F B McArdle,
Chief Executive,
South Derbyshire District Council,
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Our Ref: DS
Your Ref:

18th July 2018

Dear Councillor,

**Finance and Management Committee**

A Meeting of the **Finance and Management Committee** will be held in the **Council Chamber (Special)**, on **Thursday, 26 July 2018** at **18:00**. You are requested to attend.

Yours faithfully,

Frank McArdle

Chief Executive

To:- **Conservative Group**
Councillor Harrison (Chairman), Councillor Mrs Plenderleith (Vice-Chairman) and Councillors Billings, Mrs Coyle, Ford, Hewlett, Smith, Watson and Wheeler
.
**Labour Group**
Councillors Rhind, Richards, Southerd and Taylor

**AGENDA**

**Open to Public and Press**


| | | |
|---|---|---|
| **1** | Apologies and to note any Substitutes appointed for the Meeting. | |
| **2** | To receive the Open Minutes of the following Meetings:- | |
| | Finance and Management Committee 14th June 2018 Open Minutes | **4 - 8** |
| | Audit Sub-Committee 30th May 2018 Open Minutes | **9 - 12** |
| **3** | To note any declarations of interest arising from any items on the Agenda | |
| **4** | To receive any questions by members of the public pursuant to Council Procedure Rule No.10. | |
| **5** | To receive any questions by Members of the Council pursuant to Council procedure Rule No. 11. | |
| **6** | Reports of Overview and Scrutiny Committee | |
| **7** | BUDGET OUT-TURN and FINAL ACCOUNTS 2017-18 | **13 - 40** |
| **8** | TREASURY MANAGEMENT ANNUAL REPORT 2017-18 | **41 - 61** |
| **9** | ACCOUNTS and FINANCIAL STATEMENTS 2017-18 | **62 - 178** |
| **10** | BETTER CARE FUNDING ALLOCATION 2018-19 | **179 - 188** |
| **11** | THE LOCAL AUTHORITIES' PROPERTY FUND | **189 - 193** |
| **12** | PLANNING AND LAND CHARGES SOFTWARE | **194 - 209** |

13 COMMITTEE WORK PROGRAMME **210 - 216**

**Exclusion of the Public and Press:**

**14** The Chairman may therefore move:-

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

**15** To receive the Exempt Minutes of the following Meetings:-

Finance and Management Committee 14th June 2018 Exempt Minutes

Audit Sub-Committee 30th May 2018 Exempt Minutes

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

**17** IMPLICATIONS OF THE COMPLETION OF SINFIN LANE WASTE TREATMENT FACILITY ON THE COUNCIL'S WASTE COLLECTION SERVICE

**18** AUDIT OF THE HOUSING BENEFITS SUBSIDY CLAIM

**19** MELBOURNE SPORTS PARK – LAND DRAINAGE MATTERS

# FINANCE AND MANAGEMENT COMMITTEE

14th June 2018

**PRESENT:-**

**Conservative Group**
Councillor Harrison (Chairman), Councillor Mrs Plenderleith (Vice-Chairman) and Councillors Billings, Mrs Coyle, Ford, Hewlett, Stanton (substituting for Councillor Smith) Watson and Wheeler

**Labour Group**
Councillors Rhind, Southerd Taylor and Wilkins (substituting for Councillor Richards)

## FM/1 APOLOGIES

Apologies were received from Councillor Smith (Conservative Group) and Councillor Richards (Labour Group).

## FM/2 MINUTES

The Open Minutes of the Meeting held on 3rd May 2018 were taken as read, approved as a true record and signed by the Chairman.

## FM/3 DECLARATIONS OF INTEREST

Councillor Wheeler declared a pecuniary interest in Item 26 of the Agenda by virtue of a donation made to his wife's Member of Parliament fighting fund.

Councillor Mrs Plenderleith left the Chamber at 6.05pm to clarify the position regarding declarations. On the Councillor's return at 6.15pm, she confirmed that a donation had been made to the Member of Parliament's fighting fund and not to the Conservative Association nor for the District Council Elections, and advised that on this basis, no further declarations were required.

## FM/4 QUESTIONS FROM MEMBERS OF THE PUBLIC PURSUANT TO COUNCIL PROCEDURE RULE NO 10

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

## FM/5 QUESTIONS BY MEMBERS OF THE COUNCIL PURSUANT TO COUNCIL PROCEDURE RULE NO 11

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

## FM/6 REPORTS OF OVERVIEW AND SCRUTINY COMMITTEE



The Committee was informed that no reports had been received.

## MATTERS DELEGATED TO COMMITTEE

FM/7 **CORPORATE PLAN 2016-21: PERFORMANCE REPORT (2017-18)**

The Strategic Director (Corporate Resources) presented the report to Committee highlighting achievements including the decrease in the average time taken in processing new benefit claims and areas requiring improvement which included mandatory training and the implementation of personal development reviews.

The Chairman sought clarification on the average time taken nationally in processing new benefit claims; the Director confirmed this to be 17-18 days.

A discussion ensued in relation to mandatory training. It was clarified that these were areas of training identified internally as mandatory.

Councillor Mrs Plenderleith returned to the Chamber at 6.15pm

***RESOLVED:***

***The Committee noted the progress against performance targets.***

FM/8 **SERVICE PLANS 2018/19**

The Strategic Director (Corporate Resources) presented the report to Committee.

***RESOLVED:***

***The Committee approved the Service Plans for Corporate Resources and the Chief Executive's Directorate as the basis for overall service delivery over the period 1 April 2018 to 31 March 2019.***

FM/9 **CORPORATE EQUALITIES ANNUAL REPORT 2017/18 AND ACTION PLAN 2018/19**

The Strategic Director (Corporate Resources) presented the report to Committee.

***RESOLVED:***

***The Committee approved:-***

***1.1 The publication of the Corporate Equalities Annual Report for 2017/18, as attached at Appendix A to the report.***

***1.2 The Corporate Equalities and Safeguarding Action Plan for 2018/19, as attached at Appendix B to the report.***

FM/10 **ANNUAL HEALTH AND SAFETY REPORT 2017/18 AND ACTION PLAN 2018/19**

The Strategic Director (Corporate Resources) presented the report to Committee highlighting that any issues had been discussed in detail at the Employee Health and Safety Committee.

***RESOLVED:***

***The Committee reviewed the key health and safety achievements and performance for the year ending March 2018 and endorsed the Health and Safety Action Plan that sets down the priority actions for 2018/19.***

FM/11 **SICKNESS ABSENCE 2017/18**

The Strategic Director (Corporate Resources) presented the report to Committee.

Concerns were raised that the figure had risen for the second consecutive year and clarification was sought on how absence related to mental health sickness is handled and supported.

The Chairman requested that future reports on this matter include the wording 'having due regard to the needs of the business' in paragraph 3.11; which was accepted by the Director.

***RESOLVED:***

***The Committee approved:-***

***1.1 The planned actions detailed in section 4 of the report to improve attendance levels across the Council.***

***1.2 That an update on absence levels is reported on a quarterly basis to this Committee to ensure performance is monitored and actions taken to work towards an average target of 8 days lost per employee.***

FM/12 **CONSULTATION ANNUAL REPORT 2017/18 AND ACTION PLAN 2018/19**

The Strategic Director (Corporate Resources) presented the report to Committee.

***RESOLVED:***

***The Committee noted the key consultation achievements for 2017/18 in Appendix A to the report and agreed the Consultation Action Plan for 2018/19, as attached in Appendix B to the report.***

FM/13 **COMMUNICATIONS ANNUAL REPORT 2017/18 AND OBJECTIVES 2018/19**

The Chief Executive presented the report to Committee
Councillor Ford welcomed the report highlighting the increase to £1.76 million income from transactional payments made through the website demonstrated the Council are delivering what customers/residents want.

***RESOLVED*:**

***The Committee noted:-***

***1.1 The Annual Communications Dashboard for 2017/18, as detailed in Appendix A to the report.***

***1.2 The updated Communications Strategy 2016-2021, as shown in Appendix B to the report and approved the refreshed objectives for 2018/19.***

FM/14 **COMMENTS, COMPLIMENTS, COMPLAINTS & FREEDOM OF INFORMATION REQUESTS 01 OCTOBER 2017 TO 31 MARCH 2018**

The Strategic Director (Corporate Resources) presented the report to Committee.

The Chairman requested that for future reports, the comments and compliments be added as a link in the report. It was noted pursuant to Council's Access to Information Procedure Rules, such information would require publication and it was agreed this would be detailed through a link within the report

***RESOLVED*:**

***The Committee considered and noted the comments, compliments, complaints and FOI requests, as detailed in the report.***

FM/15 **COMMITTEE WORK PROGRAMME**

***RESOLVED*:**

***The Committee considered and approved the updated work programme.***

FM/16 **LOCAL GOVERNMENT ACT 1972 (AS AMENDED BY THE LOCAL GOVERNMENT [ACCESS TO INFORMATION] ACT 1985)**

***RESOLVED*:-**

***That, in accordance with Section 100(A)(4) of the Local Government Act 1972 (as amended), the press and public be excluded from the remainder of the Meeting as it is likely, in view of the nature of the business to be transacted or the nature of the proceedings, that there would be disclosed exempt information as defined in the paragraphs of Part 1 of the Schedule 12A of the Act indicated in brackets after each item.***

***MINUTES***

***The Exempt Minutes of the Meeting held on 3rd May 2018 were received.***

***TO RECEIVE QUESTIONS FROM MEMBERS OF THE COUNCIL PURSUANT TO COUNCIL PROCEDURE RULE NO. 11***

***The Committee was informed that no questions had been received.***

***COMMUNITY SPORT ACTIVATION OFFICER (Paragraph 2)***

***Members approved the recommendation in the report.***

***PLANNING SERVICE REVIEW (Paragraph 1)***

***Members approved the recommendations in the report.***

***PAY AND GRADING REVIEW – DOWNGRADED POSTS (Paragraph 2)***

***Members approved the recommendations in the report.***

***STENSON FIELDS COMMUNITY FACILITY (Paragraph 3)***

***Members approved the recommendations in the report.***

***ROSLISTON FORESTRY CENTRE (Paragraphs 2 & 3)***

***Members approved the recommendations in the report.***

***LAND IN REPTON (Paragraph 3)***

***Members approved the recommendation in the report.***

***APPLICATION FOR DISCRETIONARY RATE RELIEF (Paragraph 3)***

***Members approved the recommendation in the report.***

***LAND IN CHURCH GRESLEY (Paragraph 3)***

***Members approved the recommendation in the report.***

The meeting terminated at 7.20pm.

COUNCILLOR J HARRISON

CHAIRMAN

OPEN

AUDIT SUB-COMMITTEE: SPECIAL

30th May 2018

**PRESENT:-**

**Conservative Group**
Councillor Grant (Chairman) and Councillor Atkin (Vice-Chairman)

**Labour Group**
Councillor Shepherd

AS/1 **APOLOGIES**

Apologies were received from Councillor Dunn (Labour Group)

AS/2 **MINUTES**

The Open Minutes of the Meeting held on 21st March 2018 were taken as read, approved as a true record and signed by the Chairman.

AS/3 **DECLARATIONS OF INTEREST**

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

AS/4 **TO RECEIVE ANY QUESTIONS FROM MEMBERS OF THE PUBLIC PURSUANT TO COUNCIL PROCEDURE RULE NO.10**

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

AS/5 **TO RECEIVE ANY QUESTIONS FROM MEMBERS OF THE COUNCIL PURSUANT TO COUNCIL PROCEDURE RULE NO.11**

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

**MATTERS DELEGATED TO SUB-COMMITTEE**

AS/6 **INTERNAL AUDIT PROGRESS REPORT**

The internal auditor presented the report to the Sub-Committee, highlighting the current position relating to the whistleblowing matters, with 19 of the 24 recommendations now in place, the remaining five due to be implemented later in the year. The Chairman requested that a written interim report be submitted to the next meeting of the Sub-Committee on 25th July 2018.

Members also raised comments or queries relating to audit tasks being carried forward, the postal voting system and any General Data Protection Regulation impact upon it, as well as the dry waste recycling contract. All matters were addressed by the internal auditor and the Strategic Director (Corporate Resources).

***RESOLVED:-***
***Members considered the report of the Audit Manager and agreed that any issues identified be referred to the Finance and Management Committee or subject to a follow-up report as appropriate.***

AS/7 **INTERNAL AUDIT ANNUAL REPORT 2017/18**

The internal auditor presented the report to the Sub-Committee, expanding on the reasons why the audit opinion was an ‘Adequate system of internal control subject to reservations’.

***RESOLVED:-***

***Members considered and noted the Annual Internal Audit Opinion for 2017/18.***

AS/8 **LOCAL CODE OF CORPORATE GOVERNANCE REVIEW 2017/18**

The Strategic Director (Corporate Resources) presented the report to the Sub-Committee, detailing the work to be undertaken on ethical matters and a peer review planned for the later part of 2018/ .

***RESOLVED:-***

***1.1 Members approved the review against the Council’s Local Code of Corporate Governance for 2017/18, as detailed in Appendix 1 to the report.***

***1.2 Members approved progress on the work plan to strengthen the Council’s governance arrangements in 2017/18, as detailed in Appendix 2 to the report.***

AS/9 **ANNUAL GOVERNANCE STATEMENT 2017/18**

The Strategic Director (Corporate Resources) presented the report to the Sub-Committee.

Councillor Atkin relayed his disappointment with the number of internal matters reviewed by the Overview and Scrutiny Committee. Councillor Shepherd made reference to the Scheme of Delegation and issues relating to the Infinity Garden Village project, as raised at Annual Council earlier in the month, feeling unable to support this item.

***RESOLVED:-***

***1.1 Members approved the referral of the Annual Governance Statement (AGS) for the year ended 31st March 2018 to the Finance and Management Committee and agreed to its publication within the Statement of Accounts for 2017/18.***

***1.2 Members authorised the Leader of the Council and Chief Executive Officer to sign the Annual Governance Statement.***

Councillor Shepherd requested that his vote against this item be recorded.

AS/10 **ANTI-FRAUD AND CORRUPTION PLAN 2018/19**

The Strategic Director (Corporate Resources) presented the report to the Sub-Committee.

The Chairman queried the current volume of Right-to-Buy applications, to which the Strategic Director (Corporate Resources) informed the Sub-Committee that in the region of 20 applications were still being processed per annum.

***RESOLVED:-***

***Members approved the proposed Anti-Fraud and Corruption Plan, as attached to the report.***

AS/11 **COMMITTEE WORK PROGRAMME**

***RESOLVED:-***

***Members considered and approved the updated work programme.***

AS/12 **LOCAL GOVERNMENT ACT 1972 (AS AMENDED BY THE LOCAL GOVERNMENT [ACCESS TO INFORMATION] ACT 1985)**

***RESOLVED:-***

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

***Schedule 12A of the Act indicated in the header to each report on the Agenda.***

**MINUTES**

***The Exempt Minutes of the Meeting held on 21st March 2018 were received.***

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

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

The Meeting terminated at 4.55pm.

COUNCILLOR J GRANT

CHAIRMAN

| | | |
|---|---|---|
| **REPORT TO:** | **FINANCE AND MANAGEMENT COMMITTEE: SPECIAL – FINAL ACCOUNTS** | **AGENDA ITEM: 7** |
| **DATE OF MEETING:** | **26th JULY 2018** | **CATEGORY: RECOMMENDED** |
| **REPORT FROM:** | **STRATEGIC DIRECTOR (CORPORATE RESOURCES)** | **OPEN** |
| **MEMBERS' CONTACT POINT:** | **KEVIN STACKHOUSE**<br>**01283 595811**<br>**Kevin.stackhouse@south-derbys.gov.uk** | **DOC:** s/finance/committee/2017-18/July/budget outturn report 2018 |
| **SUBJECT:** | **BUDGET OUT-TURN and FINAL ACCOUNTS 2017/18** | **REF:** |
| **WARD (S) AFFECTED:** | **ALL** | **TERMS OF REFERENCE: FM 08** |

## 1.0 Recommendations

1.1 To approve the final out-turn position for:

- The General Fund Revenue Account 2017/18
- The Housing Revenue Account 2017/18
- Capital Expenditure and Financing 2017/18
- The Collection Fund 2017/18
- The Balance of Reserves and Provisions at 31st March 2018.

1.2 That a net appropriation of £599,071 in 2017/18 is made from the General Fund Reserve to other Earmarked Reserves as detailed in the report.

1.3 That the Committee note the following contributions and adjustments have been made to Bad Debt and Appeal Provisions in 2017/18:

| | | |
|---|---|---|
| Sundry Debtors | 84,978 | General Fund |
| Temporary Accommodation | 21,828 | General Fund |
| Housing Benefit Overpayments | 100,135 | General Fund |
| Council Tax Arrears | -7,661 | General Fund |
| Business Rates Arrears | 58,065 | General Fund |
| Business Rates Appeals | -171,121 | General Fund |
| Planning Appeals | 5,500 | General Fund |
| Housing Rent Arrears | 48,168 | HRA |

## 2.0 Purpose of Report

2.1 To detail the final out-turn position for 2017/18 on the Council's main revenue and capital accounts. The report also details the financial position on these accounts as at 31st March 2018 compared to that estimated in the Council's Medium-Term Financial Plan (MTFP).

**Background – The Accounts Process**

2.2 Following changes to the Accounts and Audit Regulations, the timetable for completing and submitting the Council's Accounts was brought forward for the financial year 2017/18. In accordance with the new timetable, the Council's Draft Annual Accounts and Financial Statements (prior to Audit) were signed-off by the Chief Finance Officer for External Audit on 31st May 2018 (previously this was 30th June each year).

2.3 The Accounts were audited during June and July 2018. During this interim period, the Draft Accounts were also made available for inspection, with the Auditor themselves, being available to receive questions and comments direct from the Public, for the period 1st June to 10th July 2018 inclusive.

2.4 The Auditor's detailed report and opinion on the Accounts and Financial Statements was considered by the Audit Sub Committee on 25th July. The final Audited Accounts are subject to a separate report to this Committee. As part of that report, the Auditor's opinion on the Accounts will be confirmed.

2.5 The Accounts and Financial Statements are prepared and reported to fulfil statutory requirements and are based on approved accounting standards. The Statements provide detail regarding the Council's assets and liabilities and analyse income and expenditure for the year.

2.6 This budget out-turn report summarises the financial performance against the Council's approved budgets on the General Fund, Housing Revenue and Capital Accounts. It also provides details of the Collection Fund position, together with details of provisions and reserves.

2.7 This report is divided into the following sections:

- Section 3 – General Fund Revenue Account and Collection Fund 2017/18
- Section 4 – Housing Revenue Account 2017/18
- Section 5 – Capital expenditure and financing 2017/18
- Section 6 – Provisions and reserves as at 31st March 2018

- Appendix 1 - General Fund Account 2017/18
- Appendix 2 – The Collection Fund 2017/18
- Appendix 3 – Earmarked reserves 2017/18
- Appendix 4 – Service Plan Financial Indicators 2017/18

## 3.0 GENERAL FUND REVENUE ACCOUNT

3.1 Apart from Council Housing, day-to-day income and expenditure on Council services is accounted for in the General Fund. The net expenditure is financed by:

- General Government Grant
- Retained Business Rates
- New Homes Bonus
- Council Tax

3.2 The Budget for 2017/18, which was approved in February 2017, estimated a budget surplus of £482,058 for 2017/18. Following the update of the Medium-term Financial Plan (MTFP) in February 2018, this was revised to a surplus of £876,205 as summarised in the following table

| | |
|---|---|
| **Net Expenditure on Services** | 11,391,630 |
| Reverse out Depreciation | -783,025 |
| Minimum / Voluntary Revenue Provisions | 345,428 |
| Contingent Sums | 102,274 |
| **Total Estimated Spend** | **11,056,308** |
| Financing | -11,932,513 |
| **Updated General Fund Surplus 2017/18** | **-876,205** |

### Final Budget Out-turn 2017/18 - Summary

3.3 **Appendix 1** details the final out-turn on the General Fund for 2017/18 with a comparison to the approved budget.

3.4 The appendix shows that the General Fund achieved a surplus, after appropriations, of £1,610,312 for the year. This was approximately £734k greater than budgeted.

3.5 This level of variance was higher than expected and previously reported, and was mainly due to a higher level of Business Rates income than forecast (£728k). The third quarter's monitoring reported to the Committee in March 2018 forecast a surplus of £794k.

3.6 There are several items that are accounted for in the General Fund's income and expenditure account, but are then adjusted through earmarked reserves. This includes additional expenditure associated with the Planning Service, Homelessness Prevention and receipts from asset sales.

### Overview of Income and Expenditure 2017/18

3.7 Although there was an overall surplus, this was after meeting some additional cost pressures. Many of the variances have been reported in monitoring reports during the year, with actual figures now finalised. An analysis of the major variances is shown in the following tables with further commentary in the sections that follow.

**Summary of main variances compared to the budget**

| **Favourable variances** | **£'000** |
|---|---|
| Additional Business Rates income | -728 |
| Salary savings (vacancies, maternity leave etc.) | -262 |
| Additional savings in Corporate Services | -216 |
| Unbudgeted grant income received | -125 |
| Lettings from Industrial and Commercial Units (lower void units) | -79 |
| Additional County Council contributions | -59 |
| Additional Elections income | -58 |
| Bed & Breakfast reduced cost per case | -55 |
| Additional Investment income (mainly from the Property Fund Deposit) | -52 |
| Additional unbudgeted income across the Council | -45 |
| Lower Vehicle and Plant costs | -32 |
| Contingent Sum savings | -31 |
| Increased Licensing fee income | -27 |
| Bulky Waste transferred in-house saving | -26 |
| Members allowances and expenses | -20 |
| Increased Cemeteries income | -17 |
| Additional Land Charges income | -14 |
| **Total Favourable Variances** | **-1,846** |

| **Adverse variances** | |
|---|---|
| Interim consultancy costs | 205 |
| Vehicle Hire | 173 |
| Waste and Cleansing agency staff | 171 |
| Bad Debt Provision unbudgeted | 107 |
| Reduced HRA recharges (this is a credit in the HRA) | 97 |
| Additional Housing Benefit costs | 68 |
| Gulley cleaning costs unbudgeted | 65 |
| Redundancy provision | 64 |
| Agency and temporary staff | 48 |
| Business Rates costs | 43 |
| Processing charges for Revenues and Benefits | 40 |
| Additional Bin Purchases due to Growth | 31 |
| Building Control reduced Income | 20 |
| **Total Adverse Variances** | **1,132** |

| | |
|---|---|
| Total Major Variances - Favourable less Adverse | -714 |
| All Other Variances | -20 |
| **Total Net Variance - Overall Reduction** | **-734** |

## Variances



3.8 The main favourable variance was the additional income retained from Business Rates. This is explained in more detail at 3.13.

3.9 Salary savings were made in the year due to a number of vacancies and maternity leave but these were more than offset by agency cost and interim support.

3.10 Savings of £400k following the ending of the Shared Services (Northgate) contract were originally forecast and included within the MTFP. Contingencies set-aside for potential unknown costs have not been fully utilised in year and an additional £216k has been saved.

3.11 Additional New Burdens funding (£74k), Benefit Administration Grant (£46k) and Council Tax Annex Grant (£5k) were received in year but were unbudgeted.

3.12 County Council contributions were unbudgeted for Public Health (£3k) and Concessionary Fares (£9k). Additional income for Waste Disposal was received above the forecast due to more prudent budgeting.

**General Grants and Business Rates Income**

3.13 This is detailed in the following table.

| Analysis of General Grant Income | Estimate £'000 | Actual £'000 | Variance £'000 |
|---|---|---|---|
| Revenue Support Grant | -668 | -668 | 0 |
| Transitional Grant | -3 | -3 | 0 |
| Business Rates Retention (see table below) | -3,650 | -4,378 | -728 |
| New Homes Bonus | -2,614 | -2,619 | -5 |
| Council Tax Income | -4,997 | -4,997 | 0 |
| New Burdens funding | 0 | -26 | -26 |
| | **-11,932** | **-12,691** | **-759** |

**Retained Business Rates**

3.14 An analysis of income retained directly in the General Fund is shown in the following table.

| | £'000 |
|---|---|
| Approved Precept | 9,922 |
| Tariff paid to the Derbyshire Pool | -6,194 |
| S31 Grants - Business Rates Relief | 1,526 |
| Payment of Levy to Derbyshire Pool | -1,149 |
| Share of growth returned from the Pool | 556 |
| Business Rates Surplus 2017/18 | 174 |
| **Net amount received in retention system** | **4,835** |
| Add: Declared deficit | -283 |
| Add: Reversal of surplus | -174 |
| **Total Business Rates Retained** | **4,378** |

3.15 Business rates generated a surplus in 2017/18, of which the Council's share was approximately £174k as shown in the previous table. This was due to additional income from new businesses plus a reduction in the appeals provision; *this is detailed later in the report from paragraph 3.41*.

**Growth and the Derbyshire Business Rates Pool**

3.16 The Council's rates income increased compared to its baseline target which is set in the funding system and used to calculate the "Levy." This is shown in the following table.

| | £'000 |
|---|---|
| Share of gross rates (at 40%) | 10,848 |
| Tariff paid to Derbyshire Pool | -6,193 |
| Retained Rates | 4,655 |
| Baseline funding (set by the Government) | -2,357 |
| Retained income above the Baseline | 2,298 |
| **Levy (at 50%)** | **1,149** |

3.17 This levy payment is paid into the Derbyshire Pool. If the pooling arrangement did not exist, this income would have been lost entirely by the Council and paid directly to the Government. This would have adversely affected the overall General Fund position during 2017/18.

3.18 A payment of £556k was returned back to the Council from the Pool. This was the Council's share of all growth in the Pool in 2017/18.

**Estates Income**

3.19 The high level of property lettings during the year, with very little incidence of empty units, generated additional income of approximately £79k overall compared to that budgeted.

**Contingent Sums**

3.20 The amount set-aside as a contingent sum in the year to meet growth was not utilised. The growth provision acts as a safeguard against unforeseen matters arising in the year, i.e. to mitigate "budget risk."

3.21 The total amount set-aside is highlighted in the following table.

| | |
|---|---|
| Waste Collection and Recycling | £100,000 |
| Saving from Northgate Contract | -£400,000 |
| Growth | £200,000 |
| Bad Debt Provision | £100,000 |
| Reduced HRA Recharges | £54,161 |
| Other contingent sums | £48,113 |
| **Total contingent sum 2017/18** | **£102,274** |

3.22 In year, the £300k for growth, waste collection and recycling has been transferred to an earmarked reserve (as previously approved by the Committee) to help guard against future liabilities and is therefore a cost, as budgeted, to the General Fund.

3.23 The other contingent sums relate to small restructures throughout the year, the Pay and Grading review, implementation of the National Living Wage, the Apprenticeship Levy and a provision for “off-payroll” payments.

3.24 Any costs incurred against other contingent sums have been absorbed in year within the base costs and therefore, the contingent sum has not been fully utilised. The total saving against other contingent sums of 48kk in the above table is £31k.

3.25 Recharges to the HRA have reduced in year due to the HRA’s share of the forecasted savings of £400k from the ending of the Shared Services contract. As noted in the table at 3.7, the actual reduction in recharges to the HRA was £97k. This saving has been transferred to the HRA.

**Provision for Bad Debts**

3.26 Under accounting regulations, the Council has to provide for debts that may become uncollectable and which may need to be written-off. Provisions are based on a calculation that takes into account the risk of a debt becoming uncollectable.

3.27 The provisions made in 2017/18 are shown in the following table.

| | |
|---|---|
| Sundry Debtors | £84,978 |
| Temporary Accommodation | £21,828 |
| Housing Benefit Overpayments | £100,135 |
| **Total** | **£206,941** |

3.28 The total contribution of £206, 941, as shown in the above table, was greater than that budgeted of £100,000. An increase was required in the provision for sundry debts as, although the level of outstanding debt has reduced, the age of the debt has increased resulting in a higher percentage being applied.

**Temporary Accommodation - Bed and Breakfast Charges**

3.29 These charges arise where the Council has to incur costs under its duties to provide temporary accommodation for homeless persons. The Council is entitled to recover the costs but this is generally difficult as people concerned are unlikely to have the means to pay.

3.30 The Council is responsible for pursuing recovery of the amount owed and this is generally difficult. However, in recognition of this, the Council is moving away from using “bed and breakfast” facilities to using its own accommodation and that of charitable organisations. This should help to reduce the costs in the future.

3.31 In addition, the Council does have an earmarked reserve, which relates to Government grants not fully utilised from previous years, to fund initiatives to prevent the incidence of homelessness occurring. This is overseen by the Housing and Community Services Committee.

**Housing Benefit Overpayments**

3.32 These relate to overpayments whether they have occurred through processing error, claimant misinformation or fraud. The recovery is usually slow and may take several years where an overpayment is being deducted from on-going benefit. Depending on how the overpayment occurred, on average, around 40% is reimbursed through the housing benefit subsidy system in the year that the overpayment occurred.

**Net Cost of Housing Benefits**

3.33 In addition, the cost of Housing Benefits increased overall by £68k as shown in the following table.

| | Estimate £'000 | Actual £'000 | Variance £'000 |
|---|---|---|---|
| Rent Allowances Paid | 11,249 | 10,661 | -588 |
| Rent Allowances Subsidy | -10,921 | -10,254 | 667 |
| **Net Cost of Rent Allowances** | **328** | **407** | **79** |
| | | | |
| Rent Rebates Paid | 6,779 | 6,536 | -243 |
| Rent Rebates Subsidy | -6,712 | -6,358 | 354 |
| **Net Cost of Rent Rebates** | **67** | **178** | **111** |
| | | | |
| **Net Cost of Benefits Paid** | **395** | **585** | **190** |
| Overpayments Recovered (Rent Allowances) | -151 | -273 | -122 |
| | | | |
| **Overall Cost of Housing Benefit** | **244** | **312** | **68** |

3.34 The cost of benefits falling on the Council is sensitive to small changes given the amount involved. It is important that the Council maximises its subsidy through robust processing. The total cost of benefits paid and administered across over 9,000 claims was approximately £17m in 2017/18. Even a ½% variation in subsidy equates to nearly £100,000.

3.35 The previous table shows that the net cost of benefits paid was approximately £190k more than that estimated.

3.36 However, the overpayments recovered were budgeted at £151k against an actual recovery of £273k. Any overpayments recovered are a direct benefit to the General Fund and this helped to offset the additional cost of actual benefits paid.

### Other Cost Pressures

3.37 A provision for redundancy due to the approved restructure of the Leadership Team has been made in the accounts in 2017/18. Details of the restructure and potential redundancy costs have been reported previously.

3.38 The other main adverse variances, as previously reported, are shown in the following table.

| **Additional costs previously reported** | **£'000** | **Third quarter forecast** |
|---|---|---|
| Vehicle hire on a temporary basis | 173 | 146 |
| Gulley cleaning costs | 65 | 50 |

### Transfers to/from Earmarked Reserves

3.39 This is split between expenditure that is incurred and financed from earmarked reserves, together with amounts received in advance and capital receipts, which need to be transferred into earmarked reserves to meet future expenditure.

3.40 In addition, certain budget mangers have made requests to transfer underspends from budgets in the year into 2017/18, to meet on-going commitments. Several of these have already been approved by the Committee. All proposed transfers are detailed in the following table.

**Transfers between General Reserve and Other Reserves 2017/18**

| **Transfers from General Reserve to other reserves** | **£'000** |
|---|---|
| Sport and Health external funding | 43 |
| Transfer of turnover share from Rosliston Forestry Centre Café | 18 |
| Rosliston Forestry Centre future repairs - revenue contribution | 5 |
| Civic Offices planned maintenance - revenue contribution | 29 |
| District Growth | 300 |
| Green Bank planned maintenance carry forward | 32 |
| Garden Village - Government funding | 14 |
| Planning - resources to meet future increased applications | 40 |
| Planning - 20% Fee increase | 33 |
| Government Funding - Homelessness Prevention | 85 |
| ICT contribution for future upgrade works | 142 |
| | **741** |

| Transfers from other reserves to the General Reserve | £'000 |
|---|---|
| Safer Communities | -1 |
| Dilapidation Works - Factory Site as per Lease Agreement | -65 |
| Townscape project | -14 |
| Welfare Reform, Fraud and Compliance | -6 |
| Environmental Education | -4 |
| Development of the Local Plan | -11 |
| Elections - resources to meet General and County elections | -26 |
| Strategic Partnership costs in year | -15 |
| | **-142** |
| | **599** |

3.41 These amounts are adjusted through reserve transfers as detailed in **Appendix 4**. The overall effect on the General Reserve following the surplus on the General Fund, together with these transfers to earmarked reserves, is detailed in *Section 6*.

## THE COLLECTION FUND

3.42 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.

3.43 During the year, Council Tax continued to perform better than estimated, mainly due to the continuing increase in properties. Business Rates revenue also continued to increase and the impact of the reduction in the appeals provision has resulted in a positive effect on the Business Rates Account with a surplus being generated in year. The final out-turn on the Fund for 2017/18 is detailed in **Appendix 2.**

### Council Tax collectable

3.44 Overall collection generated a surplus in the year of £1,309k. This maintained a cumulative fund balance of £1,422k as at 31st March 2018 – an increase of £983k compared to that estimated. This was mainly due to an increase in Council Tax collectable from a greater number of properties compared to that estimated.

3.45 The amount due to South Derbyshire is approximately £156k (*11% of £1,422k)*. This amount remains in the Collection Fund pending the 2019/20 budget round, when the surplus on the Fund has to be declared in setting the Council Tax for the following year. Depending on the on-going performance of Council Tax, at this point any surplus due to the General Fund will be included in the MTFP.

### Business Rates

3.46 As highlighted earlier in the report, this part of the Fund also generated a surplus in 2017/18 of £435k, compared to an estimated deficit of £663k. This was due to an increase in collectable rates accompanied by a release of the appeals provision.

### Business Rates Appeals

3.47 Under accounting regulations, the Council has to provide against a certain amount of appeals being successful.

3.48 During 2017/18, a number of the larger appeals dating back to 2010 have now been settled. The provision made against these appeals was higher than required and has therefore resulted in a release of part of the provision.

3.49 The provision for appeals bought forward from 2016/17 was £2.48m. This was reduced to £2.05m after a review of the remaining outstanding appeals on file. The overall reduction in year was therefore £043m. The Council's share of the reduction (at 40%) is £0.17m.

## 4.0 HOUSING REVENUE ACCOUNT (HRA)

4.1 The Council is required to account separately for income and expenditure in providing Council Housing. The approved HRA Budget for 2017/18 was set with a deficit to be financed from HRA reserves of £215k.

4.2 This deficit was revised to a surplus of £940k in February 2018, following a review of capital expenditure for major repairs and a change in the profile of revenue reserve contributions to the Debt Repayment Reserve. At the end of the third quarter, the surplus was projected to be slightly higher at £1,117k.

### Final Out-turn 2017/18

4.3 Final performance on the HRA is shown in the following table.

| **Summary HRA 2017/18** | **BUDGET £000** | **ACTUAL £000** | **VARIANCE £000** |
|---|---|---|---|
| Total Income | -12,868 | -12,945 | -77 |
| Contribution to Capital | 4,232 | 4,461 | 229 |
| Responsive & Planned Maintenance | 3,252 | 2,785 | -467 |
| Interest on Debt | 1,762 | 1,520 | -242 |
| Supervision & Management | 1,790 | 1,601 | -189 |
| Supported Housing & Careline Services | 833 | 836 | 3 |
| Provision for Bad Debts | 44 | 48 | 4 |
| Contingent Sums | 15 | 0 | -15 |
| **Surplus** | **-940** | **-1,694** | **-754** |
| Transfer to Debt Repayment Reserve | 250 | 250 | 0 |
| **HRA General Reserve Increase** | **-690** | **-1,444** | **-754** |

4.4 The table shows that the HRA generated a surplus greater than that estimated, although there were some more significant variances within the overall variance figure of £754k as shown in the above table.

