at 31 March 2014, 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.

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## Net Assets

The net assets of the Council increased between March 2013 and March 2014 from £24.1m to £35.7m. This was due to an increase in the value of the Council's assets in the form of property holdings and land held for sale of approximately £5m. In addition, the projected Pension Fund Deficit reduced in the year from approximately £27m to £22m. This was due to a change in the assumptions made by the Fund's Actuary regarding several of the factors included in the projected deficit, such as interest rates and future liabilities.

## Pension Fund

Notwithstanding these assumptions, the most recent valuation of the Council's Fund shows that overall there is still an underlying liability in the long-term regarding retirement benefits. 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 from employees and reducing benefits for future pensioners. These are 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 2014 is shown in the following table.

| Usable Reserves at 31 March 2014        | 2014          | 2013          |
|---|---------------|---------------|
| <i>£000's</i>                           |               |               |
| General Fund                            | 5,910         | 4,372         |
| Housing Revenue Account                 | 2,811         | 2,686         |
| Capital Receipts                        | 3,500         | 3,669         |
| Major Repairs Reserve (Council Housing) | 1,649         | 653           |
| Earmarked Reserves                      | 4,935         | 4,611         |
| <b>Total - Usable Reserves</b>          | <b>18,805</b> | <b>15,991</b> |

Overall, usable reserves have increased in the year, mainly due to the surpluses generated on the General Fund, together with slippage on the Housing Capital Programme.

# Explanatory Foreword

## MATERIAL FINANCIAL TRANSACTIONS

### Apportionment of Central Costs between the General Fund and Housing Revenue Account (HRA)

During the year, an internal review was undertaken of the apportionment of central services, senior management and other corporate costs between the General Fund and the HRA.

This included a review of 20 cost categories covering services such as HR, ICT, Finance and Customer Services, etc., together with the core management and democratic costs of the Council.

The review aimed to ensure that there was a fair and reasonable charge for these services in the HRA in accordance with accounting regulations, given recent changes to the structure of the Council and the implementation of self-financing in the HRA from 2012/13.

The review found that some apportionments into the HRA should reduce, but there were several areas where the existing apportionments did not reflect revised service provision. In addition, there were several central and indirect housing costs where there was no apportionment.

The final outcome of the review apportioned additional costs of approximately £200,000 to the HRA from the General Fund in 2013/14; this will be an on-going recharge in future years.

### Assets Held for Sale

During the year, the Council entered into an agreement to sell land, on the outskirts of the Town Centre in Swadlincote, for development. This development is part of a major regeneration project which will comprise new housing and leisure facilities, together with the relocation of the Council's main works Depot to a new purpose built facility.

The Council owned land was valued for sale at approximately £2.6m and this is shown in the Balance Sheet as at 31<sup>st</sup> March as an Asset Held for Sale. The land will be sold in 3 phases commencing in 2014/15, with the full regeneration project expected to be completed in 2017/18.

## COUNCIL SPENDING & THE FUTURE FINANCIAL POSITION

The Council's detailed budget and spending plans for 2014/15 and the projected medium-term financial position to 2019 is available at:

[http://www.south-derbys.gov.uk/council\\_and\\_democracy/council\\_budgets\\_spending/budget\\_and\\_financial\\_strategy/default.asp](http://www.south-derbys.gov.uk/council_and_democracy/council_budgets_spending/budget_and_financial_strategy/default.asp)

The Council's overall financial position has been relatively sound in recent years and it has been able to maintain a fairly high level of general reserves. This has arisen 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.

### The National Context

Similar to other areas of the Public Sector, local councils have had to reduce costs as their main source of funding, i.e. Central Government Grant has continued to decline since 2010. This is a result of the Government's Policy to address the national budget deficit and this is expected to be on-going over the life of this MTFP.

# Explanatory Foreword

## Local Context

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 2018/19, mainstream resources are projected to reduce by approximately £0.8m (15%). However, under the current system for financing local authorities that was introduced in April 2013, the Council is in a position to benefit.

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 and through the continuation of the New Homes Bonus. As a growth area, this should benefit South Derbyshire.

Although the economic situation has recently shown more positive signs of a sustainable upturn, 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.

## 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, wider transformational reviews leading to restructures and rationalisation of management, together with savings made in procurement and by streamlining accommodation costs.

In the period from April 2010 to March 2013, on-going savings of approximately £1.1m per year were made in the following areas:

| <i>Budget Savings</i>                          | <i>£000's</i> |
|--|---------------|
| Changes in procurement and service delivery    | 300           |
| Restructures and rationalisation of management | 500           |
| Base budget spending reviews                   | 200           |
| Rationalisation of accommodation               | 100           |
|  | <b>1,100</b>  |

Following the need to make further savings ahead of 2014/15, during 2013/14, additional savings of £320,000 per year were taken out of the Base Budget as summarised in the following table.

# Explanatory Foreword

| Budget Savings 2013/14                            | £000's     |
|---|------------|
| Senior Management Restructure                     | 146        |
| Planning and Community Service Restructure        | 80         |
| E-committees – savings on printing and stationery | 21         |
| Retender of computer licenses                     | 25         |
| Professional fees                                 | 24         |
| Cash collection charges                           | 8          |
| External Audit fees                               | 6          |
| Other savings                                     | 10         |
|   | <b>320</b> |

## Other Savings for Re-investment

In addition, savings of £110,000 were identified in the Waste and Cleansing Service. These were directly re-invested back into extending the kerbside collection service across the District in 2013/14.

## Risk Analysis

The financing of local government continues to provide challenges for all councils. 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

| Risk   | Factors  |
|--|--|
| <b>Council Tax and Collection Fund Balance</b> – deficit accumulates which falls as a cost on the General Fund | <ul style="list-style-type: none"> <li>Collection rates reduce due to the economic climate.</li> <li>Demand for Council Tax support increases when resources are fixed.</li> <li>Empty properties increase, reducing New Homes Bonus.</li> </ul> |
| <b>Growth</b> – now a key factor influencing levels of grant funding and income                                | <ul style="list-style-type: none"> <li>Growth is curtailed reducing business rates income and other income streams from planning/development and Council Tax.</li> </ul>   |
| <b>Budget Savings</b> – need to find £175,000 in base budget 2015/16   | <ul style="list-style-type: none"> <li>They are not identified and implemented within the next year.</li> </ul>  |
| <b>Budget Overspend</b>  | <ul style="list-style-type: none"> <li>Unexpected costs</li> <li>On-going cost pressures and reducing income</li> </ul>  |
| <b>General Economic Conditions</b>   | <ul style="list-style-type: none"> <li>Higher price increases on fuel and utilities</li> <li>Interest rates affect investment returns and debt portfolio</li> </ul>  |
| <b>External Funding</b>  | <ul style="list-style-type: none"> <li>Contributions from other agencies and partners continue to fall to unsustainable levels.</li> </ul>   |

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.

The Council’s main focus in 2014/15 will be to expand the publication of “open data” in accordance with the Government’s new Transparency Code for Local Government, together with implementing a new Data Management Policy to, to ensure that data handled at the Council is kept secure and then stored and destroyed in accordance with regulations.

## AND FINALLY

The following sections set out the Council’s Accounts and Financial Statements for 2013/14. 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](http://www.south-derbys.gov.uk) or by e-mail to [customer.services@south-derbys.gov.uk](mailto: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 Director of Finance & 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 2014, 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 Sub Committee. The Sub-Committee approved the Code for 2013/14 in June 2014 and this is at:

<http://south-derbys.cmis.uk.com/south-derbys/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/1702/Committee/363/Default.aspx>

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 on-going process, designed to identify and prioritise the risks to the achievement of the Council's policies, aims and strategic objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, in order to manage them efficiently, effectively and economically.

The Governance Framework detailed in this Statement has been in place at South Derbyshire District Council for the year ended 31st March 2014, up to the date that the Annual Report and Statement of Accounts were approved.

## 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.

# Governance Statement

## Decision Making

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

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

## Policy Making

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

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

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

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

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

## Governance and Accountability

The Council designated the Legal and Democratic Services Officer as its Monitoring Officer during 2013/14.

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.

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.

# Governance Statement

## 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 Director of Finance and Corporate Services 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

## Standards of Overall Conduct

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

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

# Governance Statement

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 system for Officers and induction training 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.

## 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.

## Compliments and Complaints

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

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

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

# Governance Statement

## 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 makes 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 arrangements for recording and collecting information are robust so 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

The Council has a Data Retention Policy which 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.

## 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

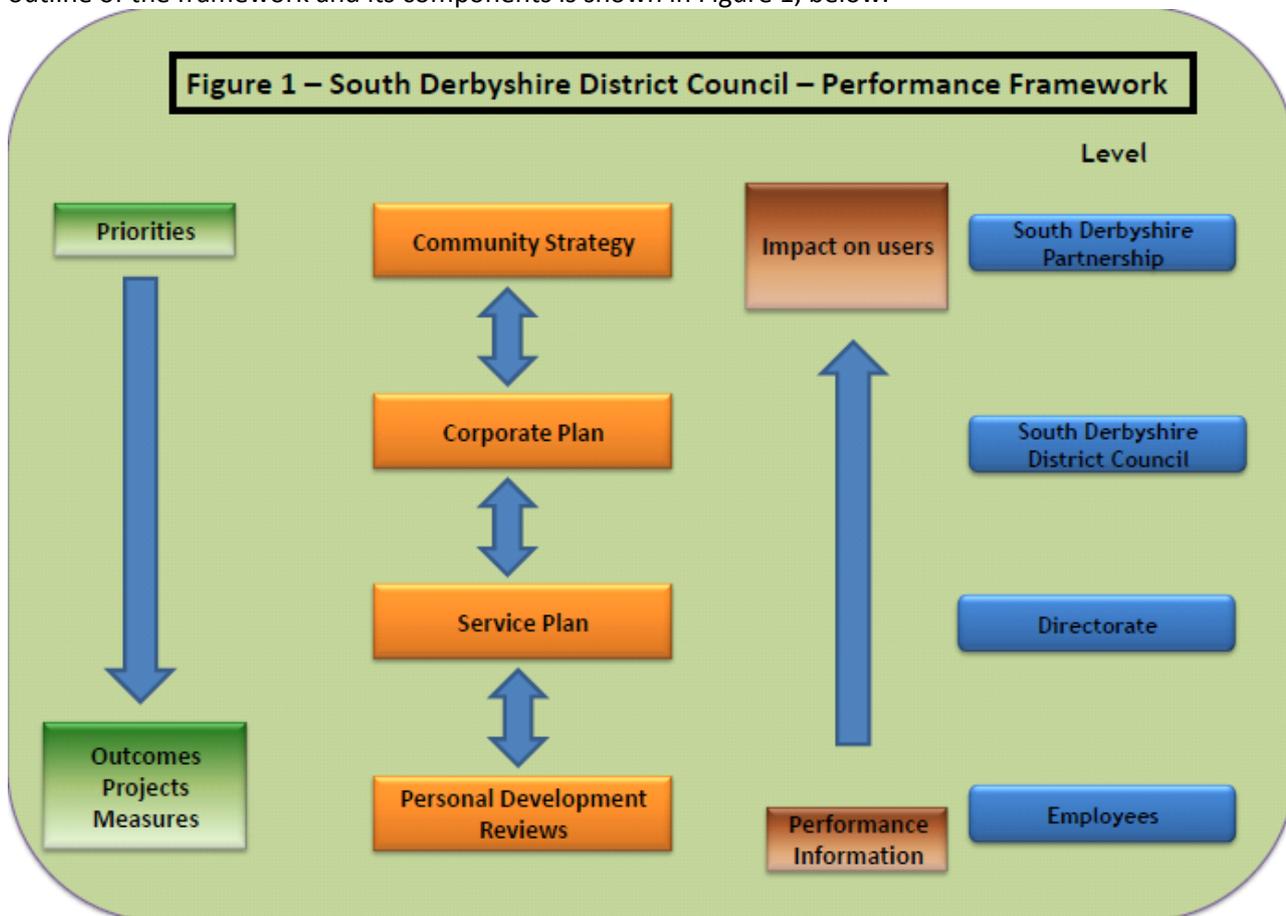
As part of the Strategic Partnership with Northgate, the Council reviews all service areas in the Council on a rolling programme basis. This is designed to identify transformation and efficiency opportunities to ensure that services remain efficient and effective as possible.

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.

# Governance Statement

## Managing Performance

The Council’s performance framework is largely developed from national requirements 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.

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.

# Governance Statement

## 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 has adopted 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.

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.

## 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 the Council's Audit Sub-Committee.

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

# Governance Statement

## Health and Safety

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

## The Council's Audit Sub-Committee

Under its terms of reference, the Committee 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 oversee 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 on-going external audit and inspection activity through the Annual Audit Plan.

The Auditors undertake specific 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.

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

# Governance Statement

## Transparency in the Publication of Information

The Council is required to publish a wide range of information on its services. The Council accounts for the use of resources and publishes this in an Annual Statement of Accounts.

[http://www.south-derbys.gov.uk/council\\_and\\_democracy/council\\_budgets\\_spending/statement\\_of\\_accounts/default.asp](http://www.south-derbys.gov.uk/council_and_democracy/council_budgets_spending/statement_of_accounts/default.asp)

The Council also publishes an Annual Pay Policy Statement which details the pay and remuneration of senior officers, together with the relationship between the pay of the highest paid officer and other officers.

The latest Policy Statement which was published on 1<sup>st</sup> April 2014 can be viewed at:

[http://www.south-derbys.gov.uk/our\\_website/open\\_data/pay\\_policy/default.asp](http://www.south-derbys.gov.uk/our_website/open_data/pay_policy/default.asp)

In addition, the Council also publishes on its web site, details of all payments (excluding those to employees) in excess of £250, together with remuneration and expenses paid to Members. This information is available at:

[http://www.south-derbys.gov.uk/our\\_website/open\\_data/default.asp](http://www.south-derbys.gov.uk/our_website/open_data/default.asp)

From 1st April 2014, the requirements for publishing certain information are being extended through a new Government Transparency Code. This will provide details on Council contracts, land holdings, financial information relating to car parks, posts occupied by senior officers, together with the use of credit cards and resources provided to Trade Unions.

## 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.

As part of an on-going review, the overall framework was strengthened in 2013/14 following a work programme arising out of the Governance Statement for the previous year 2012/13. 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 2013/14 are set out in the following sections.

### Overall Corporate Governance

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

### ICT Security

During 2013/14, the Council was required to meet stricter regulations regarding the sharing of data between other public sector agencies and to safeguard personal and confidential information.

# Governance Statement

To comply with the updated Public Services Network, the Council was required to upgrade its IT security system and to provide assurances regarding compliance with its policies. This also included adding extra security for employees accessing data remotely and when using external devices such as USBs.

The Cabinet Office certified the Council as being compliant in April 2014.

## The System of Internal Audit

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

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

The report includes recommendations for improvements that are included within an action plan and require agreement or rejection by managers. The process includes reviews of recommendations 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 2013/14 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 2013/14, the system of internal audit was effective and this was noted by the Audit Sub-Committee on 18<sup>th</sup> June 2014.

## Public Sector Internal Auditing Standards

New Standards were introduced on 1<sup>st</sup> April 2013. Following a review of the new standards, an updated Internal Audit Charter, together with a Quality Improvement and Assessment Programme, was adopted by the Council. This was approved by the Audit Sub Committee in December 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 18<sup>th</sup> June 2014. The Head of Internal Audit gave an opinion on the overall adequacy and effectiveness of the Council's internal control environment for 2013/14. 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 or significant risk recommendations made within any audit reports issued in 2013/14.*

*There are no adverse implications for the Authority's Annual Governance Statement arising from any of the work that Internal Audit has undertaken in 2013/14. 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 cases.*

*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 2014/15 work of Internal Audit."*

## 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 also undertaken by the Council each year. During 2013/14, these included:

- Raising the profile of the Business Advice Service
- New recycling facilities
- Local Democracy Week in partnership with a local school and college
- Promoting the National Forest to help tourism in the District
- Promoting Leisure and Community activities for the young and older residents

In doing this, the Council continued to make greater use of social media in 2013/14 and now has an active Twitter feed and publicises certain services and leisure activities on Facebook.

# Governance Statement

## 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 over the last 2 years 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\\_plan/local\\_plan\\_part1/talk\\_to\\_us/default.asp](http://www.south-derbys.gov.uk/planning_and_building_control/planning_policy/local_plan/local_plan_part1/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.

During 2013/14, the following consultation was undertaken with local residents.

- Council House Allocations and Tenancy Policy
- Development of the Local Plan
- Budget Proposals for 2014/15
- Dog Control Orders
- Supported Housing Services

## 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.

Under the Constitution, an update to the Scheme of Delegation was approved by the Council in September 2013.

<http://south-derbys.cmis.uk.com/south-derbys/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/1585/Committee/319/Default.aspx>

## Work of Overview and Scrutiny Committee

Under the Constitution, the Overview and Scrutiny Committee has the power to "call in" a decision, which has been made by a policy committee but not yet implemented, to enable them to consider whether the decision is appropriate.

No decisions were called in during 2013/14.

The Overview and Scrutiny Committee also scrutinises key service issues and priorities in the Corporate Plan, recommending and reporting back actions to the main policy committees.

Their annual report to Full Council set out details of their work and outcomes during the year. The Annual Report for 2013/14 is available at:

<http://south-derbys.cmis.uk.com/south-derbys/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/1679/Committee/364/Default.aspx>

# Governance Statement

In particular, the Committee scrutinised:

- Domestic Abuse – recommending more cohesive action amongst stakeholders for approaching this issue in the District.
- Environmental Volunteering – recommending greater engagement with organisations across the District to promote health and wellbeing.
- The use of the Council’s surveillance powers; the Committee considered updated legislation during the year. No instances of surveillance were reported during 2013/14.
- Council Tax Recovery – reviewing procedures to ensure a balance is taken between debtors who have difficulty in paying and those where payment is avoided. The cost of recovery was also considered.
- Reviewing the operation of the Clean Team to ensure that the function was contributing to safe and clean neighbourhoods; the Team’s work was commended by members of the Committee.
- Scrutinising the Council’s budget proposals for 2014/15 and MTFP to 2019.

## Propriety in the Conduct of Business

For the 2013/14 reporting period, South Derbyshire District Council was not the subject of a finding of maladministration by the Local Government Ombudsman.

No elected member of South Derbyshire District Council was found to be in breach of the Code of Conduct during 2013/14.

There were 6 reportable accidents under Health & Safety Regulations during 2013/14, compared to 3 in 2012/13 and 10 in 2011/12. 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

**Health and Safety** - 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.

**Development of Staff** - 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.

**Environmental Management** – the Council attained an international standard in 2012 for its approach to reducing the carbon footprint in its own services and for supporting work across the District.

# Governance Statement

**Leisure Facilities** – the Council attained a Green Flag Award for its urban parks in 2013.

**Health and Well Being** – the Council was awarded a Community Sports Award for activities provided to staff and local residents.

**Markets** – the Council was nationally recognised as providing the best small town centre market

## 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 2013/14, 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, 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 2013.”*

In addition, the Annual Audit Letter of the External Auditor reports any significant weaknesses in the overall control framework.

None were reported in 2013/14. The Audit Letter for 2012/13 is available at:

<http://south-derbys.cmis.uk.com/south-derbys/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/1586/Committee/319/Default.aspx>

## E KEY GOVERNANCE ISSUES FOR SOUTH DERBYSHIRE

The Council operates within a changing environment with constant development in electronic communications increasing public expectations. The Council has also in recent years dealt with fairly large reductions in its overall core funding from Central Government.

Consequently, Governance needs to be subject to constant review to take account of changing circumstances. Indeed, issues identified in the corresponding statement for 2012/13 have been addressed in 2013/14, together with other developments to strengthen Governance at the Council. Besides issues identified earlier in this Statement, during 2013/14, the Council also:

- **Expanded e-Democracy** by providing hand held devices for Members; this has substantially reduced printed material associated with Committee meetings and provided facilities to readily access information.
- **Updated its Whistleblowing Policy** to reflect legislative changes; these changes are designed to clarify the definition of whistleblowing, how potential breaches of employment contracts should be dealt with, together with affording greater protection to whistle-blowers.

Progress was also made on appointing an independent service provider to deliver a **leadership development programme** for middle managers and in advising Parish Councils on the development of **Neighbourhood Plans** for local communities. Further work will be undertaken in these areas during 2014/15.

# Governance Statement

## Work Plan 2014/15

Other areas have been identified that are considered important in maintaining and strengthening Governance at the Council. New issues to be addressed in 2014/15 are:

- Expanding the publication of “open data” in accordance with the Government’s new Transparency Code for Local Government.
- Implementing a Data Management Policy to provide a consistent process corporately, to ensure that data handled at the Council is kept secure and then stored and destroyed in accordance with regulations.

These areas have been highlighted from internal audit work during 2013/14, together with changes in legislation. The detailed Governance Work Plan is shown in **Appendix 1**. The Work Plan will be monitored through the Local Code and reported to the Audit Sub Committee.

## Open Data

Under the new Code for Data Transparency which is effective from April 2014, all local authorities will be required to publish certain information at specific times if they do not already do so. In addition to the Council’s Statement of Accounts, the published information must at least cover:

- All expenditure for goods and services that exceeds £500.
- All transactions on Government Procurement cards
- All major contracts currently let with details of forthcoming contracts to be tendered (*effectively a Council’s Contract Register*)
- A list of the Council’s land holdings
- Grants paid to voluntary and community organisations
- An organisation chart covering the top 3 tiers of management
- A list of posts paid over £50,000 per year
- A Pay Policy Statement detailing pay multiples
- Resources and facilities provided to Trade Unions
- Income from car parking (***not applicable to South Derbyshire***)
- The number of controlled car parking spaces
- The Council’s Constitution should be easily accessible

There are specific requirements regarding the frequency and detail relating to each of the above categories. The format of publication is left to each council, but it should be easily accessible and widely publicised.

The Council already provides much of this data, but a review will be undertaken to identify any additional requirements and to ensure that it is published in accordance with the Code.

# 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)

18<sup>th</sup> June 2014

Dated: .....



Signed: .....

(Chief Executive)

18<sup>th</sup> June 2014

Dated: .....

# Governance Statement

## APPENDIX 1: GOVERNANCE WORK PLAN 2014/15

| 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 2014 and June 2015  |
| Introduce a new Leadership and Development Programme for Managers  | Commencing in October 2014 | Director of Housing and Environmental Services | This will help to provide managers with the attributes required in order to take the Council forward within a slimmer management structure |
| Update Induction training for Members  | March 2015                 | Legal and Democratic Services Manager          | To review the induction process for Members ahead of the next District Council Election in May 2015  |
| Development of Neighbourhood Plans for local communities   | March 2015                 | Director of Community and Planning Services    | Continue to provide support to Parishes as necessary through the Local Plan consultation and adoption process                              |
| Expand the publication of “open data” in accordance with the new Transparency Code for Local Government        | September 2014             | Director of Finance and Corporate Services     | Review any gaps and ensure all relevant data is published to meet the requirements of the Code   |
| Implement a Data Management Policy   | September 2014             | Director of Finance and Corporate Services     | Set out principles and guidelines for services in accordance with best practice and integrate with the current data retention policy.      |

# Certificate of the Chief Financial Officer

I certify that:

- (a) The Statement of Accounts for the year ended 31 March 2014 on pages 42 to 47 has been prepared in the form directed by the Code and under the accounting policies set out on pages 48 to 60.
- (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)

30<sup>th</sup> June 2014

Dated: .....

# Independent Auditors Report

# Independent Auditors Report

# Independent Auditors Report

# Council Approval of Statement of Accounts

These accounts were approved by resolution of the Council/Committee on 25th September 2014.

Signed: .....  
(Chairman)

Dated: .....

# Comprehensive Income and Expenditure Statement

For the year ended 31 March 2014

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  | 2013/14       |                 |                 | 2012/13       |                 |              | 2012/13      |
|---|---------------|-----------------|-----------------|---------------|-----------------|--------------|--------------|
|   | Expenditure   | Income          | Net             | Expenditure   | Income          | Net          | Net Restated |
| Central services  | 2,011         | (990)           | 1,022           | 6,693         | (5,919)         | 774          | 774          |
| Cultural & Related Services   | 2,967         | (1,050)         | 1,917           | 2,794         | (811)           | 1,983        | 1,983        |
| Environmental & Regulatory Services                                 | 6,659         | (1,967)         | 4,691           | 6,518         | (1,634)         | 4,884        | 4,884        |
| Planning Services   | 2,317         | (1,029)         | 1,288           | 2,379         | (816)           | 1,563        | 1,563        |
| Highways & transport services                                       | 160           | (24)            | 137             | 388           | (292)           | 95           | 95           |
| Local authority housing (HRA)                                       | 8,636         | (12,276)        | (3,639)         | 9,472         | (11,802)        | (2,330)      | (2,330)      |
| Normal  | 8,636         | (12,276)        | (3,639)         | 9,472         | (11,802)        | (2,330)      | (2,330)      |
| Exceptional (note 5)  | -             | -               | -               | -             | -               | -            | -            |
| Other housing services  | 18,544        | (18,185)        | 359             | 18,587        | (18,143)        | 444          | 444          |
| Corporate & Democratic Core   | 764           | (27)            | 736             | 1,023         | (68)            | 955          | 955          |
| Non distributed costs   | 1,248         | (726)           | 523             | 981           | (521)           | 460          | 460          |
|   |               |                 |                 |               |                 |              | -            |
| <b>Cost of Services</b>   | <b>43,306</b> | <b>(36,273)</b> | <b>7,034</b>    | <b>48,836</b> | <b>(40,006)</b> | <b>8,830</b> | <b>8,830</b> |
|   |               |                 |                 |               |                 |              | -            |
|   |               |                 |                 |               |                 |              | -            |
| <b>Other Operating Income &amp; Expenditure (Note 6)</b>            |               |                 |                 |               |                 |              | -            |
| Normal  |               |                 | 719             |               |                 | 478          | 478          |
|   |               |                 | 719             |               |                 | 478          | 478          |
| <b>Financing &amp; Investment Income &amp; Expenditure (Note 7)</b> |               |                 | 2,197           |               |                 | 2,265        | 2,523        |
| <b>Taxation &amp; Non-Specific Grant Income (Note 8)</b>            |               |                 | (12,113)        |               |                 | (11,952)     | (11,952)     |
| <b>(Surplus)/Deficit on Provision of Services</b>                   |               |                 | <b>(2,164)</b>  |               |                 | <b>(379)</b> | <b>(121)</b> |
| <b>Other Comprehensive Income &amp; Expenditure</b>                 |               |                 |                 |               |                 |              | -            |
| (Surplus)/Deficit on revaluation of PP&E and Assets held for Sale   |               |                 | (3,930)         |               |                 | (303)        | (303)        |
| Remeasurement of the Net Defined Benefit Liability (Note 32)        |               |                 | (5,575)         |               |                 | 4,804        | 4,546        |
|   |               |                 | <b>(9,505)</b>  |               |                 | <b>4,501</b> | <b>4,243</b> |
| <b>Total Comprehensive Income &amp; Expenditure</b>                 |               |                 | <b>(11,669)</b> |               |                 | <b>4,122</b> | <b>4,122</b> |

\* Restatement of 2012/13 relates to IAS 19 disclosure changes please refer to Note 3

# Movement in Reserves Statement

For the year ended 31 March 2014

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  | 2013/14         |                   |               | 2012/13         |                   |                |
|---|-----------------|-------------------|---------------|-----------------|-------------------|----------------|
|   | Usable Reserves | Unusable Reserves | Total         | Usable Reserves | Unusable Reserves | Total          |
| <b>At beginning of the year</b>                                 | 15,991          | 8,117             | <b>24,107</b> | 14,196          | 14,033            | <b>28,229</b>  |
| Surplus/(Deficit) on provision of services                      | 2,164           | -                 | <b>2,164</b>  | 379             | -                 | <b>379</b>     |
| Surplus/(Deficit) on revaluation of Property, Plant & Equipment | -               | 3,930             | <b>3,930</b>  | -               | 303               | <b>303</b>     |
| Actuarial (losses)/gains on defined benefit pension scheme      | -               | 5,575             | <b>5,575</b>  | -               | (4,804)           | <b>(4,804)</b> |
| <b>Other Comprehensive Income &amp; (Expenditure)</b>           | -               | 9,505             | <b>9,505</b>  | -               | (4,501)           | <b>(4,501)</b> |
| <b>Total Comprehensive Income &amp; (Expenditure)</b>           | 2,164           | 9,505             | <b>11,669</b> | 379             | (4,501)           | <b>(4,122)</b> |
| Adjustments between accounting basis & funding basis (Note 22)  | 913             | (913)             | -             | 1,416           | (1,416)           | -              |
| Net increase/(decrease) before transfers to Earmarked Reserves  | 3,076           | 8,593             | <b>11,669</b> | 1,795           | (5,916)           | <b>(4,122)</b> |
| Transfers between Reserves                                      | (262)           | 262               | 0             | -               | -                 | -              |
| <b>Increase/(decrease) for the year</b>                         | 2,814           | 8,855             | <b>11,669</b> | 1,795           | (5,916)           | <b>(4,122)</b> |
| <b>At end of the year</b>                                       | 18,805          | 16,972            | <b>35,776</b> | 15,991          | 8,117             | <b>24,107</b>  |

# Movement in Reserves Statement (continued)

For the year ended 31 March 2014

| <b>Usable Reserves 2013/14</b>   | General Fund | Earmarked Reserves | Housing Revenue Account | Capital Receipts Reserve | Capital Grants Unapplied Account | Major Repairs Reserve | Total Usable Reserves |
|--|--------------|--------------------|-------------------------|--------------------------|----------------------------------|-----------------------|-----------------------|
| <i>£000's</i>  |              |                    |                         |                          |                                  |                       |                       |
| <b>At 1 April 2012</b>   | 3,853        | 2,772              | 2,385                   | 3,449                    | 1,723                            | 14                    | <b>14,196</b>         |
| Surplus/(deficit) on provision of services   | (291)        | -                  | 670                     | -                        | -                                | -                     | <b>379</b>            |
| Deficit on revaluation   | -            | -                  | -                       | -                        | -                                | -                     | -                     |
| Actuarial (gains) on defined benefit pension scheme                                  | -            | -                  | -                       | -                        | -                                | -                     | -                     |
| <b>Other Comprehensive Income &amp; Expenditure</b>                                  | -            | -                  | -                       | -                        | -                                | -                     | -                     |
| <b>Total Comprehensive Income &amp; Expenditure for the year ended 31 March 2013</b> | (291)        | -                  | 670                     | -                        | -                                | -                     | <b>379</b>            |
| Adjustments between accounting basis & funding basis (Note 22)                       | 700          | -                  | (368)                   | 445                      | -                                | 639                   | <b>1,416</b>          |
| Net increase/(decrease) before transfers to Earmarked Reserves'                      | 409          | -                  | 301                     | 445                      | -                                | 639                   | <b>1,795</b>          |
| Transfers between Reserves   | 110          | 92                 | -                       | (225)                    | 23                               | -                     | <b>(0)</b>            |
| <b>Increase/(decrease) for the year ended 31 March 2013</b>                          | 519          | 92                 | 301                     | 220                      | 23                               | 639                   | <b>1,795</b>          |
| <b>At 31 March 2013</b>  | 4,372        | 2,864              | 2,686                   | 3,669                    | 1,746                            | 653                   | <b>15,991</b>         |
| Surplus/(deficit) on provision of services   | 343          | -                  | 1,821                   | -                        | -                                | -                     | <b>2,164</b>          |
| Deficit on revaluation   | -            | -                  | -                       | -                        | -                                | -                     | -                     |
| Actuarial (gains) on defined benefit pension scheme                                  | -            | -                  | -                       | -                        | -                                | -                     | -                     |
| <b>Other Comprehensive Income &amp; Expenditure</b>                                  | -            | -                  | -                       | -                        | -                                | -                     | -                     |
| <b>Total Comprehensive Income &amp; Expenditure for the year ended 31 March 2014</b> | 343          | -                  | 1,821                   | -                        | -                                | -                     | <b>2,164</b>          |
| Adjustments between accounting basis & funding basis (Note 22)                       | 1,188        | -                  | (1,696)                 | 586                      | -                                | 835                   | <b>913</b>            |
| Net increase/(decrease) before transfers to Earmarked Reserves'                      | 1,531        | -                  | 124                     | 586                      | -                                | 835                   | <b>3,076</b>          |
| Transfers between Reserves   | 7            | 371                | -                       | (755)                    | (45)                             | 160                   | <b>(262)</b>          |
| <b>Increase/(decrease) for the year ended 31 March 2014</b>                          | 1,538        | 371                | 124                     | (169)                    | (45)                             | 995                   | <b>2,814</b>          |
| <b>At 31 March 2014</b>  | <b>5,910</b> | <b>3,234</b>       | <b>2,810</b>            | <b>3,500</b>             | <b>1,701</b>                     | <b>1,648</b>          | <b>18,805</b>         |