4.5 A number of these variances were known but not to the full extent realised and were reported to the Committee as part of the third quarter's monitoring report in March 2018.

4.6 Interest on debt was lower due to the interest rate on the variable element of the debt portfolio (£10m) having been settled at 0.79% compared to that budgeted of 2.50%. Overall expenditure on Planned Maintenance was lower compared to the Budget.

**Other Variances**

4.7 The main favourable variances related to supervision and management and repairs and maintenance. Some of this arose due to staff vacancies which were mostly recruited into during the final quarter of 2017/18. A review is in progress regarding current vacancies and future service requirements.

4.8 Due to the late recruitment in year and the current service review, repairs and maintenance were significantly underspent in year but is expected to be on budget in 2018/19.

4.9 Capital expenditure in year was lower than budgeted. The contribution to capital from revenue resources is a statutory requirement through a depreciation charge. Depreciation charged to revenue is then reversed in reserves but can only be used to fund capital items. In year, the depreciation was higher than initially forecast due to an increase on the value of housing stock. This has resulted in a higher contribution to future capital projects.

4.10 The increase in the provision for bad debts is based on the level of rent arrears at each year-end. The level of arrears and associated bad debts provision is shown in the following table.

| **Debt outstanding** | **2017**<br>**£** | **2018**<br>**£** |
|---|---|---|
| Leaseholders | 1,764 | 1,706 |
| Current Tenants | 221,844 | 255,424 |
| Former Tenants | 107,648 | 129,389 |
| | **331,256** | **386,519** |
| Bad debt provision | 194,312 | 234,127 |

4.11 The level of arrears has increased by £55k in the year. The bad debt provision required has increased from £194k to £234k, with an increase of £48k after write-offs (compared to an estimate of £44k) required as shown in the following table.

| | £ |
|---|---|
| Bad debt provision b/fwd | 194,312 |
| Less write-offs in 2017/18 | -8,353 |
| Remaining provision | 185,959 |
| Provision required | 234,127 |
| **Top-up required to HRA** | **48,168** |

4.12 Overall, the effect of the HRA surplus on the HRA's General Reserve is detailed in **Section 6**.

## 5.0 CAPITAL EXPENDITURE and FINANCING 2017/18

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

**Capital spending final out-turn 2017/18**

| | Budget £ | Actual £ | Variance £ |
|---|---|---|---|
| Council House Improvements | 2,015,000 | 1,316,017 | -698,983 |
| Council New Build and Acquisition | 0 | 7,500 | 7,500 |
| Private Sector Housing Renewal | 1,058,470 | 459,428 | -599,042 |
| Community Services | 145,400 | 187,990 | 42,590 |
| Environmental Development | 168,665 | 177,508 | 8,843 |
| Property, Plant and Equipment | 2,687,535 | 2,008,811 | -678,724 |
| **Total spending** | **6,075,070** | **4,157,254** | **-1,917,816** |

### Council House Improvements

5.2 The expenditure also included disabled facility adaptations. The overall expenditure in the year was lower than estimated due to a review of some contracts regarding how they are packaged, for example, combining the heating replacement and servicing contracts.

### Council House New Build and Acquisition

5.3 The Phase 1 New Build programme was completed in 2016/17. One final bill was received in year but all costs for Phase 1 are now paid.

5.4 Phase 2 New Build at Lullington Road has a Homes and Communities Agency grant approved but is still in the early stages of development. This is currently being progressed and work is expected to start shortly. Detailed progress will be reported to the Housing and Community Services Committee.

### Private Sector Housing Renewal

5.5 Funding has been received from Derbyshire County Council as part of the Better Care Fund (BCF) allocation during 2017/18 totalling £674,829. An additional one-off sum of £71,885 from DCLG for Disabled Adaptations was also received in the year.

5.6 Expenditure totalled £459,428 during 2017/18 and solely funded the administration of Disabled Facility Grants. The balance of funding has been carried forward into 2018/19 and a plan to spend the BCF allocation has been agreed with the BCF Board at the County Council, to ensure the funds are utilised within the District during the coming year.

**Community and Leisure Schemes**

5.7 An overspend of £42k was due to timing of the final charges being received for the capital project at the Melbourne Assembly Rooms. This has been fully funded either through external sources or by carry forwards on reserves.

**Environmental Development**

5.8 The budget overspend is due to profiling of grant payments for the Townscape Project, which was accelerated in 2017/18 following underspends in 2016/17.

**Property, Plant and Equipment**

5.9 The expenditure relates to the refurbishment of the two units at Boardman's Industrial Park, Swadlincote for relocation of the works Depot and acquisition of refuse freighters.

5.10 The refurbishment was on budget and the underspend is due to the delay on ordering new vans. These were originally expected to be purchased in year. Vans have been ordered and were delivered in May 2018.

**Financing Capital Expenditure**

5.11 The expenditure was financed as summarised in the following table.

**Financing capital expenditure 2017/18**

| | Budget £ | Actual £ | Variance £ |
|---|---|---|---|
| Capital Resources | 1,761,641 | 1,287,970 | -473,671 |
| External Grants and Contributions | 1,249,595 | 725,418 | -524,177 |
| General and Earmarked Reserves | 3,046,891 | 2,103,171 | -943,720 |
| S106 Contributions | 16,943 | 40,695 | 23,752 |
| **Total funding** | **6,075,070** | **4,157,254** | **-1,917,816** |

5.12 The variance reflects expenditure outstanding and this will be drawn down as schemes are progressed and external funding is received.

## 6.0 RESERVES, BALANCES AND PROVISIONS

### Provisions

6.1 In accordance with accounting standards, provisions are made in the accounts by charging the income and expenditure account in the year that a potential liability becomes known.

6.2 A provision is made where a known liability exits that has arisen from normal day-to-day operations. The liability will normally be one-off and is more than likely to occur. However, the timing and amount may not be certain, but can be reasonably estimated.

6.3 In these circumstances, accounting standards direct that it is prudent to make a provision in the accounts.

### Bad Debt Provisions

6.4 These are made based on the age and profile of debt outstanding. The provisions are made based on a formula that calculates a percentage on the likelihood of a debt or category of debt being collected.

6.5 The longer the debt has been outstanding or where no account has had any transactions for some time, the greater the provision that has to be made. Provisions were made in 2017/18 as shown in the following table.

| | | |
|---|---|---|
| Sundry Debtors | 84,978 | General Fund |
| Temporary Accommodation | 21,828 | General Fund |
| Housing Benefit Overpayments | 100,135 | General Fund |
| Council Tax Arrears | -7,661 | General Fund |
| Business Rates Arrears | 58,065 | General Fund |
| Business Rates Appeals | -171,121 | General Fund |
| Planning Appeals | 5,500 | General Fund |
| Housing Rent Arrears | 48,168 | HRA |

6.6 An additional provision was required for sundry debtors due the age of debt increasing during 2017/18.

6.7 The provision for Council Tax arrears was reduced due to a review of the calculation plus better collection rates in year. The increase in the provision for 2017/18 is contained within the overall surplus balance on the Collection Fund, as detailed earlier in the report in Section 3.

6.8 The reasons for the amounts calculated for business rate appeals and housing rent arrears have also been detailed earlier in the report, in Sections 3 and 4 respectively.

6.9 In addition to on-going provisions for bad debts and business rates appeals, further provisions continue to be made as shown in the following table.

| | Provision b/fwd April 2017 £'000 | Increased during the year £'000 | Utilised during the year £'000 | Released £'000 | Provision c/fwd March 2018 £'000 |
|---|---|---|---|---|---|
| Personal Searches | -13 | 0 | 0 | 13 | 0 |
| Planning Appeal | -102 | -108 | 12 | 90 | -108 |
| NNDR Appeals | -993 | -401 | 0 | 572 | -822 |
| Termination Benefits | 0 | -64 | 0 | 0 | -64 |
| **Total Provisions 2017/18** | **-1,109** | **-573** | **12** | **675** | **-994** |

6.10 The amounts released during the year arose due to the liability being lower than estimated when the provision was originally established. These amounts, together with the increases are re-credited or debited (respectively) to the General Fund.

### General Fund Reserve

6.11 Following the out-turn figures detailed in *Section 3*, the position on the General Fund Reserve Balance is summarised in the following table.

| General Fund Reserve | Budget £'000 | Actual £'000 | Variance £'000 |
|---|---|---|---|
| Balance b/fwd 1st April 2017 | -8,433 | -8,433 | 0 |
| Add Surplus for year | -876 | -2,266 | -1,390 |
| Add: Pensions Reserve drawdown | -43 | -43 | 0 |
| Less: Contribution to Vehicle Renewals Fund | 20 | 20 | 0 |
| Less: Contribution to Capital Works | 120 | 64 | -56 |
| Accumulated Absence Movement | 0 | 16 | 16 |
| Net Contribution to Earmarked Reserves | 0 | 599 | 599 |
| **Closing Balance as at 31st March 2018** | **-9,212** | **-10,043** | **-831** |

6.12 The table shows that the level of general reserves was greater than estimated at March 2018 by around £831k, after allowing for the transfer to earmarked reserves as detailed in Section 3 of the report. This improved position is due to the better out turn as detailed in Section 3.

6.13 The remaining contributions towards capital works will be maintained in the Reserve. They will be drawn-down as expenditure is incurred to complete the relevant schemes in 2018/19. After allowing for this, the General Fund is £775k more favourable (£831k - £56k) when compared to the MTFP.

### Earmarked Reserves

6.14 The Council maintains earmarked reserves that are held, at the Council's discretion, for specific purposes. These are to meet one-off items of expenditure, together with areas where costs are incurred over several years, for example, vehicle and ICT replacements together with repairs and maintenance and where external funding may be received in advance of expenditure.

6.15 Annual contributions are made to these reserves from other accounts and reserves and they are drawn-down to finance expenditure in revenue and capital accounts as required.

6.16 Once established, earmarked reserves can only be used for that specific purpose. Other reserves may be established through a legal agreement or contractual commitment.

6.17 The Council's earmarked reserves are detailed in **Appendix 3**. This shows the overall change on individual balances during 2017/18, including the appropriations detailed earlier in the report in Section 3.

**Housing Revenue Account (HRA) Reserve**

6.18 Section 4 detailed the final account of the HRA and this highlighted a surplus for 2017/18 of £1,694k.

6.19 The HRA reserve balance totals £5.14m as at 31st March 2018. This is £754k higher than estimated - mainly due to the lower overall expenditure in 2017/18.

6.20 The reserve balance is shown in the following table.

| HRA General Reserve | Budget £'000 | Actual £'000 | Variance £'000 |
|---|---|---|---|
| Balance b/fwd 1st April 2017 | -3,703 | -3,703 | 0 |
| Contribution to Earmarked Reserves | 0 | 215 | 215 |
| Add Surplus for year (section 4) | -690 | -1,659 | -969 |
| **Closing Balance as at 31st March 2018** | **-4,393** | **-5,147** | **-754** |

**General Capital Receipts Reserve**

6.21 The position on this reserve during 2017/18 is shown in the following table.

| General Capital Reserve | Budget £'000 | Actual £'000 | Variance £'000 |
|---|---|---|---|
| Balance b/fwd 1st April 2017 | 268 | 268 | 0 |
| Add: Land Sales - Fire Station Ransom Strip | 28 | 28 | 0 |
| Add: William Nadin Way Final Phase | 1,000 | 1,000 | 0 |
| Add: Chestnut Avenue Overage | 739 | 739 | 0 |
| Less: Contribution to Vehicle Renewals Fund | -250 | -250 | 0 |
| Less: Contribution to Capital Works | -1,512 | -1,280 | 232 |
| **Closing Balance as at 31st March 2018** | **273** | **505** | **232** |

6.22 The above table shows this reserve is £232k more as at 31st March 2018 compared to that estimated.

**Housing Capital Receipts Reserve**

6.23 This is the reserve that is being used to finance the New Build and Acquisition programme. In accordance with Council policy, all proceeds (net of any pooling payment) from the sale of existing council houses and HRA land are transferred to this reserve.

6.24 The position on this reserve during 2017/18 is shown in the following table.

| Housing Capital Reserve | Budget £'000 | Actual £'000 | Variance £'000 |
|---|---|---|---|
| Balance b/fwd 1st April 2017 | -393 | -393 | 0 |
| Add: Retained Receipts from Council House Sales | -479 | -1,143 | -664 |
| Less: New Build Costs in year | 0 | 8 | 8 |
| **Closing Balance as at 31st March 2018** | **-872** | **-1,528** | **-656** |

6.25 The table shows that the balance on the Reserve is higher than estimated at the end of the year which is due to additional Right to Buy Retained income receipts.

**Other Capital Reserves**

6.26 Other Capital Reserves consist of Major Repairs and Debt Repayment. The balance stands at £5.828m as at 31st March 2018. This has increased in year due to contributions from the HRA. This reserve will receive annual contributions from HRA surpluses in future years in order for debt to be repaid from 2022 and to allow for provision of major capital works in the future. This is in accordance with the HRA Financial Plan.

## 7.0 Financial Implications

7.1 As set out and detailed in the report.

## 8.0 Corporate Implications

8.1 As detailed in the report.

## 9.0 Community Implications

9.1 The production of financial information in a timely manner is an important part of stewardship and accountability for public resources. It aims to give electors, those subject to locally levied taxes and charges, Elected Members of the Council, employees and other interested parties clearer information about the Council's finances and its financial standing.

## 10.0 Background Papers

10.1 None

# GENERAL FUND INCOME & EXPENDITURE - APPENDIX 1

| | | Actual | Budget | Variance | |
|---|---|---|---|---|---|
| ACG00 | Emergency Planning | 17 | 0 | 17 | |
| ACL00 | Local Land Charges | -55,124 | 2,903 | -58,027 | Grant (£27k), provision release (£13k), income (£14k), prof fees underspend (£4k) |
| CCF00 | Tourism Policy, Marketing & Development | 56,167 | 57,194 | -1,027 | |
| CEE00 | Food Safety | 65,875 | 67,968 | -2,093 | |
| CEE10 | Pollution Reduction | 238,690 | 265,546 | -26,856 | Income (£11k), salaries(£16k) |
| CEE50 | Pest Control | 14,589 | 12,119 | 2,471 | Fee income |
| CEE60 | Public Health | -3,100 | 200 | -3,300 | County contribution |
| CEE70 | Licensing | -66,987 | -13,931 | -53,056 | Income (£27k), salaries(£16k), other exp (£10k) |
| CEE80 | Public Conveniences | 17,514 | 20,389 | -2,875 | R&M |
| CEH00 | Community Safety (Safety Services) | 114,878 | 118,736 | -3,858 | |
| CES00 | Street Cleansing (not chargeable to highways) | 348,955 | 298,801 | 50,154 | Vehicle hire (£65k), materials (10k), favourable income (£25k) |
| CEW00 | Household Waste Collection | 1,203,905 | 1,024,227 | 179,678 | Agency (£147k), vehicle hire (£91k), bins (£31k), favourable income (£47k), salaries (£15k), prof fees (£28k) |
| CEW10 | Trade Waste Collection | -100,249 | -98,932 | -1,318 | Income |
| CEW20 | Recycling | 316,584 | 318,118 | -1,534 | |
| CEW50 | Direct services central admin | 138,306 | 140,150 | -1,845 | |
| CPB00 | Building Regulations | 82,931 | 62,462 | 20,470 | Income |
| CPC10 | Dealing with Development Control Applications | -154,705 | -149,332 | -5,373 | Income |
| CPD10 | Planning Policy | 361,031 | 361,075 | -44 | |
| CPD30 | Business Systems and Information Unit | 105,511 | 136,776 | -31,266 | Salaries (£12k), income (£20k) |
| CPE10 | Environmental Education | 75,388 | 74,865 | 523 | |
| CPH70 | Promotion and Marketing of the Area | 193,105 | 190,926 | 2,179 | |
| CPL00 | Community Development | 49,184 | 59,282 | -10,099 | Prof fees (£4k), training (£3k), other (3k) |
| HTK10 | Environmental Maintenance (Other Roads) | 64,946 | 0 | 64,946 | Gulley cleaning |
| HTP10 | Off-Street Parking | 79,866 | 76,686 | 3,180 | |

| | | | | | |
|---|---|---|---|---|---|
| KGW00 | Welfare Services | -856 | 1,800 | -2,656 | Income for PY funeral |
| NAC60 | Public Transport | 30,775 | 24,468 | 6,306 | R&M |
| PSX90 | Transport Services | 542,359 | 574,543 | -32,184 | Fuel (£12k), spare parts (£20k) |
| | **Environmental and Development Services** | **3,719,551** | **3,627,037** | **92,514** | |

| | | | | | |
|---|---|---|---|---|---|
| AAD00 | Democratic Representation & Management | 73,701 | 78,637 | -4,936 | Prof fees |
| AAM00 | Corporate Management | 64,036 | 55,786 | 8,251 | Subs (£2k), GDPR (£6k) |
| AAM01 | Corporate Finance Management | 47,742 | 44,218 | 3,524 | Prof fees |
| ABP00 | Funded Pension Schemes | 252,027 | 246,204 | 5,823 | |
| ABU00 | Increase/Decrease in Provision for Bad or Doubtful Debts | 206,941 | 100,000 | 106,941 | Sundry Debt (£85k), Benefits (£100k), B&B (£22k) |
| ACA00 | Council Tax Collection | -41,085 | -45,491 | 4,406 | Processing charge (£15k), court fees (£7k) favourable grant income (£5k), lower DHP (£13k) |
| ACA40 | Non Domestic Rates Collection | -27,922 | -41,745 | 13,823 | Software (£3k), court fees (£10k) |
| ACD00 | Elected Members | 279,672 | 299,789 | -20,117 | Allowances and prof fees |
| ACE00 | Registration of Electors | 51,376 | 37,537 | 13,839 | Postage |
| ACE10 | Conducting Elections | 68,459 | 140,013 | -71,554 | Income |
| ACT01 | Parish Councils | 351,634 | 351,158 | 475 | |
| HTT00 | Concessionary Fares | -9,375 | 0 | -9,375 | County contribution |
| KGF00 | Revenues & Benefits Support & Management | -104,202 | -36,433 | -67,769 | Salaries (£12k), admin grants (£42k), comp costs adverse (£13k), add grants (£27k) |
| KGL00 | Rent Allowances Paid | 133,237 | 176,637 | -43,400 | Overpayments recovered |
| KGN00 | Rent Rebates | 178,379 | 67,122 | 111,257 | Reduced subsidy |
| KGP00 | Housing Benefits Administration | 291,881 | 279,091 | 12,790 | Processing (£25k), favourable grants (£4k), training (£8k) |
| KGP10 | Universal Credit | 0 | 0 | 0 | |
| KGR00 | Corporate Fraud | 61,708 | 47,822 | 13,886 | Prof fees |
| KJE40 | Caretaking | 58,546 | 100,354 | -41,808 | Agency (£12k), favourable salaries (£40k), service charge (£14k) |
| KJW00 | Debt Recovery | 52,359 | 56,285 | -3,926 | Salaries |
| PSX40 | Senior Management | 551,242 | 465,428 | 85,813 | Fav salaries (£111k), recharge (£23k), adverse interims (£155k), redundancy (£64k) |
| PSX50 | Reprographic/Print Room | 196,623 | 210,163 | -13,540 | T&E (£7k), comp main (£4k), prof fees (£3k) |

| | | | | | |
|---|---|---|---|---|---|
| PSX55 | Financial Services | 262,318 | 251,797 | 10,521 | Fav salaries (£8k), training (£5k), adverse recharge (£24k) |
| PSX56 | Internal Audit | 103,115 | 103,115 | 0 | |
| PSX57 | Merchant Banking Services | 66,527 | 64,137 | 2,390 | |
| PSX60 | ICT Support | 731,784 | 731,784 | -0 | |
| PSX65 | Legal Services | 158,847 | 184,822 | -25,975 | Fav salaries (£26k), income (£5k), other exp (£4k) adverse recharge (£9k) |
| PSX75 | Personnel/HR | 245,602 | 211,895 | 33,707 | Consultancy (£30k), comp licences (£3k) |
| PSX76 | Policy & Communications | 137,051 | 97,669 | 39,382 | Consultancy (£20k), recharge (£18k), training (£2k) |
| PSX77 | Customer Services | 250,683 | 197,690 | 52,993 | Recharge |
| PSX78 | Health & Safety | 19,756 | 13,363 | 6,394 | Recharge |
| PSX81 | Admin Offices & Depot | 301,271 | 233,098 | 68,172 | NNDR (£43k), utilities (£15k), recharge (£10k) |
| PSX85 | Estate Management | -284,774 | -206,013 | -78,761 | Reduced voids |
| PSX95 | Procurement Unit | 68,147 | 23,651 | 44,496 | Agency |
| W4A00 | Interest & Investment Income (GF) | -70,375 | -18,174 | -52,201 | Investment income |
| W7A00 | External Interest Payable (GF) | 142 | 1,500 | -1,358 | No loans |
| | **Finance and Management** | **4,727,073** | **4,522,910** | **204,163** | |

| | | | | | |
|---|---|---|---|---|---|
| ACT00 | General Grants, Bequests & Donations | 277,187 | 284,783 | -7,597 | Grant expenditure |
| CCA00 | Melbourne Leisure Centre | 5,152 | 2,317 | 2,835 | R&M |
| CCA10 | Arts Development & Support | 10,475 | 13,580 | -3,105 | No dance class provision |
| CCA40 | Events Management | 145,206 | 147,582 | -2,376 | Salaries |
| CCA50 | Midway Community Centre | 8,245 | 17,605 | -9,360 | NNDR (£7k), utilities (£2k) |
| CCD00 | Community Centres | 78,371 | 78,760 | -389 | |
| CCD10 | Get Active in the Forest | 27,149 | 27,082 | 67 | |
| CCD20 | Sports Development & Community Recreation | 141,407 | 141,130 | 276 | |
| CCD30 | Indoor Sports & Recreation Facilities | 14,679 | 24,101 | -9,422 | Income |
| CCD40 | Outdoor Sports & Recreation Facilities | -562 | -882 | 320 | |
| CCD50 | Play schemes | 27,581 | 27,466 | 115 | |
| CCE00 | Grounds Maintenance | 331,024 | 332,555 | -1,530 | |
| CCE10 | Countryside Recreation & Management | 12,716 | 12,384 | 333 | |

| | | | | | |
|---|---|---|---|---|---|
| CCE20 | Allotments | -1,991 | -1,807 | -184 | |
| CCF10 | Village Halls | 9,174 | 8,184 | 990 | R&M |
| CCF20 | Rosliston Forestry Centre | 88,140 | 80,967 | 7,173 | NNDR |
| CEA00 | Cemeteries | -10,582 | 6,293 | -16,875 | Increased income |
| CEA30 | Closed Churchyards | 7,045 | 5,726 | 1,319 | Grounds maintenance |
| CEE20 | Housing Standards | 81,824 | 77,974 | 3,850 | Enforcement works |
| CEG00 | Community Safety (Crime Reduction) | 128,942 | 128,435 | 507 | |
| CEK00 | Defences Against Flooding | 51,131 | 48,018 | 3,113 | Grounds maintenance |
| CPH20 | Market Undertakings | 10,266 | -8,411 | 18,677 | Van hire (£17k), income (£2k) |
| KGA00 | Housing Strategy | 94,229 | 73,967 | 20,262 | Agency/consultancy to cover sickness (£15k), job adverse (£5k) |
| KGE10 | Administration of Renovation & Improvement Grants | 38,001 | 36,351 | 1,651 | |
| KGH10 | Bed / Breakfast Accommodation | -42,684 | 12,272 | -54,956 | Income per case higher than cost |
| KGH30 | Pre-tenancy Services | 173,687 | 175,074 | -1,387 | |
| KGT00 | Travellers' Sites | 0 | -21,234 | 21,234 | Budget incorrect |
| KGX20 | Other Housing Support Costs | 24,021 | 30,134 | -6,113 | CBL income unbudgeted - used to go to HRA |
| KJE70 | Community Parks & Open Spaces | 141,014 | 141,088 | -73 | |
| | **Housing and Community Services** | **1,870,849** | **1,901,496** | **-30,647** | |
| | | | | | |
| W2A00 | Taxation & non-specific grant income | -12,692,037 | -11,938,483 | -753,554 | NNDR (£728k), new burdens (£25k) |
| | Other | 764,253 | 1,010,835 | -246,582 | Off-payroll saving (£10k), app levy saving (£6k), pay & grade review saving (£9k) Northgate contingency (£215k), living wage (£6k) |
| | | **-11,927,784** | **-10,927,648** | **-1,000,136** | |
| | | | | | |
| | **Surplus Transferred to the General Fund** | **-1,610,312** | **-876,205** | **-734,106** | |

## Collection Fund Account 2017/18

| | Actual 2016/17 £'000 | Estimate 2017/18 £'000 | Actual 2017/18 £'000 | Variance 2017/18 £'000 |
|---|---|---|---|---|
| **COUNCIL TAX - INCOME & EXPENDITURE** | | | | |
| Council Tax collectable | 50,265 | 52,778 | 53,295 | 517 |
| County Council Precept | -36,109 | -38,345 | -38,345 | 0 |
| Police and Crime Commissioner Precept | -5,487 | -5,715 | -5,715 | 0 |
| Fire and Rescue Authority Precept | -2,206 | -2,297 | -2,297 | 0 |
| SDDC Precept | -4,747 | -4,942 | -4,942 | 0 |
| SDDC Parish Precepts | -679 | -757 | -757 | 0 |
| Bad Debt Provision Movement | -655 | -396 | 70 | 466 |
| **Surplus for the year** | **382** | **326** | **1,309** | **983** |
| **COUNCIL TAX BALANCE** | | | | |
| Opening balance as at 1st April | 407 | 613 | 613 | 0 |
| Surplus paid to County Council | -128 | -367 | -367 | 0 |
| Surplus paid to Police and Crime Commissioner | -20 | -56 | -56 | 0 |
| Surplus paid to Fire and Rescue Authority | -8 | -22 | -22 | 0 |
| Surplus paid to SDDC | -20 | -55 | -55 | 0 |
| Surplus for the year (as detailed above) | 382 | 326 | 1,309 | 983 |
| **Closing balance as at 31st March** | **613** | **439** | **1,422** | **983** |
| **BUSINESS RATES - INCOME & EXPENDITURE** | | | | |
| NNDR collectable | 23,787 | 24,805 | 24,457 | -348 |
| Central Government Precept | -11,767 | -12,402 | -12,402 | 0 |
| SDDC Precept | -9,414 | -9,922 | -9,922 | 0 |
| County Council Precept | -2,118 | -2,232 | -2,232 | 0 |
| Fire and Rescue Authority Precept | -235 | -248 | -248 | 0 |
| Cost of Collection | -91 | -91 | -91 | 0 |
| Transitional Protection Payments | -15 | -15 | 590 | 605 |
| Increase in Bad Debt Provision | -226 | -236 | -145 | 91 |
| Provision for Appeals | -312 | -322 | 428 | 750 |
| **Surplus / Deficit (-) for the year** | **-391** | **-663** | **435** | **1,098** |
| **BUSINESS RATES BALANCE** | | | | |
| Opening balance as at 1st April | -400 | -1,339 | -1,339 | 0 |
| Deficit paid by Central Government | -274 | 356 | 356 | 0 |
| Deficit paid by County Council | -49 | 285 | 285 | 0 |
| Deficit paid by Fire and Rescue Authority | -5 | 64 | 64 | 0 |
| Deficit paid by SDDC | -220 | 7 | 7 | 0 |
| Deficit for the year (as detailed above) | -391 | -663 | 435 | 1,098 |
| **Closing balance as at 31st March** | **-1,339** | **-1,290** | **-192** | **1,098** |

APPENDIX 3

## List of Earmarked Reserves 2017/18

| Specific Grants/Earmarked Reserves | Balance b/fwd April 2017 £ | Movement 2017/18 £ | Balance c/fwd April 2018 £ |
|---|---|---|---|
| Homelessness Prevention | 88,598 | 85,000 | 173,598 |
| Schools Sport Partnership Project | 203,649 | -13,701 | 189,948 |
| New Play Equipment and Safety Surfacing | 3,577 | -370 | 3,207 |
| Rosliston Forestry Centre - Capital Works | 138,575 | 22,699 | 161,274 |
| IT Reserve | 140,706 | 141,759 | 282,465 |
| Repton Parish (former Depot proceeds) | 33,049 | 0 | 33,049 |
| Community Right to Bid | 20,728 | 0 | 20,728 |
| Local Plan - Consultation and Implementation | 120,247 | -11,343 | 108,904 |
| Vehicle, Plant and Replacement Fund | 1,251,203 | -396,254 | 854,949 |
| Environmental Education | 37,347 | -3,727 | 33,620 |
| Dilapidation Works - Factory Site as per Lease Agreement | 78,236 | -65,287 | 12,949 |
| Corporate Services Innovation Fund | 81,666 | 0 | 81,666 |
| Community Right to Challenge | 16,547 | 0 | 16,547 |
| Property Records - Data Sharing | 7,131 | 0 | 7,131 |
| Heritage Lottery Grants | 32,000 | -14,000 | 18,000 |
| New Town Centre Project Fund | 26397 | 0 | 26,397 |
| Electoral Registration | 30,318 | -26,260 | 4,058 |
| Planning - Staffing and Support Costs | 62,409 | 40,366 | 102,775 |
| Planning - 20% Fee Increase | 0 | 33,048 | 33,048 |
| Pensions Reserve | 182,000 | -43,231 | 138,769 |
| Civic Offices - Maintenance | 21,069 | 29,030 | 50,099 |
| Leisure Maintenance | 1,000 | 32,127 | 33,127 |
| Corporate Training | 41,059 | 0 | 41,059 |
| Welfare Reform, Fraud & Compliance | 247,073 | -5,937 | 241,136 |
| Facilities Development Fund | 30,000 | 0 | 30,000 |
| District Growth | 300,000 | 300,000 | 600,000 |
| Garden Village Fund | 214,285 | 14,285 | 228,570 |
| Swadlincote Woodlands - S106 | 50,774 | 0 | 50,774 |
| South Derbyshire Partnership Reserve | 20,051 | -15,024 | 5,027 |
| Community Safety and Crime Reduction | 332,336 | -669 | 331,667 |
| Young People's Cultural Partnership / Arts Development | 8,980 | -1,674 | 7,306 |
| Public Open Space - Commuted Sums | 1,295,584 | -32,578 | 1,263,006 |
| Youth Engagement Partnership | 579,852 | 57,674 | 637,526 |
| Get Active in the Forest Partnership | 43,973 | -684 | 43,289 |
| Maurice Lea Park NHLF Grant | 23,012 | 0 | 23,012 |
| Tetron Point Storm Water Basin - S106 UK Coal | 53,012 | 0 | 53,012 |
| **Total** | **5,816,443** | **125,249** | **5,941,692** |
| **Section 106 - Earmarked Funds** | **5,062,448** | **909,069** | **5,971,517** |
| **TOTAL EARMARKED/SPECIFIC RESERVES** | **10,878,891** | **1,034,318** | **11,913,209** |

## APPENDIX 4: SERVICE PLAN PERFORMANCE INDICATORS – CORPORATE RESOURCES

| Corporate Plan Aim | Measure | Annual target 2017/18 | Performance |
|---|---|---|---|
| Maintain financial health | Deliver a balanced budget in accordance with the statutory timetable | Balanced budget agreed by the Council on 26th February 2018 | This was completed and approved by Full Council on 26th February 2018. |
| Maintain financial health | Produce regular budget monitoring information | Performance against budget reported to the Council on a quarterly basis | Completed. Reports in August 2017, December 2017, March 2018 and the final out-turn 26th July 2018 in this report. |
| Maintain financial health | Through better procurement, generate budget savings directly or through supporting other services | Total cashable savings meet salary costs of £80,000 | Total Savings of £212,000, mainly generated from:<br>• Refuse Freighters £176k<br>• Council House Heating £32k<br>• Asbestos Surveys £5k |
| Maintain financial health | Collection of Council Tax | In-year Collection Rate of at least 98% | 98.2% |
| Maintain financial health | Collection of Business Rates | In-year Collection Rate of at least 98% | 97.8%. The small shortfall was mainly due to a large revaluation adjustment (upwards) in March 2018 for which the cash will be collected in 2018/19 |
| Maintain financial health | Arrears for Council Tax, Business Rates and Housing Benefit Overpayments | Reduction in the annual Provision for Bad Debts | As reported earlier in this report:<br>• Council Tax reduced by £7,661<br>• Rates increased by £58,065<br>• Overpayments increased by £100,135 |
| Maintain financial health | Identification of Fraud | Value of fraud identified meets service costs of | Total value identified was £70,940, of which:<br>• £2,300 single person discounts |

| | | | |
|---|---|---|---|
| | | £35,000 | • £6,000 Council Tax support<br>• £62,640 Housing Right-to-Buy |
| Maintain financial health | Lettings of Industrial and Commercial Properties | Achieve 90% occupancy of all units and less than 10% of properties with rent arrears greater than 3 months | The previous 3 quarters were all achieved as previously reported. As at 31st March 2018, 67 out of 67 units were occupied (100%) with 3 properties (4.5%) having rent arrears greater than 3 months. |
| Maintain financial health | Income from Land Searches | Service breaks-even | A surplus of approximately £55,000 was achieved. This included income of £40,000 from contributions towards previous refunds under the Government's compensation scheme. The associated costs were incurred in previous years. Therefore, operating costs achieved a surplus of £15,000. |
| Good Governance | Produce a draft set of Accounts and Financial Statements for Annual Audit and Inspection | 30th June 2017 | Completed. Final Accounts were approved and published on 30th September 2017. |
| Good Governance | Completion of Approved Internal Audit Plan and outcomes reported to the Audit Sub-Committee | At least 90% completed (*this is monitored by the Audit Sub-Committee*) | From 40 individual audit assignments, 33 (82.5%) were fully completed in the year. The remaining 7 assignments were at various stages of completetion as at 31st March 2018. Some slippage in the Plan was agreed by the Audit-Sub Committee during the year to allow unplanned investigation work to take place. The 7 asignments were carried forward into 2018/19 and by 30th May 2018, 2 had been completed. |

| | | | |
|---|---|---|---|
| Customer Focus | Minimise downtime of IT | Downtime is less than 1% over the year | Unplanned downtime fairly insignificant during the year with no major outages. Failure with cash machines and ID Card System affected some services in April and May 2017.<br>Planned downtime is greater but this is mainly scheduled outside of normal business hours and is communicated to users in advance. Systems available 24/7 with remote access available.<br>An upgrade for monitoring the availability of systems currently in progress. |
| Customer Focus | Prompt payment of invoices for goods and services | 97% of undisputed invoices paid within 30 days | 5,352 invoices from a total of 5,631 (95%) were paid within 30 days.<br><br>The percentage of invoices paid within 30 days fell from September 2017, due to more robust financial control measures being implemented. To eliminate cross departmental ordering and approving, each budget area has a designated officer to raise purchase orders. As a result, administering the new procedure caused some delays in orders being raised and goods receipted to enable an invoice to be paid. Training sessions have been delivered to all designated officers and therefore, an improvement in the speed of processing is expected in 2018/19. |
| Customer Focus | Prompt payment of invoices for goods and services | 65% paid within 10 days for local suppliers | 68% (3,821 invoices) were paid within 10 days |
| Customer Focus | Freedom of Information requests answered within the statutory time limit | 98% of requests satisfactorily answered with 20 days | From 596 requests due to be answered, 553 (93%) were answered within 20 days. |

| | | |
|---|---|---|
| **REPORT TO:** | **FINANCE AND MANAGEMENT COMMITTEE: SPECIAL – FINAL ACCOUNTS** | **AGENDA ITEM: 8** |
| **DATE OF MEETING:** | **26th JULY 2018** | **CATEGORY: RECOMMENDED** |
| **REPORT FROM:** | **STRATEGIC DIRECTOR (CORPORATE RESOURCES)** | **OPEN** |
| **MEMBERS' CONTACT POINT:** | **KEVIN STACKHOUSE (01283 595811)** **Kevin.stackhouse@south-derbys.gov.uk** | **DOC:** s/finance/committee/2017-18/Jul |
| **SUBJECT:** | **TREASURY MANAGEMENT ANNUAL REPORT 2017/18** | **REF:** |
| **WARD(S) AFFECTED:** | **ALL** | **TERMS OF REFERENCE: FM 08** |

## 1.0 Recommendations

1.1 The Treasury Management Annual Report for 2017/18 is approved.

1.2 The Prudential Indicators and Limits for 2018/19 to 2022/23 as approved in February 2018 are noted.

1.3 The updated counterparty (lending) list as at 1st April 2018 is approved.

## 2.0 Purpose of the Report

2.1 To detail the Council's Treasury Management activities for 2017/18 as set out in the Annual Report.

2.2 In addition, the report also confirms the Prudential Indicators for treasury operations for 2017/18 and the medium-term financial planning period, 2018/19 to 2022/23. This is in accordance with the requirements of the Local Government Act 2003, updated for provisions contained in the Localism Act 2011.