# Movement in Reserves Statement (continued)

For the year ended 31 March 2014

| <b>Unusable Reserves 2013/14</b>   | Capital<br>Adjustment<br>Account | Revaluation<br>Reserve | Pensions<br>Reserve | Deferred<br>Capital<br>Receipts<br>Reserve | Collection<br>Fund<br>Adjustment<br>Account | Accumulating<br>Absences<br>Adjustment<br>Account | Total<br>Unusable<br>Reserves |
|--|----------------------------------|------------------------|---------------------|--|---|---|-------------------------------|
| £000's   |                                  |                        |                     |  |   |   |                               |
| <b>At 1 April 2012</b>   | 30,823                           | 5,227                  | (22,012)            | -  | 13  | (18)  | <b>14,033</b>                 |
| Deficit on provision of services   | -                                | -                      | -                   | -  | -   | -   | -                             |
| Deficit on revaluation   | -                                | 303                    | -                   | -  | -   | -   | <b>303</b>                    |
| Actuarial gains on defined benefit pension scheme                                    | -                                | -                      | (4,804)             | -  | -   | -   | <b>(4,804)</b>                |
| <b>Other Comprehensive Income &amp; Expenditure</b>                                  | -                                | 303                    | (4,804)             | -  | -   | -   | <b>(4,501)</b>                |
| <b>Total Comprehensive Income &amp; Expenditure for the year ended 31 March 2013</b> | -                                | 303                    | (4,804)             | -  | -   | -   | <b>(4,501)</b>                |
| Adjustments between accounting basis & funding basis (Note 22)                       | (1,022)                          | -                      | (395)               | -  | (4)   | 5   | <b>(1,416)</b>                |
| Net (decrease)/increase before transfers to Earmarked Reserves'                      | (1,022)                          | 303                    | (5,199)             | -  | (4)   | 5   | <b>(5,916)</b>                |
| Transfers between Reserves   | 230                              | (230)                  | -                   | -  | -   | -   | -                             |
| <b>(Decrease)/increase for the year ended 31 March 2013</b>                          | <b>(792)</b>                     | <b>74</b>              | <b>(5,199)</b>      | <b>-</b>                                   | <b>(4)</b>                                  | <b>5</b>  | <b>(5,916)</b>                |
| <b>At 31 March 2013</b>  | 30,031                           | 5,301                  | (27,211)            | -  | 9   | (13)  | <b>8,117</b>                  |
| Deficit on provision of services   | -                                | -                      | -                   | -  | -   | -   | -                             |
| Surplus on revaluation   | -                                | 3,930                  | -                   | -  | -   | -   | <b>3,930</b>                  |
| Actuarial (losses) on defined benefit pension scheme                                 | -                                | -                      | 5,575               | -  | -   | -   | <b>5,575</b>                  |
| <b>Other Comprehensive Income &amp; Expenditure</b>                                  | -                                | 3,930                  | 5,575               | -  | -   | -   | <b>9,505</b>                  |
| <b>Total Comprehensive Income &amp; Expenditure for the year ended 31 March 2014</b> | -                                | 3,930                  | 5,575               | -  | -   | -   | <b>9,505</b>                  |
| Adjustments between accounting basis & funding basis (Note 22)                       | 432                              | -                      | (1,022)             | -  | (321)                                       | (1)   | <b>(913)</b>                  |
| Net increase/(decrease) before transfers to Earmarked Reserves'                      | 432                              | 3,930                  | 4,553               | -  | (321)                                       | (1)   | <b>8,593</b>                  |
| Transfers between Reserves   | 541                              | (282)                  | -                   | -  | -   | -   | <b>259</b>                    |
| <b>Increase/(decrease) for the year ended 31 March 2014</b>                          | <b>973</b>                       | <b>3,648</b>           | <b>4,553</b>        | <b>-</b>                                   | <b>(321)</b>                                | <b>(1)</b>  | <b>8,852</b>                  |
| <b>At 31 March 2014</b>  | <b>31,004</b>                    | <b>8,949</b>           | <b>(22,658)</b>     | <b>-</b>                                   | <b>(312)</b>                                | <b>(14)</b>                                       | <b>16,969</b>                 |

# Balance Sheet

As at 31 March 2014

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                         |              | 2014            | 2013            |
|--------------------------------|--------------|-----------------|-----------------|
|                                | <i>Notes</i> |                 |                 |
| Property, Plant & Equipment    | 9            | 104,028         | 101,623         |
| Investment Property            | 10           | 4,285           | 3,975           |
| Intangible Assets              | 11           | -               | -               |
| Long Term Investments          | 12           | 40              | 40              |
| Long Term Receivables          | 14           | 34              | 35              |
| <b>Non Current Assets</b>      |              | <b>108,386</b>  | <b>105,672</b>  |
| Inventories                    | 13           | 98              | 55              |
| Short Term Receivables         | 14           | 2,487           | 1,283           |
| Assets Held for Sale           | 15           | 2,640           | 70              |
| Cash & Cash Equivalents        | 16           | 7,456           | 7,581           |
| <b>Current Assets</b>          |              | <b>12,680</b>   | <b>8,990</b>    |
| <b>TOTAL ASSETS</b>            |              | <b>121,067</b>  | <b>114,662</b>  |
| Short Term Payables            | 17           | (3,492)         | (4,197)         |
| Short Term Borrowing           | 18           | (35)            | (333)           |
| Provisions                     | 19           | (614)           | (352)           |
| <b>Current Liabilities</b>     |              | <b>(4,141)</b>  | <b>(4,882)</b>  |
| Long Term Payables             | 17           | (69)            | (30)            |
| Long Term Borrowing            | 18           | (58,423)        | (58,430)        |
| Pension Deficit                | 32           | (22,659)        | (27,212)        |
| <b>Non Current Liabilities</b> |              | <b>(81,151)</b> | <b>(85,673)</b> |
| <b>TOTAL LIABILITIES</b>       |              | <b>(85,292)</b> | <b>(90,555)</b> |
| <b>NET ASSETS</b>              |              | <b>35,775</b>   | <b>24,108</b>   |
| Usable Reserves                | 20           | (18,805)        | (15,990)        |
| Unusable Reserves              | 21           | (16,970)        | (8,117)         |
| <b>TOTAL RESERVES</b>          |              | <b>(35,775)</b> | <b>(24,107)</b> |

# Notes to the Financial Statements

For the year ended 31 March 2014

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  |              | 2014           | 2013           |
|---|--------------|----------------|----------------|
|   | <i>Notes</i> |                |                |
| <b>Cash generated from operations</b>                       |              |                |                |
| Net Surplus/(Deficit) on the provision of services          |              | 2,164          | 379            |
| Adjustment for non-cash movements:                          |              |                |                |
| Depreciation  | 9            | 3,458          | 3,330          |
| Impairments/(Impairment reversals)                          | 9            | 635            | 1,376          |
| Pension scheme charge                                       | 32           | 2,453          | 1,897          |
| (Profit) from the sale of Property, Plant & Equipment       |              | 72             | (96)           |
| Changes in working capital                                  |              |                |                |
| (Increase)/Decrease in Inventory                            | 13           | (42)           | 26             |
| (Increase)/Decrease in Debtors                              | 14           | (1,935)        | 1,497          |
| Increase/(Decrease) in Provision for Bad Debts              | 14           | 734            | (225)          |
| Increase/(Decrease) in Creditors                            | 17           | (405)          | 1,440          |
|   |              | (1,648)        | 2,738          |
| Employer contributions to pension scheme                    | 32           | (1,431)        | (1,502)        |
| <b>Net cash generated from operations</b>                   |              | <b>5,704</b>   | <b>8,122</b>   |
| <b>Cash flows from investing activities</b>                 |              |                |                |
| Purchase of Property, Plant & Equipment                     | 9            | (6,075)        | (4,086)        |
| Purchase of Investment Properties                           | 10           | -              | -              |
| Proceeds from the sale of Property, Plant & Equipment       | 6            | 548            | 762            |
| <b>Net cash flows from investing activities</b>             |              | <b>(5,527)</b> | <b>(3,324)</b> |
| <b>Cash flows from financing activities</b>                 |              |                |                |
| Proceeds from new Borrowings                                | 18           | -              | -              |
| Repayment of Borrowings                                     | 18           | (305)          | (52)           |
| <b>Net cash flows from financing activities</b>             |              | <b>(305)</b>   | <b>(52)</b>    |
| Net increase in cash & cash equivalents                     |              | (128)          | 4,746          |
| Cash & cash equivalents at the beginning of the period      | 16           | 7,581          | 2,835          |
| <b>Cash &amp; cash equivalents at the end of the period</b> | <b>16</b>    | <b>7,453</b>   | <b>7,581</b>   |

# Notes to the Financial Statements

For the year ended 31 March 2014

## 1. Accounting Policies

### (a) General Principles

The Statement of Accounts summarises the Council's transactions for the 2013/14 financial year and its position as at 31 March 2014. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and the Service Reporting Code of Practice 2013/14, 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 2013, 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 2013/14.

### (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 2014

## 1. Accounting Policies (continued)

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

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

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

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

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

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

- Depreciation attributable to the assets used by the relevant service.
- Revaluation and impairment losses on assets used by the service where 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.

### (f) Employee Benefits

#### Benefits Payable during Employment

Short Term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, annual leave, sick pay and car allowances. These are for current employees and are recognised as expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements, including annual leave, 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 2014

## 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 2014

## 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 2014

## 1. Accounting Policies (continued)

### (h) Financial Instruments

#### Financial Liabilities

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

#### Financial Assets

Financial Assets 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.

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

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

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

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

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

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

# Notes to the Financial Statements (continued)

For the year ended 31 March 2014

## **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 2014

## 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 2013/14 (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 2014

## 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 2014

## 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.

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 2014

## 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 2014

## **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.

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

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

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

# Notes to the Financial Statements (continued)

For the year ended 31 March 2014

## 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:

- **Government Funding:** The Council relies on a significant amount of its total funding coming from central government. Beyond 2015/16, there is uncertainty over the level of this funding due to the national fiscal position and the slow upturn in the national economy. This is reflected in the Council's future financial plan based on the best available information.

In 2013/14, 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 the following provisions in the accounts for 2013/14.
  - £90k for the clawback of housing benefit subsidy by the DWP relating to the 2012/13 claim.
  - £104k for voluntary redundancy which was approved by the Council in March 2014. The officers involved are due to take redundancy at various times during 2014/15.
  - £100k relating to Local Land Charges for personal searches previously held as a contingent liability. The provision relates to a refund of fees for providing environmental data as part of a land or property search following a European Union Directive.
  - £70k for an appeal against refusal for planning permission for houses. This is subject to a public inquiry and the appointment of expert witnesses, legal counsel and potential costs if the appeal is successful.
  - £251k relating to Non Domestic Rates appeals.

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.

# Notes to the Financial Statements (continued)

For the year ended 31 March 2014

## 3. Critical Judgements (continued)

- **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 is one event where there may be a financial cost to the Council in relation to outstanding claims with Municipal Mutual Insurance, as detailed in Note 34.

## 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 2014 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 £89k for the settlement of benefit claw back from the Department of Works and Pension, together with £104k for voluntary redundancy costs. Further provisions have been in 2013/14 for Local Land Personal Search refunds £100K, a Planning Appeal 70K & NNDR appeals for £251k.   |

# Notes to the Financial Statements (continued)

For the year ended 31 March 2014

|   |   |
|---|---|
| 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 2014, but not taken. This was based on the Council's on-line Annual Leave System (ALS) which sets and records leave as it is authorised and taken during the year. Accrued leave was calculated as £14k at 31 March 2014, slightly higher than at 31 March 2013 (£13k).</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> |

|                        |  |
|------------------------|--|
| Bad and Doubtful Debts | <p>The Council has a number of debts outstanding at 31 March 2014. It is likely that a proportion of this debt will not be collectable in the future. Therefore judgements are made to determine the amount that will remain uncollected and this is converted into a sum which is paid into a provision, in order that uncollectable debts can be written off.</p> <p>Debts are categorised into type and profile of the debtor. Judgements are then made, in some instances at an individual level, regarding the size of debt, period outstanding and any payments in place, etc. A percentage is then applied to debts that may not be collected. Generally, the older the debt, the greater the percentage applied. The percentage is also informed by past experience and the current economic climate. Within the overall resources of the Council, a prudent view is taken in calculating a bad debts provision.</p> |
|------------------------|--|

## 5. Material Items of Income and Expense

### Council Restructure

During 2013/14 the Council approved restructures within the Council. This was part of on-going measures to generate budget savings to meet reductions in central funding. The revised structure is due to be implemented during 2014/15.

# Notes to the Financial Statements (continued)

For the year ended 31 March 2014

## 5. Material Items of Income and Expense (continued)

The termination costs for employees who took voluntary redundancy as part of the restructure totalled £104k and were fully accounted for in 2013/14.

### Local Council Tax Support Scheme

The system for financing support for people eligible for Council Tax Benefit changed on 1<sup>st</sup> April 2013. Effectively, the payment of benefits direct to claimants ceased and was replaced by a discount being applied direct to the person's Council Tax bill.

Previously, acting as the administering body, benefits paid direct by the Council were shown within the Cost of Central Services in the Income and Expenditure Statement. These payments were then reclaimed from the Department for Works and Pensions as the responsible body, with the net effect in the Council's accounts being broadly neutral. The gross amount of benefits paid in 2012/13 was approximately £4m and under the new system, these transactions were not applicable from 2013/14.

On 1<sup>st</sup> April 2013, the Council introduced a Local Discount scheme to replace the national system. This had the effect of reducing the Council's overall Tax Base within the Collection Fund. The cost of the new scheme was mainly financed from Government Grant, which was redistributed from the previous system as part of the Council's Revenue Support Grant for 2013/14.

However, the overall grant was not sufficient to cover the cost of the new local scheme. Therefore, the Council reduced entitlement for some claimants to cover the shortfall, although most existing claimants of non-working age and those with disabilities were protected.

## 6. Other Operating Expenditure

| Total<br>£000's  | 2013/14    | 2012/13    |
|--|------------|------------|
| Parish Council Precepts                                  | 603        | 574        |
| Parish Council Tax Support Grant                         | 44         | -          |
| Payments to the Government Housing Capital Receipts Pool | 294        | 160        |
| Profit on disposal of non current assets                 |            |            |
| Normal   | (222)      | (255)      |
| Exceptional (Note 5)                                     | -          | -          |
|  | (222)      | (255)      |
| <b>Total</b>   | <b>719</b> | <b>478</b> |

| (Profits)/losses on the disposal of non current assets<br>£000's | 2013/14      | 2012/13      |
|--|--------------|--------------|
| Net Proceeds from Sale of General Assets                         | -            | -            |
| Net Proceeds from Sale of HRA Assets                             | (880)        | (956)        |
| Disposal Costs   | 108          | 35           |
| Book Value of non current assets sold                            | 550          | 666          |
| <b>Total</b>   | <b>(222)</b> | <b>(255)</b> |

# Notes to the Financial Statements (continued)

For the year ended 31 March 2014

## 6. Other Operating Expenditure (continued)

| Parish Council Precepts<br>£000's | 2013/14    | 2012/13    |
|-----------------------------------|------------|------------|
| Aston-on-Trent                    | 28         | 29         |
| Barrow-on-Trent                   | 9          | 9          |
| Bretby                            | 4          | 4          |
| Burnaston                         | 12         | 13         |
| Castle Gresley                    | 18         | 21         |
| Church Broughton                  | 5          | 5          |
| Coton-in-the-Elms                 | 6          | 6          |
| Dalbury Lees                      | 2          | 2          |
| Egginton                          | 9          | 9          |
| Elvaston                          | 10         | 10         |
| Etwall                            | 36         | 37         |
| Findern                           | 18         | 18         |
| Foston & Scropton                 | 9          | 9          |
| Hartshorne                        | 8          | 10         |
| Hatton                            | 30         | 20         |
| Hilton                            | 130        | 105        |
| Linton                            | 30         | 30         |
| Melbourne                         | 30         | 29         |
| Netherseal                        | 9          | 10         |
| Newton Solney                     | 4          | 4          |
| Overseal                          | 26         | 28         |
| Repton                            | 14         | 14         |
| Rosliston                         | 6          | 6          |
| Shardlow and Great Wilne          | 15         | 16         |
| Smisby                            | 4          | 4          |
| Stenson Fields                    | 6          | 8          |
| Ticknall                          | 11         | 12         |
| Walton-on-Trent                   | 6          | 6          |
| Weston-on-Trent                   | 13         | 13         |
| Willington                        | 54         | 54         |
| Woodville                         | 41         | 33         |
| <b>Total</b>                      | <b>603</b> | <b>574</b> |

# Notes to the Financial Statements (continued)

For the year ended 31 March 2014

## 7. Financing and Investment Income and Expenditure

| Total<br>£000'S   | 2013/14      | 2012/13      | 2012/13<br>Restated |
|---|--------------|--------------|---------------------|
| Interest Payable and Similar Charges                        | 1,632        | 1,608        | 1,608               |
| Interest Receivable and Similar Income                      | (39)         | (35)         | (35)                |
| Net Interest on the Net Defined Benefit Liability           | 1,138        | 810          | 1,068               |
| Income and Expenditure in Relation to Investment Properties | (534)        | (118)        | (118)               |
| <b>Total</b>  | <b>2,197</b> | <b>2,265</b> | <b>2,523</b>        |

| Interest Payable and Similar Charges<br>£000'S | 2013/14      | 2012/13      | 2012/13      |
|--|--------------|--------------|--------------|
| Bank Interest                                  | -            | -            | -            |
| Loan Interest                                  | 1,632        | 1,608        | 1,608        |
| <b>Total</b>                                   | <b>1,632</b> | <b>1,608</b> | <b>1,608</b> |

| Interest Receivable and Similar Income<br>£000'S | 2013/14     | 2012/13     | 2012/13     |
|--|-------------|-------------|-------------|
| Bank Interest                                    | (16)        | (10)        | (10)        |
| Loan Interest                                    | (23)        | (25)        | (25)        |
| <b>Total</b>                                     | <b>(39)</b> | <b>(35)</b> | <b>(35)</b> |

| Net Interest on the Net Defined Benefit Liability<br>£000'S | 2013/14      | 2012/13    | 2012/13      |
|---|--------------|------------|--------------|
| Expected return on assets in the scheme                     | (1,988)      | (2,343)    | (2,085)      |
| Interest cost   | 3,126        | 3,153      | 3,153        |
| <b>Total</b>  | <b>1,138</b> | <b>810</b> | <b>1,068</b> |

| Income and Expenditure in Relation to Investment Properties<br>£000'S | 2013/14      | 2012/13      | 2012/13      |
|---|--------------|--------------|--------------|
| Income including rental income  | (538)        | (436)        | (436)        |
| (Surplus)/deficit on revaluation of investment properties             | (281)        | 10           | 10           |
| Expenditure   | 285          | 308          | 308          |
| <b>Net (income)/expenditure from investment properties</b>            | <b>(534)</b> | <b>(118)</b> | <b>(118)</b> |

Financing & Investment Income and Expenditure, has been restated for 2012/13 for changes in IAS 19 Employee benefits (Note 33) to be adopted from periods ending after 1<sup>st</sup> January 2014.

# Notes to the Financial Statements (continued)

For the year ended 31 March 2014

## 8. Taxation and Non Specific Grant Income

| Total<br>£000's                   | 2013/14         | 2012/13         |
|-----------------------------------|-----------------|-----------------|
| Council Tax Income                | (5,047)         | (5,427)         |
| NNDR Income                       | (2,190)         | -               |
| Revenue Grants                    | -               | (5,222)         |
| Non Ring Fenced Government Grants | (4,875)         | (1,303)         |
| Capital Grants                    | -               | -               |
| <b>Total</b>                      | <b>(12,113)</b> | <b>(11,952)</b> |

| Council Tax Income<br>£000's | 2013/14        | 2012/13        |
|------------------------------|----------------|----------------|
| Current Year                 | (5,047)        | (5,427)        |
| <b>Total</b>                 | <b>(5,047)</b> | <b>(5,427)</b> |

| National Non Domestic Rates (NNDR)<br>£000's | 2013/14        | 2012/13  |
|--|----------------|----------|
| Current Year                                 | (7,910)        | -        |
| Tarriff Payments to DCLG                     | 5,968          | -        |
| Small Business Rates Relief                  | (261)          | -        |
| Business Rate Levy                           | 13             | -        |
| <b>Total</b>                                 | <b>(2,190)</b> | <b>-</b> |

| Revenue Grants<br>£000's           | 2013/14  | 2012/13        |
|------------------------------------|----------|----------------|
| National Non Domestic Rates (NNDR) | -        | (5,222)        |
| <b>Total</b>                       | <b>-</b> | <b>(5,222)</b> |

| Non Ring Fenced Government Grants<br>£000's | 2013/14        | 2012/13        |
|---|----------------|----------------|
| Revenue Support Grant                       | (3,332)        | (101)          |
| Council Tax Freeze Grant                    | (49)           | (121)          |
| Council Tax Transition Grant                | (14)           | -              |
| New Homes Bonus                             | (1,347)        | (970)          |
| New Homes Adjustment Grant                  | (19)           | -              |
| New Burdens Grant                           | (98)           | (84)           |
| Welfare Reform Grant                        | -              | (22)           |
| Community Right to Challenge                | (9)            | -              |
| Community Right to Bid                      | (8)            | (5)            |
| <b>Total</b>                                | <b>(4,875)</b> | <b>(1,303)</b> |

Although overall, there was a small increase in the level of taxation and grant income between 2012/13 and 2013/14, due to a change in the central funding system for Local Authorities, amounts received were classified differently.

# Notes to the Financial Statements (continued)

For the year ended 31 March 2014

## 9. Property, Plant and Equipment

| Year ended 31 March 2014              | Council Dwellings | Land & Buildings | Vehicles, Plant & Equipment | Community Assets | Total          |
|---------------------------------------|-------------------|------------------|-----------------------------|------------------|----------------|
| <i>£000's</i>                         |                   |                  |                             |                  |                |
| <b>Cost or valuation</b>              |                   |                  |                             |                  |                |
| At 1 April 2013                       | 86,677            | 13,140           | 2,875                       | 1,342            | <b>104,034</b> |
| Additions                             | 4,665             | -                | 1,410                       | -                | <b>6,075</b>   |
| Disposals                             | (550)             | (2)              | (27)                        | -                | <b>(580)</b>   |
| Transfers                             | -                 | (104)            | -                           | -                | <b>(104)</b>   |
| Revaluations                          | (3,078)           | 262              | -                           | 3                | <b>(2,814)</b> |
| <b>At 31 March 2014</b>               | <b>87,713</b>     | <b>13,296</b>    | <b>4,258</b>                | <b>1,345</b>     | <b>106,612</b> |
| <b>Depreciation &amp; Impairment</b>  |                   |                  |                             |                  |                |
| At 1 April 2013                       | -                 | (182)            | (2,224)                     | (6)              | <b>(2,412)</b> |
| Charge for the Year                   | (2,722)           | (508)            | (218)                       | (10)             | <b>(3,458)</b> |
| Disposals                             | -                 | 1                | 11                          | -                | <b>11</b>      |
| Impairments                           | (826)             | (33)             | -                           | -                | <b>(859)</b>   |
| Revaluations                          | 3,548             | 577              | -                           | 8                | <b>4,133</b>   |
| <b>At 31 March 2014</b>               | <b>-</b>          | <b>(146)</b>     | <b>(2,431)</b>              | <b>(7)</b>       | <b>(2,584)</b> |
| <b>Net Book Value</b>                 |                   |                  |                             |                  |                |
| <b>At 31 March 2014</b>               | <b>87,713</b>     | <b>13,151</b>    | <b>1,827</b>                | <b>1,338</b>     | <b>104,028</b> |
| At 1 April 2013                       | 86,677            | 12,957           | 651                         | 1,337            | 101,622        |
| Impairments recognised in CIES        | 3,178             | 58               | -                           | -                | <b>3,236</b>   |
| reversed in CIES                      | (2,352)           | (25)             | -                           | -                | <b>(2,377)</b> |
|                                       | 826               | 33               | -                           | -                | <b>859</b>     |
| Revaluations recognised in Other CIES | 470               | 883              | -                           | 11               | <b>1,363</b>   |
| reversed in Other CIES                | -                 | (44)             | -                           | -                | <b>(44)</b>    |
| <b>Total</b>                          | <b>470</b>        | <b>839</b>       | <b>-</b>                    | <b>11</b>        | <b>1,319</b>   |

# Notes to the Financial Statements (continued)

For the year ended 31 March 2014

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

| Year ended 31 March 2013              | Council Dwellings | Land & Buildings | Vehicles, Plant & Equipment | Community Assets | Total          |
|---------------------------------------|-------------------|------------------|-----------------------------|------------------|----------------|
| <i>£000's</i>                         |                   |                  |                             |                  |                |
| <b>Cost or valuation</b>              |                   |                  |                             |                  |                |
| 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)        |
| <b>At 31 March 2013</b>               | <b>86,677</b>     | <b>13,140</b>    | <b>2,875</b>                | <b>1,342</b>     | <b>104,034</b> |
| <b>Depreciation &amp; Impairment</b>  |                   |                  |                             |                  |                |
| 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          |
| <b>At 31 March 2013</b>               | <b>-</b>          | <b>(183)</b>     | <b>(2,224)</b>              | <b>(6)</b>       | <b>(2,413)</b> |
| <b>Net Book Value</b>                 |                   |                  |                             |                  |                |
| <b>At 31 March 2013</b>               | <b>86,677</b>     | <b>12,957</b>    | <b>651</b>                  | <b>1,337</b>     | <b>101,622</b> |
| At 1 April 2012                       | 87,302            | 13,202           | 770                         | 1,234            | 102,508        |
| Impairments recognised in CIES        | (2,932)           | (19)             | -                           | -                | (2,951)        |
|                                       | 1,567             | 19               | -                           | -                | 1,586          |
|                                       | (1,365)           | -                | -                           | -                | (1,365)        |
| Revaluations recognised in Other CIES | 12                | 241              | -                           | 129              | 383            |
|                                       | -                 | (113)            | -                           | (18)             | (131)          |
| <b>Total</b>                          | <b>12</b>         | <b>128</b>       | <b>-</b>                    | <b>111</b>       | <b>251</b>     |

# Notes to the Financial Statements (continued)

For the year ended 31 March 2014

## 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 2014 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  | -                 | -                | 4,258                       | -                | 4,258          |
| Carried at valuation as at: |                   |                  |                             |                  |                |
| 31 March 2014               | 87,713            | 10,739           | -                           | 220              | 98,672         |
| 31 March 2013               | -                 | 2,557            | -                           | 1,125            | 3,683          |
|                             | <b>87,713</b>     | <b>13,296</b>    | <b>4,258</b>                | <b>1,345</b>     | <b>106,612</b> |

The significant assumptions applied in estimating the fair values are:

- a) 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.
- b) That the properties are not subject to any unusual or especially onerous restrictions, encumbrances or outgoings and that good titles can be shown.
- c) 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.
- d) That inspection of those parts which have not been inspected would not cause me to alter my opinion of value.
- e) That the land and properties are not contaminated nor adversely affected by radon.
- f) That no allowances have been made for any rights obligations or liabilities arising from the Defective Premises Act 1972.
- g) 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.
- h) No potentially deleterious or hazardous material was used in the construction of the assets and none has subsequently been incorporated.
- i) The assets are not contaminated nor adversely affected by radon.
- j) 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.
- k) Original documents of title and lease documentation have not been read.

# Notes to the Financial Statements (continued)

For the year ended 31 March 2014

## 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 2014 (2013: £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 2014 are £3,236k. £2,377k of impairments were reversed relating to previous impairments.

## 10. Investment Properties

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

| £000's                                     | 2013/14      | 2012/13      |
|--|--------------|--------------|
| Balance at the beginning of the year       | 3,975        | 4,140        |
| Additions                                  | -            | -            |
| Transfers to Property, Plant and Equipment | (16)         | (155)        |
| Surplus/(Deficit) on revaluation           | 326          | (10)         |
| <b>Balance at the end of the year</b>      | <b>4,285</b> | <b>3,975</b> |

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).

# Notes to the Financial Statements (continued)

For the year ended 31 March 2014

## 10. Investment Properties (continued)

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

## 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 |         |
|---|-------------|----------|---------|---------|
|   | 2014        | 2013     | 2014    | 2013    |
| <b>Investments</b>  |             |          |         |         |
| Loans and receivables                                       | 40          | 40       | -       | -       |
| <b>Debtors</b>  |             |          |         |         |
| Loans and receivables                                       | 34          | 35       | -       | -       |
| Financial assets carried at contract amounts                | -           | -        | 2,488   | 1,283   |
|   | (34)        | 35       | 2,488   | 1,283   |
| <b>Creditors</b>  |             |          |         |         |
| Borrowings (Note 18)  | (59,133)    | (62,803) | (35)    | (333)   |
| Other liabilities (Note 17)                                 | (69)        | (30)     | -       | -       |
| Financial liabilities carried at contract amounts (Note 17) | -           | -        | (3,492) | (4,197) |
|   | (59,201)    | (62,833) | (3,527) | (4,530) |

## 13. Inventories

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

| £000's         | 2014      | 2013      |
|----------------|-----------|-----------|
| Central Stores | 91        | 48        |
| Other          | 7         | 8         |
| <b>Total</b>   | <b>98</b> | <b>55</b> |

# Notes to the Financial Statements (continued)

For the year ended 31 March 2014

## 14. Receivables

| Current                              | 2014         | 2013         |
|--------------------------------------|--------------|--------------|
| <i>£000's</i>                        |              |              |
| Central Government Bodies            | 926          | 204          |
| Other Local Authorities              | 1,159        | 620          |
| Other entities and individuals       | 1,839        | 1,161        |
|                                      | 3,923        | 1,985        |
| Less: Bad Debt Impairment Provisions | (1,436)      | (701)        |
| <b>Total</b>                         | <b>2,488</b> | <b>1,283</b> |

| Non Current                    | 2014      | 2013      |
|--------------------------------|-----------|-----------|
| <i>£000's</i>                  |           |           |
| Other entities and individuals | 34        | 35        |
| <b>Total</b>                   | <b>34</b> | <b>35</b> |

The Council does not generally allow credit for its Trade Debtors, such that £489k (2013: £279k) is past its due date for payment but not provided. The past due amount can be analysed by age as follows:

| Past Due           | 2014       | 2013       |
|--------------------|------------|------------|
| <i>£000's</i>      |            |            |
| Less than 3 Months | 338        | 156        |
| 3 - 6 Months       | 47         | 15         |
| 6 Months - 1 Year  | 24         | 15         |
| More than 1 Year   | 80         | 94         |
| <b>Total</b>       | <b>489</b> | <b>279</b> |

## 15. Assets Held for Sale

| <i>£000's</i>                     | 2014         | 2013      |
|-----------------------------------|--------------|-----------|
| Balance at beginning of the year  | 70           | -         |
| Disposals                         | (70)         | -         |
| Revaluations                      | 2,520        | 52        |
| Transfers                         | 120          | 18        |
| <b>Balance at end of the year</b> | <b>2,640</b> | <b>70</b> |

The asset held for sale related to land at William Nadin Way, Swadlincote. This land is due to be sold in three stages starting mid 2014/15. Land at Pennine Way, Church Gresley held for sale at the end of 2013/14 was sold to Derbyshire County Council during the year.