## 3.0 Summary

### The Prudential System for Capital Finance

3.1 The Council is required to manage its treasury and capital expenditure activities under a National Code. The main aims of the National Prudential System are to ensure that:

- Capital investment plans of local authorities are affordable and sustainable.

- Treasury management decisions are taken in accordance with best professional practice.

- Financial planning and asset management are integrated into the Council's overall corporate planning arrangements.

3.2 Treasury operations are measured within a set of prudential indicators. The main purpose of these indicators is to provide the limits and benchmarks to control the level of capital expenditure, borrowing and investment. The Council is expected to operate comfortably within these limits.

3.3 The Prudential System allows councils the freedom to borrow on a prudential basis. Any new borrowing has to be accommodated within any maximum debt limits or caps set by Central Government and the Council has to demonstrate that it can afford to service and repay the debt within its financial plans.

3.4 The Chartered Institute of Public Finance (CIPFA) published new versions of its Treasury Management in the Public Services: Code of Practice and Cross-sectoral Guidance Notes (TM Code) and The Prudential Code for Capital Finance in Local Authorities (Prudential Code) in late December 2017. This will apply from April 2018 and will inform the strategy for 2019/20 onwards.

**The Treasury Management Strategy**

3.5 The Strategy aims to provide transparency for treasury decisions including the use of counterparties, together with assessing how risk is managed on a day-to-day basis.

**Prudential Indicators**

3.6 The relevant indicators required under the regulations are detailed in the statement.

## 4.0 <u>Financial Implications</u>

4.1 As detailed in the report.

## 5.0 <u>Corporate Implications</u>

5.1 None directly

## 6.0 <u>Community Implications</u>

6.1 None directly

## 7.0 <u>Background Papers</u>

7.1 Treasury Management in Public Services and the Code of Practice (CIPFA Publication – November 2011)



7.2 Local Government Act 2003 (Part 1)

## 7.3 Localism Act 2011 – Part 7 Chapter 3

South Derbyshire District Council

# Treasury Management Annual Report 2017/18

## Introduction

The Authority adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2011 Edition* (the CIPFA Code) which requires the Authority to approve a treasury management annual report after the end of each financial year.

This report fulfils the Authority's legal obligation to have regard to the CIPFA Code.

The Authority's treasury management strategy for 2017/18 was approved at a meeting on 16th February 2017. The Authority has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Authority's treasury management strategy.

## External Context

**Economic commentary** (as at 9th April 2018)

2017-18 was characterised by the push-pull from expectations of tapering of Quantitative Easing (QE) and the potential for increased policy rates in the US and Europe and from geopolitical tensions, which also had an impact.

The UK economy showed signs of slowing with latest estimates showing GDP, helped by an improving global economy, grew by 1.8% in calendar 2017, the same level as in 2016. This was a far better outcome than the majority of forecasts following the EU Referendum in June 2016, but it also reflected the international growth momentum generated by the increasingly buoyant US economy and the re-emergence of the Eurozone economies.

The inflationary impact of rising import prices, a consequence of the fall in sterling associated with the EU referendum result, resulted in year-on-year CPI rising to 3.1% in November before falling back to 2.7% in February 2018. Consumers felt the squeeze as real average earnings growth, i.e. after inflation, turned negative before slowly recovering. The labour market showed resilience as the unemployment rate fell back to 4.3% in January 2018. The inherent weakness in UK business investment was not helped by political uncertainty following the surprise General Election in June and by the lack of clarity on Brexit, the UK and the EU only reaching an agreement in March 2018 on a transition which will now be span Q2 2019 to Q4 2020. The Withdrawal Treaty is yet to be ratified by the UK parliament and those of the other 27 EU member states and new international trading arrangements are yet to be negotiated and agreed.

The Bank of England's Monetary Policy Committee (MPC) increased Bank Rate by 0.25% in November 2017. It was significant in that it was the first rate hike in ten years, although in essence the MPC reversed its August 2016 cut following the referendum result. The February *Inflation Report* indicated the MPC was keen to return inflation to the 2% target over a more conventional (18-24 month) horizon with 'gradual' and 'limited' policy tightening. Although in March two MPC members voted to increase policy rates immediately and the MPC itself stopped short of committing itself to the timing of the next increase in rates, the minutes of the meeting suggested that an increase in May 2018 was highly likely.

In contrast, economic activity in the Eurozone gained momentum and although the European Central Bank removed reference to an 'easing bias' in its market communications and had yet to confirm its QE intention when asset purchases end in September 2018, the central bank appeared some way off normalising interest rates. The US economy grew steadily and, with its policy objectives of price stability and maximising employment remaining on track, the Federal Reserve Open Market Committee (FOMC) increased interest rates in December 2017 by 0.25% and again in March, raising the policy rate target range to 1.50% - 1.75%. The Fed is expected to deliver two more increases in 2018 and a further two in 2019. However, the imposition of tariffs on a broadening range of goods initiated by the US, which has led to retaliation by China, could escalate into a deep-rooted trade war having broader economic consequences including inflation rising rapidly, warranting more interest rate hikes.

**Financial markets**

The increase in Bank Rate resulted in higher money markets rates: 1-month, 3-month and 12-month LIBID rates averaged 0.32%, 0.39% and 0.69% and at 31st March 2018 were 0.43%, 0.72% and 1.12% respectively.

Gilt yields displayed significant volatility over the twelve-month period with the change in sentiment in the Bank of England's outlook for interest rates. The yield on the 5-year gilts which had fallen to 0.35% in mid-June rose to 1.65% by the end of March. 10-year gilt yields also rose from their lows of 0.93% in June to 1.65% by mid-February before falling back to 1.35% at year-end. 20-year gilt yields followed an even more erratic path with lows of 1.62% in June, and highs of 2.03% in February, only to plummet back down to 1.70% by the end of the financial year.

The FTSE 100 had a strong finish to calendar 2017, reaching yet another record high of 7688, before plummeting below 7000 at the beginning of 2018 in the global equity correction and sell-off.

**Credit background**

Credit Metrics

In the first quarter of the financial year, UK bank credit default swaps reached three-year lows on the announcement that the Funding for Lending Scheme, which gave banks access to cheaper funding, was being extended to 2018. For the rest of the year, CDS prices remained broadly flat.

The rules for UK banks' ring-fencing were finalised by the Prudential Regulation Authority and banks began the complex implementation process ahead of the statutory deadline of 1st January 2019. As there was some uncertainty surrounding which banking entities the Authority would will be dealing with once ring-fencing was implemented and what the balance sheets of the ring-fenced and non ring-fenced entities would look would actually look like, in May 2017 Arlingclose advised adjusting downwards the maturity limit for unsecured investments to a maximum of 6 months. The rating agencies had slightly varying views on the creditworthiness of the restructured entities.

Barclays was the first to complete its ring-fence restructure over the 2018 Easter weekend; wholesale deposits including local authority deposits will henceforth be accepted by Barclays Bank plc (branded Barclays International), which is the non ring-fenced bank.

**Money Market Fund regulation**

The new EU regulations for Money Market Funds (MMFs) were finally approved and published in July and existing funds will have to be compliant by no later than 21st January 2019. The key features include Low Volatility Net Asset Value (LVNAV) Money Market Funds which will be permitted to maintain a constant dealing NAV, providing they meet strict new criteria and minimum liquidity requirements. MMFs will not be prohibited from having an external fund rating (as had been suggested in draft regulations). Arlingclose expects most of the short-term MMFs it recommends to convert to the LVNAV structure and awaits confirmation from each fund.

Credit Rating developments

The most significant change was the downgrade by Moody's to the UK sovereign rating in September from Aa1 to Aa2 which resulted in subsequent downgrades to sub-sovereign entities including local authorities.

Changes to credit ratings included Moody's downgrade of Standard Chartered Bank's long-term rating to A1 from Aa3 and the placing of UK banks' long-term ratings on review to reflect the impending ring-fencing of retail activity from investment banking (Barclays, HSBC and RBS were on review for downgrade; Lloyds Bank, Bank of Scotland and National Westminster Bank were placed on review for upgrade).

Standard & Poor's (S&P) revised upwards the outlook of various UK banks and building societies to positive or stable and simultaneously affirmed their long and short-term ratings, reflecting the institutions' resilience, progress in meeting regulatory capital requirements and being better positioned to deal with uncertainties and potential turbulence in the run-up to the UK's exit from the EU in March 2019. The agency upgraded Barclays Bank's long-term rating to A from A- after the bank announced its plans for its entities post ring-fencing.

Fitch revised the outlook on Nationwide Building Society to negative and later downgraded the institution's long-term ratings due to its reducing buffer of junior debt. S&P revised the society's outlook from positive to stable.

S&P downgraded Transport for London to AA- from AA following deterioration in its financial position.

**Other developments**

In February, Arlingclose advised against lending to Northamptonshire County Council (NCC). NCC issued a section 114 notice in the light of severe financial challenge and the risk that it would not be in a position to deliver a balanced budget.

In March, following Arlingclose's advice, the Authority removed RBS plc and National Westminster Bank from its counterparty list. This did not reflect any change to the creditworthiness of either bank, but a tightening in Arlingclose's recommended minimum credit rating criteria to A- from

BBB+ for FY 2018-19. The current long-term ratings of RBS and NatWest do not meet this minimum criterion, although if following ring-fencing NatWest is upgraded, the bank would be reinstated on the Authority's lending list.

## Local Authority Regulatory Changes

### Revised CIPFA Codes

CIPFA published revised editions of the Treasury Management and Prudential Codes in December 2017. The required changes from the 2011 Code are being incorporated into Treasury Management Strategies and monitoring reports.

The 2017 Prudential Code introduces the requirement for a Capital Strategy which provides a high-level overview of the long-term context of capital expenditure and investment decisions and their associated risks and rewards along with an overview of how risk is managed for future financial sustainability. Where this strategy is produced and approved by full Council, the determination of the Treasury Management Strategy can be delegated to a committee. The Code also expands on the process and governance issues of capital expenditure and investment decisions.

The Authority will be producing a Capital Strategy for review and approval at the Finance & Management Committee in August 2018

In the 2017 Treasury Management Code the definition of 'investments' has been widened to include financial assets as well as non-financial assets held primarily for financial returns such as investment property. These, along with other investments made for non-treasury management purposes such as loans supporting service outcomes and investments in subsidiaries, must be discussed in the Capital Strategy or Investment Strategy.  Additional risks of such investments are to be set out clearly and the impact on financial sustainability is be identified and reported.

### MHCLG Investment Guidance and Minimum Revenue Provision (MRP)

In February 2018, the MHCLG (Ministry of Housing, Communities and Local Government) published revised Guidance on Local Government and Investments and Statutory Guidance on Minimum Revenue Provision (MRP).

Changes to the Investment Guidance include a wider definition of investments to include non-financial assets held primarily for generating income return and a new category called "loans" (e.g. temporary transfer of cash to a third party, joint venture, subsidiary or associate). The Guidance introduces the concept of proportionality, proposes additional disclosure for borrowing solely to invest and also specifies additional indicators. Investment strategies must detail the extent to which service delivery objectives are reliant on investment income and a contingency plan should yields on investments fall.

The definition of prudent MRP has been changed to "put aside revenue over time to cover the CFR"; it cannot be a negative charge and can only be zero if the CFR is nil or negative. Guidance on asset lives has been updated, applying to any calculation using asset lives. Any change in MRP policy cannot create an overpayment; the new policy must be applied to the outstanding CFR going forward only.

**MiFID II**

As a result of the second Markets in Financial Instruments Directive (MiFID II), from 3rd January 2018 local authorities were automatically treated as retail clients but could "opt up" to professional client status, providing certain criteria was met which includes having an investment balance of at least £10 million and the person(s) authorised to make investment decisions on behalf of the authority have at least a year's relevant professional experience. In addition, the regulated financial services firms to whom this directive applies have had to assess that that person(s) have the expertise, experience and knowledge to make investment decisions and understand the risks involved.

The Authority has met the conditions to opt up to professional status and has done so in order to maintain its erstwhile MiFID II status prior to January 2018. The Authority will continue to have access to products including money market funds, pooled funds, treasury bills, bonds, shares and to financial advice.

## Local Context

On 31st March 2018, the Authority had net borrowing of £32.95m arising from its revenue and capital income and expenditure, a decrease on 2017 of £14.5m. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR). Actual CFR versus budgeted CFR is summarised below.

| **Capital Financing Requirement (CFR)** | **Actual £'000** | **Budget £'000** |
|---|---|---|
| CFR balance b/fwd April 2017 | 67,583 | 67,583 |
| Less Minimum Revenue Provision (MRP) | -214 | -214 |
| Less Voluntary Revenue Provision (VRP) | -131 | -131 |
| **CFR balance c/fwd 31st March 2018** | **67,238** | **67,238** |
| General Fund CFR | 5,654 | 5,654 |
| HRA CFR | 61,584 | 61,584 |
| **Total CFR** | **67,238** | **67,238** |

The Authority's strategy was to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing, in order to reduce risk and keep interest costs low. The treasury management position as at 31st March 2018 and the year-on-year change is show in the below.

| **Net Borrowing** | April 17 B/fwd £'000 | Movement £'000 | March 18 C/fwd £'000 | Average Rate % |
|---|---|---|---|---|
| Long-term Borrowing: | | | | |
| Fixed | 47,423 | 0 | 47,423 | 3.19% |

| | | | | |
|---|---|---|---|---|
| Variable | 10,000 | 0 | 10,000 | 0.79% |
| Short-term Borrowing | 28 | 0 | 28 | 0.00% |
| **Total Borrowing** | **57,451** | **0** | **57,451** | |
| Long-term Investments | 0 | 1,000 | 1,000 | 4.54% |
| Short-term investments | 10,000 | 13,500 | 23,500 | 0.23% |
| Cash and Cash Equivalents | 5,547 | -2,493 | 3,092 | 0.20% |
| **Total Investments** | **15,547** | **12,007** | **27,592** | |
| **Net Borrowing** | **41,904** | **-12,007** | **29,859** | |

The net borrowing of the Council reduced during 2017/18 due to an increase in investments. Lower expenditure and budget savings in year resulted in larger cash balances to invest which is reflected above.

## Borrowing Activity

At 31st March 2018, the Authority held £57.4m of loans. These loans were taken out by the Authority in 2011/12 for the purpose of HRA self-financing. The following table shows the maturity dates of the loans and rate of interest payable.

| Loan Profile | Type | Value (£'000) | Rate (%) | Maturity |
|---|---|---|---|---|
| Public Works Loan Board | Variable | 10,000 | 0.79 | 2021/22 |
| Public Works Loan Board | Fixed | 10,000 | 2.70 | 2023/24 |
| Public Works Loan Board | Fixed | 10,000 | 3.01 | 2026/27 |
| Public Works Loan Board | Fixed | 10,000 | 3.30 | 2031/32 |
| Public Works Loan Board | Fixed | 10,000 | 3.44 | 2036/37 |
| Public Works Loan Board | Fixed | 7,423 | 3.50 | 2041/42 |
| | | **57,423** | | |

The Council's chief objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Authority's long-term plans change being a secondary objective.

For the majority of the year the "cost of carry" analysis performed by the Authority's treasury management advisor Arlingclose did not indicate value in borrowing in advance for future years' planned expenditure and therefore none was taken.

The Council was not required to undertake any temporary borrowing during 2017/18 but does hold money on deposit for 2 Parish Councils which is classed as temporary as it can be recalled on immediate notice.

## Investment Activity

The Authority holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. During 2017/18, the Authority's investment balance ranged between £19m and £31m due to timing differences between income and expenditure. The year-end investment position is show below.

| Investment Profile | Type | Value (£'000) | Average Rate (%) |
|---|---|---|---|
| Local Authorities | Fixed Rate | 18,000 | 0.44 |
| Debt Management Office | Fixed Rate | 1,500 | 0.15 |
| Money Market Funds | Variable Rate | 4,000 | 0.42 |
| CCLA Property Fund | Variable Rate | 1,000 | 4.54 |
| | | **24,500** | |

Both the CIPFA Code and government guidance require the Authority to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

In furtherance of these objectives, and given the increasing risk and low returns from short-term unsecured bank investments, the Authority diversified into the CCLA Property Fund and Money Market Funds which both offer a higher yield but remain secure during 2017/18. £1m that is available for longer-term investment was moved from bank and deposits into the CCLA Property Fund and £4m was invested into Money Market Funds. As a result, investment risk was marginally increased but funds have still remained secure and the average rate of return has increased from 0.25% to 0.39%.

## Financial Implications

The outturn for debt interest paid in 2017/18 was £1.55 million at an average interest rate of 2.73% against a budgeted interest charge of £1.77 million at an average interest rate of 3.08%.

Lower interest costs have been achieved due to the variable element of the loans. The rate of interest budgeted was 2.5% but the average rate charged was only 0.79%

The outturn for interest income received in 2017/18 was £108,549 against a budget of £20,000. The average interest rate achieved was 0.39%.

Interest received in year was greater than budgeted due to higher levels of cash for investment plus a change in the investment portfolio. The CCLA Property Fund and Money Market investments have increased the average rate of return achieved.

## Performance Report

The main indicator the Council uses to measure its return on investments to average, over the year, is the Average 7-Day Money Market Rate. This is a standard measure of performance. Performance in recent years is shown in the following table.

| | 2010/11 | 2011/12 | 2012/13 | 2013/14 | 2014/15 | 2015/16 | 2016/17 | 2017/18 |
|---|---|---|---|---|---|---|---|---|
| **7 Day Rate (Target)** | 0.51% | 0.62% | 0.51% | 0.47% | 0.50% | 0.50% | 0.36% | 0.35% |
| **Actual Rate** | 0.78% | 0.74% | 0.31% | 0.33% | 0.31% | 0.32% | 0.25% | 0.39% |

## Compliance Report

The Chief Finance Officer is pleased to report that all treasury management activities undertaken during 2017/18 complied fully with the CIPFA Code of Practice and the Authority's approved Treasury Management Strategy.

Compliance with the authorised limit and operational boundary for external debt is demonstrated in the table below.

| Debt Limits | Actual Debt 17/18 £'000 | Operational Boundary £'000 | Authorised Limit £'000 |
|---|---|---|---|
| HRA | 57,423 | 57,423 | 66,853 |
| General Fund | 0 | 5,000 | 5,653 |

The Operational Boundary represents the expected external debt outstanding in the year. The limit on the General Fund of £5m is a provision for temporary borrowing and is included as a contingency should cash flow become negative during year. The HRA's Operational Boundary represents the current borrowing undertaken due to self-financing.

The Authorised Limit is the Borrowing Cap for the Council. It represents the CFR on the General Fund and the debt cap set by the Government on the HRA for self-financing.

The Council invests surplus funds in accordance with an approved policy and associated counterparty list. Below is a table showing the maximum investments during 2017/18 within each category on the Counterparty list and that the Council were fully compliant with the policy.

| Investment Limits | Maximum Investment during 17/18 £m | Maximum invested per Counterparty £m | Limit | Maximum Term | Complied |
|---|---|---|---|---|---|
| Debt Management Office | £14m | £14m | £15m in total | 364 days | ✓ |
| Other Local Authorities | £21m | £5m | £5m per Authority | 364 days | ✓ |
| Money Market funds | £4m | £2m | £10m total, £2m per fund | 60 days | ✓ |
| CCLA Property Fund | £1m | £1m | £1m | Indefinite period | ✓ |
| Named Counterparties (HSBC/Lloyds/BOS/Close Bros/Santander) | £2m | £2m | £2m per Bank | 6 months | ✓ |
| Named Counterparties (Barclays/Goldman Sachs) | £2m | £2m | £2m per Bank | 100 days | ✓ |
| Named Counterparties (RBS/NatWest) * | 0 | 0 | £1m per Bank | 35 days | ✓ |
| Named Counterparties (Nationwide/Coventry) | 0 | 0 | 5% of total deposits | 6 months | ✓ |
| Named Counterparties (Leeds) | 0 | 0 | 5% of total deposits | 100 days | ✓ |
| Foreign Counterparties | 0 | 0 | AAA rated - £1m per Bank | 1 month | ✓ |
| Independent Building Societies | 0 | 0 | £1m per Society | 100 days | ✓ |

*As previously reported, in line with Arlingclose advice, RBS/NatWest have been removed from the Counterparty list from 1st April 2018.

South Derbyshire District Council

# Prudential Indicators 2018/19

## February 2018

## Introduction

The Local Government Act 2003 requires the Authority to have regard to the Chartered Institute of Public Finance and Accountancy's Prudential Code for Capital Finance in Local Authorities (the Prudential Code) when determining how much money it can afford to borrow. The objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice. To demonstrate that the Authority has fulfilled these objectives, the Prudential Code sets out the following indicators that must be set and monitored each year.

### Estimated Capital Expenditure and Financing

This is the approved capital investment programme for the General Fund, together with stock investment proposals included in the HRA Business Plan. The programme is summarised in the following table.

| Estimated Capital Expenditure | 2017/18 £ | 2018/19 £ | 2019/20 £ | 2020/21 £ | 2021/22 £ | 2022/23 £ |
|---|---|---|---|---|---|---|
| General Fund | 4,060,070 | 2,484,720 | 736,000 | 736,000 | 736,000 | 786,000 |
| HRA | 1,735,320 | 2,869,513 | 1,888,000 | 1,935,000 | 1,983,000 | 1,692,000 |
| **TOTAL** | **5,795,390** | **5,354,233** | **2,624,000** | **2,671,000** | **2,719,000** | **2,478,000** |
| **Financed by** | | | | | | |
| Grants and Contributions | 1,256,538 | 990,948 | 336,000 | 336,000 | 336,000 | 336,000 |
| Council Resources | 4,538,852 | 4,363,285 | 2,288,000 | 2,335,000 | 2,383,000 | 2,142,000 |
| **TOTAL** | **5,795,390** | **5,354,233** | **2,624,000** | **2,671,000** | **2,719,000** | **2,478,000** |

The current year estimated expenditure on the General Fund relates to the relocation of the Council's Depot and a substantial vehicle upgrade program, which will continue into 2018/19. Subsequent years' expenditure relates to the continuing asset replacement program.

The general downward trend of HRA expenditure relates to the reduction in major repairs. The forecast spike in 2018/19 relates to one-off expenditure on the building of new properties.

Overall, the capital expenditure programme is financed from Government grants, external contributions, Council reserves and capital receipts.

The table highlights that the 5-year investment programme is fully funded. It is expected that the borrowing requirement will be met internally. If all financing is not secured, expenditure will need to be curtailed or other resources and reserves identified.

Due to the current level of reserves and cash on deposit, current policy is that any longer term borrowing is undertaken only as a last resort to meet any shortfall; any new borrowing will only be undertaken prudentially within the Council's debt limits.

## The Council's Borrowing Need or 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 net value of fixed assets contained in the Council's Balance Sheet.

The CFR does not necessarily represent the amount of actual external debt outstanding. This is due to the fact that not all borrowing previously allowed has in effect taken place against this requirement, but is being financed internally through cash deposits and reserves.

Capital expenditure that has not been immediately paid for increases the CFR through additional borrowing, including internally. The CFR is reduced following debt repayment or through setting-aside revenue sums to repay internal borrowing.

The Council is required to pay off an element of the accumulated General Fund CFR each year through a revenue charge called the Minimum Revenue Provision (MRP). In addition, a Voluntary Revenue Provision (VRP) is made where borrowing has taken place on a prudential basis.

There is no requirement to make a MRP for the HRA. However, in future years, money will be set-aside to repay HRA debt in accordance with the maturity profile. This strategy is reflected in the HRA's Financial Plan.

A summary of the CFR estimates is shown in the following table.

| Expected CFR | 2017/18 £'000 | 2018/19 £'000 | 2019/20 £'000 | 2020/21 £'000 | 2021/22 £'000 | 2022/23 £'000 |
|---|---|---|---|---|---|---|
| CFR b/fwd | 67,583 | 67,237 | 66,900 | 66,572 | 66,251 | 55,993 |
| Add New Financing | 0 | 0 | 0 | 0 | 0 | 0 |
| Less MRP | -214 | -206 | -197 | -190 | -182 | -175 |
| Less VRP | -131 | -131 | -131 | -131 | -76 | -21 |
| Less Debt Repayment | 0 | 0 | 0 | 0 | -10,000 | 0 |
| **CFR c/fwd** | **67,237** | **66,900** | **66,572** | **66,251** | **55,993** | **55,798** |
| General Fund Proportion | 5,653 | 5,316 | 4,988 | 4,667 | 4,409 | 4,214 |
| HRA Proportion | 61,584 | 61,584 | 61,584 | 61,584 | 51,584 | 51,584 |
| | **67,237** | **66,900** | **66,572** | **66,251** | **55,993** | **55,798** |

The VRP relates to the repayment of previous internal borrowing relating to the purchase of receptacles to extend the kerbside recycling scheme in 2013, together with the repayment of the internal borrowing for the Grove Hall Extreme Sports project.

## Debt Pools

The Council operates two separate Debt Pools, one for the General Fund and one for the Housing Revenue Account (HRA). There is no external debt currently outstanding on the General Fund, although it has a positive CFR representing an underlying borrowing need.

The General Fund CFR is reduced each year by a statutory revenue charge known as the Minimum Revenue Provision (MRP). In addition a Voluntary Revenue Provision (VRP) is made where borrowing has been undertaken on a prudential basis.

There is no requirement to make a MRP or VRP in the Housing Revenue Account. The HRA has debt outstanding of just over £57m. This represents the debt inherited under the self-financing framework for Council Housing.

Although no MRP is required for the HRA, in future years, money will be set-aside to repay the HRA debt in accordance with the maturity profile. This strategy is reflected in the HRA's Financial Plan. The expected CFRs over the current financial planning period to 2022/23 are detailed in the following table.

| Expected CFR | 2017/18 £'000 | 2018/19 £'000 | 2019/20 £'000 | 2020/21 £'000 | 2021/22 £'000 | 2022/23 £'000 |
|---|---|---|---|---|---|---|
| General Fund | 5,653 | 5,316 | 4,988 | 4,667 | 4,409 | 4,214 |
| HRA | 61,584 | 61,584 | 61,584 | 61,584 | 51,584 | 51,584 |

The CFR on the General Fund will continue to reduce over the medium-term due to MRP/VRP being applied. These charges for all years are included in the Council's base budget.

Effectively, the MRP/VRP creates a cash amount in the Council's budget in order to write down the underlying borrowing requirement.

The larger CFR on the HRA is forecast to remain fairly static until such time as any new borrowing is undertaken or until the first repayment of £10m self-financing debt in 2021/2022.

## Limits to Borrowing Activity

The Council is required to set limits on overall borrowing (net of investments). This controls borrowing and ensures that the Council does not, except in the short term, exceed the total of the CFR in the preceding year, plus the estimates of any additional CFR for the current and the next two financial years.

A short term deviation is allowed for flexibility if a limited amount of borrowing was required to meet temporary shortfalls in cash flow. The estimated position is detailed in the following table.

| Estimated Borrowing Compared to the CFR | 2017/18 £'000 | 2018/19 £'000 | 2019/20 £'000 | 2020/21 £'000 | 2021/22 £'000 | 2022/23 £'000 |
|---|---|---|---|---|---|---|
| Gross Borrowing - HRA | 57,423 | 57,423 | 57,423 | 57,423 | 47,829 | 47,829 |
| Gross Borrowing - General Fund | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total Gross Borrowing** | **57,423** | **57,423** | **57,423** | **57,423** | **47,829** | **47,829** |
| **Total CFR** | **67,237** | **66,900** | **66,572** | **66,251** | **55,993** | **55,798** |

The above table shows that as gross borrowing is likely to remain below the CFR, the Council will comply with this Prudential Indicator.

## The Authorised Limit for External Debt

This is the limit beyond which external debt is prohibited. It is the statutory limit determined under section 3(1) of the Local Government Act 2003 and is the debt cap for HRA self-financing of £66.853m.

## The Operational Boundary for External Debt

This represents the expected external debt during the course of the year, but it is not a limit. It is designed to aid the Chief Finance to manage treasury activity on a daily basis and acts as an early warning sign of any potential issues. It includes a provision for temporary borrowing of £5m. As in recent years, it is not expected that any temporary borrowing will be required, but is included as a contingency should cash flow become negative in the short-term.

The Limit and Boundary are summarised in the following table.

| Debt Limits | 2017/18 £'000 | 2018/19 £'000 | 2019/20 £'000 | 2020/21 £'000 | 2021/22 £'000 | 2022/23 £'000 |
|---|---|---|---|---|---|---|
| Authorised Limit - General Fund | 5,653 | 5,316 | 4,988 | 4,667 | 4,409 | 4,214 |
| Authorised Limit - HRA | 66,853 | 66,853 | 66,853 | 66,853 | 66,853 | 66,853 |
| Operational Boundary | 62,423 | 62,423 | 62,423 | 62,423 | 52,423 | 52,423 |

## Cost of Debt to Finance Capital Expenditure

This indicator shows how much per year the costs of borrowing impact upon each household (at Band D Council Tax rate) in the District and for each council tenant (HRA).

As there is no actual debt on the General Fund, the impact on Council Tax is positive as this represents interest on cash deposits.

| Cost of Servicing Debt | 2017/18 £'000 | 2018/19 £'000 | 2019/20 £'000 | 2020/21 £'000 | 2021/22 £'000 | 2022/23 £'000 |
|---|---|---|---|---|---|---|
| Estimated Net Interest Received - General Fund | -20,000 | -45,000 | -45,000 | -45,000 | -45,000 | -45,000 |
| Estimated Band D Properties (per MTFP) | 31,647 | 32,467 | 33,007 | 33,547 | 34,086 | 34,626 |
| **Cost per Band D Property** | **-£0.63** | **-£1.39** | **-£1.36** | **-£1.34** | **-£1.32** | **-£1.30** |
| **No red** | | | | | | |
| Estimated Net Interest Payable – HRA | 1,762,478 | 1,797,575 | 1,797,644 | 1,797,715 | 1,797,788 | 1,497,863 |
| Est Council Dwellings (per MTFP) | 3,006 | 2,988 | 2,972 | 2,958 | 2,945 | 2,932 |
| **Annual Cost per Dwelling** | **£586.32** | **£601.60** | **£604.96** | **£607.85** | **£610.56** | **£510.95** |

## The Use of the Council's Resources and the Investment Position

The Council has available at any one time, reserves and balances which are held to finance future expenditure commitments or to act as a contingency sum as recommended by the Council's Chief Finance Officer.

These balances are available for investment on a short-term basis in accordance with the Investment Strategy. The expected level of reserves and balances is shown in the following table.

| Estimated Usable Reserves | 2017/18 £'000 | 2018/19 £'000 | 2019/20 £'000 | 2020/21 £'000 | 2021/22 £'000 | 2022/23 £'000 |
|---|---|---|---|---|---|---|
| General Fund | 9,213 | 8,180 | 6,742 | 5,407 | 3,899 | 2,052 |
| Earmarked | 11,206 | 10,706 | 10,586 | 10,544 | 10,185 | 9,627 |
| Capital Receipts and Grants | 3,011 | 4,016 | 5,185 | 6,251 | 7,263 | 8,222 |
| Debt Repayment | 3,054 | 5,465 | 7,857 | 10,188 | 2,458 | 5,755 |
| HRA | 4,397 | 4,195 | 3,844 | 3,476 | 3,222 | 2,701 |
| **TOTAL** | **30,881** | **32,561** | **34,213** | **35,866** | **27,026** | **28,357** |

The above table shows that overall the level of resources is expected to decrease over the financial period and it assumes in particular, that forecasted deficits on the General Fund will be financed from general reserves until budget savings or additional income are identified. When identified, the level of resources will remain higher.

It is estimated that the current level of earmarked reserves will gradually be utilised over the financial period. The level of capital receipts is estimated to fluctuate due to the timing of receipts from council house and planned land sales, together with the timing of actual capital expenditure payments.

Based on this level of reserves, it is estimated that the Council will continue to have funds available for investment each year. In accordance with the Investment Strategy, these investments will continue to be held in short-term (less than 364 days) deposit accounts.

## Ratio of Financing Costs to Net Revenue Stream

This indicator shows the trend in the net cost of borrowing (allowing for investment income) against the net revenue stream, i.e. Council Tax for the General Fund and Rent Income for the HRA. Estimates are included in the Council's Medium Term Financial Plan (MTFP) and are shown in the following table.

| Financing Ratios | 2017/18<br>£ | 2018/19<br>£ | 2019/20<br>£ | 2020/21<br>£ | 2021/22<br>£ | 2022/23<br>£ |
|---|---|---|---|---|---|---|
| **General Fund** | | | | | | |
| Estimated Council Tax Income | 4,942,217 | 5,169,145 | 5,357,554 | 5,551,345 | 5,750,657 | 5,955,631 |
| Net Interest Receivable | -20,000 | -45,000 | -45,000 | -45,000 | -45,000 | -45,000 |
| **Proportion** | **-0.40%** | **-0.87%** | **-0.84%** | **-0.81%** | **-0.78%** | **-0.76%** |
| **HRA** | | | | | | |
| Estimated Rental Income | 12,320,843 | 12,165,641 | 12,315,000 | 12,328,000 | 12,581,000 | 12,902,000 |
| Estimated Interest Payable | 1,762,478 | 1,797,575 | 1,797,644 | 1,797,715 | 1,797,788 | 1,497,863 |
| **Proportion** | **14.30%** | **14.78%** | **14.60%** | **14.58%** | **14.29%** | **11.61%** |

With no debt on the General Fund, the indicator is negative. The ratio reflects the level of "gearing" - how much of the Council's revenue is tied up in borrowing costs. Although the proportion for the HRA is greater in percentage terms, this is a relatively fixed cost but affordable within the HRA's Financial Plan.