# Notes to the Financial Statements (continued)

For the year ended 31 March 2014

## 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:

| <i>£000's</i>   | 2014         | 2013         |
|---|--------------|--------------|
| Cash and Bank Balances                                  | 5,414        | 3,069        |
| Short Term Deposits (considered to be cash equivalents) | 2,041        | 4,512        |
| Bank Overdraft  | -            | -            |
| <b>Total</b>  | <b>7,456</b> | <b>7,581</b> |

## 17. Payables

| <i>£000's</i>                  | 2014           | 2013           |
|--------------------------------|----------------|----------------|
| <b>Current</b>                 |                |                |
| Central Government Departments | (373)          | (1,356)        |
| Other Authorities              | (62)           | (26)           |
| All Other Bodies               | (3,082)        | (2,802)        |
| Accumulated Absences           | (14)           | (13)           |
| <b>Total</b>                   | <b>(3,492)</b> | <b>(4,197)</b> |

| <i>£000's</i>      | 2014        | 2013        |
|--------------------|-------------|-------------|
| <b>Non Current</b> |             |             |
| Other              | (69)        | (30)        |
| <b>Total</b>       | <b>(69)</b> | <b>(30)</b> |

## 18. Borrowings

| <i>£000's</i>     | Non Current     |                 | Current     |              |
|-------------------|-----------------|-----------------|-------------|--------------|
|                   | 2014            | 2013 Restated   | 2014        | 2013         |
| Councils          | -               | -               | (28)        | (318)        |
| Other             | (58,423)        | (58,430)        | (7)         | (15)         |
| <b>Book Value</b> | <b>(58,423)</b> | <b>(58,430)</b> | <b>(35)</b> | <b>(333)</b> |
| Fair Value        | (710)           | (4,766)         | -           | -            |
| <b>Fair Value</b> | <b>(59,133)</b> | <b>(63,196)</b> | <b>(35)</b> | <b>(333)</b> |

# Notes to the Financial Statements (continued)

For the year ended 31 March 2014

## 18. Borrowings (continued)

The non current borrowing of £58,423k (2013: £58,430k) consists of the following:

- A loan of £1,000k (2013: £1,000k) that incurs a rate of interest of 4.875% and is due to mature in 2032. 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 (2013: £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 0.57% (2013: 0.62%), with a maturity of 2022.

The current borrowing of £35k (2013: £333k) consists of the following

- An interest free loan of £7k (2013: £15k) repayable in six monthly instalments of £7k, wholly repayable by September 2014;
- A loan from Erewash Borough Council as at 31 March 2013, £0k (2013: £277k) was repaid during 2013/14
- Loans received from various Parish Councils within the South Derbyshire District Council area as at 31<sup>st</sup> March 2014, £27k (2013: £41k).

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.

## 19. Provisions

| Current<br>£000's    | At 1 April   | Increase in<br>provision<br>during year | Utilised<br>during the<br>year | Unused<br>amounts<br>released | Interest<br>charge | At 31 March  |
|----------------------|--------------|---|--------------------------------|-------------------------------|--------------------|--------------|
| <b>2013/14</b>       |              |   |                                |                               |                    |              |
| Personal Searches    | -            | (100)                                   | -                              | -                             | -                  | (100)        |
| Planning Appeal      | -            | (70)                                    | -                              | -                             | -                  | (70)         |
| Benefit Claw Back    | (147)        | (89)                                    | -                              | 147                           | -                  | (89)         |
| NNDR Appeals         | -            | (251)                                   | -                              | -                             | -                  | (251)        |
| Termination Benefits | (205)        | (104)                                   | 205                            | -                             | -                  | (104)        |
|                      | <b>(352)</b> | <b>(614)</b>                            | <b>205</b>                     | <b>147</b>                    | -                  | <b>(614)</b> |
| <b>2012/13</b>       |              |   |                                |                               |                    |              |
| Benefit Claw Back    | (205)        | (147)                                   | -                              | 205                           | -                  | (147)        |
| Termination Benefits | -            | (205)                                   | -                              | -                             | -                  | (205)        |
|                      | <b>(205)</b> | <b>(352)</b>                            | -                              | <b>205</b>                    | -                  | <b>(352)</b> |

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 5 provisions in the accounts for 2013/14. 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 2012/13. Although this matter is still to be fully resolved, there is likely to be some transfer of economic

# Notes to the Financial Statements (continued)

For the year ended 31 March 2014

## 19. Provisions (continued)

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 which was approved by the Council in 2014.

The total cost of voluntary redundancies is estimated at £104k; the officers involved are due to take redundancy at various times during 2014/15. A third provision has been created relating to Local Land Charges for personal search previously held as contingent liability. The provision for £100k relates to a refund of fees for providing environmental data as part of a land or property search following a European Union Directive. A fourth provision was created for an appeal against refusal for planning permission for houses. This provision is subject to a public inquiry and the appointment of expert witnesses, legal counsel and potential costs if the appeal is successful. A fifth provision was created related to Business Rate appeals for £251k.

## 20. Usable Reserves

| £000's  | 2014   | 2013   |
|---|--------|--------|
| General Fund <sup>1</sup>                     | 5,910  | 4,372  |
| Earmarked Reserves <sup>1,2</sup>             | 3,234  | 2,864  |
| HRA <sup>1</sup>                              | 2,810  | 2,686  |
| Capital Receipts Reserve <sup>2</sup>         | 3,500  | 3,669  |
| Capital Grants Unapplied Account <sup>2</sup> | 1,701  | 1,746  |
| Major Repairs Reserve <sup>2</sup>            | 1,648  | 653    |
| Total   | 18,805 | 15,991 |

### 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 2014

## 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                                 | 2014         | 2013         |
|--|--------------|--------------|
| IT Reserve                             | 196          | 212          |
| Revenue Contribution Repton            | 33           | 33           |
| Committed Expenditure Reserve          | 299          | 226          |
| Growth Point Revenue                   | -            | 24           |
| Rosliston Forestry Centre Reserve      | 35           | 24           |
| S106 Capital Receipts                  | 1,034        | 870          |
| Capital Grants Unapplied               | 151          | 151          |
| Dilapidation Deposit (Trelleborg Site) | 261          | 261          |
| Fixed Asset Replacement Fund           | 578          | 647          |
| Innovation Fund                        | 53           | 53           |
| Housing Strategy                       | 51           | 41           |
| Homelessness Prevention                | 177          | 177          |
| Local Council Tax Support Scheme       | 14           | 14           |
| Welfare Reform                         | 17           | 17           |
| Community Right to Buy                 | 13           | 5            |
| Discretionary Housing Payments         | 15           | 15           |
| Environmental Education                | 57           | 57           |
| Schools Sport Partnership Project      | 188          | 39           |
| Heritage Grants                        | 10           | -            |
| Property Records                       | 7            | -            |
| Community Right to Challenge           | 9            | -            |
| Electoral Registration                 | 38           | -            |
| <b>Total</b>                           | <b>3,234</b> | <b>2,864</b> |

| Analysis of transfers to / (from) Earmarked Reserves | 2013/14      | 2012/13      |
|--|--------------|--------------|
| £000's   |              |              |
| Transfers from General Fund                          | 825          | 198          |
| Transfers to General Fund                            | (704)        | (331)        |
| Transfer to Housing Revenue Account                  | -            | -            |
| Transfer from Capital Receipts Reserve               | 250          | 225          |
| Transfers (from) Earmarked Reserves                  | 371          | 92           |
| Balance at beginning of the year                     | 2,864        | 2,772        |
| <b>Balance at end of year</b>                        | <b>3,234</b> | <b>2,864</b> |

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

# Notes to the Financial Statements (continued)

For the year ended 31 March 2014

## 20. Usable Reserves (continued)

- **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.
- **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.
- **Heritage Grants:** contributions set aside to meet the cost of restoring historic buildings in conservation areas.
- **Property Records:** to meet the costs of formatting property data for publication and sharing between public agencies.
- **Community Right to Challenge:** to meet the costs of dealing with public requests to review the way in which the services are procured.
- **Electoral Registration:** to meet the costs of implementing Individual Elector Registration (IER)

# Notes to the Financial Statements (continued)

For the year ended 31 March 2014

## 20. Usable Reserves (continued)

### Capital Receipts Reserve

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

### Capital Grants Unapplied Account

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

| £000's                                  | 2014         | 2013         |
|---|--------------|--------------|
| <b>Planning Specific Grants</b>         |              |              |
| Local Strategic Partnership             | 16           | 16           |
| Tetron Point (Planning Agreement)       | 53           | 53           |
| Swadlincote Woodlands (Commutated Sums) | 51           | 51           |
| Public Open Space (Commutated Sums)     | 453          | 516          |
| Crime and Disorder Partnership          | 442          | 442          |
| Young Peoples' Cultural Partnership     | 42           | 60           |
| Youth Engagement Partnership            | 487          | 456          |
| Get Active in the Forest Partnership    | 112          | 109          |
| Maurice Lea Park                        | 23           | 23           |
| BCU Funding                             | 21           | 21           |
| <b>Total</b>                            | <b>1,701</b> | <b>1,746</b> |

### Major Repairs Reserve

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

A full analysis of the movements is provided in Note 3 to the Housing Revenue Account on page 105.

# Notes to the Financial Statements (continued)

For the year ended 31 March 2014

## 21. Unusable Reserves

| £000's  | 2014          | 2013         |
|---|---------------|--------------|
| Capital Adjustment Account <sup>2</sup>                           | 31,004        | 30,031       |
| Revaluation Reserve <sup>2</sup>                                  | 8,949         | 5,301        |
| Pensions Reserve <sup>1</sup>                                     | (22,658)      | (27,211)     |
| Deferred Capital Receipts Reserve <sup>2</sup>                    | -             | -            |
| Collection Fund Adjustment Account <sup>1</sup>                   | (312)         | 9            |
| Accumulating Compensated Absences Adjustment Account <sup>1</sup> | (14)          | (13)         |
| <b>Total</b>  | <b>16,969</b> | <b>8,117</b> |

### Notes

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

### Capital Adjustment Account

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

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

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

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

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.

# Notes to the Financial Statements (continued)

For the year ended 31 March 2014

## **21. Unusable Reserves (continued)**

### **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.

### **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 2014

## 22. Adjustments between Accounting Basis and Funding Basis under Regulations

| Year ended 31 March 2014  | General Fund | Housing Revenue Account | Capital Receipts Reserve | Capital Grants Unapplied | Major Repairs Reserve | Total          |
|---|--------------|-------------------------|--------------------------|--------------------------|-----------------------|----------------|
| <i>£000's</i>   |              |                         |                          |                          |                       |                |
| <b>Adjustments with the Capital Adjustment Account:</b>                           |              |                         |                          |                          |                       |                |
| Charges for depreciation and impairment of non current assets                     | 667          | 3,650                   | -                        | -                        | -                     | <b>4,317</b>   |
| Revaluation deficits / (surpluses) on:  |              |                         |                          |                          |                       |                |
| · Property, Plant and Equipment   | -            | -                       | -                        | -                        | -                     | -              |
| · Investment Property   | (304)        | (23)                    | -                        | -                        | -                     | <b>(326)</b>   |
| Funding of Covenant Repayment   | -            | -                       | -                        | -                        | -                     | -              |
| Revenue Expenditure Funded by Capital Under Statute                               | 582          | 26                      | (385)                    | (223)                    | -                     | -              |
| Minimum Reserve Position for Capital Funding                                      | (253)        | -                       | -                        | -                        | -                     | <b>(253)</b>   |
| Voluntary Revenue Contribution for Capital Funding                                | (55)         | -                       | -                        | -                        | -                     | <b>(55)</b>    |
| Capital expenditure charged against the General Fund and Housing Revenue Accounts | -            | -                       | -                        | -                        | -                     | -              |
| Cost of disposals funded from capital   | -            | -                       | -                        | -                        | -                     | -              |
| (Profit) / loss on disposal of non current asset disposals                        | (8)          | (322)                   | 880                      | -                        | -                     | <b>550</b>     |
| Transfers between Reserves  | (582)        | (26)                    | 385                      | 223                      | -                     | -              |
| Revenue contribution to finance major repairs                                     | -            | (5,500)                 | -                        | -                        | 5,500                 | -              |
| Use of the Major Repairs Reserve to finance new capital expenditure               | -            | -                       | -                        | -                        | (4,665)               | <b>(4,665)</b> |
|   | 47           | (2,194)                 | 880                      | -                        | 835                   | <b>(432)</b>   |

# Notes to the Financial Statements (continued)

For the year ended 31 March 2014

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

| Year ended 31 March 2014  | General Fund | Housing Revenue Account | Capital Receipts Reserve | Capital Grants Unapplied | Major Repairs Reserve | Total          |
|---|--------------|-------------------------|--------------------------|--------------------------|-----------------------|----------------|
| <i>£000's</i>   |              |                         |                          |                          |                       |                |
| <b>Adjustments with the Pensions Reserve:</b>   |              |                         |                          |                          |                       |                |
| Reversal of items relating to retirement benefit debited or credited to the Comprehensive Income and Expenditure Statement (see Note 32)                              | 1,962        | 491                     | -                        | -                        | -                     | <b>2,453</b>   |
| Employer's pensions contributions and direct payments to pensioners payable in the year   | (1,145)      | (286)                   | -                        | -                        | -                     | <b>(1,431)</b> |
|   | 817          | 205                     | -                        | -                        | -                     | <b>1,022</b>   |
| <b>Adjustments with the Collection Fund Adjustment Account:</b>   |              |                         |                          |                          |                       |                |
| Amount by which Council Tax income & NNDR credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year | 321          | -                       | -                        | -                        | -                     | <b>321</b>     |
| <b>Adjustments with the Accumulating Compensated Absences Adjustment Account:</b>   |              |                         |                          |                          |                       |                |
| Adjustments in relation to Short Term compensated absences  | 2            | (1)                     | -                        | -                        | -                     | <b>1</b>       |
| <b>Other:</b>   |              |                         |                          |                          |                       |                |
| 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   | -            | 294                     | (294)                    | -                        | -                     | -              |
|   | -            | 294                     | (294)                    | -                        | -                     | -              |
| <b>Total</b>  | <b>1,188</b> | <b>(1,696)</b>          | <b>586</b>               | <b>-</b>                 | <b>835</b>            | <b>913</b>     |

# Notes to the Financial Statements (continued)

For the year ended 31 March 2014

## 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>   |              |                         |                          |                          |                       |                |
| <b>Adjustments with the Capital Adjustment Account:</b>                           |              |                         |                          |                          |                       |                |
| Charges for depreciation and impairment of non current assets                     | 608          | 1,365                   | -                        | -                        | 2,722                 | <b>4,695</b>   |
| Revaluation deficits / (surpluses) on:  |              |                         |                          |                          |                       | -              |
| · Property, Plant and Equipment   | -            | -                       | -                        | -                        | -                     | -              |
| · Investment Property   | 10           | -                       | -                        | -                        | -                     | <b>10</b>      |
| Funding of Covenant Repayment   | -            | -                       | -                        | -                        | -                     | -              |
| HRA self-financing debt take-on   | -            | -                       | -                        | -                        | -                     | -              |
| Minimum Reserve Position for Capital Funding                                      | (263)        | -                       | -                        | -                        | -                     | <b>(263)</b>   |
| Capital expenditure charged against the General Fund and Housing Revenue Accounts | 92           | -                       | (159)                    | -                        | -                     | <b>(67)</b>    |
| Cost of disposals funded from capital   | -            | 35                      | (35)                     | -                        | -                     | -              |
| (Profit) / loss on disposal of non current asset disposals                        | -            | (290)                   | 956                      | -                        | -                     | <b>666</b>     |
| 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)               | <b>(4,019)</b> |
|   | 446          | (668)                   | 605                      | -                        | 639                   | <b>1,022</b>   |

# Notes to the Financial Statements (continued)

For the year ended 31 March 2014

## 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>  |              |                         |                          |                          |                       |                |
| <b>Adjustments with the Pensions Reserve:</b>  |              |                         |                          |                          |                       |                |
| Reversal of items relating to retirement benefit debited or credited to the Comprehensive Income and Expenditure Statement (see Note 32)                       | 1,528        | 369                     | -                        | -                        | -                     | <b>1,897</b>   |
| Employer's pensions contributions and direct payments to pensioners payable in the year  | (1,273)      | (229)                   | -                        | -                        | -                     | <b>(1,502)</b> |
|  | 255          | 140                     | -                        | -                        | -                     | <b>395</b>     |
| <b>Adjustments with the Collection Fund Adjustment Account:</b>  |              |                         |                          |                          |                       |                |
| 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            | -                       | -                        | -                        | -                     | <b>4</b>       |
| <b>Adjustments with the Accumulating Compensated Absences Adjustment Account:</b>  |              |                         |                          |                          |                       |                |
| Adjustments in relation to Short Term compensated absences   | (5)          | -                       | -                        | -                        | -                     | <b>(5)</b>     |
| <b>Other:</b>  |              |                         |                          |                          |                       |                |
| 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)                    | -                        | -                     | -              |
| <b>Total</b>   | <b>700</b>   | <b>(368)</b>            | <b>445</b>               | <b>-</b>                 | <b>639</b>            | <b>1,416</b>   |

# Notes to the Financial Statements (continued)

For the year ended 31 March 2014

## 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 2013/14. 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>                          | Environmental & Development Services | Finance & Management | Housing & Community Services | Total         |
|--|--------------------------------------|----------------------|------------------------------|---------------|
| <b>2013/14</b>                         |                                      |                      |                              |               |
| <b>Income</b>                          |                                      |                      |                              |               |
| Fees, charges and other service income | 2,848                                | 5,776                | 13,737                       | <b>22,360</b> |
| Government grants                      | -                                    | -                    | -                            | -             |
|  | <b>2,848</b>                         | <b>5,776</b>         | <b>13,737</b>                | <b>22,360</b> |
| <b>Expenditure</b>                     |                                      |                      |                              |               |
| Employee expenses                      | 3,282                                | 1,910                | 3,470                        | <b>8,662</b>  |
| Other service expenses                 | 4,695                                | 1,859                | 11,621                       | <b>18,175</b> |
|  | <b>7,976</b>                         | <b>3,769</b>         | <b>15,091</b>                | <b>26,837</b> |
| <b>Net Expenditure</b>                 | <b>5,129</b>                         | <b>(2,007)</b>       | <b>1,355</b>                 | <b>4,477</b>  |

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

# Notes to the Financial Statements (continued)

For the year ended 31 March 2014

## 23. Amounts Reported for Resource Allocation Decisions (continued)

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   | 2013/14 | 2012/13 |
|--|---------|---------|
| Net Expenditure in the Directorate Analysis  | 4,477   | 10,445  |
| <b>Add:</b> Amounts included in the Comprehensive Income and Expenditure Statement not reported to management in the Directorate Analysis <sup>1</sup> | 2,877   | 429     |
| <b>Deduct:</b> Amounts included in the Directorate Analysis not reported in the Comprehensive Income and Expenditure Statement <sup>2</sup>            | (320)   | (2,044) |
| Cost of Services in the Comprehensive Income and Expenditure Statement   | 7,034   | 8,830   |

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".
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 2014

## 23. Amounts Reported for Resource Allocation Decisions (continued)

|  | Directorate<br>Analysis | Services and<br>Support<br>Services not in<br>Analysis | Amounts not<br>reported to<br>management<br>for decision<br>making | Amounts not<br>included in<br>Income and<br>Expenditure<br>Account | Allocation of Cost of Services<br>Recharges | Corporate<br>Amounts | <b>Total</b>    |                 |
|--|-------------------------|--|--|--|---|----------------------|-----------------|-----------------|
| <i>£000's</i>  |                         |  |  |  |   |                      |                 |                 |
| <b>2013/14</b>   |                         |  |  |  |   |                      |                 |                 |
| <b>Income</b>  |                         |  |  |  |   |                      |                 |                 |
| Fees, charges and other service income                 | (22,360)                | -  | -  | -  | -   | 4,394                | (862)           | <b>(18,828)</b> |
| Interest and investment income                         | -                       | (39)   | -  | -  | -   | -                    | -               | <b>(39)</b>     |
| Income from Council Tax                                | -                       | -  | -  | -  | -   | -                    | (5,047)         | <b>(5,047)</b>  |
| Income from NNDR                                       | -                       | -  | -  | -  | -   | -                    | (2,190)         | <b>(2,190)</b>  |
| Government grants and contributions                    | -                       | -  | -  | -  | -   | -                    | (4,875)         | <b>(4,875)</b>  |
| Profit on disposal of fixed assets                     | -                       | -  | -  | -  | -   | -                    | (222)           | <b>(222)</b>    |
|  | <b>(22,360)</b>         | <b>(39)</b>  | <b>-</b>   | <b>-</b>   | <b>-</b>                                    | <b>4,394</b>         | <b>(13,197)</b> | <b>(31,202)</b> |
| <b>Expenditure</b>                                     |                         |  |  |  |   |                      |                 |                 |
| Employee expenses                                      | 8,662                   | -  | -  | -  | -   | (116)                | -               | <b>8,546</b>    |
| Other service expenses                                 | 18,175                  | -  | 214  | 285  | -   | (1,892)              | -               | <b>16,782</b>   |
| Depreciation and Impairment (HRA)                      | -                       | -  | -  | -  | -   | -                    | -               | <b>-</b>        |
| Support service recharges                              | -                       | -  | -  | -  | -   | -                    | -               | <b>-</b>        |
| Interest and investment Expenditure                    | -                       | 2,770  | -  | -  | -   | -                    | -               | <b>2,770</b>    |
| Precepts and levies                                    | -                       | 647  | -  | -  | -   | -                    | -               | <b>647</b>      |
| Payments to Housing Capital Receipts Pool              | -                       | 294  | -  | -  | -   | -                    | -               | <b>294</b>      |
| Prior Year Adjustment (Note 33)                        | -                       | -  | -  | -  | -   | -                    | -               | <b>-</b>        |
| Profit on disposal of fixed assets                     | -                       | -  | -  | -  | -   | -                    | -               | <b>-</b>        |
|  | <b>26,837</b>           | <b>3,711</b>   | <b>214</b>   | <b>285</b>   | <b>-</b>                                    | <b>(2,008)</b>       | <b>-</b>        | <b>29,038</b>   |
| <b>(Surplus)/ Deficit on the provision of services</b> | <b>4,477</b>            | <b>3,672</b>   | <b>214</b>   | <b>285</b>   | <b>-</b>                                    | <b>2,386</b>         | <b>(13,197)</b> | <b>(2,164)</b>  |

# Notes to the Financial Statements (continued)

For the year ended 31 March 2014

## 23. Amounts Reported for Resource Allocation Decisions (continued)

|   | Directorate<br>Analysis | Services and<br>Support<br>Services not in<br>Analysis | Amounts not<br>reported to<br>management<br>for decision<br>making | Amounts not<br>included in<br>Income and<br>Expenditure<br>Account | Allocation of Cost of Services<br>Recharges | Corporate<br>Amounts | Total           |
|---|-------------------------|--|--|--|---|----------------------|-----------------|
| <i>£000's</i>   |                         |  |  |  |   |                      |                 |
| 2012/13   |                         |  |  |  |   |                      |                 |
| <b>Income</b>   |                         |  |  |  |   |                      |                 |
| 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)        |
|   | -                       | -  | -  | -  | -   | (96)                 | (96)            |
| <b>Expenditure</b>                                    | <b>(39,939)</b>         | <b>(53)</b>  | <b>(46)</b>  | <b>(35)</b>  | <b>-</b>                                    | <b>(338)</b>         | <b>(52,458)</b> |
| Employee expenses                                     | -                       | -  | -  | -  | -   | -                    | -               |
| Other service expenses                                | 8,689                   | 54   | -  | -  | -   | -                    | 8,743           |
| Depreciation and Impairment (HRA)                     | 41,694                  | -  | 257  | -  | -   | -                    | 41,952          |
| Support service recharges                             | -                       | -  | -  | -  | -   | -                    | -               |
| HRA Self Financing                                    | -                       | -  | -  | -  | -   | -                    | -               |
| Precepts and levies                                   | -                       | -  | -  | 810  | -   | -                    | 810             |
| Payments to Housing Capital Receipts Pool             | -                       | -  | -  | 574  | -   | -                    | 574             |
| Prior Year Adjustment (Note 33)                       | -                       | -  | -  | -  | -   | -                    | -               |
| Loss on disposal of fixed assets                      | -                       | -  | -  | -  | -   | -                    | -               |
|   | 50,383                  | 54   | 257  | 1,384  | -   | -                    | 52,079          |
| <b>(Surplus)/Deficit on the provision of services</b> | <b>10,445</b>           | <b>1</b>   | <b>212</b>   | <b>1,349</b>   | <b>-</b>                                    | <b>(338)</b>         | <b>(379)</b>    |

# Notes to the Financial Statements (continued)

For the year ended 31 March 2014

## 24. Agency Services

The Council carries out one principal area of agency work, the cost of which is reimbursed. Due to a change in working practices, a large part of the previously outsourced work is now being performed in house.

| £000's   | 2013/14    | 2012/13   |
|--|------------|-----------|
| Income from Derbyshire County Council              | 275        | 277       |
| Highways amenity and gully cleaning                | (87)       | (264)     |
| <b>Net surplus arising on the agency agreement</b> | <b>188</b> | <b>13</b> |

## 25. Members' Allowances

During the year Members allowances, including Employer's costs totalled £337k (2012/13: £335k) and are as follows:

| £000's                            | 2013/14    | 2012/13    |
|-----------------------------------|------------|------------|
| Basic Allowance                   | 217        | 215        |
| Telephone Allowance               | 11         | 11         |
| Travel and Subsistence            | 8          | 9          |
| Special Responsibility Allowances | 100        | 100        |
|                                   | <b>337</b> | <b>335</b> |

## 26. Officer's Remuneration

### Remuneration

| £'s                                      |         | Salary, Fees<br>And<br>Allowances | Expenses<br>Allowances<br>(including<br>redundancy) | Pension<br>Contributions | Total   |
|--|---------|-----------------------------------|---|--------------------------|---------|
| Chief Executive                          | 2013/14 | 120,103                           | 1,485   | 26,723                   | 148,311 |
|  | 2012/13 | 111,702                           | 1,477   | 25,144                   | 138,324 |
| Director of Operations                   | 2013/14 | -                                 | -   | -                        | -       |
|  | 2012/13 | 88,188                            | 43,852  | 19,851                   | 151,891 |
| Director of Finance & Corporate Services | 2013/14 | 73,292                            | 1,485   | 16,307                   | 91,084  |
|  | 2012/13 | 65,500                            | 1,477   | 14,744                   | 81,721  |
| Director of Housing & Environmental      | 2013/14 | 71,000                            | 1,485   | 15,798                   | 88,282  |
|  | 2012/13 | 65,500                            | 1,477   | 14,576                   | 81,554  |
| Director of Community & Planning         | 2013/14 | 71,000                            | 1,485   | 15,798                   | 88,282  |
|  | 2012/13 | 64,000                            | 1,477   | 14,406                   | 79,884  |

# Notes to the Financial Statements (continued)

For the year ended 31 March 2014

## 26. Officer's Remuneration (continued)

The Remuneration of Senior Employees' is provided below:

|                      | 2013/14<br>Number | 2012/13<br>Number |
|----------------------|-------------------|-------------------|
| £50,001 to £55,000   | 1                 | 1                 |
| £55,001 to £60,000   | -                 | -                 |
| £60,001 to £65,000   | -                 | 2                 |
| £65,001 to £70,000   | -                 | -                 |
| £70,001 to £75,000   | -                 | -                 |
| £75,001 to £80,000   | -                 | -                 |
| £80,001 to £85,000   | -                 | -                 |
| £85,001 to £90,000   | -                 | -                 |
| £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 | -                 | -                 |
| £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 | -                 | -                 |
|                      | <b>1</b>          | <b>3</b>          |

## Exit Packages

| £000's               | 2013/14  | 2012/13<br>Number | 2013/14    | 2012/13<br>Total Cost Of<br>Exit Packages |
|----------------------|----------|-------------------|------------|---|
| £0 to £20,000        | 2        | 2                 | 15         | 23  |
| £20,001 to £40,000   | 3        | 3                 | 88         | 158                                       |
| £40,001 to £60,000   | -        | -                 | -          | -   |
| £60,001 to £80,000   | -        | 1                 | -          | 100                                       |
| £80,001 to £100,000  | -        | -                 | -          | -   |
| £100,001 to £150,000 | -        | -                 | -          | -   |
| £150,001 to £200,000 | -        | -                 | -          | -   |
|                      | <b>5</b> | <b>6</b>          | <b>103</b> | <b>281</b>                                |

The total cost of redundancies was charged in the Comprehensive Income and Expenditure Statement. All redundancies were voluntary and agreed at Committee in late 2013/14. The officers involved are due take redundancy at various times during 2014/15.

# Notes to the Financial Statements (continued)

For the year ended 31 March 2014

## 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                                       | 2013/14   | 2012/13    |
|--|-----------|------------|
| External Audit Fees                          | 65        | 68         |
| Grant Claim Certification Fees               | 28        | 31         |
| Review of Housing Capital Spend: Phase 1 & 2 | -         | 17         |
| Internal Recharge Work                       | 5         | -          |
| Atlas Implementation                         | 5         | -          |
| Audit Commission Rebate                      | (9)       | (6)        |
| <b>Total</b>                                 | <b>94</b> | <b>112</b> |

## 28. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2013/14:

| £'000  | 2013/14       | 2012/13       |
|--|---------------|---------------|
| <b>Credited to Taxation and Non Specific Grant Income (Note 8)</b> |               |               |
| General Government Grants  | 4,875         | 1,303         |
| Non Domestic Rates   | -             | 5,222         |
| Small Business Rate Relief   | 261           | -             |
|  | <b>5,136</b>  | <b>6,525</b>  |
| <b>Credited to Net Cost of Service</b>                             |               |               |
| Department of Works and Pensions                                   | 18,500        | 17,932        |
| Supporting People  | 310           | 356           |
| Contributions from Developers                                      | 442           | 218           |
| Other  | 719           | 883           |
|  | <b>19,972</b> | <b>19,389</b> |

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                              | 2013/14 | 2012/13 |
|------------------------------------|---------|---------|
| Capital Grants Received in Advance | 117     | 208     |

## 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

# Notes to the Financial Statements (continued)

For the year ended 31 March 2014

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

## **29. Related Parties (continued)**

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.

All members are required to specify relationships that they have such as through employment and directorships, etc. During 2013/14, the Council had no dealings with any companies or organisations declared by the members concerned.

# Notes to the Financial Statements (continued)

For the year ended 31 March 2014

## 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 2013/14 is shown below.

| £000's   | 2013/14       | 2012/13       |
|--|---------------|---------------|
| Capital Financing Requirement at 1 April                       | 69,175        | 69,438        |
| <b>Add: New Borrowing for General Fund Capital Expenditure</b> | 0             | 0             |
| <b>Add: New Borrowing under HRA Self Financing</b>             | 0             | 0             |
| <b>Add: Capital Expenditure</b>                                |               |               |
| Property, Plant and Equipment                                  | 6,075         | 4,086         |
| Investment Properties  | 0             | -             |
| Revenue Expenditure Funded from Capital under Statute          | 1,482         | 1,091         |
|  | 7,557         | 5,177         |
| <b>Less: Source of Finance</b>                                 |               |               |
| Capital Receipts   | (404)         | (158)         |
| Government Grants and Other Contributions                      | (759)         | (665)         |
| Other Contributions  | (368)         | (262)         |
| Direct Revenue Contributions: General                          | (677)         | (219)         |
| HRA  | (4,432)       | (3,842)       |
| Developers S106 Contributions                                  | (30)          | (30)          |
|  | (6,670)       | (5,177)       |
| Direct Revenue Contributions: Minimum Revenue Provision        | (253)         | (263)         |
| Voluntary Revenue Contribution                                 | (55)          | 0             |
| Loans Fund Principal   | (277)         | -             |
|  | (585)         | (263)         |
|  | (7,255)       | (5,440)       |
| <b>Capital Financing Requirement at 31 March</b>               | <b>69,476</b> | <b>69,175</b> |
| <b>Actual Borrowings Outstanding: Gross</b>                    | 58,423        | 58,763        |
| <b>Net (Gross less Investments)</b>                            | 65,879        | 54,251        |

## 31. Leases

Operating leases are used to finance a wide range of equipment, vehicles and plant. The amount paid under such leases in 2013/14 was **£1k** (2012/13: £5k). 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 2013/14 was **£50k** (2012/13: £50k) plus some other minor commercial properties. The total future cash payments required under these leases are estimated at **£588k** (2013: £635k).

The Council was committed at 31 March 2014 to making payments of **£588k** (2013:£635k) under operating leases, comprising the following elements:

# Notes to the Financial Statements (continued)

For the year ended 31 March 2014

## 31. Leases (continued)

| £000's                   |                          |                               | 2014       |                          |                               | 2013       |
|--------------------------|--------------------------|-------------------------------|------------|--------------------------|-------------------------------|------------|
|                          | Other Land and Buildings | Vehicles, Plant and Equipment | Total      | Other Land and Buildings | Vehicles, Plant and Equipment | Total      |
| Within one year          | 52                       | -                             | 52         | 51                       | -                             | 51         |
| Between two & five years | 205                      | -                             | 205        | 204                      | -                             | 204        |
| After five years         | 332                      | -                             | 332        | 380                      | -                             | 380        |
|                          | <b>588</b>               | -                             | <b>588</b> | <b>635</b>               | -                             | <b>635</b> |

The Council rents some properties to tenants under lease arrangements. Amounts receivable under these leases in 2013/14 was **£597k** (2012/13: £499k). The asset value of these properties at 31 March 2014 was **£4,285k** (2013: £3,975k).