**COUNTERPARTY LIST 2018/19**
***(As at April 2018)***

| Institution | Limit | Maximum Term |
|---|---|---|
| **<u>Specified Investments</u>** | | |
| • UK Debt Management Office (DMO) | **£15m** | 364 Days |
| • Local, Police, Fire and Parish Authorities | **£5m** with any one Authority | 364 Days |
| **<u>Non Specified Investments</u>** | | |
| ***Named Counterparties*** | | |
| • CCLA Lamit Property Fund | **£1m** | Indefinite period, subject to quarterly review |
| • Money Market Funds | **£10m in total and £2m with any one Fund** | 60 days |
| • HSBC<br>• Lloyds Bank<br>• Bank of Scotland | **£2m** with any one Bank | 6 months |
| • Close Brothers<br>• Santander UK / Abbey National Treasury Services | **£2m** with any one Bank | 6 months |
| • Barclays Bank<br>• Goldman Sachs International | **£2m** with any one Bank | 100 days |
| • Nationwide Building Society<br>• Coventry Building Society | **5% of total deposits** | 6 months |
| • Leeds Building Society | **5% of total deposits** | 100 days |
| ***Foreign Counterparties*** | | |
| • AAA rated institutions (*subject to separate approval by the Section 151 Officer*) | **£1m** with any one Bank | 1 month |
| ***Independent Building Societies*** | | |
| • *subject to separate approval by the Section 151 Officer* | **£1m** with any one society | 100 days |

| | | |
|---|---|---|
| **REPORT TO:** | **FINANCE and MANAGEMENT COMMITTEE - SPECIAL** | **AGENDA ITEM: 9** |
| **DATE OF MEETING:** | **26th JULY 2018** | **CATEGORY: RECOMMENDED** |
| | | **OPEN** |
| **REPORT FROM:** | **STRATEGIC DIRECTOR (CORPOARTE RESOURCES)** | |
| **MEMBERS' CONTACT POINT:** | **KEVIN STACKHOUSE (01283 595811) Kevin.stackhouse@south-derbys.gov.uk** | **DOC:** u/ks/accounts/finalaccounts17 18/approval of accounts report July 2018 |
| **SUBJECT:** | **ACCOUNTS and FINANCIAL STATEMENTS 2017/18** | **REF:** |
| **WARD(S) AFFECTED:** | **ALL** | **TERMS OF REFERENCE: FM 08** |

## 1.0 Recommendation

1.1 That the Council's Audited Accounts and Financial Statements for 2017/18 are approved and signed by the Chairman of the Committee for publication.

## 2.0 Purpose of Report

2.1 Under the Accounts and Audit Regulations 2015, the Council's audited accounts and financial statements are presented for approval. The Committee is required to approve the accounts with the knowledge of the opinion of the Council's External Auditor, Ernst and Young LLP (known as EY).

2.2 Their findings were contained in a report which was presented to the Audit Sub-Committee on 25th July 2018. http://south-derbys.cmis.uk.com/south-derbys/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/2162/Committee/464/Default.aspx

2.3 The Council issued its draft Statement of Accounts by 30th May 2018 in accordance with the statutory requirement. Following the Audit, an unqualified opinion was given on the Statement of Accounts.

2.4 The Final Accounts and Financial Statements for publication are now presented for approval. A final proof and reference check is being made prior to publication on 31st July 2018.

## 3.0 Detail

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

3.2 The Statement of Accounts is considered to be a complex and technical document that is prepared to meet accounting and financial standards. It acts as the statutory report on the Council's financial position.

3.3 It is an in depth analysis of the Council's accounts, including its assets, liabilities and overall financial position at a point in time. The figures are supported by numerous commentaries and disclosure notes to help explain the various balances, together with income and expenditure in the Accounts.

**International Financial Reporting Standards (IFRS)**

3.4 The Accounts for 2017/18 have been prepared on a full IFRS basis and in accordance with the Code of Practice on Local Authority Accounting in the UK.

**The Statement of Accounts**

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

**Narrative Report**

3.6 This sets out a summary to explain in non-technical terms, the most significant matters reported in the Accounts. It gives an overview of the year's performance, both financially and in more general terms against the key performance indicators in the Council's Corporate Plan. Some

3.7 General information regarding the District and the Council is also provided. This is aimed at helping the reader of the Accounts to understand the financial performance of the Council in the context of local service priorities and challenges.

3.8 The Narrative also outlines significant factors that affect the understanding of the accounts and provides an overview of assets, reserves and liabilities. It also outlines the Council's medium term financial position, together with the financial issues and risks that the Council faces.

**Governance Statement**

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

3.10 The Governance Statement reports on the effectiveness of the framework for 2017/18 and highlights any issues (in an Action Plan) that have been identified to ensure that the Council's governance arrangements remain robust. The Governance Statement was considered and approved for inclusion in the Statement of Accounts, by the Audit Sub-Committee on 30th May 2018.

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

3.11 This Statement is a summary that reports the accounting cost for the year of all functions for which the Council is responsible. However, the net expenditure in this Statement is not the amount funded from taxation.

3.12 Councils raise tax to cover expenditure in accordance with regulations and this is usually different from the accounting cost which includes debt financing and capital accounting charges such as depreciation. The taxation position is shown in the Movement in Reserves Statement.

3.13 Further analysis of the figures reported in the CIES is contained within the disclosure notes that follow later in the Accounts.

**Movement in Reserves Statement**

3.14 This Statement shows the movement in reserves held by the Council during the year. It includes amounts charged in and out of the Income and Expenditure Account for accounting purposes that are not a charge on the Council Tax or Rent Payer. It reconciles the accounting cost in the CIES to the cost of services funded through taxation.

3.15 The balance as at 31st March 2018 reflects the level of resources available whether unallocated or held within earmarked reserves, i.e. *usable reserves.* Other reserves such as the Revaluation Reserve reflect accounting transactions and are not available for spending, i.e. they are *unusable reserves.*

**Balance Sheet**

3.16 This shows the Council's overall financial position as at 31st March 2018 with a comparison to the previous year, 2016/17. It reports the Council's assets and liabilities as valued at the financial year end. This includes land, property, money owing to and from the Council, together with reserves and provisions, etc.

3.17 The overall value of the Council's assets increased in 2017/18 by approximately £12m, from £72 million to £84 million. This was mainly due to an increase in cash reserves.

3.18 The increase in reserves was due to lower expenditure, especially on capital projects, together with increased income and capital receipts. The overall increase in reserves (General Fund, HRA, Earmarked, etc.) is reported in Note 23 of the Financial Statements.

**Cash Flow Statement**

3.19 This shows the actual inflow and outflow of cash for the year by adjusting the accounts for all non-cash transactions. This Statement also reports how the additional £11m in cash reserves was generated.

### Disclosure Notes to the Financial Statements

3.20 These are designed to provide further explanations of the reported figures contained in the Financial Statements. The notes are required under the Code of Practice to give added clarity and understanding for readers and users of the Accounts.

3.21 The notes cover details of income and expenditure, including the Council's accounting policies, together with explanations regarding the critical judgements and assumptions used in preparing the Accounts.

### Supplementary Financial Statements

3.22 These contain further detail relating to the ring-fenced Housing Revenue Account (HRA) and the Collection Fund. This shows the amounts collected in Council Tax and Business Rates and how that income has been distributed amongst the preceptors on the Collection Fund.

### Glossary

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

### Value for Money

3.24 As part of their audit work, the Auditor is also required to consider whether the Council has put in place "proper arrangements to secure economy, efficiency and effectiveness on its use of resources." For 2017/18, this is based on the overall evaluation criterion:

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

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

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

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

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

3.27 In EY's Audit Plan for 2017/18, they identified two significant risks to their value for money conclusion, which were as follows:

- Securing financial resilience as the Council's Medium Term Financial Plan currently forecasts budget deficits in future years. *The Auditors were satisfied that appropriate arrangements are in place to manage this significant risk*.

- Procurement and related contract issues in the Housing and Environment Services Directorate. This risk was reported due to the control weaknesses identified in 2016/17 for which the Council was implementing actions during 2017/18.

3.28 The Auditor concluded that the Council had made progress during 2017/18, but not all of the recommendations had been implemented and those that have are yet to be fully embedded. Therefore, based on their work, EY have issued a qualified "except for" VFM conclusion for the year ended 31st March 2018.

**4.0 <u>Financial Implications</u>**

4.1 None.

**5.0 <u>Corporate Implications</u>**

5.1 None directly.

**6.0 <u>Community Implications</u>**

6.1 The production of the Council's Statutory Annual Accounts and Financial Statements is an important part of stewardship and accountability for public resources.

6.2 The document aims to give electors, those subject to locally levied taxes and charges, Elected Members, employees and other interested parties, detailed information about the Council's financial position.

**7.0 <u>Background Papers</u>**

7.1 Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

# Contents


| | |
|---|---|
| Narrative Report | 3 |
| Statement of the Council's and Chief Financial Officer's Responsibilities for the Statement of Accounts | 14 |
| Governance Statement | 15 |
| Certificate of the Chief Financial Officer | 33 |
| Independent Auditors Report | 34 |
| Council Approval of Statement of Accounts | 37 |
| Comprehensive Income and Expenditure Statement | 38 |
| Movement in Reserves Statement | 39 |
| Balance Sheet | 40 |
| Cash Flow Statement | 41 |
| Notes to the Financial Statements | |
| 1. Accounting Policies | 42 |
| 2. Accounting Standards that have been issued but have not yet been adopted | 54 |
| 3. Critical Judgements | 55 |
| 4. Assumptions made about the future and other major sources of uncertainty | 55 |
| 5. Material Items of Income and Expense | 57 |
| 6. Events after the Balance Sheet Date | 57 |
| 7. Expenditure and Funding Analysis | 58 |
| 8. Note to the Expenditure and Funding Analysis | 59 |
| 9. Expenditure and Income Analysed by Nature | 60 |
| 10. Adjustment between Accounting Basis and Funding Basis under Regulations | 61 |
| 11. Movement in Earmarked Reserves | 63 |
| 12. Other Operating Expenditure | 63 |
| 13. Financing and Investment Income and Expenditure | 64 |
| 14. Taxation and Non Specific Income | 64 |
| 15. Property, Plant and Equipment | 66 |
| 16. Investment Properties | 69 |
| 17. Financial Instruments | 70 |
| 18. Debtors | 76 |
| 19. Cash and Cash Equivalents | 76 |
| 20. Assets Held for Sale | 77 |
| 21. Creditors | 77 |

# Contents


22. Provisions 77
23. Usable Reserves 78
24. Unusable Reserves 80
25. Agency Services 83
26. Members' Allowances 83
27. Officers' Remuneration 84
28. External Audit Fees 85
29. Grant Income 85
30. Related Parties 86
31. Capital Expenditure and Capital Financing 87
32. Leases 88
33. Defined Benefit Pension Schemes 88
34. Contingent Liabilities 94
35. Prior Year Adjustment 94

Housing Revenue Account – Income and Expenditure 95

Movement on the Housing Revenue Account 96

Notes to the Housing Revenue Account

1. Introduction 97
2. Housing Stock 97
3. Major Repairs Reserve 97
4. Property, Plant and Equipment 98
5. Capital Expenditure 100
6. Capital Receipts from Disposal of Land, Houses and Other Property 100
7. Rent Arrears 100
8. Provision for Bad and Doubtful Debts 100
9. Depreciation and Impairment of Fixed Assets 101
10. Pension Costs 101

Collection Fund Account 102

Notes for the Collection Fund Account

1. Council Tax 103
2. Council Tax Valuation Bands 103
3. Council Tax Base 103
4. Precepts and Demands 104
5. Non Domestic Rates 105
6. Non Domestic Rate Demands 105

Glossary 107

# Narrative Report

## INTRODUCTION

The Council's financial performance for the year ended 31st March 2018 is set out in the Comprehensive Income and Expenditure Statement and its financial position is set out in the Balance Sheet and Cash Flow Statement.

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

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

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

The Narrative Report is structured as follows:

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

## INTRODUCTION TO SOUTH DERBYSHIRE

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

It has been transformed during the past few decades from a clay and mining area to a successful District that serves as home to more than 99,000 people.

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

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

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

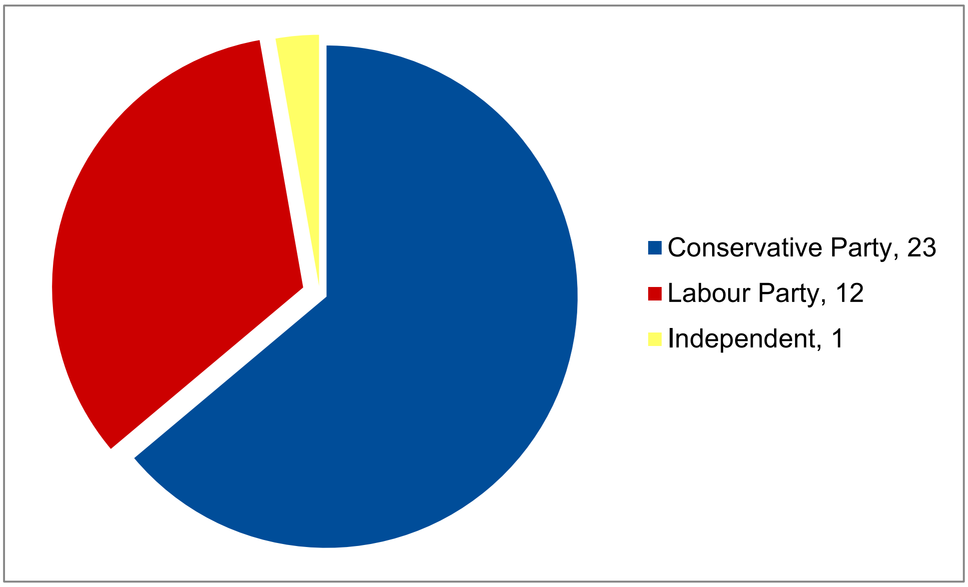
South Derbyshire boasts 3,500 business enterprises, among them international names JCB, Nestle and Toyota Motor Manufacturing UK. The wide range of employment opportunities means unemployment is very low in the District.

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

## INTRODUCTION TO SOUTH DERBYSHIRE DISTRICT COUNCIL

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

The Council has 15 wards, with 36 elected Members. The political composition of seats is as follows:




### About the Council

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

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

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

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

### How we work

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

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

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

## COUNCIL PERFORMANCE

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

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

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

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

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

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

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

### People: keeping residents happy, healthy and safe

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

### Place: creating vibrant communities to meet residents' needs

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

### Progress: encouraging inward investment and tourism opportunities

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

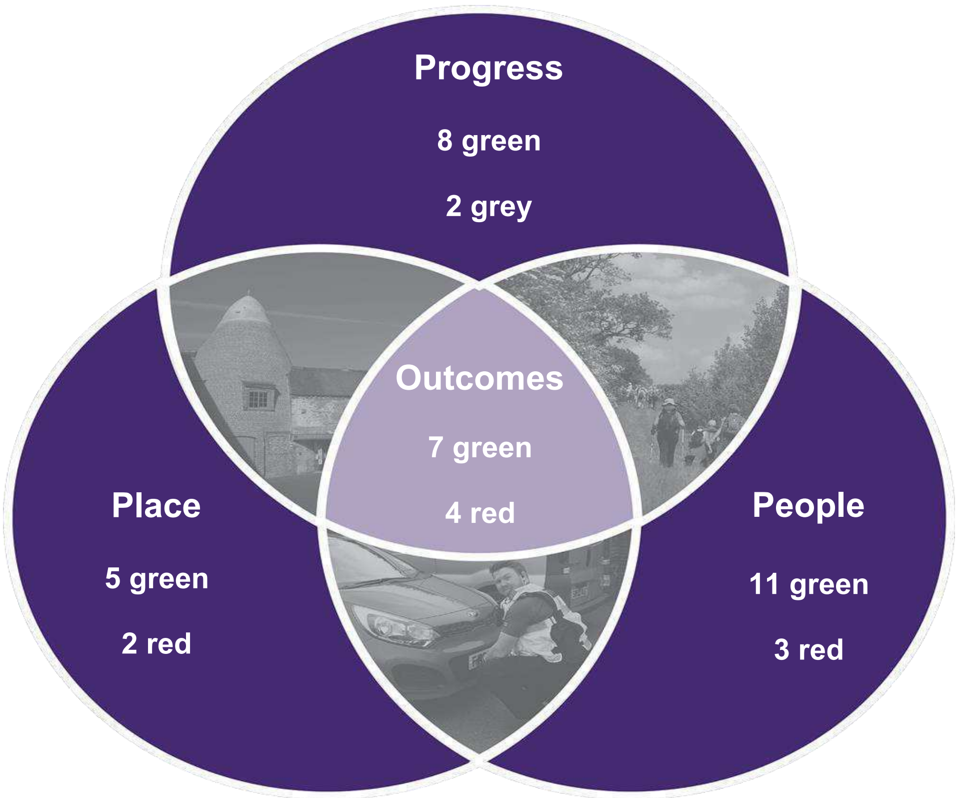
# Narrative Report (continued)

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

## Outcomes: work that underpins all of our activities

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

Below shows the overall Council performance against the Corporate Plan for 2017/18:




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

Of the 42 strategic projects and measures for the Council, 31 are green, 9 are red and 2 are grey at the year-end.

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

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

## EXPLANATION OF THE FINANCIAL STATEMENTS

### The Movement in Reserves Statement

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

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

### Comprehensive Income and Expenditure Statement (CIES)

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

### The Balance Sheet

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

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

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

### The Cash Flow Statement

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

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

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

### Changes to the Financial Statements

There have been no significant changes to the Financial Statements for the year ended 31st March 2018. Some disclosures have been updated to ensure that the Financial Statements comply with best practice.

### Accounting Policies

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

### Financial Report

This narrative report now goes on to explain the broad facts and figures regarding the Council's financial performance and position for 2017/18.

## SUMMARY OF FINANCIAL PERFORMANCE

The statutory financial statements are intended to fulfil external reporting requirements and provide a comprehensive assessment of the Council's financial position. Management accounts, which show individual service expenditure, are to be reported to the Council on 26th July 2018.

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

### Income and Expenditure

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

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

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

During 2017/18, the Council achieved a surplus on the Provision of Services of £7,529k. After adjustments in reserves for non-cash items and capital receipts, the adjusted surplus of £3,054k was allocated in the Movement in Reserves Statement between the General Fund and HRA.

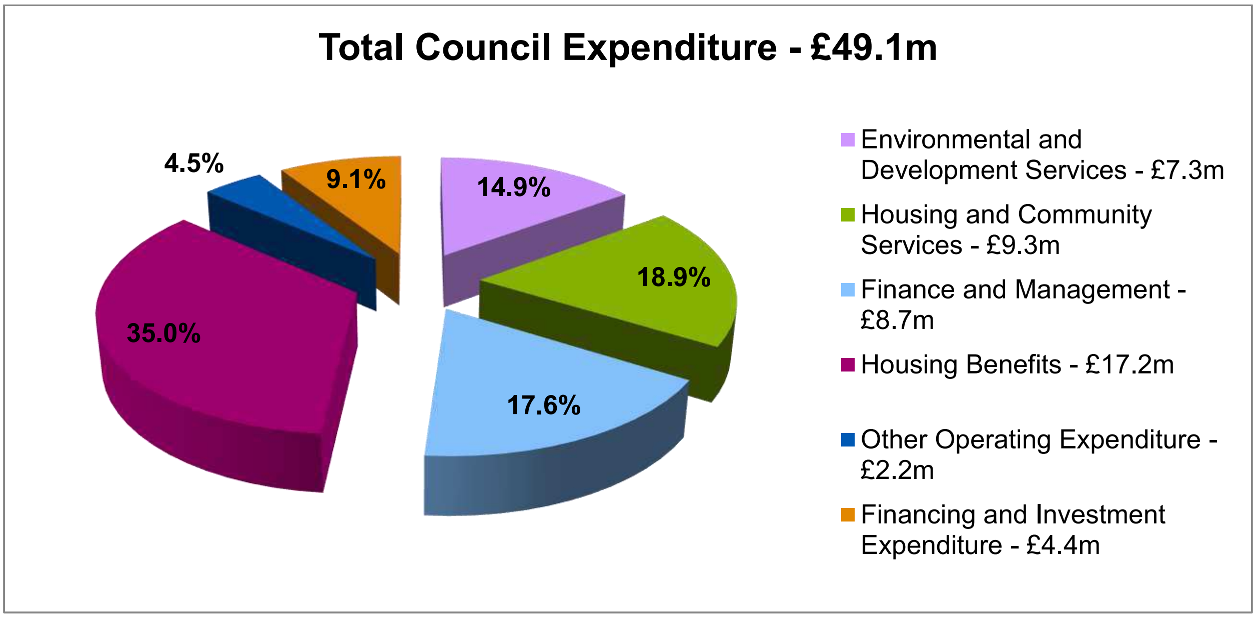
Additional revenue from New Homes Bonus, Council Tax and Business Rates due to greater than budgeted growth in the District plus lower service expenditure has resulted in a contribution to the

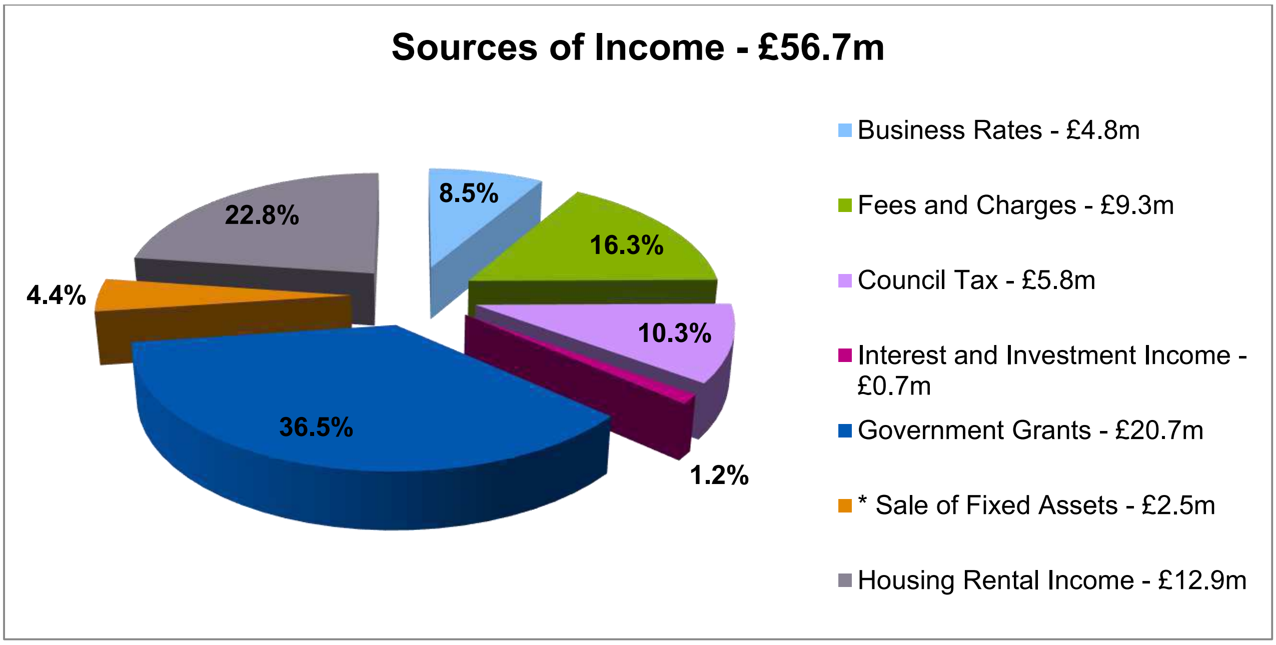
# Narrative Report (continued)

General Fund Reserve of £1,610k. The HRA Reserve has increased by £1,444k due mainly to lower service expenditure than budgeted.

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

The following charts show the income received and expenditure incurred by the Council during 2017/18 as shown in the Comprehensive Income and Expenditure Statement and the Expenditure and Funding Analysis in notes 7 to 9:




**The sale of fixed assets of £2.5m is not used to fund service expenditure and has been transferred into a capital reserve within the Movement in Reserves Statement*

# Narrative Report (continued)

## Capital Expenditure and Financing

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

Approximately £4.1m was spent by the Council on capital schemes during 2017/18, compared to £8.3m in 2016/17. A significant part of this reduction was due to the lower cost of major improvements to existing Council homes following a 5 year programme plus the completion of the Council House New Build and Acquisition scheme during 2016/17.

In summary, the capital expenditure incurred was on Council Houses (£1.3m), investment in new vehicles (£0.7m), investment in upgrading leisure and recreational facilities (£0.5m), Disabled Facility Grants (£0.4m) plus refurbishment of the new Council depot purchased in 2016/17 (£1.3m).

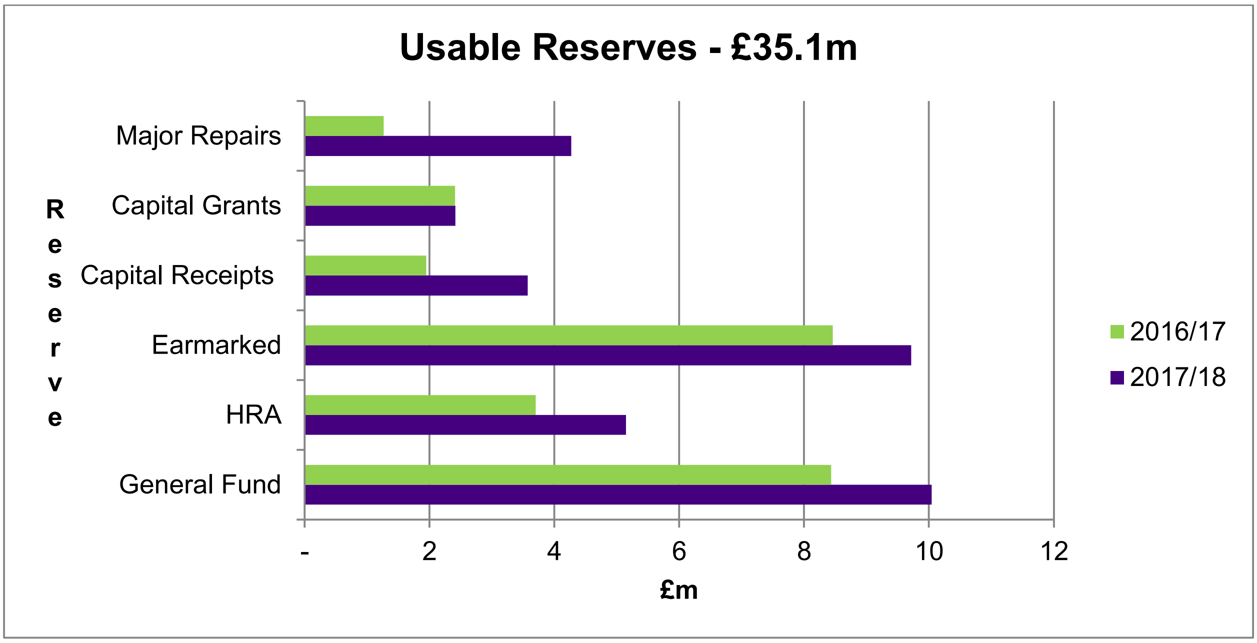
*Old depot site at Darklands Road*

*New depot site on Boardman Industrial Estate*

## Council Reserves

The Council's Usable Reserves have increased in the year from £26.2m to £35.1m due to surpluses in year, receipts of Section 106 (£0.9m) plus asset sale receipts.

Detail of the Council's Usable Reserves can be found in note 23 to the Financial Statements but a summary chart showing the movement between 2016/17 and 2017/18 is below:




Page 76 of 216

Unusable reserves have increased from £45.8m to £48.9m mainly due to an increase on the Revaluation Reserve and a reduction on the Pension deficit as detailed in note 33 to the Financial Statements. Further detail of the Unusable Reserves held by the Council is listed in note 24.

**Key Indicator**

As part of the Council's Financial Strategy, a minimum unallocated contingency balance of £1.5m is maintained on the General Fund reserve and £1m on the Housing Revenue Account (HRA) reserve. This represents approximately 13% of net revenue expenditure. The balance on the General Fund of £10.0m and £5.1m on the HRA reserve comfortably exceeded this amount as at 31st March 2018.

## The Balance Sheet

The Balance Sheet is the Council's assets and liabilities as at 31st March each year. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. The overall value of the Council's net assets increased from £72.1m in 2016/17 to £84.1m in 2017/18.

**Assets**

Non-current assets increased by £2.1m in year. This is as a result of increased revaluation of the Council's assets plus an investment of £1m in the Local Authority Property Fund which will generate a higher rate of return for the Council. The link to the detail regarding the investment is included below.

http://south-derbys.cmis.uk.com/south-derbys/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/2074/Committee/442/Default.aspx

Current assets increased by £10.5m in year. The reason for the large movement is mainly due to the increase in cash held by the Council. Reductions in expenditure and increased capital receipts in year are the main cause for the increased levels of cash. Detail of movements in cash held by the Council is in note 19.

**Liabilities**

The liabilities of the Council increased marginally in year by £0.6m. The main movement was an increase in short-term creditors but this was partially offset by a reduction of the Pension deficit.

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

## Council Spending and Future Financial Position

The Council's detailed budget and spending plans for 2018/19 and the projected medium-term financial position to 2023 is available at:

http://south-derbys.cmis.uk.com/south-derbys/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/1993/Committee/416/Default.aspx

The Council is estimated to generate a deficit in 2018/19. Following several years of budget savings, the Council's financial position has remained stable and has generally performed better than forecast.

# Narrative Report (continued)

The current Medium Term Financial Plan (MTFP) highlights budget deficits from 2018/19 onwards. Current base budget costs are forecast to increase year-on-year due to inflation, together with a rapid growth in the local population which will place additional demands upon services.

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

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

### The Future

As mentioned previously, the Council is forecast to slip into a deficit from 2018/19 onwards in the current MTFP to 2023. The funding gap of £1.4m is set to be funded from the General Reserve which is unsustainable in the longer-term.

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

However, the County of Derbyshire has been selected by Central Government to be part of a 100% Business Rates Retention Pilot for 2018/19. All Districts, the City and County Council are part of the Pilot which is set to retain an additional £28m of Business Rates income within Derbyshire.

The forecast for South Derbyshire District Council is an additional £1m revenue from the Pilot for 2018/19. It has been proposed to earmark any additional revenue over and above the MTFP forecast to be used for Economic Development projects within the District.

Although the additional revenue expected from the Pilot is a welcome bonus, it would not be prudent to use this revenue to plug the funding gap as the Pilot is a one year proposal and may not continue after 2018/19.

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

### CORPORATE GOVERNANCE

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

### AND FINALLY

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

# Narrative Report (continued)

The following sections set out the Council's Accounts and Financial Statements for 2017/18. As highlighted earlier, to meet accounting standards, they are necessarily detailed and technical in nature.

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

# Certificate of the Council's and CFO Responsibilities

## The Council's Responsibilities

The Council is required to:

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

## The Strategic Director (Corporate Resources) Responsibilities

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

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

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

The Strategic Director (Corporate Resources) has also:

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

## Certification by the Strategic Director (Corporate Resources)

I certify that this Statement of Accounts has been prepared in accordance with proper accounting practices and presents a true and fair view of the financial position of the Council at 31st March 2018, and its income and expenditure for the year ended on that date.

Kevin Stackhouse

**Kevin Stackhouse (CPFA)**

**Chief Finance (Section 151) Officer**

**31st May 2018**

# 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.

The Council has formulated a Local Code of Corporate Governance which is based on the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government'.

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 GOVERNANCE 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 2018, up to the date that the Annual Report and Statement of Accounts were approved.

## C THE GOVERNANCE FRAMEWORK AT SOUTH DERBYSHIRE DISTRICT COUNCIL

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 (continued)

### 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 Manager as its Monitoring Officer during 2017/18.

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

In addition, the Council operates 2 regulatory committees; a Planning Committee focusing on development control (planning applications and enforcement) together with 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 and an Annual Report.

### 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 Senior Officers 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 regulations and procedural rules, as set out in Part 4 of the Constitution. The Council has designated the Strategic Director of Corporate Resources 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
- 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).

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

The Standards Committee hears Member Code of Conduct complaints referred by the Monitoring Officer in line with the procedure for considering such complaints. These are complaints against elected Members of the District Council and elected or co-opted Members of the Parishes of South Derbyshire. The Standards Committee is also informed of complaints not referred to them for consideration and dealt with by Monitoring Officer, with a summary of the outcome in relation to each matter.

### Development of Members and Officers

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

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

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

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

### 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, businesses and service providers. The Strategy was refreshed in 2017 and can be accessed at:

https://www.south-derbys.gov.uk/assets/attach/1891/Sustainable%20Community%20Strategy.pdf

### 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.

### 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.

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

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

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

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

### Data Quality

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

### Data Management

The Council has Records Management and Document Retention Policies that direct how the Council manages personal and other data that it holds and processes. These policies were reviewed and updated in 2017/18 in readiness for the introduction of the General Data Protection Regulation on 25th May 2018.

### Business Change

To support service delivery, the Council has Procurement and Business Change functions. These Council Units are intended to co-ordinate greater efficiency and effectiveness in the use of Council resources.

### Procurement

A central procurement unit (which became part of a Shared Service Arrangements on 1st January 2018) also ensure that purchasing is legal, ethical and accountable and is carried out in accordance with regulatory and legislative requirements.

# Governance Statement (continued)

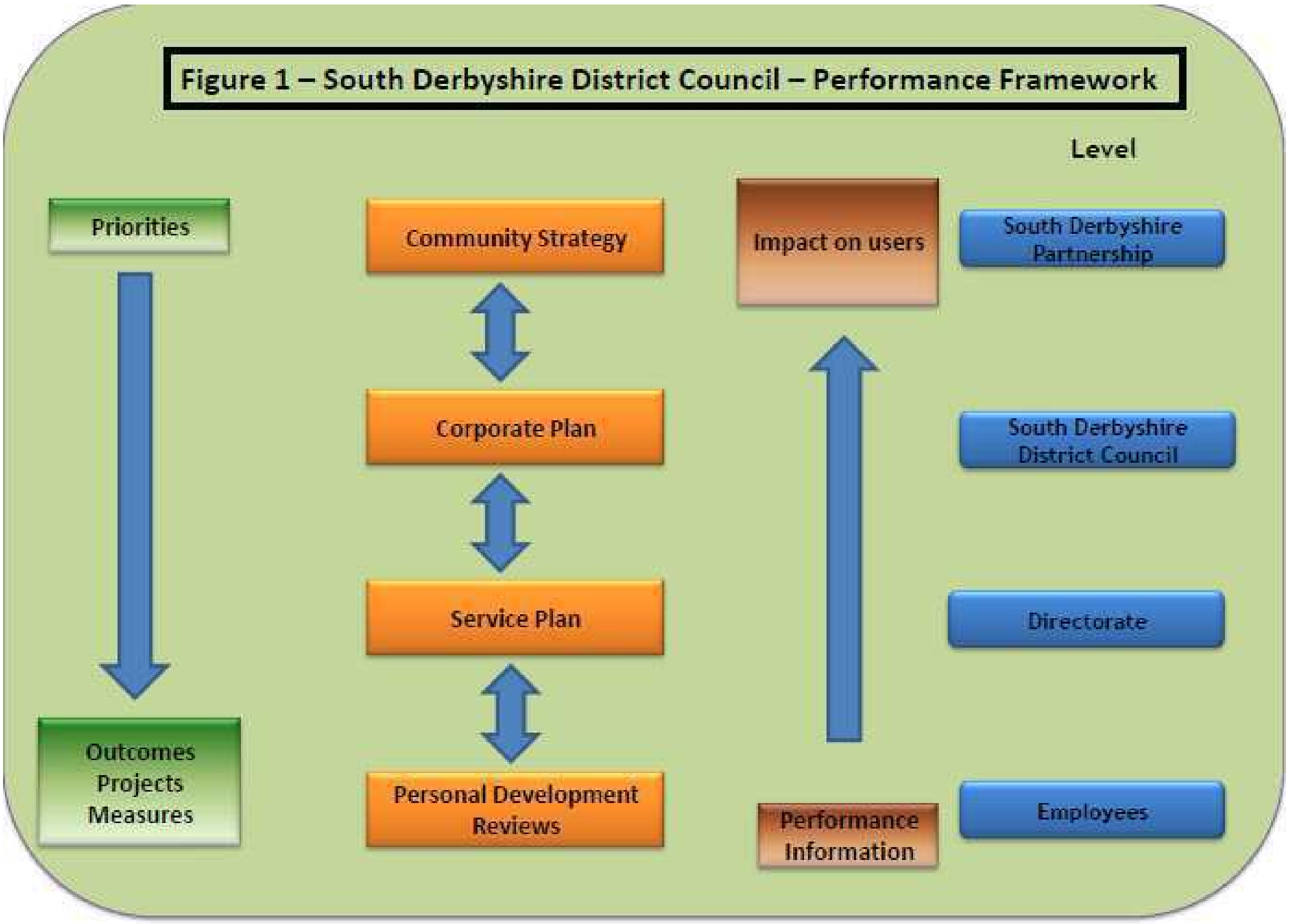
## Continuous Service Review

The Council continuously reviews, in various ways, its service areas. This is designed to identify transformation and efficiency opportunities to ensure that services remain efficient and effective as possible.