## 32. Defined Benefit Pension Schemes

### Nature of the Scheme

The Local Government Pension Scheme is available for Local Government in England and Wales. All employees are bought into the scheme unless they choose the option to opt out. South Derbyshire District Council is part of the Derbyshire Local Government Pension Scheme, the scheme is administered by the Derbyshire County Council Pension Section.

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

As the administering body Derbyshire County Council has a statutory responsibility for administering the pension scheme under the Local Government Pension Scheme Regulations and associated legislation under Sections 7,12 & 24 of the Superannuation Act 1972, this is delegated to the Pensions Committee.

### Participation in the Local Authority Pension Scheme

As part of the terms and conditions of employment of its officers and other employees, the council offers retirement benefits. Although these benefits will not actually be payable until the employees retire, the Council has a commitment to make the payments that need to be disclosed at the time 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 lines 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 2014

## 32. Defined Benefit Pension Schemes (continued)

| <i>£000's</i>  | 2013/14        | 2012/13<br>Restated |
|--|----------------|---------------------|
| <b>Included in Net Cost of Services:</b>   |                |                     |
| Current Service Cost   | 1,268          | 1,018               |
| Past Service Cost/(Gain) including curtailments  | 47             | 16                  |
| Pension Strain   | -              | 53                  |
|  | 1,315          | 1,087               |
| <b>Included in Financing and Investment Income and Expenditure</b>                       |                |                     |
| Interest income on plan assets   | (1,988)        | (2,085)             |
| Interest cost on defined benefit obligations   | 3,126          | 3,153               |
|  | 1,138          | 1,068               |
| <b>Net charge/(credit) to the Comprehensive Income and Expenditure Account</b>           | 2,453          | 2,155               |
| <b>Other Comprehensive Income and Expenditure</b>  |                |                     |
| Changes in demographic assumptions   | (446)          | 732                 |
| Changes in financial assumptions   | 886            | 7,501               |
| Other Experience   | (4,352)        | (3,687)             |
| Return on assets excluding amounts included in net interest                              | (1,663)        | -                   |
| <b>Total</b>   | (5,575)        | 6,701               |
| <b>Adjustments Between Accounting Basis and Funding Basis under Regulations</b>          |                |                     |
| Reversal of Net (Credits)/Charges made for Retirement Benefits in Accordance with IAS 19 | (2,453)        | (1,897)             |
| <b>Actual Amount Charged Against the General Fund Balance for Pensions in the Year</b>   |                |                     |
| Employers' Contributions Payable to the Scheme   | 1,431          | 1,502               |
| <b>Net (credit)/charge to the General Fund</b>   | <b>(1,022)</b> | <b>(395)</b>        |

The Current Service Cost figures include an allowance for administration expenses of 0.20% (2012/13 0.16%)

| <i>£000's</i>  | 2013/14  | 2012/13  |
|--|----------|----------|
| <b>Reconciliation of the Present Value of the Scheme Liabilities</b> |          |          |
| Balance at 1 April   | (75,061) | (65,033) |
| Current Service Cost   | (1,268)  | (1,018)  |
| Interest Cost on Defined Benefit Obligation                          | (3,126)  | (3,153)  |
| Contributions by Members   | (353)    | (357)    |
| Changes in Demographic Assumptions                                   | 446      | (732)    |
| Changes in Financial Assumptions                                     | (886)    | (7,501)  |
| Past Service (Costs) including curtailments                          | (47)     | (16)     |
| Pension Strain   | -        | (53)     |
| Other Experience   | 4,352    |          |
| Estimated Benefits Paid  | 2,596    | 2,658    |
| Unfunded Benefits  | 152      | 144      |
| Balance at 31 March  | (73,195) | (75,061) |

# Notes to the Financial Statements (continued)

For the year ended 31 March 2014

## 32. Defined Benefit Pension Schemes (continued)

| Reconciliation of the Present Value of the Scheme Assets<br>£000's | 2013/14 | 2012/13 |
|--|---------|---------|
| Balance as at 1 April  | 47,850  | 43,021  |
| Interest Income on Plan Assets                                     | 1,988   | 2,085   |
| Contributions by Members   | 353     | 357     |
| Contributions by Employer  | 1,279   | 1,358   |
| Contributions in respect of unfunded benefits                      | 152     | 144     |
| Return on Assets excluding amounts included in net interest        | 1,663   | 3,687   |
| Estimated Benefits Paid  | (2,596) | (2,658) |
| Unfunded Benefits Paid   | (152)   | (144)   |
| Balance at 31 March  | 50,537  | 47,850  |

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.

### Analysis of scheme assets and liabilities

| £000's                                      | 2014     | 2013     | 2012     | 2011     | 2010     |
|---|----------|----------|----------|----------|----------|
| Fair Value of Assets in Pension Scheme      | 50,537   | 47,850   | 43,021   | 43,130   | 44,626   |
| Present Value of Defined Benefit Obligation | (73,195) | (75,061) | (65,033) | (60,575) | (70,792) |
| (Deficit) in the Scheme                     | (22,658) | (27,211) | (22,012) | (17,445) | (26,166) |

# Notes to the Financial Statements (continued)

For the year ended 31 March 2014

## 32. Defined Benefit Pension Schemes (continued)

### Major categories of plan assets

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

|   | 2014   | 2014   | 2014          | 2014 | 2013   | 2013   | 2013          | 2014 |
|---|--|--|---------------|------|--|--|---------------|------|
|   | Quoted<br>Prices in<br>Active<br>Markets<br>£000 | Quoted<br>Prices not<br>in Active<br>Markets<br>£000 | Total<br>£000 | %    | Quoted<br>Prices in<br>Active<br>Markets<br>£000 | Quoted<br>Prices not<br>in Active<br>Markets<br>£000 | Total<br>£000 | %    |
| <b>Equity Securities:</b>                 |  |  |               |      |  |  |               |      |
| Consumer                                  | 4,358  | 0  | 4,358         | 9    | 3,742  | -  | 3,742         | 8    |
| Manufacturing                             | 7,159  | 0  | 7,159         | 14   | 6,919  | -  | 6,919         | 14   |
| Energy & Utilities                        | 4,510  | 0  | 4,510         | 9    | 4,123  | -  | 4,123         | 9    |
| Financial Institutions                    | 8,783  | 0  | 8,783         | 17   | 7,802  | -  | 7,802         | 16   |
| Health & Care                             | 2,687  | 0  | 2,687         | 5    | 2,443  | -  | 2,443         | 5    |
| Information Technology                    | 1,408  | 0  | 1,408         | 3    | 1,347  | -  | 1,347         | 3    |
| Other                                     | 742  | 0  | 742           | 1    | 596  | -  | 596           | 1    |
| <b>Government Bonds:</b>                  |  |  |               |      |  |  |               |      |
| Corporate Bonds (investment grade)        | 251  | 0  | 251           | 0    | 262  | -  | 262           | 1    |
| UK Government                             | 6,276  | 0  | 6,276         | 12   | 6,616  | -  | 6,616         | 14   |
| Other                                     | 1,470  | 0  | 1,470         | 3    | 1,257  | -  | 1,257         | 3    |
| <b>Private Equity:</b>                    |  |  |               |      |  |  |               |      |
| All                                       | 248  | 142  | 390           | 1    | 257  | 141  | 397           | -    |
| <b>Real Estate</b>                        |  |  |               |      |  |  |               |      |
| UK property                               | 1,496  | 879  | 2,375         | 5    | 1,489  | 787  | 2,276         | 5    |
| <b>Investment Funds &amp; Unit Trusts</b> |  |  |               |      |  |  |               |      |
| Equities                                  | 5,505  | 103  | 5,608         | 11   | 5,296  | 94   | 6,239         | 11   |
| Bonds                                     | 0  | 1,493  | 1,493         | 3    | -  | 1,325  | 1,325         | 3    |
| Infrastructure                            | 0  | 222  | 222           | 1    | -  | 214  | 214           | -    |
| <b>Cash &amp; Cash Equivalents</b>        |  |  |               |      |  |  |               |      |
| All                                       | 2,805  | 0  | 2,805         | 6    | 3,142  | -  | 3,142         | 7    |
|   | 47,698   | 2,839  | 50,537        | 100  | 45,289   | 2,561  | 48,699        | 100  |

# Notes to the Financial Statements (continued)

For the year ended 31 March 2014

## 32. Defined Benefit Pension Schemes (continued)

The liabilities show the underlying commitments that the Council has in the long-term to pay retirement benefits. The total liability of £73,195k (2013: £75,061k) has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in a net liability of £22,658k (2013: £27,211k).

However, statutory arrangements for funding the deficit meant 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.

### Basis for estimating assets and liabilities

Liabilities have been assessed by an actuarial 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.

|  | 2013/14       | 2012/13       |
|--|---------------|---------------|
| <b>Mortality Assumptions:</b>  |               |               |
| Men  | 22.0<br>years | 22.2<br>years |
| Women  | 24.2<br>years | 24.8<br>years |
| <b>Longevity at 65 for Future Pensioners:</b>                                |               |               |
| Men  | 24.1<br>years | 24.0<br>years |
| Women  | 26.6<br>years | 26.8<br>years |
| <b>Principal Assumptions in the Valuation of the Liability</b>               |               |               |
| Inflation / Rate of Increase in Pensions                                     | 2.80%         | 2.40%         |
| Rate of Increase in Salaries   | 3.60%         | 4.15%         |
| Discount Rate  | 4.30%         | 4.20%         |
| <b>Take-up of option to convert annual pension into retirement lump sum:</b> |               |               |
| Service to April 2009  | 50%           | 50%           |
| Service post April 2009  | 75%           | 50%           |

### Information about the Defined Benefit Obligation

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

| Change in assumptions at 31 March 2014: | Liability Spli<br>% | Weighted Average<br>Duration |
|---|---------------------|------------------------------|
| Active Members                          | 35.40               | 23.20                        |
| Deferred Members                        | 20.20               | 23.30                        |
| Pensioner Members                       | 44.40               | 11.70                        |
|   | <b>100.00</b>       | <b>17.70</b>                 |

# Notes to the Financial Statements (continued)

For the year ended 31 March 2014

## 32. Defined Benefit Pension Schemes (continued)

### Sensitivity Analysis

The sensitivity analysis shows the effect a change in financial assumptions used would have on the value of the scheme liabilities as at 31 March 2014 on varying basis.

To quantify the uncertainty around life expectancy a calculation was completed on a 1 year increase in life expectancy for sensitivity purposes giving approximate 3% increase in cost of benefits. In practice the actual cost of a one year increase would depend on the structure of the revised assumption for example are survival rates predominantly apply at younger or older ages.

| Change in assumptions at 31 March 2014:   | Approximate % Increase to Employer Liability | Approximate monetary amount £000 |
|---|--|----------------------------------|
| 0.5% decrease in Real Discount Rate       | 9.0  | 6,856                            |
| 1 year increase in Member Life Expectancy | 3.0  | 2,194                            |
| 0.5% increase in Salary Increase Rate     | 2.0  | 1,669                            |
| 0.5% increase in Pension Increase Rate    | 7.0  | 5,144                            |

### Projected Defined Benefit Cost for the Period 31 March 2015

The Projected Defined Benefit is analysis of the projected amount to be charged to the operating profit for the period to the 31<sup>st</sup> March 2015.

| Period Ended 31 March 2015                  | Assets       | Obligations  | Net (Liability)/asset |           |
|---|--------------|--------------|-----------------------|-----------|
|   | £000         | £000         | £000                  | % of pay  |
| Projected Service Cost                      | 0            | 1,299        | (1,299)               | 24        |
| Past Service Cost including curtailments    | 0            | 0            | 0                     |           |
| Effects of settlements                      | 0            | 0            | 0                     |           |
| <b>Total Service Cost</b>                   | <b>0</b>     | <b>1,299</b> | <b>(1,299)</b>        | <b>24</b> |
| Interest Income on plan assets              | 2,153        | 0            | 2,153                 | 40        |
| Interest cost on defined benefit obligation | 0            | 3,122        | (3,122)               | 59        |
| <b>Total Net Interest Cost</b>              | <b>2,153</b> | <b>3,122</b> | <b>(969)</b>          | <b>18</b> |
| <b>Total Included in Profit &amp; Loss</b>  | <b>2,153</b> | <b>4,421</b> | <b>(2,268)</b>        | <b>43</b> |

## 33. Prior Year Adjustment

A prior year adjustment has been made to the Comprehensive Income and Expenditure Statement for a change in accounting standard IAS19 Employee Benefits. The changes bring in new classes of components of defined benefit cost that are recognised in the financial statements, and new definitions or recognition criteria for service costs and termination benefits.

The Council's pensions advisors have provided estimates of the effect of the changes, and the Council has shown these in a restated comparative Comprehensive Income and Expenditure Statement; the changes mean that 'Financing & Investment Income & Expenditure' has increased by £258k while 'Other Comprehensive Income and Expenditure' has gone down by the same amount, leaving the 'Total Comprehensive Income and Expenditure' unchanged.

## 34. Events after the Balance Sheet Date

There have been no events occurring between the Balance Sheet date of 31 March 2014 and the date the accounts are audited, approved and signed off that have a bearing on the financial results.

# Notes to the Financial Statements (continued)

For the year ended 31 March 2014

## 35. Contingent Liabilities

### 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

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 31<sup>st</sup> 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 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 required 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 31<sup>st</sup> 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 gave a Levy of £12,247, which was paid in 2013/14.

# Notes to the Financial Statements (continued)

For the year ended 31 March 2014

## 35. Contingent Liabilities (continued)

Although this payment on its own has not materially affected 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.

### National Non Domestic Rate Appeals

Under the new Business Rates Retention System for financing local councils, introduced for 2013/14, the Council has been required, for the first time, to make a separate provision for outstanding appeals by local businesses against their rating liability. These appeals have been lodged with the relevant government agency (the Valuation Office) and if successful, would reduce the amount of income due to the Council.

The Council's provision for these known appeals has been made on the basis that they will all be upheld, which is considered to be a prudent approach. Some appeals are likely to be rejected and therefore, this will release the provision in future years.

It is possible that future appeals will be made by local businesses as valuations are changed by the District Valuer. Although there is a likelihood of this occurring, it is not possible to quantify the amount or value. In addition, there are no specific issues known about any local business that may give rise to a future appeal.

Therefore, no provision has been made in the accounts for future appeals that may or may not arise. The overall provision will be reviewed each year and adjusted depending on any new appeals that have actually arisen, together with those current appeals that have been unsuccessful.

## 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:

# Notes to the Financial Statements (continued)

For the year ended 31 March 2014

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

- 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.