A key aim is to identify efficiency savings and in particular cashable/budget savings without adversely affecting service delivery.

## Managing Performance

The Council's performance framework is largely developed from national requirements and regulatory frameworks, together with local issues that are emerging from its own planning framework. An outline of the framework and its components is shown in Figure 1, below.




The **Community Strategy, currently covering a 20-year period to 2029,** sets the long-term vision and community aims for several public and community agencies in South Derbyshire.

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.

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

### Partnership Working

The Council works in partnership with many other public agencies, including the voluntary sector, together with 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 framework, it is effectively the process for the management of risk throughout the Council.

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

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

### Business Continuity

The Council's arrangements are overseen by a Resilience Liaison Forum and this includes training and awareness briefings in the event of an incident. The Council is supported by Derbyshire County Council's Emergency Planning Unit.

### Internal Audit

Under the Account and Audit Regulations 2015, the Council must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes. This should take into account public sector internal auditing standards or guidance.

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

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

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.

### 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 independently reviews the 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

Ernst & Young LLP (EY) is the Council's appointed external auditor. Besides auditing the accounts and financial statements of the Council, they also focus on more strategic performance and financial management arrangements. 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 activity through the Annual Audit Plan. The Annual Audit Letter, which is considered by a meeting of the Full Council, summarises the conclusions and significant issues arising out of their audit.

### Information Communication Technology (ICT)

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.

### 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.

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. This Statement is approved by the Council in April each year.

From 2017/18, the Council was also required to comply with regulations regarding the "Gender Pay Gap". The Council published this in March 2018.

In addition, the Council also publishes various data sets and information in accordance with Council's Transparency Agenda. This includes details of all payments (excluding those to employees) in excess of £250, details of procurement card transactions, together with remuneration and expenses paid to Members. There are also details regarding assets owned, including council housing.

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

## 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. This is the responsibility of the Council's Leadership Team, who has responsibility for the development and maintenance of the governance environment. The Leadership Team contains the Council's Chief Executive, two Strategic Directors, together with the Legal and Democratic Services Manager in their role as Monitoring Officer

The Leadership Team works closely with Elected Members to deliver the Council's vision and values. The review of effectiveness is informed by the work of the Council's Leadership Team. This is supplemented by Internal Audit reports on work conducted through the year, from recommendations made by the External Auditor, together with any other review agencies and inspectorates.

As part of an on-going review, the overall framework was strengthened in 2017/18 following a work programme arising out the Governance Statement for the previous year 2016/17. Actions 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 2017/18 are set out in the following sections.

# Governance Statement (continued)

### 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 2017/18, work continued in order to comply with the Government's Public Sector Network (PSN) security standard. Regular liaison continued with the Government's Cabinet Office and Department for Works and Pensions.

There were no major security incidents during 2017/18. However, the Council is aware that there is a constant risk of computer viruses and potentially hacking through external emails. Although the Council's security system filters these away, regular communications are sent out internally to remind staff to be vigilant.

In 2017/18, an audit of the Council's computer back-up arrangements identified areas to be strengthened. Work commenced in 2017 and will continue in 2018.

### 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 by the auditors through a tracking system, 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.

### Internal Audits 2017/18

All audits completed and reported to the Audit Sub-Committee during 2017/18 found no material weaknesses which could affect the Council's Governance framework. Two reports provided a "Limited" Assurance Rating in internal control. These audits related to the computer back-up server and contracts in Housing Services.

# Governance Statement (continued)

Several recommendations were made to strengthen arrangements and relevant actions still outstanding are due to be completed in 2018. Management action is being followed-up by Internal Audit to ensure that the recommendations are implemented.

### Procurement and Contract Management

The Council joined a Shared Service Arrangement (SSA) on 1st January 2018 to deliver its Procurement function. The SSA comprises 4 other local authorities in Derbyshire, together with a NHS Trust and a local College. Besides generating savings through economies of scale, the Council joined the SSA to benefit from greater resilience and to strengthen compliance.

This followed issues found by Internal Audit arising from investigations into certain procurement and contract management practices in 2016/17. These matters were reported in detail by Internal Audit in 2016/17. Internal Audit undertook a follow-up review in April 2018 to test the extent of how far new practices and procedures had become embedded. Their review is reported in their Annual Report which is available at: http://south-derbys.cmis.uk.com/south-derbys/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/2161/Committee/464/Default.aspx

It was recognised that the Council made substantial progress in 2017/18 to implement agreed actions, although it was identified that several actions still needed to be fully embedded in day-to-day operations.

### Value for Money (VFM)

The External Auditor reported their conclusion on the Council's arrangements for securing VFM on 25th July 2018. Their report concluded:

*"We have considered your arrangements to take informed decisions, deploy resources in a sustainable manner and work with partners and other third parties. In our Audit Plan we identified two significant risks to our VFM conclusion:*

- *A significant risk in relation to control weaknesses in the procurement of services in the Housing and Environment Services Directorate, and*
- *A significant risk in relation to securing financial resilience.*

*Throughout 2017/18 the Council has been working to fully identify and seek to resolve the control weaknesses in procurement and contract management arrangements meaning that improvements are not yet fully embedded at 31 March 2018.*

*The issues above are evidence of weaknesses in proper arrangements for procuring supplies and services effectively to support the delivery of strategic priorities.*

*Based on the work completed to-date, we are issuing a qualified "except" for VFM conclusion for the year ended 31 March 2018."*

### The Effectiveness of Internal Audit

The Council has adopted the Public Sector Internal Auditing Standards as set out by the regulatory body (CIPFA). This requires Internal Audit to operate within an Internal Audit Charter, together with a Quality Improvement and Assessment Programme. The Charter is reviewed each year and is reported alongside the annual Internal Audit Plan.

Under Auditing Standards, the Audit Partnership (CMAP) is subject to an independent quality assessment of their operational effectiveness at least once in every 5 years. The last review was completed and reported in 2016/17. In September 2017, the external reviewer provided an update on the overall conformance with Auditing Standards. This assessed the Audit Service as generally conforming to all approved standards.

The review in 2016/17 led to a longer-term change and improvement programme being implemented. Performance against this programme is reported to an Operational Board which oversees the performance of (CMAP) in conjunction with other partners.

Some longer-term development work is on-going regarding the management structure and approach to audit work to increase resilience to each of the partner organisations.

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

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

The report for 2017/18 was considered by the Audit Sub-Committee on 30th May 2018. This concluded that:

"B*ased on the work undertaken during the year, the HIA reached the overall opinion that there is an* ***Adequate System of Internal Control Subject to Reservations*** *– A number of findings, some of which are significant, have been raised. Where action is in progress to address these findings and other issues known to management, these actions will be at too early a stage to allow a satisfactory audit opinion to be given*".

### Communication

Corporate communication covers the full range of media management, publications, external and internal communications. By targeting communication activities, the Council can enhance its reputation and profile at a local and national level in its role as a community leader.
Good corporate communications can encourage people to feel positively about the Council because they are better informed, have higher levels of satisfaction and can make an assessment on whether 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 2017/18, these included:

- *Working with partner agencies including South Derbyshire Citizens Advice to further initiatives that support the vulnerable, such as the Safe Place initiative.*

- *Publicising successful prosecutions and enforcement actions supported by or initiated by the Council. For example, Criminal Behaviour Orders and fly-tipping prosecutions.*

- *Supporting the implementation of the Physical Activity, Sport and Recreation Strategy, with a focus on the wide variety of facilities, activities, events and opportunities available in South Derbyshire for people of all ages.*

- *Targeting campaigns across all channels to reach new audiences and educate residents – particularly those on new housing developments - on the importance of recycling, composting and reducing the amount of waste sent to landfill.*

- *Publicising Area Forums and other opportunities for community/tenant involvement, while arming staff with the knowledge of how to reach residents and volunteers through digital/social media channels.*

- *Focusing on South Derbyshire's unique position at the heart of The National Forest, working with partners to promote our rich and diverse culture.*

- *Promoting events and initiatives that help town centres to thrive, such as the International Food and Drink Festival and Christmas Lights Switch On.*

- *Through the new website, online forms and channel shift, shaping and improving campaigns/services around customer demand and expectation. This included offering broader choice and flexibility for residents to transact and interact with us.*

The Council continued to make extensive use of social media to communicate and promote community events.
In addition, the Council implemented a new website during 2017/18 to make it more modern and user friendly, together with providing greater opportunities for people to transact on-line.

### 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.

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 2017/18, there was a wide-ranging series of consultation in order to inform service provision. The main areas of consultation focused on:

- *May 2017 – Those who took part in The National Forest Walking Festival were asked to rate their experience and feedback any observations as part of a wide ranging evaluation exercise.*
- *July 2017 - Planning consultations took place across the District covering potential green spaces, design and affordable housing.*
- *July 2017 - A series of 'Repairs Roadshows' were held as the Housing Service looked to improve the service it offers to tenants.*
- *July 2017 – Feedback was invited on the 'main modifications' and an updated sustainability appraisal to the Local Plan Part 2 – a blueprint that will allocate sites in the District for developments of fewer than 100 homes and provides policies to help determine planning applications up to 2028.*
- *August 2017 – Participants, all with different requirements, background and experience, tested the usability of the new Council website. This included scenarios relating to popular tasks,*

*services and transactions to offer constructive feedback on how it could be enhanced even further.*

- *January/February 2018 – Residents were invited to comment on budget and spending plans for 2018/19 through the Area Forums.*
- *March 2018 - Proposals to introduce a Public Spaces Protection Order (PSPO) to prevent vehicles from gaining access to a fly-tipping site.*

### 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.

Changes to the Constitution in 2017/18 included an update to the Conflicts of Interest Policy and the insertion of an Ethics Statement.

The Conflicts of Interest Policy included additional guidance to ensure transparency and integrity, where there is officer responsibility for engaging or supervising contractors. The amendment was approved by the Full Council on 26th February 2018.

The introduction of an Ethics Statement was to provide guidance with regard to the standard of ethical behaviour expected from officers.

### Culture and Ethics

The introduction of the Ethics Statement followed an Internal Audit review, from which four recommendations were made to strengthen culture and ethics amongst Council officers. Two of these recommendations were implemented during the year. In addition to the Ethics Statement, updated guidance was written to ensure that due regard is given for the Equality Act 2010 when implementing service changes and policy direction.

The remaining two recommendations regarding raising awareness are planned to be completed during 2018/19.

### Work of the 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 2017/18.

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 the Committee's work and outcomes during the year. The Annual Report for 2017/18 is available at:

http://south-derbys.cmis.uk.com/south-derbys/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/2166/Committee/465/Default.aspx

In particular, the Committee scrutinised and supported the following areas:

- *Regulation of Investigatory Powers Act (RIPA) 2000*
- *Review of Funding to Voluntary & Community Sector Organisations*
- *Review of Area Forums / Safer Neighbourhood meetings*
- *Review of Etwall Leisure Centre Contract / Community Use*
- *Review of Grounds Maintenance Services, Street Scene and Waste Collection*
- *Review of Approach to Customer Services / Engagement*
- *Budget Proposals 2018/19*
- *Development contributions to Public Health*
- *Member IT Provision*
- *Section 106 Health Based NHS Contributions*
- *Recreation Facilities in Rural Villages*

## Propriety in the Conduct of Council Business

In respect of 2017/18, the following matters are noted.

### Complaints

There were no cases of maladministration found against the Council. The annual report of the Local Government Ombudsman is available at:

http://south-derbys.cmis.uk.com/south-derbys/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/2059/Committee/439/Default.aspx

### Code of Conduct

There were no breaches of the Member Code of Conduct. There was one breach of the Employee Codes of Conduct which was dealt with under the Council's Disciplinary procedure.

### Register Of interests

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

### Whistleblowing

There were no matters raised under the Council's Whistleblowing Policy in 2017/18.

### Data Protection

There were no security breaches under Data Protection which required reporting to the Information Commissioners Office.

### Health and Safety

There were 4 reportable accidents under Health & Safety Regulations during 2017/18 involving either council employees or members of the public. This compares with 2 in 2016/17, 7 in 2015/16, 5 in both 2014/15 and 2013/14, 3 in 2012/13 and 10 in 2011/12.

Following investigation of each accident, risk assessments were reviewed and updated as appropriate.

### Legal Claims – Planning Appeals

These arose where refusal by the Council's Planning Committee for residential development was subsequently overturned on appeal by the Government's Planning Inspectorate.

In these instances the Council incurs legal costs and makes a provision in its accounts to meet any associated liability.

### Contractor Claim

A claim was submitted by a contractor to the Employment Tribunal. The Court determined the matter and the claim was subsequently struck out.

### 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 in action plans where these were necessary. In addition, the Finance and Management Committee received quarterly financial monitoring reports. Performance reporting includes a review of both service and corporate risks.

### Service Recognition

Several areas of the Council's work is regularly reviewed independently and recognised as being of an excellent standard. The following awards are currently relevant to the Council's activities.

***Health and Safety*** - the Council has attained the Gold Award in the 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.

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

***Leisure Facilities*** – the Council has attained a Green Flag Award for one of its urban parks acknowledging how well it is maintained and managed and for providing good facilities.

***Food Waste Initiatives*** – in partnership with Sainsbury's, the Council received the national Green Apple Award in 2017/18 for its work on reducing food waste and environmental educational activities.

### Business Continuity

There were no major incidents during 2017/18 which necessitated the Council invoking is Business Continuity procedures.

# Governance Statement (continued)

## E KEY GOVERNANCE MATTERS FOR SOUTH DERBYSHIRE

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

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

Some areas for review were identified in the Governance Statement for 2016/17 to strengthen the Council's arrangements. In a particular, these related to data management and procurement. The improvements for data management were actioned in 2017/18. However, whilst a number of actions relating to contract and procurement management were implemented, the remainder were planned to be completed by September 2018.

### Work Plan 2018/19

The areas identified for development during 2018/19 are:

- Continue to review on a 6-monthly basis the Local Code of Corporate Governance.
- Raise awareness of Culture and Ethics amongst Officers by promoting the new Ethics Statement to ensure the expected standards of behaviour are communicated, implemented and maintained throughout the Council.
- Commission an External Peer Review to develop the Council's capacity in a period of significant change. This has been identified in the Local Code of Corporate Governance as good practice.

These developments are set out and included in the Governance Work Plan for 2018/19 in **Appendix 1.**

## APPENDIX 1: GOVERNANCE WORK PLAN 2018/19

| Work Area | Timescale | Lead Officers | Corporate Plan Priority |
|---|---|---|---|
| Continue to review the Local Code of Corporate Governance and to monitor the Governance Work Plan for the year | ½ yearly review | Legal and Democratic Services Manager | Maintain Proper Corporate Governance |
| Undertake a staff survey and hold briefing sessions to promote the Council's Culture and Ethics Framework | November 2018 | Chief Executive and Strategic Directors | Maintain Proper Corporate Governance |
| Undertake an external Peer assessment | March 2019 | Chief Executive | Maintain a skilled workforce |

# Governance Statement (continued)

## Council Sign Off

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

Signed:

Dated:

Signed:

Dated

# Certificate of Chief Financial Officer

I certify that:

(a) The Statement of Accounts for the year ended 31st March 2018 on pages 38 to 41 has been prepared in the form directed by the Code and under the accounting policies set out on pages 42 to 54.

(b) In my opinion the Statement of Accounts presents fairly the income and expenditure and cash flows for the financial year and the financial position as at the end of the financial year.

Signed:

Dated:

# Independent Auditor's Report

**AUDIT REPORT TO BE INCLUDED FOLLOWING THE COMPLETION OF THE AUDIT OF THE FINANCIAL STATEMENTS**

# Independent Auditor's Report

**AUDIT REPORT TO BE INCLUDED FOLLOWING THE COMPLETION OF THE AUDIT OF THE FINANCIAL STATEMENTS**

# Independent Auditor’s Report

**AUDIT REPORT TO BE INCLUDED FOLLOWING THE COMPLETION OF THE AUDIT OF THE FINANCIAL STATEMENTS**

# Council Approval of Statement of Accounts

These accounts are to be approved by resolution of the Finance and Management Committee on 26th July 2018 after completion of the External Audit.

Signed:

Dated:

# Comprehensive Income and Expenditure Statement

For the year ended 31st March 2018

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 | Expenditure | Income | 2017/18 Net | Expenditure | Income | 2016/17 Net |
|---|---|---|---|---|---|---|
| Environmental and Development Services | 7,318 | (3,369) | 3,949 | 7,160 | (3,294) | 3,866 |
| Housing and Community Services (incl HRA): | | | | | | |
| Ordinary | 9,306 | (14,580) | (5,274) | 12,680 | (14,610) | (1,930) |
| Exceptional | - | - | - | (17,119) | - | (17,119) |
| Finance and Management | 25,840 | (20,821) | 5,020 | 25,168 | (21,933) | 3,235 |
| **Cost of Services** | 42,464 | (38,770) | **3,694** | 27,888 | (39,836) | **(11,948)** |
| Other Operating Income & Expenditure | | | (255) | | | 357 |
| Exceptional (Note 5) | | | (739) | | | - |
| Total Other Operating Income & Expenditure (Note 12) | | | (994) | | | 357 |
| Financing & Investment Income & Expenditure (Note 13) | | | 3,766 | | | 2,053 |
| Taxation & Non-Specific Grant Income (Note 14) | | | (13,995) | | | (12,700) |
| **(Surplus)/Deficit on Provision of Services** | | | **(7,529)** | | | **(22,238)** |
| (Surplus)/Deficit on revaluation of Assets | | | (1,461) | | | (11,995) |
| (Surplus)/Deficit on revaluation of Available for Sale Assets | | | 55 | | | - |
| Re-measurement of the Net Defined Benefit Liability (Note 33) | | | (3,088) | | | 8,029 |
| **Total Comprehensive Income & Expenditure** | | | **(12,023)** | | | **(26,204)** |

# Movement in Reserves Statement

For the year ended 31st March 2018

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

| **Reserves 2017/18** *£000's* | General Fund | Earmarked Reserves | Housing Revenue Account | Capital Receipts Reserve | Capital Grants Unapplied Account | Major Repairs Reserve | **Total Usable Reserves** | Unusable Reserves | **Total Authority Reserves** |
|---|---|---|---|---|---|---|---|---|---|
| **Balance at 31 March 2016** | **6,989** | **5,371** | **1,426** | **3,548** | **2,394** | **1,703** | **21,431** | **24,478** | **45,909** |
| Movement in reserves during 2016/17: | | | | | | | | | |
| Total Comprehensive Income & Expenditure | 2,424 | - | 19,814 | - | - | - | **22,238** | 3,966 | **26,204** |
| Adjustments between accounting basis & funding basis (Note 10) | 1,860 | - | (17,537) | (1,349) | 14 | (436) | **(17,449)** | 17,449 | **-** |
| **Net increase/(decrease) before transfers to Earmarked Reserves'** | **4,284** | **-** | **2,277** | **(1,349)** | **14** | **(436)** | **4,789** | **21,415** | **26,204** |
| Transfers to/from Earmarked Reserves | (2,839) | 3,089 | - | (250) | - | - | **-** | - | **-** |
| **Increase/(decrease) for the year ended 31 March 2017** | **1,445** | **3,089** | **2,277** | **(1,599)** | **14** | **(436)** | **4,789** | **21,415** | **26,204** |
| **Balance at 31 March 2017** | **8,434** | **8,460** | **3,703** | **1,949** | **2,408** | **1,266** | **26,219** | **45,893** | **72,113** |
| Movement in reserves during 2017/18: | | | | | | | | | |
| Total Comprehensive Income & Expenditure | 1,759 | - | 5,769 | - | - | - | **7,529** | 4,494 | **12,023** |
| Adjustments between accounting basis & funding basis (Note 10) | 625 | - | (4,095) | 1,873 | 7 | 3,004 | **1,414** | (1,414) | **-** |
| **Net increase/(decrease) before transfers to Earmarked Reserves'** | **2,384** | **-** | **1,674** | **1,873** | **7** | **3,004** | **8,943** | **3,080** | **12,023** |
| Transfers to/from Earmarked Reserves | (774) | 1,254 | (230) | (250) | - | - | **-** | - | **-** |
| **Increase/(decrease) for the year ended 31 March 2018** | **1,610** | **1,254** | **1,444** | **1,623** | **7** | **3,004** | **8,943** | **3,080** | **12,023** |
| **Balance at 31 March 2018** | **10,044** | **9,714** | **5,147** | **3,573** | **2,415** | **4,270** | **35,162** | **48,973** | **84,136** |

# Balance Sheet

For the year ended 31st March 2018

The Balance Sheet shows the value as at 31st March 2018 of the Council's assets and liabilities. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. The second category of reserves is those that the Council is not able to use to provide services. This category includes reserves that hold unrealised gains and losses from asset revaluations, together with reserves that account for timing differences.

| *£000's* | *Notes* | **2018** | **2017 Restated** |
|---|---|---|---|
| Property, Plant & Equipment | *14* | 144,175 | 143,287 |
| Investment Property | *15* | 5,412 | 5,161 |
| Long-term Investments | *16* | 985 | 40 |
| Long-term Debtors | *16* | 89 | 63 |
| **Non-Current Assets** | | 150,662 | 148,551 |
| Inventories | | 85 | 90 |
| Short-term Debtors | *17* | 5,295 | 5,464 |
| Assets Held for Sale | *19* | 900 | 1,000 |
| Cash & Cash Equivalents | *18* | 26,593 | 15,547 |
| **Current Assets** | | 32,873 | 22,101 |
| **TOTAL ASSETS** | | **183,535** | **170,652** |
| Short-term Creditors | *20* | (9,243) | (7,040) |
| Short-term Borrowing | *16* | (28) | (28) |
| Provisions | *21* | (993) | (1,109) |
| **Current Liabilities** | | (10,264) | (8,177) |
| Long-term Creditors | *16* | (43) | (45) |
| Long-term Borrowing | *16* | (57,423) | (57,423) |
| Pension Deficit | *32* | (31,669) | (32,895) |
| **Non-Current Liabilities** | | (89,136) | (90,363) |
| **TOTAL LIABILITIES** | | **(99,399)** | **(98,540)** |
| **NET ASSETS** | | **84,135** | **72,112** |
| Usable Reserves | *23* | (35,162) | (26,219) |
| Unusable Reserves | *24* | (48,973) | (45,893) |
| **TOTAL RESERVES** | | **(84,135)** | **(72,112)** |

# Cash Flow Statement

For the year ended 31st March 2018

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

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

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

| *£000's* | *Notes* | 2018 | 2017 Restated |
|---|---|---|---|
| **Cash generated from operations** | | | |
| Net Surplus/(Deficit) on the provision of services | | 7,529 | 22,238 |
| Adjustment for non-cash movements: | | | |
| Depreciation | *15* | 5,659 | 4,276 |
| Impairments/Revaluations | *15/16* | (3,043) | (17,003) |
| Movement in Pension Liability | *33* | 1,862 | 916 |
| (Profit)/Loss from the sale of Property, Plant & Equipment | *12* | (1,367) | (388) |
| Changes in working capital: | | | |
| (Increase)/Decrease in Inventory | | 4 | 11 |
| (Increase)/Decrease in Debtors | *17/18* | (2) | (3,420) |
| Increase/(Decrease) in Provision for Bad Debts | *18* | 146 | 222 |
| Increase/(Decrease) in Creditors | *21* | 2,086 | 2,656 |
| **Net cash generated from operations** | | **12,874** | **9,507** |
| **Cash flows from investing activities** | | | |
| Purchase of Property, Plant & Equipment | *15* | (3,312) | (6,419) |
| Purchase of Investment Properties | *16* | - | - |
| Purchase of long-term Investments | *16* | (1,000) | - |
| Proceeds from the sale of Non-Current Assets | *11* | 2,484 | 1,148 |
| **Net cash flows from investing activities** | | **(1,828)** | **(5,272)** |
| **Cash flows from financing activities** | | | |
| Proceeds from new Borrowings | *16* | - | - |
| Repayment of Borrowings | *16* | - | - |
| **Net cash flows from financing activities** | | **-** | **-** |
| Net increase in cash & cash equivalents | | 11,046 | 4,235 |
| Cash & cash equivalents at the beginning of the period | *18* | 15,547 | 11,313 |
| **Cash & cash equivalents at the end of the period** | *18* | **26,593** | **15,547** |

# Notes to the Financial Statements
For the year ended 31st March 2018

## 1. Accounting Policies

### (a) General Principles

The Statement of Accounts summarises the Council's transactions for the 2017/18 financial year and its position as at 31st March 2018. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 and the Service Reporting Code of Practice 2017/18, supported by the International Financial Reporting Standards (IFRS). The accounting convention adopted is historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. The Council's financial statements have been prepared on a going concern basis; that is, the accounts have been prepared on the assumption that the functions of the Council will continue in operational existence for the foreseeable future.

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

The accounting policies are consistent with those applied in the year ended 31st March 2017, as amended to reflect the adoption of any new accounting standards as required by the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

### (b) Accruals of Income and Expenditure

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

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

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

**Accounting for Council Tax**

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

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

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

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

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

**(c) Cash and Cash Equivalents**

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

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

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

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

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

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

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

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

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

The Council is not required to raise Council Tax to cover depreciation, impairment losses or amortisations. However, it is required to make an annual provision from the revenue to contribute towards the reduction in its overall borrowing requirement (equal to either an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance). Depreciation, impairment losses and amortisations are replaced by the contribution in the General Fund of a Minimum Revenue Provision (MRP) by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

### (f) Employee Benefits

**Benefits Payable during Employment**

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

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

**Termination Benefits**

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

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

**Post-Employment Benefits**

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

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

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

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

**Service cost comprising**

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

**Re-measurement comprising**

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

**Contributions paid to the Derbyshire County Council Pensions Fund**

The cash paid as employer's contributions to the pensions fund in the settlement of liabilities are not accounted for as an expense as statutory provisions require the General Fund and Housing

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

**Discretionary Benefits**

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

**(g) Events after the Balance Sheet Date**

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

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

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

**(h) Financial Instruments**

**Financial Liabilities**

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

**Financial Assets**

Financial assets are classified into two types:

- Loans and receivables - assets that have fixed or determinable payments but are not quoted on an active market.
- Available-for-sale assets - assets that have a quoted market price and/or do not have fixed or determinable payments.

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

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

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

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

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

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

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

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

### (j) Investment Property

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

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset would be exchanged between knowledgeable parties at arm's length.

Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposals.

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

### (k) Overheads and Support Services

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

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

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

### (l) Property, Plant and Equipment

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

#### Recognition

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

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

#### Measurement

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

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

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

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

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

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

Level 3 – unobservable input for the asset or liability.

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

Assets are initially measured at cost, comprising:

➔ The purchase price.

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

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

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

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

➔ Vehicles, Plant and Equipment – depreciated historical cost.

➔ Land and Buildings - Fair value (the amount that would be paid for land and buildings in their existing use)

➔ Dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH).

➔ Assets under construction – carried at cost until in use and then carried at EUV-SH.

➔ Surplus assets – best use fair value, based on what would be paid for the asset on the open market.

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

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

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

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

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

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

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

**Impairment**

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

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

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

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

**Depreciation**

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

Depreciation is calculated on the following bases:

- Dwellings and other buildings – Straight-line allocation over the useful life of the property as estimated by the Valuer (between 4 and 60 years)

- Vehicles, plant, furniture and equipment – Straight-line allocation over the useful life of the item, as advised by a suitably qualified officer (between 2 and 7 years)
- Community Assets – Not depreciated as their life is non-determinable,
- Land, Surplus assets not held for sale (land) and assets under construction - Not depreciated
- Surplus assets not held for sale (property) - Straight-line depreciation over the useful life of the asset (between 7 and 45 years)
- Infrastructure Assets - Straight-line depreciation allocation over the useful life of the asset (between 10 and 20 years)

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

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

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

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

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

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

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

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

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

Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

### (m) Provisions, Contingent Liabilities and Contingent Assets

#### Provisions

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

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

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

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

#### Contingent Liabilities

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

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

#### Contingent Assets

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

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

### (n) Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund and HRA

Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserve Statement so that there is no net charge against Council Tax for the expenditure incurred.

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

### (o) Revenue Expenditure Funded from Capital under Statute

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

### (p) Value Added Tax (VAT)

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

### (q) Principal and Agent Transactions

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

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

### (r) Inventories and Long-Term Contracts

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

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

### (s) Leases

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

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

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

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

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

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

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

**(t) Exceptional Items**

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

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

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

- IFRS 9 Financial Instruments
- IFRS 15 Revenue From Contracts With Customers
- IFRS 16 Leases

**IFRS 9 Financial Instruments**

The Council will adopt IFRS 9 Financial Instruments with effect from 1st April 2018. The main changes include the reclassification of financial assets and the earlier recognition of the impairment of financial assets.

The Council does not expect the reclassification changes to have a material impact upon the financial statements because the majority of its financial assets will retain the same measurement basis. To this end, on 1st April 2018 the Council irrevocably elected to present changes in the fair value of the Local Authority (CCLA) Property Fund investments in other comprehensive income as permitted by the IFRS.

The Council does not expect the impairment changes to have a material impact upon the financial statements because the impairment charge will be immaterial for its treasury management assets (e.g. bank deposits), and it already makes a provision for doubtful debts on its service assets (e.g. trade receivables).

The impact of IFRS 15 and IFRS 16 will be considered for the 2018/19 Statement of Accounts. It is not considered that these standards will have a material impact on the Accounts although the exact impact is not currently known.

## 3. Critical Judgements

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

**Assets held for Sale**

### Former Depot site, Darklands Road, Swadlincote

Committee approval has been granted to sell this site and a planning application has been submitted by the developer. A disposal is expected during 2018/19 although this is subject to a number of conditions being satisfied which are currently being progressed.

### Staley Close, Swadlincote

Committee has approved the principle of a sale and a preferred developer has been provisionally selected following a tender process. The detailed terms are subject to further Committee approval but the terms include a completion date of 31st March 2019. The disposal is subject to planning approval and satisfactory ground conditions and has been included in the Accounts.

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

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

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

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

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

The items in the Council’s Balance Sheet at 31st March 2018 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

| Item | Uncertainties |
|---|---|
| Property, Plant and Equipment | Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current financial climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets. |
| Provisions | The Council has made provisions in 2017/18 totalling approximately £1m, comprising Planning Appeals (£108k), Termination Benefits (£64k) and Business Rate appeals (£821k). The amounts are based on informed estimates of the final liability. |

| | |
|---|---|
| Pensions Liability | Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets, etc. A firm of consulting actuaries is engaged to provide the Pensions Administrator with expert advice about the assumptions to be applied. |
| Asset Valuation | It is considered that a fair value basis under IFRS 13, applies to the Council's Investment Properties which are let under leases to local businesses in return for a rental income. These assets are not held as part of a wider economic development strategy for the District. Their value, at approximately £5m as shown in Note 16, reflects this position.<br><br>In addition, long-term financial liabilities in the form of HRA loans outstanding of approximately £57m reflect a fair value measurement as shown in Note 17. |
| Employee Benefits Payable During Employment | The Council has accrued for known holiday entitlement outstanding as at 31st March 2018, 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 2018, compared to £28k at 31st March 2017. The Council has policies in place concerning the taking of accrued leave and other time in lieu. Only in special circumstances can this be converted into cash payments to the employees concerned. Therefore, in practice, much of the accrued sum is unlikely to be a true financial cost and in most circumstances the accrued time is managed within the confines of service delivery. Therefore, the accrued sum is not a charge to the Council's Reserves and with any cash payments being accounted for in the year that they are made. |
| Bad and Doubtful Debts | The Council has a number of debts outstanding at 31st March 2018. 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.<br><br>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. |

## 5. Material items of Income and Expense

### Overage Payment

Land at Chestnut Avenue, Midway was formerly listed as “held for sale” in the 2016/17 Accounts. The land was transferred to a housing developer in return for the improvement to leisure and recreational facilities in the area.

In addition to the above, the developer also agreed to make a separate overage payment if the house sale receipts generated exceeded the assumed value in their original land purchase offer. The payment equated to 50% of any such increase, less an allowance for any rise in build costs from the original viability.

Any payment was due following the sale of the final house and an overage sum of £739k has subsequently been received in accordance with this agreement.

## 6. Events after the Balance Sheet Date

There have been no events occurring between the Balance Sheet date of 31st March 2018 and the date the accounts are audited, approved and signed off (***i.e. 26th July 2018 – following audit***) that have a bearing on the financial results.

## 7. Expenditure and Funding Analysis

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

| £000's | | | 2017/18 | | | 2016/17 |
|---|---|---|---|---|---|---|
| | Net Expenditure Chargeable to GF & HRA | Adjustments between Accounting & Funding (Notes 8&10) | Net Expenditure in Comprehensive Income & Expenditure Statement | Net Expenditure Chargeable to GF & HRA | Adjustments between Accounting & Funding (Notes 8&10) | Net Expenditure in Comprehensive Income & Expenditure Statement |
| Environmental and Development Services | 4,323 | 374 | 3,949 | 3,445 | (421) | 3,866 |
| Housing and Community Services (incl HRA) | (1,533) | 3,742 | (5,274) | (2,130) | 16,919 | (19,049) |
| Finance and Management | 3,482 | (1,538) | 5,020 | 2,404 | (831) | 3,235 |
| **Net Cost of Services** | **6,272** | **2,578** | **3,694** | **3,719** | **15,667** | **(11,948)** |
| Other Operating Income & Expenditure | (10,330) | 892 | (11,223) | (10,280) | 10 | (10,290) |
| **(Surplus)/Deficit** | **(4,058)** | **3,471** | **(7,529)** | **(6,561)** | **15,677** | **(22,238)** |
| Opening General Fund and HRA Balances | (20,597) | | | (13,786) | | |
| (Surplus) / Deficit on General Fund and HRA Balances in year | (4,058) | | | (6,561) | | |
| Transfers between reserves | (250) | | | (250) | | |
| **Closing General Fund and HRA Balances at 31st March** | **(24,905)** | | | **(20,597)** | | |

**For a split of the balance between General Fund and HRA see the Movement in Reserves Statement*

## 8. Note to the Expenditure and Funding Analysis

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

| 2016/17 £000's | Adjustments for Capital Purposes [1] | Net Change for the Pensions Adjustments [2] | Other Differences [3] | Total Adjustments |
|---|---|---|---|---|
| Environmental and Development Services | (421) | - | - | **(421)** |
| Housing and Community Services | 17,117 | (198) | - | **16,919** |
| Finance and Management | (113) | (718) | - | **(831)** |
| **Net Cost of Services** | **16,583** | **(916)** | **-** | **15,667** |
| Other Income and Expenditure from Expenditure and Funding Analysis | 364 | - | (354) | **10** |
| **Difference between General Fund and HRA (Surplus)/Deficit and the (Surplus)/Deficit on the Provision of Services** | **16,946** | **(916)** | **(354)** | **15,677** |

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

## 9. Expenditure and Income Analysed by Nature

| £000's | 2017/18 | 2016/17 |
|---|---|---|
| **Expenditure** | | |
| Employee Expenses | 13,102 | 10,719 |
| Other service expenses | 30,444 | 32,535 |
| Depreciation and Impairment | 2,616 | (12,727) |
| Interest payable | 1,554 | 1,562 |
| Parish precepts | 800 | 733 |
| Elected Members allowances | 349 | 353 |
| Payments to Housing Capital Receipts Pool | 312 | 361 |
| **Total expenditure** | **49,177** | **33,536** |
| **Income** | | |
| Fees, charges and other service income | (9,254) | (9,863) |
| Interest and investment income | (693) | (82) |
| Income from Council Tax and Non-Domestic Rates | (10,679) | (8,618) |
| HRA rental income | (12,900) | (13,518) |
| Income from Sale of Fixed Assets | (2,484) | (1,508) |
| Government grants and contributions | (20,696) | (22,183) |
| **Total income** | **(56,705)** | **(55,773)** |
| **(Surplus) / Deficit on the Provision of Services** | **(7,529)** | **(22,238)** |

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

| £000's | 2017/18 | 2016/17 |
|---|---|---|
| Environmental and Development Services | (3,339) | (3,278) |
| Housing and Community Services (incl HRA) | (1,607) | (1,677) |
| Finance and Management | (4,308) | (4,908) |
| **Total income from external customers** | **(9,254)** | **(9,863)** |

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

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

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

| 2016/17 £000's | Usable Reserves General Fund | Housing Revenue Account | Capital Receipts Reserve | Capital Grants Unapplied | Major Repairs Reserve | Total |
|---|---|---|---|---|---|---|
| Adjustments to Revenue Resources | | | | | | |
| Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements: | | | | | | |
| Pensions Costs (transferred to/from Pensions Reserve) | 718 | 198 | - | - | - | **916** |
| Council Tax and NNDR (transferred to/from Collection Fund Adjustment Account) | 354 | - | - | - | - | **354** |
| Holiday Pay (transferred to/from Accumulated Absences Reserve) | 11 | (1) | - | - | - | **10** |
| Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (charged to the Capital Adjustment Account) | 920 | (12,875) | - | - | - | **(11,956)** |
| **Total Adjustments to Revenue Resources** | **2,003** | **(12,679)** | **-** | **-** | **-** | **(10,676)** |
| Adjustments between Revenue and Capital Resources | | | | | | |
| Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve | (84) | (1,424) | 1,508 | - | - | **0** |
| Payments to the Government Housing Receipts Pool | - | 361 | (361) | - | - | **-** |
| Posting of HRA resources from Revenue to the Major Repairs and Capital Receipts Reserve | - | (3,795) | 2,287 | - | 1,508 | **-** |
| Posting of General Fund resources from revenue to the Capital Grants Unapplied | (17) | - | - | 17 | | **-** |
| Voluntary revenue contribution for capital funding | (131) | - | - | - | | **(131)** |
| Statutory provision for the repayment of debt (transferred from the Capital Adjustment Account) | (223) | - | - | - | | **(223)** |
| Capital expenditure financed from revenue (transferred to the Capital Adjustment Account) | 452 | - | - | - | - | **452** |
| **Total Adjustments between Revenue and Capital Resources** | **(4)** | **(4,858)** | **3,435** | **17** | **1,508** | **98** |
| Adjustments to Capital Resources | | | | | | |
| Use of Capital Receipts Reserve to finance capital expenditure | (140) | - | (4,784) | - | - | **(4,924)** |
| Use of Major Repairs Reserve to finance capital expenditure | - | - | - | - | (1,944) | **(1,944)** |
| Application of Capital Grants to finance capital expenditure | - | - | - | (3) | | **(3)** |
| **Total Adjustments to Capital Resources** | **(140)** | **-** | **(4,784)** | **(3)** | **(1,944)** | **(6,871)** |
| **Total Adjustments** | **1,860** | **(17,537)** | **(1,349)** | **14** | **(436)** | **(17,449)** |

## 11. Movements in Earmarked Reserves

This note details the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans, together with amounts posted back from earmarked reserves to meet General Fund expenditure in 2017/18.

| *£000's* | Closing balance 2016/17 | Transfers in | Transfers out | Closing balance 2017/18 |
|---|---|---|---|---|
| **General Fund** | | | | |
| IT Reserve | 141 | 141 | - | 282 |
| Committed Expenditure Reserve | 120 | - | (11) | 109 |
| Dilapidation Deposit (Dellner Woodville Site) | 78 | - | (65) | 13 |
| S106 Receipts | 5,062 | 1,798 | (889) | 5,972 |
| Welfare Reform, Fraud and Compliance | 247 | 39 | (45) | 241 |
| Homelessness Prevention | 89 | 85 | - | 174 |
| Schools Sport Partnership Project | 204 | - | (14) | 190 |
| Pensions Reserve | 182 | - | (43) | 139 |
| Planning Staffing & Support Costs Reserve | 62 | 51 | (19) | 94 |
| District Growth | 300 | 300 | - | 600 |
| Garden Village Reserve | 214 | 15 | - | 229 |
| Other Earmarked Reserves | 509 | 138 | (46) | 601 |
| **Total** | **7,208** | **2,567** | **(1,132)** | **8,644** |
| Fixed Asset Replacement Fund | 1,251 | 485 | (666) | 1,070 |
| | **8,460** | **3,052** | **(1,798)** | **9,714** |

## 12. Other Operating Income and Expenditure

| **Total** *£000's* | **2017/18** | **2016/17** |
|---|---|---|
| Parish Council Precepts | 756 | 679 |
| Parish Council Tax Support Grant | 44 | 44 |
| Payments to the Government Housing Capital Receipts Pool | 312 | 361 |
| **Total - Other Operating Expenditure** | **1,111** | **1,084** |
| Profit on disposal of non-current assets | | |
| Normal (see below) | (1,367) | (727) |
| Exceptional (Note 5) | (739) | - |
| **Total - profit on disposal of non-current assets** | **(2,105)** | **(727)** |
| **Total - Other Operating (Income) / Expenditure** | **(994)** | **357** |

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

| (Profits)/losses on the disposal of non-current assets *£000's* | 2017/18 | 2016/17 |
|---|---|---|
| Net Proceeds from Sale of General Assets | (1,029) | (84) |
| Net Proceeds from Sale of HRA Assets | (1,455) | (1,424) |
| Disposal Costs | 1 | 10 |
| Book Value of non-current assets sold | 1,116 | 771 |
| **Total** | **(1,367)** | **(727)** |

## 13. Financing and Investment Income and Expenditure

| Total *£000'S* | 2017/18 | 2016/17 |
|---|---|---|
| Interest Payable and Similar Charges | 1,559 | 1,571 |
| Interest Receivable and Similar Income | (109) | (82) |
| Net Interest on the Net Defined Benefit Liability (note 33) | 868 | 839 |
| Income and Expenditure in Relation to Investment Properties | 1,448 | (276) |
| **Total** | **3,766** | **2,053** |

## 14. Taxation and Non Specific Income

| Total *£000's* | 2017/18 | 2016/17 |
|---|---|---|
| Council Tax Income | (5,842) | (5,468) |
| NNDR Income | (4,837) | (3,150) |
| Non Ring Fenced Government Grants | (3,316) | (4,081) |
| **Total** | **(13,995)** | **(12,700)** |

| Council Tax Income *£000's* | 2017/18 | 2016/17 |
|---|---|---|
| Current Year | (5,842) | (5,468) |
| Total | **(5,842)** | **(5,468)** |

| National Non Domestic Rates (NNDR) *£000's* | 2017/18 | 2016/17 |
|---|---|---|
| Current Year | (10,096) | (9,257) |
| Tariff Payments | 6,194 | 6,252 |
| Business Rate Reliefs | (1,529) | (343) |
| Payment to Business Rates Pool | 1,149 | 511 |
| Receipt from Business Rates Pool | (556) | (312) |
| **Total** | **(4,837)** | **(3,150)** |

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

| Non Ring Fenced Government Grants<br>*£000's* | 2017/18 | 2016/17 |
|---|---|---|
| Revenue Support Grant | (668) | (1,199) |
| Transition Grant | (3) | (3) |
| Transparency Grant | - | (9) |
| New Homes Bonus | (2,619) | (2,855) |
| New Burdens Grant | (26) | (15) |
| **Total** | **(3,316)** | **(4,081)** |

## 15. Property, Plant and Equipment

| Year ended 31 March 2018<br>*£000's* | Council Dwellings | Land & Buildings | Vehicles, Plant & Equipment | Community Assets | Assets Under Construction | Surplus Assets | **Total** |
|---|---|---|---|---|---|---|---|
| **Cost or valuation** | | | | | | | |
| At 1 April 2017 | 121,634 | 18,710 | 2,755 | 1,231 | - | 755 | **145,085** |
| Additions | 1,316 | 1,329 | 666 | - | - | - | **3,312** |
| Disposals | (923) | (102) | - | - | - | - | **(1,025)** |
| Transfers | - | (568) | - | - | - | (450) | **(1,018)** |
| Revaluations recognised in the revaluation reserve | 1,376 | (1,485) | - | (6) | - | - | **(115)** |
| **At 31 March 2018** | **123,402** | **17,885** | **3,421** | **1,225** | **-** | **305** | **146,239** |
| **Depreciation & Impairment** | | | | | | | |
| At 1 April 2017 | - | - | (1,798) | - | - | - | **(1,798)** |
| Charge for the Year | (4,581) | (812) | (266) | - | - | - | **(5,659)** |
| Disposals | - | - | - | - | - | - | **-** |
| Transfer | | 49 | | - | - | - | **49** |
| Impairments recognised in the Provision of Services | 4,452 | (1,492) | - | - | - | - | **2,960** |
| Depreciation written out to the revaluation reserve | 130 | 2,254 | - | - | - | - | **2,384** |
| **At 31 March 2018** | **0** | **(0)** | **(2,064)** | **-** | **-** | **-** | **(2,064)** |
| **Net Book Value** | | | | | | | |
| **At 31 March 2018** | **123,403** | **17,885** | **1,357** | **1,225** | **-** | **305** | **144,175** |
| At 1 April 2017 | 121,634 | 18,710 | 957 | 1,231 | - | 755 | 143,287 |

**The balance of £1,018k on transfers is due to a classification change from Land & Buildings to Investment Properties at Rosliston Forestry Centre, from Land & Buildings to Assets Held for Sale for land at Darklands Road plus land at Staley Close transferred from Surplus Assets to Assets Held for Sale.*

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

| Year ended 31 March 2017<br>*£000's* | Council Dwellings | Land & Buildings | Vehicles, Plant & Equipment | Community Assets | Assets Under Construction | Surplus Assets | **Total** |
|---|---|---|---|---|---|---|---|
| **Cost or valuation** | | | | | | | |
| At 1 April 2016 | 90,663 | 14,562 | 2,726 | 1,543 | 4,112 | 755 | **114,361** |
| Additions | 4,457 | 1,933 | 29 | - | - | - | **6,419** |
| Disposals | (771) | - | - | - | (17) | - | **(788)** |
| Transfers | 4,295 | 138 | - | (312) | (4,095) | - | **26** |
| Revaluations | 22,991 | 2,077 | - | - | - | - | **25,068** |
| | | | | | - | | **-** |
| **At 31 March 2017** | **121,634** | **18,710** | **2,755** | **1,231** | **-** | **755** | **145,085** |
| **Depreciation & Impairment** | | | | | | | |
| At 1 April 2016 | - | - | (1,450) | - | - | - | **(1,450)** |
| Charge for the Year | (3,307) | (620) | (348) | - | - | - | **(4,276)** |
| Disposals | - | - | - | - | - | - | **-** |
| Impairments | 16,935 | 64 | - | - | - | - | **17,000** |
| Revaluations | (13,628) | 556 | - | - | - | - | **(13,072)** |
| **At 31 March 2017** | **-** | **0** | **(1,798)** | **-** | **-** | **-** | **(1,798)** |
| **Net Book Value** | | | | | | | |
| **At 31 March 2017** | **121,634** | **18,710** | **957** | **1,231** | **-** | **755** | **143,287** |
| At 1 April 2016 | 90,663 | 14,562 | 1,277 | 1,543 | 4,112 | 755 | 112,910 |

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

### Valuations

In accordance with IAS 16, the Council revalues all Property, Land and Buildings annually on a fair value basis. It is considered that there is no material difference in a fair value basis compared to a valuation based on carrying value. All valuations were carried out externally by Richard Hemsworth MRICS, Senior Surveyor, VOA. Valuations of land and buildings were carried out at 31st March 2018 in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

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

| *£000's* | Council Dwellings | Land & Buildings | Vehicles, Plant & Equipment | Community Assets | Assets under Construction | Surplus Assets | **Total** |
|---|---|---|---|---|---|---|---|
| Carried at historical cost 2017/18 | - | - | 3,422 | - | - | - | **3,422** |
| Carried at valuation as at: | | | | | | | |
| 31 March 2018 | 123,402 | 17,885 | - | 1,225 | - | 305 | **142,817** |
| 31 March 2017 | 121,634 | 18,710 | | 1,231 | - | 755 | **142,330** |

### Valuation Assumptions

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

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

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

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

### Impairments

Impairments for the year ended 31st March 2018 recognised in the Income and Expenditure Statement were £1,731k, with £4,691k of impairments being reversed relating to previous years.

## 16. Investment Properties

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

| *£000's* | 2017/18 | 2016/17 |
|---|---|---|
| Balance at the beginning of the year | 5,161 | 5,061 |
| Transfers In Year | 168 | 97 |
| Surplus/(Deficit) on revaluation | 83 | 3 |
| **Balance at the end of the year** | **5,412** | **5,161** |

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

The transfer in year is for log cabins at Rosliston Forestry Centre which have been reclassified in year as Investment Properties.

## 17. Financial Instruments

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

| £000'S | Non-current 2017/18 | Non-current 2016/17 | Current 2017/18 | Current 2016/17 Restated |
|---|---|---|---|---|
| **Investments** | | | | |
| Loans and receivables | 40 | 40 | - | - |
| Available for Sale Investments | 945 | - | - | - |
| **Total Investments** | 985 | 40 | - | - |
| **Debtors** | | | | |
| Loans and receivables | 89 | 63 | - | |
| Financial assets carried at contract amounts | - | - | 3,107 | 3,136 |
| Debtors that are not financial instruments | - | - | 2,188 | 2,328 |
| **Total Debtors** | 89 | 63 | 5,295 | 5,464 |
| **Cash and cash equivalents** | | | | |
| Loans and receivables | - | - | 22,593 | 15,547 |
| Available for Sale Investments | - | - | 4,000 | - |
| **Total cash and Cash Equivalents** | - | - | 26,593 | 15,547 |
| **Borrowings** | | | | |
| Financial liabilities at amortised costs | (57,423) | (57,423) | (28) | (28) |
| **Total Borrowings** | (57,423) | (57,423) | (28) | (28) |
| Other Long Term Liabilities | (43) | (45) | - | |
| **Total Other long term liabilities** | (43) | (45) | - | - |
| **Creditors** | | | | |
| Financial liabilities carried at contract amounts | - | - | (1,449) | (715) |
| Creditors that are not financial instruments | - | - | (7,794) | (6,325) |
| **Total Creditors** | **-** | **-** | **(9,243)** | **(7,040)** |

The available for sale investment of £945k is the fair value of the Council's investment in the CCLA Property Fund. Further information regarding this can be found later in this note and in the narrative statement. The investments of £40k relate to the money held in trust for a local community group.

Debtors (Loans and receivables) relate to charges placed on properties following work undertaken by the Council under statutory powers plus other small loans.

As at 31st March 2018, the debt outstanding comprised the following loans.

- A portfolio of loans from the Public Works Loan Board with a book value of £57,423k (2017: £57,423k). £47,423k of the loan portfolio is fixed with rates between 2.7% and 3.5%. The remaining £10,000k loan is a variable rate loan (with a benchmark of the six month gilt) currently incurring interest at 0.79% (2017: 0.45%) with a maturity of 2022.

## 17. Financial Instruments (continued)

- Loans of £28k have been received from various Parish Councils within the South Derbyshire District Council area who have deposited funds with the Council. These loans can be recalled on immediate notice. Interest is calculated at the Bank of England Base Rate, less 1%. In 2017/18 no interest was calculated due to the Bank of England Base Rate being less than 1%.

### Interest Income, Expenses, Gains and Losses

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

| £000'S | 2017/18 | | | | 2016/17 | | | |
|---|---|---|---|---|---|---|---|---|
| | Financial Liabilities measured at amortised cost | Financial Assets: Loans and Receivables | Financial Assets: Available-for-Sale | Total | Financial Liabilities measured at amortised cost | Financial Assets: Loans and Receivables | Financial Assets: Available-for-Sale | Total |
| Interest Expense | 1,559 | - | | 1,559 | 1,571 | - | | 1,571 |
| **Total Expense** | **1,559** | **-** | | **1,559** | **1,571** | **-** | | **1,571** |
| Interest and Dividend Income | - | (84) | (25) | (109) | - | (82) | - | (82) |
| **Total Income** | **-** | **(84)** | **(25)** | **(109)** | - | (82) | - | (82) |
| Losses on Revaluation | | | **55** | **55** | | | | |
| **Net (Gains)/Loss for the Year** | **1,559** | **(84)** | **30** | **1,505** | **1,571** | **(82)** | **-** | **1,490** |

### Fair Values of Assets and Liabilities

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

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

## 17. Financial Instruments (continued)

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

| £000'S | Carrying amount 2017/18 | Fair Value 2017/18 | Carrying amount 2016/17 | Fair Value 2016/17 |
|---|---|---|---|---|
| Financial Liabilities | | | | |
| Long Term | (57,423) | (63,491) | (57,423) | (65,510) |
| Short Term | (28) | (28) | (28) | (28) |
| | **(57,451)** | **(63,519)** | **(57,451)** | **(65,537)** |
| Financial Assets | | | | |
| Money Market Investments | 4,000 | 4,000 | - | - |
| CCLA Property Fund | 1,000 | 945 | - | - |
| | **5,000** | **4,945** | **-** | **-** |

The fair value adjustment for long term financial liabilities relates to the Public Works Loan Board Portfolio. The fair values were obtained from the Treasury Management advisor Arlingclose Ltd, which values all loans for the purpose of year-end financial statements. The fair value in 2018 is approximately £6m higher than the current book value. This reflects that the loans are currently worth more due to the average discount rate on these loans being 1.88%, compared to the average actual interest paid of 2.79%.

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

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

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

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

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

## 17. Financial Instruments (continued)

### Overall Procedures for Managing Risk

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

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

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

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

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

### Credit Risk

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

The following table summarises the balances held at 31st March 2018:

| Counterparty<br>£000'S | Credit rating criteria met when Investment placed | Balance invested at 31 March 2018 |
|---|---|---|
| Banks | Yes | 3,054 |
| Other local authorities | Yes | 18,000 |
| HM Treasury DMO | Yes | 1,500 |
| Money Market Funds | Yes | 4,000 |
| CCLA Property Fund | Yes | 1,000 |
| | | **27,554** |

## 17. Financial Instruments (continued)

### Liquidity Risk

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

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

The maturity analysis of financial liabilities is as follows:

| Maturity analysis of financial liabilities £000'S | Balance at 31 March 2018 | Balance at 31 March 2017 |
|---|---|---|
| Less than one year | 28 | 28 |
| Between one and two years | - | - |
| Between two and five years | 10,000 | 10,000 |
| Between five and ten years | 20,000 | 20,000 |
| More than ten years | 27,423 | 27,423 |
| | 57,451 | 57,451 |

### Refinancing and Maturity Risk

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

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

### Market Risks

### a) Interest Rate Risk

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

## 17. Financial Instruments (continued)

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

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

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

Over the last 5 years, this has not been achieved. During 2017/18, the average investment rate returned was 0.23%, compared to a market average of 0.36%. The average rate earned from the Government's Debt Management Office (DMO) was 0.15%, whilst that earned from other local authorities was 0.44%.

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

During the year, the Council has also invested in the CCLA Property Fund which will generate a higher rate of return for the authority. Further information regarding this can be found in the narrative statement.

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

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

| £000'S | 2017/18 | 2016/17 |
|---|---|---|
| Increase in interest payable on variable rate borrowings | (100) | (100) |
| Increase in interest receivable on variable rate investments | 243 | 261 |
| **Impact on Surplus or Deficit on the Provision of Services** | **143** | **161** |

## 17. Financial Instruments (continued)

### b) Price Risk

The Council's investment in a pooled property fund is subject to the risk of falling commercial property prices. This risk is limited by the Council's maximum exposure to property investments of £1m. A 5% fall in commercial property prices would result in a £50,000 charge to Other Comprehensive Income & Expenditure – this would have no impact on the Surplus or Deficit on the Provision of Services until the investment was sold.

## 18. Debtors

| Current<br>*£000's* | 2017/18 | 2016/17<br>Restated |
|---|---|---|
| Central Government Bodies | 1,836 | 2,187 |
| Other Local Authorities | 2,396 | 1,250 |
| Other entities and individuals | 3,069 | 3,887 |
| | 7,301 | 7,324 |
| Less: Bad Debt Impairment Provisions | (2,006) | (1,860) |
| **Total** | **5,295** | **5,464** |

### Credit arrangements provided to Debtors

The Council does not generally allow credit for its Trade Debtors, such that £271k (2017: £246k) is past its due date for payment but not provided. The past due amount can be analysed by age as follows:

| Past Due<br>*£000's* | 2017/18 | 2016/17 |
|---|---|---|
| Less than 3 Months | 140 | 160 |
| 3 - 6 Months | 16 | 13 |
| 6 Months - 1 Year | 53 | 16 |
| More than 1 Year | 62 | 57 |
| **Total** | **271** | **246** |

## 19. Cash and Cash Equivalents

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

| *£000's* | 2017/18 | 2016/17 |
|---|---|---|
| Cash and Bank Balances | 3,092 | 5,547 |
| Short Term Deposits (considered to be cash equivalents) | 19,500 | 10,000 |
| Money Market Funds | 4,000 | - |
| **Total** | **26,593** | **15,547** |

*The short term deposits were invested either with other local authorities (£18m) or HM Debt Management Office (£1.5m) as at 31st March 2018.*

## 20. Assets Held for Sale

| £000's | 2018 | 2017 |
|---|---|---|
| Balance at beginning of the year | 1,000 | 1,123 |
| Additions | 1 | |
| Disposals | (1,001) | - |
| Revaluations | 50 | - |
| Transfers | 850 | (123) |
| **Balance at end of the year** | **900** | **1,000** |

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

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

The land at Staley Close, Swadlincote is to be redeveloped as residential property whilst the old depot has been highlighted as a potential site for economic regeneration with proposals from large organisations which would bring significant community benefits to Swadlincote Town Centre.

## 21. Creditors

| Current<br>£000's | 2017/18 | 2016/17 Restated |
|---|---|---|
| Central Government Departments | (2,388) | (1,850) |
| Other Authorities | (4,365) | (2,758) |
| All Other Bodies | (2,476) | (2,404) |
| Accumulated Absences | (14) | (28) |
| **Total** | **(9,243)** | **(7,040)** |

## 22. Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. The Council has made 3 provisions in the accounts for 2017/18 as shown in the following table.

## 22. Provisions (continued)

| Current<br>*£000's* | At 1 April | Increase in provision during year | Utilised during the year | Unused amounts released | At 31 March |
|---|---|---|---|---|---|
| 2017/18 | | | | | |
| Personal Searches | (13) | - | - | 13 | - |
| Planning Appeal | (102) | (108) | 12 | 91 | (107) |
| NNDR Appeals | (993) | (401) | - | 572 | (822) |
| Termination Benefits | - | (64) | - | - | (64) |
| | **(1,109)** | **(573)** | **12** | **676** | **(993)** |
| 2016/17 | | | | | |
| Personal Searches | (42) | - | 29 | - | (13) |
| Planning Appeal | (127) | (102) | 100 | 27 | (102) |
| NNDR Appeals | (868) | (125) | - | - | (993) |
| Termination Benefits | (9) | - | 9 | - | - |
| | **(1,046)** | **(227)** | **137** | **27** | **(1,109)** |

### Planning Appeals

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

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

This was reduced in 2017/18 due to a large number of appeals lodged with the District Valuer in 2010 being settled in year.

### Termination Benefits

A provision is made where a decision to release an employee under the Council's Voluntary Redundancy Scheme will incur one-off costs in a future accounting period.

## 23. Usable Reserves

| *£000's* | 2017/18 | 2016/17 |
|---|---|---|
| General Fund [1] | 10,044 | 8,433 |
| Earmarked Reserves [1,2] | 9,714 | 8,460 |
| HRA [1] | 5,147 | 3,703 |
| Capital Receipts Reserve [2] | 3,573 | 1,949 |
| Capital Grants Unapplied Account [2] | 2,415 | 2,408 |
| Major Repairs Reserve [2] | 4,270 | 1,266 |
| **Total** | **35,162** | **26,219** |

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

## 23. Usable Reserves (continued)

### Revenue Reserves

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

### Earmarked Reserves

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

| *£000's* | 2017/18 | 2016/17 |
|---|---|---|
| IT Reserve | 282 | 141 |
| Welfare Reform, Fraud and Compliance | 241 | 247 |
| Committed Expenditure Reserve | 109 | 120 |
| S106 Capital Receipts | 5,972 | 5,062 |
| Dilapidation Deposit (Dellner Woodville Site) | 13 | 78 |
| Fixed Asset Replacement Fund | 1,070 | 1,251 |
| Homelessness Prevention | 174 | 89 |
| Schools Sport Partnership Project | 190 | 204 |
| Pensions Reserve | 139 | 182 |
| Planning Staffing & Support Costs Reserve | 94 | 62 |
| Other Earmarked Reserves | 601 | 509 |
| District Growth | 600 | 300 |
| Garden Village Reserve | 229 | 214 |
| **Total** | **9,714** | **8,460** |

### Capital Reserves

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

### Capital Receipts Reserve

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

### Capital Grants Unapplied

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

## 23. Usable Reserves (continued)

| £000's | 2017/18 | 2016/17 |
|---|---|---|
| Public Open Space (Commuted Sums) | 1,237 | 1,270 |
| Crime and Disorder Partnership | 332 | 332 |
| Youth Engagement Partnership | 638 | 580 |
| Get Active in the Forest Partnership | 43 | 44 |
| Other Capital Grants Unapplied | 165 | 182 |
| **Total** | **2,415** | **2,408** |

### Major Repairs Reserve

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

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

## 24. Unusable Reserves

| £000's | **2017/18** | 2016/17 |
|---|---|---|
| Capital Adjustment Account [2] | 58,261 | 58,446 |
| Revaluation Reserve [2] | 22,423 | 20,891 |
| Pensions Reserve [1] | (31,721) | (32,947) |
| Collection Fund Adjustment Account [1] | 79 | (468) |
| Available For Sale Investment Reserve [1] | (55) | - |
| Accumulating Compensated Absences Adjustment Account [1] | (14) | (28) |
| **Total** | **48,973** | **45,893** |

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.

## 24. Unusable Reserves (continued)

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

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

| *£000's* | **2017/18** |
|---|---|
| **Balance at 1st April 2017** | 58,446 |
| Charges for depreciation and impairment of non-current assets | (2,700) |
| Revaluation gains on Property, Plant and Equipment | (71) |
| Revenue expenditure funded from capital under statute | 845 |
| Amounts of non-current assets written off on disposal | (1,117) |
| **Net written out amount of the cost of non-current assets consumed in the year** | **55,403** |
| Capital financing applied in the year: | |
| Use of Capital Receipts to finance new capital expenditure | 1,276 |
| Use of Major Repairs Reserves to fund new capital expenditure | 1,279 |
| Application of grants to capital financing from the Capital Grants Unapplied Account | - |
| Minimum Revenue Provision | 214 |
| Voluntary Revenue Provision | 131 |
| Capital expenditure credited to the General Fund and HRA balance | (124) |
| Movements in the market value of Investment Properties | 83 |
| **Balance as at 31st March 2018** | **58,261** |

### Revaluation Reserve

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

The balance is reduced when assets with accumulated gains are:

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

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

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

## 24. Unusable Reserves (continued)

| £000's | 2017/18 |
|---|---|
| **Balance at 1st April 2017** | 20,891 |
| Upward revaluation of assets | 2,380 |
| Downward revaluation of assets | (919) |
| Amounts of non-current assets written off on disposal | - |
| **Surplus on revaluation of non-current assets not posted to the Provision of Services** | **22,351** |
| Accumulated gains on assets sold | 71 |
| **Balance as at 31st March 2018** | **22,423** |

### Available for Sale Financial Instruments Reserve

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

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

| £000's | 2017/18 |
|---|---|
| **Balance at 1st April 2017** | - |
| Upward/(Downward) revaluation of investments not charged to the Surplus/Deficit on the Provision of Services | (55) |
| **Balance as at 31st March 2018** | **(55)** |

### Pensions Reserve

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

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

**Collection Fund Adjustment Account**

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

## 24. Unusable Reserves (continued)

**Accumulating Compensated Absences Adjustment Account**

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

## 25. Agency Services

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

| *£000's* | **2017/18** | 2016/17 |
|---|---|---|
| Income | 275 | 275 |
| Expenditure | (95) | (60) |
| **Net surplus arising on the agency agreement** | **180** | **215** |

## 26. Members' Allowances

During the year Members allowances totalled £349k (2016/17: £353k) as shown in the following table.

| *£000's* | 2017/18 | 2016/17 |
|---|---|---|
| Basic Allowance | 224 | 224 |
| Telephone Allowance | - | 6 |
| Travel and Subsistence | 6 | 8 |
| Special Responsibility Allowances | 119 | 115 |
| | **349** | **353** |

## 27. Officers' Remuneration

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

| | 2017/18 Number | 2016/17 Number |
|---|---|---|
| £60,001 to £65,000 | 3 | 2 |
| £80,001 to £85,000 | - | 2 |
| £85,001 to £90,000 | 1 | 1 |
| £120,001 to £125,000 | 1 | 1 |
| | **5** | **6** |

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

| £'s | Salary, Fees And Allowances | Expenses Allowances | Pension Contributions | Total |
|---|---|---|---|---|
| **2017/18** | | | | |
| **Previous Structure:** | | | | |
| Chief Executive | 82,288 | 1,004 | 11,356 | 94,648 |
| Director of Finance & Corporate Services | 56,534 | 1,004 | 7,802 | 65,339 |
| Director of Housing & Environmental | - | - | - | - |
| Director of Community & Planning | 59,372 | 1,353 | 10,196 | 70,921 |
| Legal & Democratic Services Manager & Monitoring Officer | 42,794 | 826 | 5,906 | 49,525 |
| Head of Organisational Development | 41,273 | 1,004 | 5,696 | 47,973 |
| **TOTAL** | 282,261 | 5,191 | 40,954 | 328,406 |
| **Revised Structure:** | | | | |
| Chief Executive - Strategic Director (Central Services) | 41,144 | 502 | 5,678 | 47,324 |
| Strategic Director (Corporate Resources) | 29,167 | 502 | 4,025 | 33,694 |
| Strategic Director (Service Delivery) | - | - | - | - |
| Legal & Democratic Services Manager & Monitoring Officer | 21,403 | 413 | 2,954 | 24,770 |
| Head of Organisational Development | 20,637 | 502 | 2,848 | 23,986 |
| **TOTAL** | 112,351 | 1,919 | 15,504 | 129,774 |
| **TOTAL FOR 2017/18** | **394,611** | **7,109** | **56,459** | **458,179** |

| 2016/17 | | | | |
|---|---|---|---|---|
| Chief Executive | 122,210 | 1,497 | 15,643 | 139,350 |
| Director of Finance & Corporate Services | 83,961 | 1,497 | 10,747 | 96,205 |
| Director of Housing & Environmental | 79,190 | 1,364 | 9,208 | 89,762 |
| Director of Community & Planning | 81,386 | 1,497 | 10,417 | 93,301 |
| Legal & Democratic Services Manager and Monitoring Officer | 62,572 | 1,239 | 8,009 | 71,820 |
| Head of Organisational Development | 10,216 | 243 | 1,308 | 11,767 |
| **TOTAL FOR 2016/17** | **439,535** | **7,338** | **55,333** | **502,205** |

The Head of Organisational Development was transferred to the Council after the Shared Services contract with Northgate Public Services ended on 1st February 2017. The salary figures quoted for this officer only relate to the final two months of 2016/17.

The Council restructured its Leadership Team in December 2017. The posts of Director of Housing and Environmental and Director of Community and Planning were deleted as part of the restructure.

As an interim arrangement until the post of Strategic Director (Service Delivery) was recruited, the Director of Community and Planning remained in post. The Director of Housing and Environmental post has been vacant all year.

The restructure has saved the Council £106k during 2017/18.

### Exit Packages and Other Departures

| £'s | 2017/18 Number | 2016/17 Number | 2017/18 £ | 2016/17 £ |
|---|---|---|---|---|
| £0 to £20,000 | 3 | 2 | 39,070 | 26,120 |
| £20,001 to £40,000 | - | - | - | - |
| £40,001 to £60,000 | - | - | - | - |
| £60,001 to £80,000 | - | - | - | - |
| £80,001 to £100,000 | 1 | - | 85,313 | - |
| £101,001 to £120,000 | 1 | - | 115,018 | - |
| | **5** | **2** | **239,401** | **26,120** |

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

A fourth employee received payment in lieu of notice on termination of employment.

In addition, one other exit package was agreed and severance of £14.9k was paid on termination of employment from the Council.

## 28. External Audit Fees

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

| £000's | 2017/18 | 2016/17 |
|---|---|---|
| External Audit Fees | 49 | 49 |
| Grant Claim Certification Fees | 16 | 16 |

| | | |
|---|---|---|
| Audit Commission Rebate | (7) | - |
| **Total** | **58** | **65** |

## 29. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2017/18:

## 29. Grant Income (continued)

| £'000 | 2017/18 | 2016/17 |
|---|---|---|
| **Credited to Taxation and Non Specific Grant Income (Note 14)** | | |
| General Government Grants | 3,316 | 4,081 |
| Business Rate Reliefs (Section 31 Grants) | 1,529 | 343 |
| | **4,845** | **4,424** |
| **Credited to Net Cost of Service** | | |
| Department of Works and Pensions (Benefit Subsidy and Welfare Reform) | 16,817 | 17,777 |
| Supported Housing | 190 | 216 |
| Contributions from Developers (section 106 Planning Agreements) | 2,271 | 2,773 |
| Other Grants and Contributions to Service Expenditure | 1,409 | 934 |
| | **20,687** | **21,700** |

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them, which if not met would require the monies or property to be returned to the giver. The balances as at 31st March 2018 are as follows:

| £'000 | 2017/18 | 2016/17 |
|---|---|---|
| Capital Grants Received in Advance | 793 | 469 |

## 30. Related Parties

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

### Central Government

Central Government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from Government Departments are set out in Note 14 – Taxation and Non-Specific Income. Debtor and Creditor values are analysed in Notes 18 and 21 respectively.

### Elected Members

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

In each case, the member is part of a wider decision making body and cannot on their own materially influence operations or funding, etc. In addition, members concerned are required to declare an interest in any funding decisions made by the Council in which they are in attendance

## 30. Related Parties (continued)

and cannot then participate in any discussion or decision. The Council maintains appropriate records of these related parties in accordance with its Constitution. This applies to both Council Officers and Members.

All members are required to specify relationships that they have such as through employment and directorships, etc. During 2017/18, the Council had no significant dealings with any companies or organisations declared by elected members which would have a bearing on the Financial Statements.