### **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.

# Notes to the Financial Statements (continued)

For the year ended 31 March 2014

## 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 2014

## 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   | 2013/14         | 2012/13         | 2012/13<br>Restated |
|--|-----------------|-----------------|---------------------|
| General  | 1,300           | 1,058           | 1,058               |
| Special  | 782             | 681             | 681                 |
| Rents, rates & taxes   | 28              | 30              | 30                  |
| HRA Subsidy Payable (incl. MRA)  | -               | -               | -                   |
| Depreciation & Impairment of NCA's                                       | 3,602           | 4,087           | 4,087               |
| Provision for Bad Debts  | 67              | 45              | 45                  |
| <b>Supervision &amp; Management</b>                                      | <b>5,781</b>    | <b>5,901</b>    | <b>5,901</b>        |
| Repairs & Maintenance  | 2,668           | 3,285           | 3,285               |
| <b>Total Expenditure before Exceptional Items</b>                        | <b>8,448</b>    | <b>9,186</b>    | <b>9,186</b>        |
| Cost of HRA Self Financing (Exceptional Item)                            | -               | -               | -                   |
| <b>Total Expenditure</b>   | <b>8,448</b>    | <b>9,186</b>    | <b>9,186</b>        |
| Dwelling Rents   | (11,674)        | (11,062)        | (11,062)            |
| Non-Dwelling Rents   | (107)           | (101)           | (101)               |
| Charges for Services & Facilities  | (177)           | (89)            | (89)                |
| Contributions towards Expenditure  | (5)             | (40)            | (40)                |
| External Grants  | -               | -               | -                   |
| Supporting People  | (310)           | (356)           | (356)               |
| <b>Total Income</b>  | <b>(12,274)</b> | <b>(11,648)</b> | <b>(11,648)</b>     |
| <b>Net Cost of HRA Services as included in the Comprehensive I&amp;E</b> | <b>(3,826)</b>  | <b>(2,463)</b>  | <b>(2,463)</b>      |
| HRA share of Corporate & Democratic Core                                 | 187             | 104             | 104                 |
| HRA share of other amounts included in Cost of Services                  | -               | 29              | 29                  |
| <b>Net Cost of HRA Services</b>  | <b>(3,639)</b>  | <b>(2,330)</b>  | <b>(2,330)</b>      |
| Losses/(Gains) on sale of HRA non current assets                         | (27)            | (96)            | (96)                |
| Interest payable and similar charges                                     | 1,631           | 1,608           | 1,608               |
| HRA investment income  | (12)            | (14)            | (14)                |
| Pensions interest cost & expected return on pension assets               | 227             | 162             | 110                 |
| <b>Surplus for Year on HRA Services</b>                                  | <b>(1,821)</b>  | <b>(670)</b>    | <b>(721)</b>        |

# Housing Revenue Account

For the year ended 31 March 2014

## 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.

|  | 2013/14      | 2012/13      |
|--|--------------|--------------|
| Balance at the beginning of the year                                       | 2,686        | 2,385        |
| Surplus/(Deficit) for the year on the HRA Income and Expenditure Statement | 1,821        | 670          |
| Adjustments between accounting and funding basis under regulations         | (1,696)      | (368)        |
| Net decrease before transfers to Earmarked Reserves                        | 124          | -            |
| Transfer to Earmarked Reserves   | -            | 301          |
| Decrease for the year on the HRA   | 124          | 301          |
| <b>Balance at the end of the year</b>                                      | <b>2,810</b> | <b>2,686</b> |

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

|  | 2013/14        | 2012/13        |
|--|----------------|----------------|
| <b>Items included in the HRA Income and Expenditure Account but excluded from the movement on HRA Balance for the year</b>   |                |                |
| Revaluation and impairment of non current assets <sup>1</sup>  | 3,650          | 1,365          |
| Retirement benefits charged/(credited) <sup>2</sup>  | 491            | 369            |
| (Gains)/losses on sale of HRA non current assets <sup>1,3</sup>  | (27)           | (96)           |
| HRA Self Financing Settlement Payment made to the Secretary of State <sup>1</sup>  | -              | -              |
|  | <b>4,113</b>   | <b>1,638</b>   |
| <b>Items not included in the HRA Income and Expenditure Account but included in the movement on HRA Balance for the year</b> |                |                |
| Transfers to Major Repairs Reserve <sup>4</sup>  | -              | -              |
| Revenue contribution to finance major repairs  | (5,500)        | (1,778)        |
| Employer's contributions payable to the Pensions Fund and retirement benefits payable direct to pensioners <sup>2</sup>      | (286)          | (229)          |
|  | <b>(5,786)</b> | <b>(2,007)</b> |
| <b>Net additional amount required by statute to be debited or (credited) to the HRA for the year</b>                         | <b>(1,673)</b> | <b>(368)</b>   |

### 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 2014

## 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 2014, totalled 3,008 (2013: 3,024) properties. The type of properties were as follows:

|           | 2013/14      | 2012/13      |
|-----------|--------------|--------------|
| Houses    | 1,583        | 1,598        |
| Flats     | 789          | 790          |
| Bungalows | 636          | 636          |
|           | <b>3,008</b> | <b>3,024</b> |

Dwelling houses within the Housing Revenue Account are valued in accordance with the RICS Appraisal and Valuation Manual, as published by the Royal Institution of Chartered Surveyors, and DCLG guidance. Accordingly the Existing Use Value for Social Housing (EUV-SH) has been used as the basis of valuation. The beacon approach to valuation of the housing stock has been adopted as recommended by the 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 2014 was **£257,979k** (2013: £255,498k). 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   | 2013/14      | 2012/13    |
|--|--------------|------------|
| Balance at the beginning of the year   | 653          | 14         |
| Depreciation   | 2,825        | 2,722      |
| Use of Capital Receipts Reserve  | 160          | 158        |
| Revenue Contribution for Capital   | 5,500        | 1,778      |
| Amount transfer to the Major Repairs Reserve for capital expenditure on HRA Land, Houses and Other Property      | 8,485        | 4,658      |
| Capital expenditure  | (7,490)      | (4,019)    |
| Reversal of MRR allowance credited to the HRA <sup>1</sup>   | -            | -          |
| Amount transferred from the Major Repairs Reserve for capital expenditure on HRA Land, Houses and Other Property | (7,490)      | (4,019)    |
| <b>Balance at the end of the year</b>  | <b>1,648</b> | <b>653</b> |

Notes

1. Transfers to / from the Housing Revenue Account

# Notes to the Housing Revenue Account

For the Year Ended 31 March 2014

## 4. Property, Plant and Equipment

| Year ended 31 March 2014              | Council Dwellings | Land and Buildings | Vehicles, Plant and Equipment | Total Property, Plant and Equipment | Investment Properties | Total         |
|---------------------------------------|-------------------|--------------------|-------------------------------|-------------------------------------|-----------------------|---------------|
| £000's                                |                   |                    |                               |                                     |                       |               |
| <b>Cost or valuation</b>              |                   |                    |                               |                                     |                       |               |
| At 1 April 2013                       | 86,677            | 2,086              | 102                           | 88,864                              | 170                   | 89,034        |
| Additions                             | 4,665             | -                  | -                             | 4,665                               | -                     | 4,665         |
| Disposals                             | (550)             | (2)                | -                             | (552)                               | -                     | (552)         |
| Transfers                             | -                 | -                  | -                             | -                                   | -                     | -             |
| Revaluations                          | (3,078)           | 52                 | -                             | (3,027)                             | 23                    | (3,004)       |
| <b>At 31 March 2014</b>               | <b>87,713</b>     | <b>2,136</b>       | <b>102</b>                    | <b>89,950</b>                       | <b>193</b>            | <b>90,143</b> |
| <b>Depreciation and Impairment</b>    |                   |                    |                               |                                     |                       |               |
| At 1 April 2013                       | -                 | (89)               | (68)                          | (157)                               | -                     | (157)         |
| Charge for the Year                   | (2,722)           | (78)               | (25)                          | (2,825)                             | -                     | (2,825)       |
| Disposals                             | -                 | 1                  | -                             | 1                                   | -                     | 1             |
| Transfers                             | -                 | -                  | -                             | -                                   | -                     | -             |
| Impairments                           | -                 | -                  | -                             | -                                   | -                     | -             |
| Revaluations                          | 2,722             | 166                | -                             | 2,888                               | -                     | 2,888         |
| <b>At 31 March 2014</b>               | <b>-</b>          | <b>-</b>           | <b>(93)</b>                   | <b>(93)</b>                         | <b>-</b>              | <b>(93)</b>   |
| <b>Net Book Value</b>                 |                   |                    |                               |                                     |                       |               |
| <b>At 31 March 2014</b>               | <b>87,713</b>     | <b>2,136</b>       | <b>9</b>                      | <b>89,857</b>                       | <b>193</b>            | <b>90,050</b> |
| At 1 April 2013                       | 86,677            | 1,998              | 34                            | 88,707                              | 170                   | 88,877        |
| Impairments recognised in CIES        | (3,178)           | -                  | -                             | (3,178)                             | -                     | (3,178)       |
| reversed in CIES                      | 2,352             | 1                  | -                             | 2,352                               | -                     | 2,352         |
|                                       | (826)             | 1                  | -                             | (825)                               | -                     | (825)         |
| Revaluations recognised in Other CIES | 470               | 217                | -                             | 686                                 | -                     | 686           |
| recognised in Other CIES              | -                 | -                  | -                             | -                                   | -                     | -             |
|                                       | 470               | 217                | -                             | 686                                 | -                     | 686           |

# Notes to the Housing Revenue Account

For the Year Ended 31 March 2014

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

| Year ended 31 March 2013              | Council Dwellings | Land and Buildings | Vehicles, Plant and Equipment | Total Property, Plant and Equipment | Investment Properties | Total         |
|---------------------------------------|-------------------|--------------------|-------------------------------|-------------------------------------|-----------------------|---------------|
| £000's                                |                   |                    |                               |                                     |                       |               |
| <b>Cost or valuation</b>              |                   |                    |                               |                                     |                       |               |
| 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)       |
| <b>At 31 March 2013</b>               | <b>86,677</b>     | <b>2,086</b>       | <b>102</b>                    | <b>88,864</b>                       | <b>170</b>            | <b>89,034</b> |
| <b>Depreciation and Impairment</b>    |                   |                    |                               |                                     |                       |               |
| 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         |
| <b>At 31 March 2013</b>               | <b>-</b>          | <b>(89)</b>        | <b>(68)</b>                   | <b>(157)</b>                        | <b>-</b>              | <b>(157)</b>  |
| <b>Net Book Value</b>                 |                   |                    |                               |                                     |                       |               |
| <b>At 31 March 2013</b>               | <b>86,677</b>     | <b>1,998</b>       | <b>34</b>                     | <b>88,707</b>                       | <b>170</b>            | <b>88,877</b> |
| 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 2014

## 5. Capital Expenditure

| £000's                    | 2013/14 | 2012/13 |
|---------------------------|---------|---------|
| <b>Capital Investment</b> |         |         |
| Operational Assets        | 4,662   | 4,019   |
|                           | 4,662   | 4,019   |
| <b>Sources of Funding</b> |         |         |
| External Grants           | 123     | -       |
| Capital Receipts          | -       | 158     |
| Other Contributions       | -       | -       |
| HRA Reserve               | 4,539   | 3,861   |
|                           | 4,662   | 4,019   |

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.

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

| £000's                                    | 2013/14 | 2012/13 |
|---|---------|---------|
| Land                                      | -       | -       |
| Council Homes                             | (872)   | (956)   |
| Other Property                            | -       | -       |
|   | (872)   | (956)   |
| Less: Pooled (paid to Central Government) | 294     | 160     |
|   | (578)   | (797)   |

## 7. Rent Arrears

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

| £000's                 | 2014 | 2013 |
|------------------------|------|------|
| Current Tenant Arrears | 207  | 204  |
| Former Tenant Arrears  | 180  | 115  |
| Total Tenant Arrears   | 386  | 319  |

## 8. Provision for Bad and Doubtful Debts

The provision for bad and doubtful debts relating to the Housing Revenue Account is **£246k** (2013: £179k).

## 9. Depreciation and Impairment of Fixed Assets

The Dwellings in the Housing Revenue Account were valued as at **£257,979k**. After taking account of houses sold in 2013/14 and the Social Housing Discount Factor, the vacant possession value of the remaining dwellings at 31 March 2014 was **£87,713k** (2013: £86,677k). The lower figure of **£86,713k** 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 credited with **£826k** (2012/13: £1,365k) for the reversal of previous year impairments. This gain has been transferred to the Capital Adjustment Account.

# Notes to the Housing Revenue Account

For the Year Ended 31 March 2014

## 9. Depreciation and Impairment of Fixed Assets (continued)

The Housing Revenue Account assets were valued as at 31 March 2014; 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 **£2,825k** (2013: £2,722k) has been charged. This figure is made up of **£2,722k** (2013: £2,616k) for Council Dwellings; the other **£103k** (2013: £106k) 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.

## 10. Pension Costs

As part of the terms and conditions of employment of its officers, the Council offers retirement benefits. Although these benefits will not actually be payable until employees retire, the 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.

## 11. Central Costs

During the year, an internal review was undertaken of the apportionment of central services, senior management and other corporate costs between the General Fund and the HRA.

This included a review of 20 cost categories covering services such as HR, ICT, Finance and Customer Services, etc., together with the core management and democratic costs of the Council.

The review aimed to ensure that there was a fair and reasonable charge for these services in the HRA in accordance with accounting regulations, given recent changes to the structure of the Council and the implementation of self-financing in the HRA from 2012/13.

The review found that some apportionments into the HRA should reduce, but there were several areas where the existing apportionments did not reflect revised service provision. In addition, there were several central and indirect housing costs where there was no apportionment.

The final outcome of the review apportioned additional costs of approximately £200,000 to the HRA from the General Fund in 2013/14; this will be an on-going recharge in future years.

# Collection Fund Account

For the year ended 31 March 2014

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 and the General Fund.

| £000's   | 2013/14         | 2012/13         |
|--|-----------------|-----------------|
| Council Tax Income   | (44,151)        | (43,013)        |
| Transfers from General Fund:   |                 |                 |
| Council Tax Benefit  | -               | (4,952)         |
| Income collectable from Business Ratepayers                            | (22,015)        | (21,749)        |
|  | (22,015)        | (26,701)        |
| <b>Total Income</b>  | <b>(66,166)</b> | <b>(69,714)</b> |
| Precepts   | 43,514          | 47,488          |
| Business Rates:  |                 |                 |
| Precept Payments   | 20,730          | 21,658          |
| Cost of Collection   | 91              | 91              |
|  | <b>20,821</b>   | <b>21,749</b>   |
| Write-offs of uncollectable amounts                                    | 1,800           | 335             |
| Provision for NNDR Appeals   | 627             | -               |
| Contribution towards previous year's estimated Collection Fund Surplus | -               | 173             |
| <b>Total Expenditure</b>   | <b>66,762</b>   | <b>69,745</b>   |
| <b>Movement on Fund Balance</b>  | <b>597</b>      | <b>31</b>       |

The Collection Fund balances for 2013/14 was £358k surplus for Council Tax and an NNDR deficit of £886k, equating to a balance £528k on the Collection Fund.

# Notes to Collection Fund Account

For the year ended 31 March 2014

## 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) 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.
- b) 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.

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                               | 2013/14        | 2012/13       |
|-----------------------------------|----------------|---------------|
| Derbyshire County Council         | 262,322        | 61,415        |
| Derbyshire Police Authority       | 39,117         | 9,158         |
| Derbyshire Fire Authority         | 16,359         | 3,830         |
|                                   | 317,798        | 74,403        |
| South Derbyshire District Council | 40,931         | 9,583         |
|                                   | <b>358,729</b> | <b>83,986</b> |

## 2. Council Tax Valuation Bands

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

For the year ended 31 March 2014

## 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         | 117                            |
|      |                                |                 | <b>32,194</b>                  |

## 4. Council Tax Precepts and Demands

| 2013/14<br>£000's                 | Precept       | Surplus  | Total         |
|-----------------------------------|---------------|----------|---------------|
| Derbyshire County Council         | 31,626        | 0        | 31,626        |
| South Derbyshire District Council | 5,014         | 0        | 5,014         |
| Derbyshire Police Authority       | 4,901         | 0        | 4,901         |
| Derbyshire Fire Authority         | 1,972         | 0        | 1,972         |
| <b>Total Income</b>               | <b>43,514</b> | <b>0</b> | <b>43,514</b> |

| 2012/13<br>£000's                 | Precept       | Surplus    | Total         |
|-----------------------------------|---------------|------------|---------------|
| 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         |
| <b>Total Income</b>               | <b>47,488</b> | <b>173</b> | <b>47,661</b> |

# Notes to Collection Fund Account

For the year ended 31 March 2014

## 5. 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 2013/14 the amount was **46.2p** (2012/13: 45.8p). The Council is responsible for collecting rates due from the ratepayers in its area.

The total rateable value at 31 March 2014 was **£54,799,635** (2012: £55,051,365).

The total Non Domestic Rates collected is no longer paid over to The Government from 2013/14 it is shared on the following basis;

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

The deficit 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                               | 2013/14    | 2012/13  |
|-----------------------------------|------------|----------|
| Derbyshire County Council         | 80         | -        |
| Government                        | 443        | -        |
| Derbyshire Fire Authority         | 9          | -        |
|                                   | 532        | 0        |
| South Derbyshire District Council | 355        | -        |
|                                   | <b>886</b> | <b>0</b> |

## 6. Non-Domestic Rate Demands

| £'s                               | 2013/14       | 2012/13  |
|-----------------------------------|---------------|----------|
| Derbyshire County Council         | 1,866         | -        |
| Government                        | 10,365        | -        |
| Derbyshire Fire Authority         | 207           | -        |
|                                   | 12,438        | 0        |
| South Derbyshire District Council | 8,292         | -        |
|                                   | <b>20,730</b> | <b>0</b> |

# 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 (NDR)**

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.