## 31. Capital Expenditure and Capital Financing

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

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

The position for 2017/18 is shown in the following table.

| *£000's* | 2017/18 | 2016/17 |
|---|---|---|
| Capital Financing Requirement at 1 April | 67,584 | 67,938 |
| **Add: Capital Expenditure** | | |
| Property, Plant and Equipment | 3,312 | 6,419 |
| Investment Properties | 0 | 0 |
| Revenue Expenditure Funded from Capital under Statute | 845 | 1,960 |
| **Total Expenditure** | **4,157** | **8,380** |
| **Less: Source of Finance** | | |
| Capital Receipts | (1,288) | (4,784) |
| Government Grants and External Financing | (557) | (1,035) |
| Other External Contributions | (168) | (186) |
| General Fund Revenue Contributions | (825) | (208) |
| Housing Revenue Account Contributions | (1,279) | (1,945) |
| Planning Agreements - S106 Developer Contributions | (41) | (221) |
| **Total Financing** | **(4,157)** | **(8,380)** |
| Minimum Revenue Provision | (214) | (223) |
| Voluntary Revenue Contribution | (131) | (131) |
| Actual Loan Principal Repaid | 0 | 0 |
| **Total Repayments and Revenue Provisions** | **(345)** | **(354)** |
| **Capital Financing Requirement at 31 March** | **67,239** | **67,584** |

| | | |
|---|---|---|
| **Actual Borrowings Outstanding - Gross (Note 17)** | **57,451** | **57,451** |
| **Investments** | | |
| Short-term Investments Outstanding | (23,500) | (10,000) |
| Long-term Investments Outstanding | (1,000) | 0 |
| **Net Borrowings Outstanding (Gross less Investments)** | **32,951** | **47,451** |

## 32. Leases

Other land and building leases primarily consist of the lease of an Industrial Estate where the rental payable in 2017/18 was **£50k** (2016/17: £50k) plus some other minor commercial properties. The total future cash payments required under these leases are estimated at £350k (2017: £401k).

The Council was committed at 31st March 2018 to making payments of **£350k** (2017: £401k) under operating leases, comprising the following elements:

| *£000's* | Other Land and Buildings | Vehicles, Plant and Equipment | 2018 Total | Other Land and Buildings | Vehicles, Plant and Equipment | 2017 Total |
|---|---|---|---|---|---|---|
| Within one year | 53 | - | **53** | 54 | - | **54** |
| Between two & five years | 206 | - | **206** | 204 | - | **204** |
| After five years | 91 | - | **91** | 143 | - | **143** |
| | **350** | **-** | **350** | **401** | **-** | **401** |

The Council rents some properties to tenants under lease arrangements. Amounts receivable under these leases in 2017/18 was **£723k** (2016/17: £716k). The asset value of these properties at 31st March 2018 was **£5,412k (**2017: £5,161K)

## 33. Defined Benefit Pension Schemes

### Nature of the Scheme

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

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

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

### Participation in the Local Authority Pension Scheme

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

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

## 33. Defined Benefit Pension Schemes (continued)

**Governance of the Council's Pension Scheme**

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

**Pensions Risk**

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

**Discretionary Post Retirement Benefits**

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

**Transactions relating to retirement benefits – CIES Charges**

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

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

## 33. Defined Benefit Pension Schemes (continued)

| *£000's* | 2017/18 | 2016/17 |
|---|---|---|
| **Included in Net Cost of Services:** | | |
| Current Service Cost | 2,798 | 1,641 |
| Past Service Cost/(Gain) including curtailments | 42 | - |
| Pension Strain | - | - |
| | 2,840 | 1,641 |
| **Included in Financing and Investment Income and Expenditure** | | |
| Interest income on plan assets | (2,250) | (1,955) |
| Interest cost on defined benefit obligations | 3,118 | 2,794 |
| | 868 | 839 |
| **Net charge/(credit) to the Comprehensive Income and Expenditure Account** | 3,708 | 2,480 |
| **Other Comprehensive Income and Expenditure** | | |
| Changes in demographic assumptions | - | (1,363) |
| Changes in financial assumptions | (2,323) | 20,546 |
| Other Experience | (19) | 10,350 |
| Return on assets excluding amounts included in net interest | (746) | (21,504) |
| **Total** | (3,088) | 8,029 |
| **Adjustments Between Accounting Basis and Funding Basis under Regulations** | | |
| Reversal of items relating to retirement benefits debited or credited on the Provision of Services in the CIES | (3,708) | (2,480) |
| **Actual Amount Charged Against the General Fund Balance for Pensions in the Year** | | |
| Employers' Contributions Payable to the Scheme | 1,846 | 1,564 |
| **Net (credit)/charge to the General Fund** | **(1,862)** | **(916)** |

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

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

| Reconciliation of the Present Value of the Scheme Liabilities *£000's* | 2017/18 | 2016/17 |
|---|---|---|
| Balance at 1 April | (119,752) | (78,921) |
| Current Service Cost | (2,798) | (1,641) |
| Past Service Cost | (42) | - |

| | | |
|---|---|---|
| Interest Cost on Defined Benefit Obligation | (3,118) | (2,794) |
| Contributions by Members | (459) | (403) |
| Changes in Demographic Assumptions | - | 1,363 |
| Changes in Financial Assumptions | 2,323 | (20,546) |
| Past Service (Costs) including curtailments | - | - |
| Effect of business combinations and disposals | - | (9,624) |
| Other Experience | 19 | (10,350) |
| Estimated Benefits Paid | 2,644 | 3,008 |
| Unfunded Benefits | 149 | 156 |
| Balance at 31 March | **(121,034)** | **(119,752)** |

## 33. Defined Benefit Pension Schemes (continued)

| Reconciliation of the Present Value of the Scheme Assets *£000's* | 2017/18 | 2016/17 |
|---|---|---|
| Balance as at 1 April | 86,858 | 54,972 |
| Interest Income on Plan Assets | 2,250 | 1,955 |
| Contributions by Members | 459 | 403 |
| Contributions by Employer | 1,697 | 1,438 |
| Contributions in respect of unfunded benefits | 149 | 156 |
| Return on Assets excluding amounts included in net interest | 746 | 21,504 |
| Effect of business combinations and disposals | - | 9,594 |
| Estimated Benefits Paid | (2,644) | (3,008) |
| Unfunded Benefits Paid | (149) | (156) |
| Balance at 31 March | **89,366** | **86,858** |

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

### Analysis of scheme assets and liabilities

| £000's | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|
| Fair Value of Assets in Pension Scheme | 89,366 | 86,858 | 54,972 | 55,689 | 50,537 |
| Present Value of Defined Benefit Obligation | (121,034) | (119,753) | (78,921) | (85,473) | (73,195) |
| (Deficit) in the Scheme | (31,668) | (32,895) | (23,950) | (29,784) | (22,658) |

The table shows that there is a continuing deficit on the Pension Scheme. This can fluctuate between years due to changes in assumptions and the value of annual payments into the Fund. The liabilities show the underlying commitments that the Council has in the long-term to pay retirement benefits. The total liability of £121.0m (2017: £119.7m) has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in a net liability of £31.6m (2017: £32.8m).

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

The net decrease in the deficit in 2017/18 is approximately £1.2m. Return on investments in the Fund was marginally higher than expected and more optimistic assumptions were made by the Fund's Actuary. In particular, the net discount rate which is used to measure future returns and liabilities was increased and this is favourable compared to the continuing level of low inflation.

## 33. 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:

| *£000's* | 2018 Quoted Prices in Active Markets | 2018 Quoted Prices not in Active Markets | 2018 Total | 2018 Percentage of Total Assets | 2017 Quoted Prices in Active Markets | 2017 Quoted Prices not in Active Markets | 2017 Total | 2017 Percentage of Total Assets |
|---|---|---|---|---|---|---|---|---|
| **Equity Securities:** | | | | | | | | |
| Consumer | 5,745 | 0 | 5,745 | 6% | 6,622 | 0 | 6,622 | 8% |
| Manufacturing | 7,848 | 0 | 7,848 | 9% | 7,778 | 0 | 7,778 | 9% |
| Energy & Utilities | 4,890 | 0 | 4,890 | 5% | 5,245 | 0 | 5,245 | 6% |
| Financial Institutions | 6,187 | 0 | 6,187 | 7% | 6,224 | 0 | 6,224 | 7% |
| Health & Care | 3,083 | 0 | 3,083 | 3% | 3,455 | 0 | 3,455 | 4% |
| Information Technology | 2,656 | 0 | 2,656 | 3% | 2,209 | 0 | 2,209 | 3% |
| Other | 10,183 | 0 | 10,183 | 11% | 9,557 | 0 | 9,557 | 11% |
| **Government Bonds:** | | | | | | | | |
| Corporate Bonds (investment grade) | 0 | 7,040 | 7,040 | 8% | 0 | 5,261 | 5,261 | 6% |
| UK Government | 8,448 | 0 | 8,448 | 9% | 9,133 | 0 | 9,133 | 11% |
| Other | 1,393 | 0 | 1,393 | 2% | 1,590 | 0 | 1,590 | 2% |
| **Private Equity:** | | | | | | | | |
| All | 1,215 | 592 | 1,807 | 2% | 1,195 | 288 | 1,483 | 2% |
| **Real Estate** | | | | | | | | |
| UK property | 0 | 5,879 | 5,879 | 7% | 0 | 5,559 | 5,559 | 6% |
| **Investment Funds & Unit Trusts** | | | | | | | | |
| Equities | 17,007 | 0 | 17,007 | 19% | 17,210 | 0 | 17,210 | 20% |
| Bonds | 0 | 0 | 0 | 0% | 0 | 0 | 0 | 0% |
| Infrastructure | 1,372 | 1,536 | 2,907 | 3% | 996 | 532 | 1,528 | 2% |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Cash & Cash Equivalents** | | | | | | | | |
| All | 0 | 4,294 | 4,294 | 5% | 0 | 4,003 | 4,003 | 5% |
| | 70,025 | 19,341 | 89,366 | 100% | 71,215 | 15,644 | 86,858 | 100% |

### Basis for Estimating Liabilities

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

## 33. Defined Benefit Pension Schemes (continued)

| | 2017/18 | 2016/17 |
|---|---|---|
| **Mortality Assumptions (years):** | | |
| Men | 21.9 | 21.9 |
| Women | 24.4 | 24.4 |
| **Longevity at 65 for Future Pensioners:** | | |
| Men | 23.9 | 23.9 |
| Women | 26.5 | 26.5 |
| **Principal Assumptions in the Valuation of the Liability** | | |
| Inflation / Rate of Increase in Pensions | 2.40% | 2.40% |
| Rate of Increase in Salaries | 2.90% | 2.90% |
| Discount Rate | 2.70% | 2.60% |
| **Take-up of option to convert annual pension into retirement lump sum:** | | |
| Service to April 2009 | 50% | 50% |
| Service post April 2009 | 75% | 75% |

### Information about the Defined Benefit Obligation

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

| Change in assumptions at 31 March 2018: | Liability Split<br>% | Weighted Average Duration |
|---|---|---|
| Active Members | 37.00 | 23.10 |
| Deferred Members | 25.00 | 22.90 |
| Pensioner Members | 38.00 | 11.80 |
| | **100.00** | **17.60** |

### Sensitivity Analysis

The sensitivity analysis shows the effect a change in financial assumptions used would have on the value of the scheme liabilities as at 31st March 2018 on varying basis.

To quantify the uncertainty around life expectancy a calculation was completed on a 1 year increase in life expectancy for sensitivity purposes giving an 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, do survival rates predominantly apply at younger or older ages.

| Change in assumptions at 31 March 2018: | Approximate % Increase to Employer Liability | Approximate monetary amount £000 |
|---|---|---|
| 0.5% decrease in Real Discount Rate | 10.0 | 12,114 |
| 0.5% increase in Salary Increase Rate | 1.0 | 1,423 |
| 0.5% increase in Pension Increase Rate | 9.0 | 10,551 |

## 33. Defined Benefit Pension Schemes (continued)

**Projected Defined Benefit Cost for the Period 31 March 2019**

The Projected Defined Benefit is an analysis of the projected amount to be charged to the operating profit for the period to the 31st March 2019 and is shown in the following table.

| Period Ended 31 March 2019 | Assets | Obligations | Net (Liability)/asset | |
|---|---|---|---|---|
| | £000 | £000 | £000 | % of pay |
| Projected Service Cost | 0 | 2,700 | (2,700) | (39) |
| Past Service Cost including curtailments | 0 | 0 | 0 | 0 |
| Effects of settlements | 0 | 0 | 0 | 0 |
| **Total Service Cost** | **0** | **2,700** | **(2,700)** | **(39)** |
| Interest Income on plan assets | 2,403 | 0 | 2,403 | 35 |
| Interest cost on defined benefit obligation | 0 | 3,271 | (3,271) | (47) |
| **Total Net Interest Cost** | **2,403** | **3,271** | **(868)** | **(13)** |
| **Total Included in Profit & Loss** | **2,403** | **5,971** | **(3,568)** | **(51)** |

## 34. Contingent Liabilities

There are no contingent liabilities to be reported by the Council.

## 35. Prior Year Adjustment

An adjustment to the classification of bad debt provision for the Collection Fund has been updated affecting the Accounts for 2017/18. The Cash Flow Statement, Balance Sheet plus notes 17,18 and 21 are affected by the restatement.

# Housing Revenue Account

For the year ended 31st March 2018

## Income and Expenditure Account

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

| *£000's* | 2017/18 | 2016/17 |
|---|---|---|
| General | 1,635 | 1,559 |
| Special | 821 | 807 |
| Rents, rates & taxes | 2 | 3 |
| Depreciation & Impairment of non-current assets | 296 | (13,647) |
| Provision for Bad Debts | 48 | 59 |
| **Supervision & Management** | **2,802** | **(11,219)** |
| Repairs & Maintenance | 2,747 | 2,935 |
| **Total Expenditure** | **5,549** | **(8,285)** |
| Dwelling Rents | (12,376) | (12,524) |
| Non-Dwelling Rents | (110) | (118) |
| Charges for Services & Facilities | (210) | (200) |
| Contributions towards Expenditure | (21) | (55) |
| Supporting People | (190) | (216) |
| **Total Income** | **(12,907)** | **(13,112)** |
| **Net Cost of HRA Services as included in the Comprehensive I&E** | **(7,358)** | **(21,397)** |
| HRA share of Corporate & Democratic Core | 131 | 138 |
| **Net Cost of HRA Services** | **(7,227)** | **(21,259)** |
| Losses/(Gains) on sale of HRA non-current assets | (207) | (292) |
| Interest payable and similar charges | 1,556 | 1,570 |
| HRA investment income | (36) | (14) |
| Pensions interest cost & expected return on pension assets | 144 | 181 |
| **Surplus for Year on HRA Services** | **(5,769)** | **(19,814)** |

# Housing Revenue Account

For the year ended 31st March 2018

## Movement on the Housing Revenue Account

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

| *£000's* | 2017/18 | 2016/17 |
|---|---|---|
| Balance at the beginning of the year | 3,703 | 1,426 |
| Surplus/(Deficit) for the year on the HRA Income and Expenditure Statement | 5,769 | 19,814 |
| Transfers in Reserves | (230) | - |
| Adjustments between accounting and funding basis under regulations | (4,095) | (17,537) |
| Increase for the year on the HRA | 1,444 | 2,277 |
| **Balance at the end of the year** | **5,147** | **3,703** |

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

| *£000's* | 2017/18 | 2016/17 |
|---|---|---|
| **Items included in the HRA Income and Expenditure Account but excluded from the movement on HRA Balance for the year** | | |
| Revaluation and impairment of non-current assets[1] | 296 | (13,647) |
| Retirement benefits charged/(credited)[2] | 617 | 535 |
| Adjustments in relation to Short Term compensated absences | (1) | 1 |
| (Gains)/losses on sale of HRA non-current assets[1,3] | (207) | (292) |
| | **705** | **(13,403)** |
| **Items not included in the HRA Income and Expenditure Account but included in the movement on HRA Balance for the year** | | |
| Revenue contribution to finance major repairs | (4,244) | (1,508) |
| Revenue contributions to finance new build | - | (1,000) |
| Revenue contributions to finance debt repayment | (250) | (1,287) |
| Employer's contributions payable to the Pensions Fund and retirement benefits payable direct to pensioners[2] | (306) | (338) |
| | **(4,803)** | **(4,134)** |
| **Net additional amount required by statute to be debited or (credited) to the HRA for the year** | **(4,095)** | **(17,537)** |

**Notes**

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

# Notes to the Housing Revenue Account

For the year ended 31st March 2018

## 1. Introduction

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

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

## 2. Housing Stock

The number of dwellings in the Council's housing stock, as at 31st March 2018, totalled 2,993 (2017: 3,015) properties. This followed the sale of 22 properties under the Government's Right to Buy Scheme. The stock is broken down over type of properties as shown in the following table.

| | 2017/18 | 2016/17 | 2015/16 |
|---|---|---|---|
| Houses | 1,562 | 1,584 | 1,552 |
| Flats | 793 | 793 | 785 |
| Bungalows | 638 | 638 | 636 |
| | 2,993 | 3,015 | 2,973 |

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

The vacant possession value (open market value) of Council dwellings as at 31st March 2018 was £293,815 (2017: £289,598k). This does not compare to the Balance Sheet, which shows the Existing Use Value, the difference being an indication of the economic and social costs of providing Council housing at less than market rent.

## 3. Major Repairs Reserve

The Major Repairs Reserve is used to fund major impovements to Council properties. Expenditure financed from this Reserve is shown in Note 5. The movement on the Reserve during the 2017/18 is summarised below:

| *£000's* | 2017/18 | 2016/17 |
|---|---|---|
| Balance at the beginning of the year | 1,267 | 1,703 |
| Add Depreciation Provision | 4,749 | 3,449 |
| Use of Capital Receipts Reserve | - | - |
| Revenue Contribution for Capital | 4,246 | 1,553 |
| **Amount available for capital expenditure on HRA Land, Houses and Other Property** | **10,261** | **6,705** |
| Less Capital expenditure in the year (including Depreciation) | (5,990) | (5,438) |
| **Balance at the end of the year** | **4,271** | **1,267** |

## 4. Property, Plant and Equipment

| Year ended 31 March 2018<br>£000's | Council Dwellings | Land and Buildings | Vehicles, Plant and Equipment | Assets Under Construction | Surplus Assets | Total Property, Plant and Equipment | Investment Properties | Total |
|---|---|---|---|---|---|---|---|---|
| **Cost or valuation** | | | | | | | | |
| At 1 April 2017 | 121,634 | 2,288 | 116 | - | 105 | 124,143 | 211 | **124,354** |
| Additions | 1,316 | - | - | - | - | 1,316 | - | **1,316** |
| Disposals | (923) | (13) | - | - | - | (936) | - | **(936)** |
| Transfers | - | - | - | - | - | - | - | **-** |
| Revaluations | 1,376 | (0) | - | - | - | 1,375 | - | **1,375** |
| **At 31 March 2018** | **123,402** | **2,276** | **116** | **-** | **105** | **125,899** | **211** | **126,110** |
| **Depreciation and Impairment** | | | | | | | | |
| At 1 April 2017 | - | - | (94) | - | - | (94) | - | **(94)** |
| Charge for the Year | (4,581) | (160) | (4) | - | - | (4,746) | - | **(4,746)** |
| Disposals | - | - | - | - | - | - | - | **-** |
| Transfers | - | - | - | - | - | - | - | **-** |
| Impairments | - | - | - | - | - | - | - | **-** |
| Revaluations | 4,581 | 160 | - | - | - | 4,742 | - | **4,742** |
| **At 31 March 2018** | **-** | **0** | **(98)** | **-** | **-** | **(98)** | **-** | **(98)** |
| **Net Book Value** | | | | | | | | |
| **At 31 March 2018** | **123,402** | **2,276** | **18** | **-** | **105** | **125,801** | **211** | **126,012** |
| At 1 April 2017 | 121,634 | 2,288 | 22 | - | 105 | 124,049 | 211 | **124,260** |

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

| Year ended 31 March 2017<br><br>£000's | Council Dwellings | Land and Buildings | Vehicles, Plant and Equipment | Assets Under Construction | Surplus Assets | Total Property, Plant and Equipment | Investment Properties | Total |
|---|---|---|---|---|---|---|---|---|
| **Cost or valuation** | | | | | | | | |
| At 1 April 2016 | 90,663 | 2,495 | 116 | 4,112 | 105 | 97,491 | 211 | **97,702** |
| Additions | 4,457 | 53 | - | - | - | 4,510 | - | **4,510** |
| Disposals | (771) | - | - | (17) | - | (788) | - | **(788)** |
| Transfers | 4,295 | (200) | - | (4,095) | - | 0 | - | **0** |
| Revaluations recognised in the Revaluation Reserve | 22,991 | (60) | - | - | - | 22,931 | - | **22,931** |
| **At 31 March 2017** | **121,634** | **2,288** | **116** | **-** | **105** | **124,143** | **211** | **124,354** |
| **Depreciation and Impairment** | | | | | | | | |
| At 1 April 2016 | | | (88) | | | (88) | - | **(88)** |
| Charge for the Year | (3,307) | (134) | (6) | - | - | (3,447) | - | **(3,447)** |
| Disposals | - | - | - | - | - | - | - | **-** |
| Transfers | - | - | - | - | - | - | - | **-** |
| Impairments recognised in the Provision of Services | 20,073 | (24) | - | - | - | 20,049 | - | **20,049** |
| Depreciation written out to the revaluation reserve | (16,766) | 158 | - | - | - | (16,608) | - | **(16,608)** |
| **At 31 March 2017** | **-** | **-** | **(94)** | **-** | **-** | **(94)** | **-** | **(94)** |
| | | | | - | - | | | |
| **Net Book Value** | | | | | | | | |
| **At 31 March 2017** | **121,634** | **2,288** | **22** | **-** | **105** | **124,049** | **211** | **124,260** |
| At 1 April 2016 | 90,663 | 2,495 | 28 | 4,112 | 105 | 97,403 | 211 | **97,614** |

## 5. Capital Expenditure

| £000's | 2017/18 | 2016/17 |
|---|---|---|
| **Capital Investment** | | |
| Operational Assets | 1,329 | 4,512 |
| | **1,329** | **4,512** |
| **Sources of Funding** | | |
| External Grants | - | 106 |
| Capital Receipts in year | 1,143 | 1,063 |
| Revenue contribution | 178 | 1,000 |
| Capital Receipts Reserve | 8 | 398 |
| Major Repairs Reserve | - | 1,944 |
| | **1,329** | **4,512** |

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

| £000's | 2017/18 | 2016/17 |
|---|---|---|
| Land | **-** | - |
| Council Homes | (1,455) | (1,424) |
| **Total Receipts** | (1,455) | (1,424) |
| Less: Pooled payments to Central Government | 312 | 361 |
| Net Receipts Retained (transferred to Capital Receipts Reserve) | **(1,143)** | **(1,063)** |

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

## 7. Rent Arrears

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

| £000's | 2017/18 | 2016/17 |
|---|---|---|
| Current Tenant Arrears | 258 | 225 |
| Former Tenant Arrears | 130 | 108 |
| **Total Tenant Arrears** | **389** | **333** |

## 8. Provision for Bad and Doubtful Debts

The provision for bad and doubtful debts relating to rents and other charges, made against the Rent Arrears in Note 7 above, is £234k (2017: £241k).

## 9. Depreciation and Impairment of Fixed Assets

The Dwellings in the Housing Revenue Account were valued as at £293,815k. After taking account of houses sold in 2017/18 and the Social Housing Discount Factor, the vacant possession value of the remaining dwellings at 31 March 2018 was £123,402k (2017: £121,634k). The lower figure of £123,402k shown in the accounts represents the cost to the Council of providing housing at less than open market rents. As a result of the valuation the CIES was credited with £4,452k (2016/17: £20,049k) for the reversal of previous year impairments. This gain has been transferred to the Capital Adjustment Account.

The Housing Revenue Account assets were valued as at 31st March 2018; the balance sheet value reflects sales of dwellings and depreciation in the year. The revaluation was in accordance with the Government's resource accounting policy, at Existing Use Value - Social Housing. The Social Housing Discount Factor changed in 2016/17 from 34% to 42%.

As shown in Note 4, Depreciation of £4,746k (2017: £3,447k) has been charged to the HRA. This figure is made up of £4,581k (2017: £3,307k) for Council Dwellings and £164k (2017: £140k) is in respect of garages, shops and other assets. These amounts have been been credited back to the HRA below the net operating expenditure as a transfer from the Major Repairs Reserve.

## 10. Pension Costs

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

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

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

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

# The Collection Fund

For the year ended 31st March 2018

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

| *£000's* | **2017/18** | 2016/17 |
|---|---|---|
| **Income** | | |
| Council Tax Income | (53,295) | (50,265) |
| Business Rates Income | (24,457) | (23,787) |
| Transitional Protection Payments | (590) | - |
| **Total Income** | **(78,342)** | **(74,052)** |
| | | |
| **Expenditure** | | |
| Council Tax Precepts (Note 4) | 52,056 | 49,228 |
| Business Rates Precepts (Note 6) | 24,804 | 23,534 |
| Transitional Protection Payments | - | 15 |
| Previous Year's Surplus/(Deficit) Paid to/by Preceptors (Notes 4 & 6) | (212) | 724 |
| Cost of Collection | 91 | 92 |
| Provision for Bad and Doubtful Debts | 75 | 881 |
| Provision for Business Rates Appeals | (428) | 312 |
| **(Surplus) / Deficit on the Fund** | **(1,956)** | **734** |
| | | |
| Fund Balance Brought Forward | 727 | (7) |
| (Surplus) / Deficit in Year | (1,956) | 734 |
| **Fund Balance as at 31st March** | **(1,229)** | **727** |
| | | |
| Council Tax Element (Note 1) | (1,421) | (613) |
| Business Rate Element | 192 | 1,339 |

The increase in income for 2017/18 was due to continuing growth in the number of both residential and commercial properties, i.e. the Council's Tax Base together with an average Band D equivalent of 3.47% across all Preceptors. South Derbyshire set its increase at 1.95%.

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

During 2017/18, the settlement of Business Rates Appeals from the 2010 valuation list resulted in a release of a proportion of the provision made in previous years of £428k.

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

# Notes to the Collection Fund

For the year ended 31st March 2018

## 1. Council Tax

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

a) Interest is not payable between the General Fund and the Collection Fund on cash-flow deficits/surpluses. All interest is payable directly to the General Fund, as shown on the Income and Expenditure Account.

b) The year end surplus or deficit on the Collection Fund is distributed to the Billing and Precepting Authorities on the basis of estimates, made in January of each year-end balance. This also applies to the Business Rates element.

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

| *£000's* | **2017/18** | 2016/17 |
|---|---|---|
| Derbyshire County Council | (1,047) | (449) |
| Derbyshire Police and Crime Commissioner | (156) | (68) |
| Derbyshire Fire and Rescue Authority | (63) | (27) |
| | (1,266) | (544) |
| South Derbyshire District Council | (156) | (68) |
| | **(1,421)** | **(613)** |

## 2. Council Tax Valuation Bands

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

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

## 3. Council Tax Base

The amount of Council Tax payable is calculated by establishing a 'Council Tax Base'. This is the Council's estimated number of chargeable dwellings subject to Council Tax, expressed in relation to those dwellings in Band D. The Tax Base for 2017/18 was based on 42,131 chargeable dwellings (41,731 in 2016/17).

After allowing for national exemptions and local discounts, such as the Single Persons Discount, the Tax Base for 2017/18, on which the Council Tax rate was set, is shown in the following table.

## 3. Council Tax Base (continued)

| Band | Calculated number of Dwellings | Ratio to Band D | Equivalent number of Dwellings 2017/18 | Equivalent number of Dwellings 2016/17 |
|---|---|---|---|---|
| X | 23 | 5/9 | 13 | 13 |
| A | 7,662 | 6/9 | 5,108 | 5,042 |
| B | 7,891 | 7/9 | 6,137 | 5,990 |
| C | 6,414 | 8/9 | 5,701 | 5,541 |
| D | 6,140 | 1 | 6,140 | 5,976 |
| E | 3,572 | 11/9 | 4,366 | 4,247 |
| F | 1,822 | 13/9 | 2,632 | 2,582 |
| G | 868 | 15/9 | 1,447 | 1,443 |
| H | 66 | 18/9 | 131 | 133 |
| | | | **31,676** | **30,967** |

The Band D Council Tax rate for South Derbyshire District Council was £156.17 (2016/17: £153.18).

## 4. Council Tax Precepts and Demands

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

| **2016/17** *£000's* | **Precept** | **Surplus** | **Total** |
|---|---|---|---|
| Derbyshire County Council | 36,109 | 129 | 36,238 |
| Derbyshire Police and Crime Commissioner | 5,487 | 20 | 5,507 |
| Derbyshire Fire and Rescue Authority | 2,206 | 8 | 2,214 |
| South Derbyshire District Council | 5,426 | 19 | 5,445 |
| | **49,228** | **176** | **49,404** |

## 5. Non-Domestic Rates

Non-Domestic Rates are managed on a National basis. The Government specifies an amount and subject to the effects of transitional arrangements and any other prevailing reliefs, local businesses pay rates calculated by multiplying their rateable value by that amount. In 2017/18 the amount was 47.9p in the pound (2016/17: 48.4p). The Council is responsible for collecting rates due from the ratepayers in its area.

The total rateable value of business premises in South Derbyshire at 31st March 2018 was £63,814,684 (2017: £57,811,605) – an increase of 9.4%, mainly due to growth in new business units and expansions. The total amount of Non Domestic Rates collected is shared on the following basis:

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

The deficit balance on the Business Rates element of £192k on the Collection Fund Account, has been disaggregated for the purpose of these Accounts to attribute relevant amounts to the precepting authorities and the Council as the Billing Authority as follows:

| *£000's* | **2017/18** | 2016/17 |
|---|---|---|
| Central Government | 96 | 670 |
| Derbyshire County Council | 17 | 121 |
| Derbyshire Fire and Rescue Authority | 2 | 13 |
| | 115 | 804 |
| South Derbyshire District Council | 77 | 535 |
| | **192** | **1,339** |

## 6. Non-Domestic Rates Demands

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

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

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

| 2016/17 *£000's* | Precept | Surplus | Total |
|---|---|---|---|
| Central Government | 11,767 | 274 | 12,041 |
| Derbyshire County Council | 2,118 | 49 | 2,167 |
| Derbyshire Fire and Rescue Authority | 235 | 5 | 240 |
| South Derbyshire District Council | 9,414 | 219 | 9,633 |
| | **23,534** | **548** | **24,082** |

**ACCOUNTING PERIOD**

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

**ACCRUALS**

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

**ACTUARIAL GAINS AND LOSSES**

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

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

**ASSET**

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

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

**AUDIT OF ACCOUNTS**

An independent examination of the Council's financial affairs.

**BALANCE SHEET**

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

**BUDGET**

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

**CAPITAL EXPENDITURE**

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

**CAPITAL FINANCING**

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

**CAPITAL PROGRAMME**

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

### CAPITAL RECEIPT

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

### CIPFA

The Chartered Institute of Public Finance and Accountancy.

### COLLECTION FUND

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

### COMMUNITY ASSETS

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

### CONSISTENCY

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

### CONTINGENT ASSET

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

### CONTINGENT LIABILITY

A contingent liability is either:

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

### CORPORATE AND DEMOCRATIC CORE

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

### CREDITOR

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

### CURRENT SERVICE COST (PENSIONS)

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

**DEBTOR**

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

**DEFINED BENEFIT PENSION SCHEME**

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

**DEPRECIATION**

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

**DISCRETIONARY BENEFITS (PENSIONS)**

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

**EQUITY**

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

**EVENTS AFTER THE BALANCE SHEET DATE**

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

**EXCEPTIONAL ITEMS**

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

**EXPECTED RETURN ON PENSION ASSETS**

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

**EXTRAORDINARY ITEMS**

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

**FAIR VALUE**

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

**GENERAL FUND**

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

**GOING CONCERN**

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

**GOVERNMENT GRANTS**

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

**HOUSING BENEFITS**

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

**HOUSING REVENUE ACCOUNT (HRA)**

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

**IMPAIRMENT**

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

**INCOME AND EXPENDITURE ACCOUNT**

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

**INFRASTRUCTURE ASSETS**

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

**INTANGIBLE ASSETS**

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

**INTEREST COST (PENSIONS)**

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

**INVESTMENTS (PENSION FUND)**

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

### LIABILITY

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

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

### LIQUID RESOURCES

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

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

### MATERIALITY

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

### MINIMUM REVENUE PROVISION (MRP)

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

### NET BOOK VALUE

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

### NET DEBT

The Council’s borrowings less cash and liquid resources.

### NON-DISTRIBUTED COSTS

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

### NATIONAL NON-DOMESTIC RATES (NNDR)

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

### NON-OPERATIONAL ASSETS

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

### OPERATING LEASE

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

**OPERATIONAL ASSETS**

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

**PAST SERVICE COST (PENSIONS)**

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

**PENSION SCHEME LIABILITIES**

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

**PRECEPT**

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

**PRIOR YEAR ADJUSTMENT**

Material adjustments applicable to previous years arising from changes in accounting polices 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.

| | | |
|---|---|---|
| **REPORT TO:** | **FINANCE AND MANAGEMENT COMMITTEE: SPECIAL – FINAL ACCOUNTS** | **AGENDA ITEM: 10** |
| **DATE OF MEETING:** | **26th JULY 2018** | **CATEGORY: DELEGATED** |
| **REPORT FROM:** | **ALLISON THOMAS - STRATEGIC DIRECTOR (SERVICE DELIVERY)** | **OPEN** |
| **MEMBERS' CONTACT POINT:** | **EILEEN JACKSON, 01283 595763 Eileen.Jackson@south-derbys.gov.uk** | **DOC:** |
| **SUBJECT:** | **BETTER CARE FUNDING ALLOCATION 2018-19** | **REF:** |
| **WARD(S) AFFECTED:** | **ALL** | **TERMS OF REFERENCE:** |

## 1.0 Recommendations

1.1 Following approval at Housing and Community Services Committee on 7th June, that the Finance and Management Committee approve the proposed schemes and associated financial commitment from the Better Care Fund (BCF) required to establish and deliver the projects and mandatory grant delivery during 2018/19.

1.2 That each of the new projects are established as separate schemes within the Council's capital programme for 2018/19.

1.3 That the Committee acknowledges the wider impact of the schemes on other Council Services.

1.4 That the Committee approves the additional hours and associated staffing costs within the Housing Solutions Team to deliver the Hospital-to-Home scheme

## 2.0 Purpose of report

2.1 This report sets out proposals to spend the 2018/19 BCF allocation in addition to the under-spend brought forward from 2016/17. Annually, the Council receives an allocation of funding from Derbyshire County Council to deliver mandatory Disabled Facilities Grants (DFGs). The sum now incorporates what was previously known as Social Care Grant. A Board, comprising the County Council and other key stakeholders oversees the delivery of this grant and requires each local authority to produce a quarterly Assurance Plan to ensure they are satisfying the funding requirements.

2.2 South Derbyshire District Council's (SDDC) Assurance Plan was submitted to the BCF Board for ratification on 21st May 2018. Subject to approval of the Plan by this Committee, the Council would be in a position to establish six new schemes set out within this report, continue its funding of the additional temporary Technical Officer

(EH73) in the DFG team and contribute to the County-wide Stock Modelling Study that will inform future investment.

## 3.0 Executive Summary

3.1 At the meeting of the Housing and Community Services Committee on 5th October 2017, it was agreed to review the use of the Council's annual BCF allocation and the existing DFG policy and bring proposed revisions and amendments back for Member consideration and approval. The Council's BCF allocation has been underspent for the last two years during which time the Council has been utilising the fund for the delivery of mandatory DFGs. Proposals contained within this report would enable the Council to work in partnership with the County Council's Adult Services, and NHS England to make a significant impact on the health outcomes of residents across the District. Housing has an important role to play in tackling health inequality.

3.2 This report sets out how the Council's BCF allocation can be spent to improve residents' health by investing in housing.

## 4.0 Detail

4.1 Residents who are living in the poorest housing conditions in the District are living in the private or private rented sector. These properties require remedial works outside the scope of the DFG scheme or need works to be carried out in default before any adaptations can be provided in their homes. Two of the schemes proposed (Preventative Works and the Healthy Homes Project) would meet the needs of private sector homeowners and private tenants who are living in unsuitable housing due to disrepair or excess cold and by mitigating these hazards through intervention, both the living environment and health of the occupants will be improved.

4.2 South Derbyshire has an aging population that will significantly increase within the next 5-10 years. The District's housing stock is ageing and whilst all social housing stock (homes owned by the Council or a Housing Association) meets the required Decent Homes Standard, many homeowners and people living in the private rented sector live in the poorest housing conditions, in pre-war terraced houses. These have been built without a cavity and as a result are difficult to heat and have minimal outside space. Around 8% of private sector homes (over 3000 dwellings) have at least one category 1 hazard that could cause serious harm to the occupants (as defined in the Housing Act 2004). The majority of these category 1 hazards are caused by excess cold or falls between levels, the schemes outlined below therefore focus on mitigating these two hazards

4.3 The surplus of BCF brought forward from 2017/18 amounts to £792,552. The grant allocation for this financial year is £734,320 so in total, the Council has available funds of £1,526,872 to spend on DFGs and other initiatives that promote independence and prevent hospital admissions.

4.4 The proposed expenditure and new initiatives set out in the Assurance Plan contained in Appendix 1, are all therefore, linked to these aims and can demonstrate a return on investment for other service areas.

4.5 The Council will also use £3,000 of the funding to contribute towards the County-wide research being undertaken into health and housing which is being co-ordinated by Derby City Council. There may be a need to allocate additional funding from existing Council budgets to support the Hospital to Home scheme as it will incur higher void costs. There may also be a future requirement to subsidise the Mental Health Support Worker if the role expands to cover Council tenants in the future (as this will initially be wholly funded through the BCF to support homeless households not the Council's tenants).

## 5.0 Financial Implications

5.1 All funding required to support the proposed schemes and additional posts of Technical Officer, Mental Health Support worker and any additional hours or uplift required to deliver the Hospital-to-Home scheme will be met through the BCF. Approval of the recommendations contained within this report will not impact on the Housing Revenue Account or General Fund directly. Additional minor indirect costs relating to void turnover and expansion of services to meet identified needs may be incurred but at this stage cannot be predicted or quantified.

5.2 Assurance Plans are required to be presented to BCF Programme Board every quarter and any concerns raised at the meeting will be brought back for the attention of Members.

5.3 The BCF allocation received by the Council for the last two years has been utilised in part to fund DFGs. Derbyshire County Council is able to ask for reimbursement of any underutilised funds to redistribute across other areas of Derbyshire. The Assurance Plan presented to this Committee manages the risk of the Council's funds being reallocated.

5.4 Below is a summary of the total grant income generated from County Council and Ministry of Housing, Communities and Local Government (MHCLG) for Adult Social Care and DFG plus the expenditure incurred over the past 2 years:

| | **2016/17** | **2017/18** |
|---|---|---|
| B/fwd underspend | 85,112 | 468,957 |
| Second Homes Funding | 124,000 | 0 |
| DCLG additional funding | 0 | 71,885 |
| BCF Allocation | 615,337 | 674,829 |
| Expenditure on DFG | -355,492 | -423,119 |
| **Carry forward** | **468,957** | **792,552** |

## 6.0 Corporate Implications

6.1 The proposals contained within this report will have a direct positive links to the following actions contained in the Corporate Plan;

- Place – to facilitate and deliver a range of integrated housing and community infrastructure
- People – to enable people to live independently

6.2 Legal implications – Appointment of the Mental Health Worker will be recruited through the successful contractor. Any new contractual arrangements will be cleared by the Council's Legal Services prior to sign-off. The Hospital-to- Home scheme will require the creation of a Service Level Agreement, lease agreement and joint protocol working arrangements to be established with the County Council's Adult Services.

6.3 Employment Implications – The provision of the Mental Health Worker will be undertaken by the support provider appointed through a procurement process. The £32k allocated to fund the temporary Technical Officer (EH73) post has already been approved by the Committee in October 2017. The establishment of the Hospital-to-Home scheme would require additional housing related support hours to be added into an existing role within the Housing Options Team. This would cover the cost of Housing Options staff visiting the respite units, liaising with the Discharge Teams at the relevant hospital and coordinating the void turnover and Housing Advice Service to patients in the respite units. This increase in hours / uplift in salary cost would not exceed 10 hours / £5k per annum and would be met within the £100k allocated to the scheme.

6.4 Communication - Updates and progress relating to the development of the new schemes will be communicated to Health and Wellbeing Board and the Homeless Forum. Progress relating to the delivery of mandatory DFGs will be reported through DFG Core Strategy Group and at BCF Programme Board. Outcomes from the Healthy Homes Scheme will be monitored by the Local Authority Energy Partnership (LAEP) and reported back to the Council on a quarterly basis. Details of all new schemes will be promoted on the Council's website.

## 7.0 Community and Equality Implications

7.1 The approval of above the recommendations and associated schemes established from this report will have a direct impact on the Council's priority for Healthier Communities within the Sustainable Communities Strategy 2009 – 2029. The proposed new schemes to be delivered alongside the mandatory DFGs will reduce health inequalities for people living in poor condition homes in the private sector and improve health outcomes for tenants and owner-occupiers across the District. Four of the proposed schemes will also improve health status scores of people aged over 65 as a direct result of the improvements and adaptations to their homes.

7.2 Equality Impact – approval of the recommendations contained within this report will have a positive impact on vulnerable households across the District, the following groups will benefit directly from the schemes proposed:

- People being discharged from hospital who cannot return to their homes
- Owner occupiers who require major improvements to their home to improve their health condition
- People in the District made homeless due to mental health conditions
- People on the Council's housing register waiting for an adapted property
- People living in fuel poverty with long term health conditions

Approval of the recommendations will enable the Council to tackle health and social inequality across the District through a range of mechanisms that mitigate health hazards and the causes of fuel poverty that have a direct impact on people living on the lowest incomes across South Derbyshire.

7.3 Armed Forces Community Covenant – No direct implications

## 8.0 Conclusions

8.1 There are widely recognised links between poor housing and ill health. The new schemes proposed within this report will bring positive health impacts and prevent the need for costly crisis intervention and acute care. The Council is making significant progress in terms of promoting the health and housing agenda and the pilot schemes (Hospital-to Home and integrated adaptations) will be monitored and replicated by other local authorities if successful.

8.2 The Clinical Commissioning Group and the County Council's Adult Services recognise the important role for housing in tackling health inequality and are keen to work in partnership with the Council to keep people in their homes for longer and prevent hospital admissions where possible. The BCF will now be used to pay for a range of services in addition to the DFG that will focus on the needs of the household, these schemes in turn will generate a substantial return on investment that will be recorded and presented back to Members when the schemes are evaluated.

## 9.0 Background Papers

9.1 Appendix 1 - South Derbyshire BCF Assurance Plan (approved by BCF Programme Board on 21.5.2018)

**South Derbyshire District Council and Derbyshire County Council**

**Joint Plan for 2018/19**

## Introduction

This Plan provides an outline of the previous year's spend from the Better Care Fund (BCF) and sets out the proposals for utilisation of the fund during 2018/19. During 2017/18 South Derbyshire District Council spent £419,766 on the allocation of mandatory Disabled Facility Grants (DFGs) and a further £3,353 on the appointment of a new Technical Officer to administer the grants and speed up the delivery of the service (total spend £423,119)

At the end of 2016/17 SDDC carried over an underspend of £468,957 from the BCF. As the 2017/18 spend amounts to £423,119, the total amount to be carried forward to this financial year is £792,552. Added to this year's BCF allocation the total available funding for 2018/19 is £1,526,872.

This plan will therefore provide the required assurances that the District Council is committed to spending the available funds over the next two years through the introduction of new initiatives and schemes that will both enhance the DFG function and establish new services that focus on preventing hospital admissions and promoting independence.

## Financial position at 1.4.2018

| BCF total allocation for 2017/18 (inc carry forward from 16/17) & additional £71,885 (DCLG) | Total spend during 2017/18 (including payments pending) | Surplus to carry over to 2018/19 |
|---|---|---|
| £1,215,671 | £423,119 | £792,552 |

| New BCF allocation for 2018/19 | Predicted spend for 2018/19 | Predicted spend against total budget for 2018/19 |
|---|---|---|
| £734,320 | £980,000 | + £1,526,872<br>- £980,000<br><br>= £546,872 surplus |

During 2017/18 the Council has recognised the need for wider services to be delivered both in conjunction with the mandatory grants delivery and also for stand-alone services that prevent the need for costly intervention at the point of crisis / hospital admission. In the last 6 months the Council has increased capacity within the DFG team to speed up the administration of grants and has looked at alternative solutions to grant provision to meet the long term health needs of residents. The DFG team is working strategically with Housing Services so that Housing Options staff can make contact with applicants who require and request re-housing as an alternative to adaptation. This has made a significant impact on the Council's in house adaptations budget which has reduced considerably. The actions contained within the previous action plan submitted in October 2017 have either been completed or superseded by the proposals outlined below.

**Plans for 2018/19**

The following schemes and initiatives are planned for commencement during this financial year in addition to the allowance made for the delivery of mandatory DFGs totalling £440k (£419,108 DFG + £20,892 Architect)

**Discretionary top up grants for under 18s - £75k**

Currently funded through Children's Services, these discretionary payments will be made to families with disabled children who require extensive adaptations in excess of the £30k mandatory grant. This will also speed up delivery of the works as there will be no delay whilst the funds are applied for (funds can be drawn down from the £75k and used wherever necessary works exceed the limit). This fund will be available for 2018/19 only due to the requirement to utilise the current underspend and cannot be guaranteed or mainstreamed in future years.

**Healthy Homes Project - £80k**

This payment would be top sliced from the BCF allocation and used to fund the Healthy Homes Project delivered by Nottinghamshire and Derbyshire Local Authority Energy Partnership (LAEP). The £80k would be spent on a range of measures to assist vulnerable households living with long term health conditions in the private sector. The scheme has already delivered many positive outcomes for people living in South Derbyshire who have benefited from new heating systems, cavity wall insulation, energy advice and a range of services that tackle fuel poverty. The interventions would be recorded and monitored by the LAEP, who are responsible for the delivery of the scheme, so that future funding can be justified

**DFG associated preventative works - £100k**

This would be used to fund additional works that fall outside the scope of the DFG but are required either during the completion of the works or to enable the works to commence. The identified works would have to mitigate a hazard (as defined within the Housing Health and Safety Rating System (HHSRS). This ability would prevent home owners having to have a notice served to carry out works in default and would allow remedial works and the associated adaptation to be delivered much quicker than waiting for Environmental Health to serve notice against the homeowner if their home was not fit for habitation. These works would also incur a recharge and require the Council to place a charge on their home. An appropriate policy would need to be compiled and approved.

**Establishing a Hospital to Home scheme - £100k**

The £100k funding will be used to establish a pilot project in South Derbyshire that would enable the hospital based discharge teams to reduce Delayed Transfers of Care (DTOCs) through the provision of respite units that can house patients whose delayed discharge is a direct result of their unsuitable housing. Care packages are provided where required and housing staff provide housing related support to patients in the units.

The project will be measured by the number of bed days saved / days the units are occupied and reported back each quarter. A longer term scheme can then be costed based on actual return on investment and positive health outcomes achieved. The scheme will be established in conjunction with Adult Social Care, the discharge teams and the Council for Voluntary Services (CVS) which is currently providing services for people discharged from hospital who need additional support when they return home. A Service Level Agreement will be developed and agreed and individual lease agreements will be compiled for sign off for the respite units with the intention of x 2 units being handed over initially and a further x 2 units when the scheme has been established.

**Appointment of a dedicated Mental Health Worker - £30k**

This funding would be used to pay P3 for a 12 month contract for a full time worker to provide intensive support for homeless households and to prevent people from losing their homes – P3 (People, Potential, Possibilities) is an expert in the delivery of mental health support and the Council already has a contract in place to deliver supported housing through P3, the £30k would be used to pay for a dedicated resource for the Council, the worker would be based at the Council offices and have a caseload referred from the housing options team, the clients would be homeless households from across all tenures and people who are rehoused in either social housing or the private rented sector. Additions to the existing SLA are required to incorporate the new role and the £30k spend.

**Ongoing cost of Funding the additional Technical Officer - £32k**

This is the amount of capital grant from the BCF that was approved in November 2017 for revenue purposes to fund the additional Technical Officer for an 18 month contract. The new Officer started on 21.2.2018 and so far £3,353 has been spent on salary cost and a further £32k will be spent during this financial year to fund the post. The creation of this post has increased capacity within the team and reduced waiting times for adaptations and the administration of grants.

**Integrated adaptations of new build social housing – £120K**

This funding will be used to subsidise the cost of providing adapted affordable homes that have been acquired through s106 and planning conditions. The Council will work with the acquiring Registered Provider so that works ranging from wet rooms, widened doorways, waist height electrics and worktops etc to track hoists and ramped access can be installed at build stage through a contribution dependent on construction type and what type of homes are required in the area (i.e. not specifically tailored adaptions). This will be a pilot project funded initially for 12 months, monitored and evaluated and will be required to demonstrate wider savings.

**Contribution to Countywide Stock Modelling report - £3k**

This funding will be paid to Derby City Council who is co-ordinating the year-long research project that will inform future investment into housing stock across all tenures within the District. The research findings will enable better targeting of resources and justification for schemes that enhance thermal comfort and improve energy efficiency ratings of homes. The total cost to the Council is likely to be around £3k.

## Summary

Throughout 2018/19 SDDC will provide quarterly updates to the County Council in addition to the DFG performance outturn information. Progress relating to the new schemes will be monitored throughout the year and related outcome monitoring information will be brought back to BCF Board for consideration. The Council is committed to spend the available resources on improving the health outcomes of residents across the District and through the provision of pro-active services that focus on promoting independence, the Council can demonstrate a considerable return on investment through a reduction in DTOC and the mitigation of Cat 1 Hazards.

Based on there being a predicted underspend at the end of March 2019 of £546,782 and the cost of maintaining the above proposed services during 2019/20, the Council would need around £246k of that underspend to top up the BCF allocation next year (if the BCF allocation remains the same in 2019/20) to continue to fund the schemes, services and additional staffing costs. This would leave unallocated funds of £300,782 to be carried forward into 2019/20. The Council will monitor and evaluate all of the pilot projects and where there is capacity and a demonstrated need to increase the scope of the projects, additional funding will be allocated to expand the successful pilot schemes utilising the underspend in 2019/20.

| | | |
|---|---|---|
| **REPORT TO:** | **FINANCE AND MANAGEMENT COMMITTEE – SPECIAL – FINAL ACCOUNTS** | **AGENDA ITEM: 11** |
| **DATE OF MEETING:** | **26th JULY 2018** | **CATEGORY: RECOMMENDED** |
| **REPORT FROM:** | **STRATEGIC DIRECTOR (CORPORATE RESOURCES)** | **OPEN** |
| **MEMBERS' CONTACT POINT:** | **KEVIN STACKHOUSE (01283 595811)** **Kevin.stackhouse@south-derbys.gov.uk** | **DOC:** u/ks/treasury management/lending policy/Lamit Property Fund/Land Property Fund Proposal Additional Investment July 18 |
| **SUBJECT:** | **THE LOCAL AUTHORITIES' PROPERTY FUND** | **REF:** |
| **WARD(S) AFFECTED:** | **ALL** | **TERMS OF REFERENCE: FM 08** |

## 1.0 Recommendations

1.1 That the Council invests an additional £1m into the CCLA Lamit Property Fund for an indefinite period, subject to quarterly review.

1.2 That progress on the value of the cash deposit together with dividend returns is reported to the Committee on a quarterly basis.

## 2.0 Purpose of the Report

2.1 To consider a proposal to invest a further proportion of the Council's cash deposits into the Local Authority Property Fund (*the Fund*).

## 3.0 Detail

### Background

3.1 In August 2017, the Committee approved a deposit of £1m into a Local Authority Pooled Property Fund managed by the CCLA (Churches, Charities and Local Authorities). This is an organisation that manages investments on behalf of charities, religious organisations and the public sector.

3.2 The deposit formed part of the Council's arrangements for managing its cash reserves and helped to bring greater diversity into the Council's investment portfolio. This was due to the increasing level of cash and reserves available for deposit.

3.3 The decision to deposit £1m was based on a detailed options appraisal, together with a due diligence exercise regarding the performance and governance of the Fund. This report does not repeat that detail but can be accessed within the documents at the Committee's meeting on 31st August 2017.

http://south-derbys.cmis.uk.com/south-derbys/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/2074/Committee/442/Default.aspx

**Performance of the Fund**

3.4 The Council made its £1m deposit on 30th September 2017 and bought 317,985 units at an (offer) price of £3.14p per unit. The Fund is effectively a unit trust fund. When an investment is made into the Fund, the cash deposit buys units.

3.5 On 30th September 2017, the **bid price** was £2.90p per unit. This is the price which determines the capital amount repaid on exiting the Fund. Therefore, the capital value of the Council's cash deposit of £1m was immediately reduced to approximately £920,000 (*317,985 * £2.90*).

3.6 As at 30th June 2018, the bid price had risen to £2.99p per unit, increasing the capital value back to approximately £950,000.

3.7 Interest, in the form of a dividend, is declared and paid quarterly. The dividends paid to the Council between 30th September 2017 and 30th June 2018 is shown in the following table.

| Period | Dividend per Unit | Income £ | AER* |
|---|---|---|---|
| Dec-17 | 3.38p | 10,738 | 4.30% |
| Mar-18 | 3.21p | 10,215 | 4.10% |
| Jun-18 | 3.20p | 10,176 | 4.07% |
| | | **31,129** | |

**** Annual Equivalent interest Rate***

3.8 The income received is not currently budgeted in the Medium Term Financial Plan and is therefore additional income. A dividend in excess of 4% in a period of extremely low interest rates is considered to be an excellent rate of return.

**The Overall Fund**

3.9 The Fund has been in existence since 1972, but it is only in recent years that it has become the first choice for long term investments for many local authorities.

3.10 The overall Fund itself continues to grow with over 200 local authorities currently investing over one billion pounds of cash. Although this can seem impressive, some caution should be expressed regarding too much exposure to the property market and the saturation of the Fund, i.e. it just becomes too large to operate.

3.11 However, the Fund is governed independently by trustees appointed from within local government representative bodies such as the Local Government Association. Amongst other things, their role is to monitor the performance of the Fund and to ensure that it meets its objectives of good rates of return, together with the appreciation of capital values in the longer term.

**Diversity of the Fund**

3.12 In addition, the spread of property owned by the Fund is diverse and has little in the form of retail holdings such as individual shops and wholesale shopping centres. These are considered to be the greatest risk in today's economy which reflects the change in shopping habits as more people shop on-line.

3.13 The Fund currently has 47% of its holdings in industrial and retail warehousing and storage facilities, with a further 30% in office space within major cities.

**The Council's Current Cash and Reserves Position**

3.14 The Council continues to have substantial cash reserves which are currently deposited as follows:

| | £ |
|---|---|
| Government's Debt Management Office | 6,000,000 |
| Other Local Authorities | 20,000,000 |
| Overnight Reserve Accounts | 3,700,000 |
| Money Market Funds | 4,000,000 |
| Property Fund | 1,000,000 |
| **Total Deposits as at 6th July 2018** | **34,700,000** |

3.15 Except for the Property Fund, all other deposits are largely instant access accounts. Deposits with other local authorities tend to be for fixed and longer periods but are less than 1-year to satisfy investment criteria. The Property Fund is only a small proportion of overall deposits.

3.16 The overall portfolio has become more diverse over the last 12 months with the Property Fund and deposits being made into Money Market Funds. However, the Council's Lending Policy and Counterparty List remains tight given the substantial changes to the structure of financial markets in recent years, which has adversely affected the credit ratings of many financial institutions.

3.17 This does reduce the risk associated with deposits, although it can constrain where cash is deposited within the Council's approved Policy. The Lending Policy sets limits on where and how much can be invested with any one institution. This reduces risk by prioritising liquidity and security of deposits before yield. This is in accordance with Government regulations.

3.18 However, given the Council's cash and reserves position, staying within the limits becomes more difficult. Therefore, it is considered that placing some of the cash longer-term would be beneficial.

**Could the Council Afford to Invest Further in the Fund?**

3.19 Based on the Council's medium-term spending plans, it is likely that the level of cash and reserves will remain well above spending requirements and commitments into the foreseeable future.

3.20 The value of the Council's usable reserves totalled approximately £35.1m as at 31st March 2018 as shown in the following table.

| | £m |
|---|---|
| General Fund | 10.0 |
| Earmarked Reserves | 6.1 |
| Section 106 Funds | 6.0 |
| Housing Revenue Account | 5.1 |
| Capital Receipts | 3.6 |
| Major Repairs / Debt Repayment (HRA) | 4.3 |
| **Total Usable Reserves as at 31st March 2018** | **35.1** |

3.21 The Council has approved minimum reserve balances of £2.5m - £1.5m for the General Fund and £1m for the HRA.

3.22 Based on the current MTFP and HRA Financial Projection, it is considered very unlikely that the Council's overall reserves will fall to anywhere near this level over the next 5-years. In addition, the drawdown of other reserves is likely to be incremental over this period and may in some instances continue to grow in the interim from further asset sales, etc.

3.23 Therefore, it is considered that the Council could afford a further investment at this time into the Property Fund and £1m is recommended.

**Longer-term Investments**

3.24 Longer-term deposits (greater than 1-year) can be more risky in that capital is tied up and the value of that capital can reduce, or even disappear altogether. This has been the case in the recent past where some local authorities have incurred some substantial losses in their longer-term investment portfolio.

3.25 There are many authorities in the Council's situation in that tightening of investment criteria, coupled with increasing cash reserves, has increased demand for diversification and to look beyond traditional cash deposits. In addition, some authorities are looking for a greater return given the current level of low interest rates.

3.26 Longer-term investments are just that – the investment needs to be made into the longer-term so that any downturn in capital valuation or yields is evened out over a period of years.

**The Risks and Benefits**

3.27 The main risk is that property valuations and prices can vary and indeed reduce. This is dependent on prevailing economic conditions.

3.28 In addition, dividend yields can vary and are not guaranteed unlike fixed bank deposits. Yields from the Fund have consistently been well above short-term interest rates in recent years.

3.29 Property values usually appreciate over time and recover from major downturns in the economic cycle. Clearly though, this cannot be guaranteed.

3.30 Following the uncertainty immediately following the UK's decision to leave the EU in 2016, property values did reduce. However, they have since recovered and have risen over the last year. Discussions with the Council's Treasury Advisors confirm that uncertainty will probably exist in the economy until the outcome of Brexit is agreed.

3.31 The Fund is a simple and efficient route to invest in property. Whereas a directly held property portfolio requires a substantial scale to achieve an appropriate spread of investments, a unitised approach can work regardless of the scale of the investor.

3.32 The pooled Fund allows the efficient management and maintenance of the underlying property and offers a geographical and diverse spread.

3.33 Although units can be cashed at any time, it is not a liquid asset given the limited trading days and notice required to withdraw cash. Even the literature produced by the Fund Managers, stresses "*that the investment horizon for investors in the Fund should be measured in years*".

## 4.0 Financial Implications

4.1 As detailed in the report

## 5.0 Corporate Implications

5.1. None directly

## 6.0 Community Implications

6.1 None directly

## 7.0 Background Papers

7.1 Further details of the Fund, including analysis of performance and accounts, etc. are available at:

https://www.ccla.co.uk/investment-solutions/fund/the-local-authorities-property-fund

| | | |
|---|---|---|
| **REPORT TO:** | **FINANCE & MANAGEMENT COMMITTEE: SPECIAL – FINAL ACCOUNTS** | **AGENDA ITEM: 12** |
| **DATE OF MEETING:** | **26th JULY 2018** | **CATEGORY: RECOMMENDED** |
| **REPORT FROM:** | **STRATEGIC DIRECTOR (SERVICE DELIVERY)** | **OPEN** |
| **MEMBERS' CONTACT POINT:** | **TONY SYLVESTER, PLANNING SERVICES MANAGER** | **DOC:** |
| **SUBJECT:** | **PLANNING & LAND CHARGES SOFTWARE** | **REF:** |
| **WARD(S) AFFECTED:** | **ALL** | **TERMS OF REFERENCE:** |

## 1.0 Recommendations

1.1 To endorse the Business Case set out in section 3 of Appendix A (Project Brief - Planning Services Improvement) as a valid business reason to invest in a new Planning and Land Charges system.

1.2 To approve a maximum of £100,000 from earmarked reserves to fund the implementation of new Planning and Land Charges software in accordance with the Business Case

## 2.0 Purpose of Report

2.1 To seek approval for £100,000 of earmarked reserve funding to be allocated to implement new Planning and Land Charges software. This will be a contingency sum on the basis that the Planning Service will contribute all it can through underspends and additional revenue over and above the Base Budget before utilising this reserve.

## 3.0 Executive Summary

3.1 Environmental and Development Services Committee on 31 May 2018 and Finance and Management Committee on 14 June 2018 considered and approved a review of the Planning Service. The Committees also approved the production of a Business Case to deliver a new IT system which would support the delivery of the Review. This Business Case sets out the necessary investment needed to fund improvements to technology which underpin a significant part of the process improvements and efficiencies identified as part of the Review.

## 4.0 Detail

4.1 A review of the Planning Services was carried out by independent consultants, in collaboration with the Service, in late 2017. The consultants benchmarked the current service provision and documented a target operating model (TOM) to be implemented over the coming years. In order to modernise both customer facing aspects of the Service and back office processes in the Planning Service the operating model comprises two principle themes; the appropriate staffing structure to processes customer requirements effectively and the technology required to process these requirements efficiently.

4.2 Investment in technology underpins a significant part of the improvements identified.

4.3 A report detailing the staffing changes needed to modernise the Planning Service was approved by Environmental and Development Services committee on 31 May 2018 and Finance and Management Committee on 14 June 2018. The attached Business Case sets out the requirements to change the digital infrastructure in the Planning Service in direct response to the review.

4.4 Full details are outlined in the Business Case, however, these are summarised below.

4.5 The Council's current Planning and Land Charges system is the Northgate iLAP suite of software which also includes Building Control and the Local Land and Property Gazetteer. This system has been in place for approximately 20 years and requires the on-site installation of an Oracle database. This Oracle based database technology, whilst once a standard method of running high-volume databases, is now becoming an ever increasing cost burden to the Council. It is no longer cost effective for the Council to retain the skills and knowledge for the maintenance and day-to-day running of this system. This type of installation also requires dedicated hardware, which is contrary to the Council's recently approved Information Technology and Digital Strategy.

4.6 The current software is not able to deliver the digital changes necessary to implement the new TOM. A modern system will deliver a more effective, customer focused experience and a more efficient delivery of service.

4.7 A high impact corporate risk is directly related to the internal hosting of the current system, principally concerned with the viability and capability of the existing infrastructure (PM-SDDC-PLAN) to continue delivering the software. There has been small service outages already incurred as a result of the aging and complicated nature of the infrastructure. However, it has been identified that the current server has diminishing life and its possible failure identified as a risk with very high impact in the Service Delivery Strategic Risk Register (SD14). Failure of the server could result in:

- The complete breakdown of the Planning and Land Charges systems to the extent that no applications/requests could be processed in a reasonable period of time. This could have serious consequences for the Council's performance (as measured in Government returns) and therefore its reputation and in attracting further investment into the district, and possible intervention by Central Government.

- Public access to essential planning data. The Council's website relies on planning data to populate the on-line register which receives the greatest number of hits every year and is a legal requirement. The necessary data is held on the server and the failure of that server would lead to a direct failure of the available on-line records on which so many of our customers, members and citizens rely.

- The failure of the planning system which in particular would affect the essential delivery of housing (e.g. through the discharging of conditions) and the monitoring thereof. Failure to deliver such projects in a timely fashion could lead to sites falling behind in delivery of numbers of dwellings to the detriment of the population in need of those dwellings and the consequential risk to the Council from speculative development from slow delivery.

- A severe impact on the ability to answer property searches. Land Searches have a national target response time of 10 working days. Even a short-term failure could result in instant poor performance and the inevitable adverse impact on vendors, purchasers and property transactions generally.

4.8 It must also be noted that the contractual arrangement for licenses and support relating to the current system is not under a contract term. That is to say, a 12 month rolling arrangement exists which could be subject to challenge under procurement regulations.

4.9 As previously described the current infrastructure is in need of replacement irrespective of a software change. At £50,000 the introduction of new infrastructure without new software would be extremely uneconomical and would still require the same resource commitment.

4.10 Options to move these databases to an off-site 'hosted' version have also been investigated as a short-term solution to mitigate the risk of any potential hardware failure that may occur before the replacement system is fully operational. However, the costs quoted by Northgate are excessive and cannot be justified for such a short-term resolution at just under 70% of the cost of a full implementation.

4.11 A hosted version may have removed some of the operational risk of hardware failure, but does not update the software functionality or improve the system to further improve business processes. Additionally, the hosting costs increase the annual costs of the software to £20,000 over and above the allocated budget for software in these service areas.

4.12 Alongside the main planning system there is also a range of bespoke web-based applications that deliver the public access elements of the Planning Service such as the Planning Applications Register. These are currently being maintained with the support of North Lincolnshire Council, which brings an additional cost to the Service of approx. £5,000 per annum as well as server hosting costs. There have been problems experienced with these web-based systems on a regular basis. The server that they are hosted on is also now due for upgrade and this will also bring additional costs. The skills required to support the web-based applications are specialised and this is not a sustainable approach to support what is a statutory requirement and one of the most high volume contact areas of the Council's website.

## 5.0 Financial Implications

5.1 The Service has undertaken detailed work to understand the resource requirements of implementing a new system and has utilised up-to-date market knowledge to inform the Council's requirements. This has given the service a good indication of implementation costs, revenue budget commitments and opportunities the market can provide with modern digital solutions.

5.2 Currently, there are three earmarked reserves set aside for the Planning Service as listed below.

| | £ |
|---|---|
| Local Plan | 108,904 |
| Planning staffing and support costs | 93,775 |
| Planning 20% fee increase | 33,048 |
| | **235,727** |

It is proposed that the reserve for the Local Plan, which was created for potential additional revenue costs that may be incurred in relation to the Local Plan, be used as the contingency if savings cannot be found in year in the Planning Service from its base budget. As the Local Plan was fully adopted in 2017 there are not expected to be any further costs incurred.

5.3 Last year the Government introduced The Town And Country Planning (Fees For Applications, Deemed Applications, Requests And Site Visits) (England) (Amendment) Regulations 2017 which raised planning application fees by 20%. It expects that additional income generated from the 20% increase is re-invested back into the Planning Service. The regulations clearly state that '…*These Regulations increase the fees for planning applications by 20% and increase the fee ceilings by 20% for those local authorities that have committed to invest the additional fee income in their planning departments. This commitment has been made by all local planning authorities in England'* and ' *The overall impact of the measure will be that additional ring fenced resource will be available to planning departments to support the delivery of an effective planning system.'* The Planning Service Review approved by this Committee on 14 June 2018 has set out a prudent expectation of additional fee income at £65k per annum which would help fund the additional staffing requirements.

5.4 However, it should be noted that the additional income of £65,000 per year is an estimate and will most likely fluctuate depending on actual planning applications. As this Project is expected to span financial years 2018/19 and 2019/20, it is proposed that any savings against the base budget that are generated over these accounting periods is used to offset the up-front costs associated with this Project.

5.5 Income from planning fees can fluctuate. The Council's base budget for overall income is £750,000 in 2018/19, reducing to £600,000 over the life of the current Medium-Term Financial Plan. The base budget is below actual income achieved in recent years.

5.6 It should be noted that should fee income not exceed the estimated levels then £100,000 of earmarked reserves will be used to fund this improvement.

5.7 The attached Business Case sets out the initial implementation costs as £100k but then goes on to show the measurable savings that, although not all cash savings, will be made over the life of the Medium Term Financial Plan (MTFP).

5.8 All savings included within the Business Case will be measured and internally reported on to ensure the expected outcomes of the new software are met. Efficiency savings will be monitored closely to ensure that the need to recruit additional resource due to growth will be managed within the revised structure approved as part of the Planning Services review.

## 6.0 Corporate Implications

6.1 Approval of the recommendations contained within this report would allow the Planning Service functions to be delivered in alignment with the priority actions within the Council's Corporate Plan. The new technology will therefore have a direct positive impact on the Council's ability to deliver actions against the key objectives of:

- Progress
- Place
- People

## 7.0 Community Implications

7.1 These proposals will directly benefit the community through ensuing effective strategic planning and delivery of new developments to meet the needs of the growing population of the District.

## 8.0 Conclusions

8.1 A review of the Planning Service was carried out by independent consultants, in collaboration with the Service, in late 2017 which benchmarked the current service provision and documented out a target operating model (TOM) to be implemented over the coming years. Implementing the review will involve modernising both customer facing aspects and back office processes of the Service. Investment in technology underpins a significant part of the improvements identified.

8.2 The proposals contained in this report aim to deliver the digital transformation of the Planning Service in order to facilitate the process improvements and efficiencies that can be realised when the right digital tools are used to full potential.

## 9.0 Background Papers

Project Brief - Planning Services Improvement
Planning Services Review

South Derbyshire District Council

# PROJECT BRIEF

**Project:** Planning System Replacement

**Team:** Planning

**Date:** 5th June 2018

## Contents

Version Control ....................................................... 2
Approvals ....................................................... 2
Associated Documentation ....................................................... 2
1.0 Corporate Governance ....................................................... 4
2.0 Project Definition ....................................................... 5
2.1 Background ....................................................... 5
2.2 Project Objectives ....................................................... 5
2.3 Desired Outcomes ....................................................... 5
2.4 Project scope and exclusions ....................................................... 5
2.5 Assumptions ....................................................... 6
2.6 Stakeholders and Interfaces ....................................................... 6
3.0 Outline Business Case ....................................................... 6
3.1 Option 1: Remain As Is. ....................................................... 7
3.2 Option 2: Outsource ....................................................... 7
3.3 Option 3: Implement a new system ....................................................... 8
4.0 Project Product Description (project components and success criteria) ....................................................... 10
5.0 Project Approach ....................................................... 11
6.0 Project Management Team Structure ....................................................... 11
References ....................................................... 11
Appendix A: Finance and Efficiency Assessment ....................................................... **Error! Bookmark not defined.**

## Version Control

| Version | Description of version | Effective Date |
|---|---|---|
| 0.1 | DRAFT | 5th June 2018 |
| 1 | Issue | 18th June 2018 |

## Approvals

| Approved by | Date |
|---|---|
| CCMG | 15th June 2018 |
| Strategic Improvement Board | 15th June 2018 |

## Associated Documentation

| Description of Documentation | |
|---|---|
| Appendix A: Finance and Efficiency Assessment | |
| Appendix B: Planning Service Improvement Review (External Consultant) | |
| Appendix C: Extract of Planning Service Review (Technology Section) | |

*Once your Project Brief is complete check the document against the following Quality Criteria:*

- **It is brief as its purpose, at this point, is to provide a firm basis on which to initiate a project.**
- **The Project Brief accurately reflects the project mandate and the requirements of the business and the users**
- **The project approach considers a range of solutions such as: bespoke or off-the-shelf; contracted out or developed in-house; designed from new or modified existing product etc.**
- **The project approach has been selected which maximises the chance of achieving overall success for the project**
- **The project objectives, project approach and strategies are consistent with the organisation's corporate objectives.**
- **The project objectives are Specific, Measurable, Achievable, Realistic and Time-bound (SMART).**

## 1.0 Corporate Governance

The project outcomes contribute towards the corporate plan objectives identified below:

| Corporate Theme | Description | X |
|---|---|---|
| **OUTCOMES** Work that underpins all of our activities | O1 Maintain financial health | X |
| | O2 Achieve proper Corporate governance | |
| | O3 Enhance environmental standards | |
| | O4 Maintain a skilled workforce | |
| | O5 Maintain customer focus | X |
| | O6 Be aware of and plan for financial, legal and environmental risks | X |
| **PEOPLE** Keeping residents happy, healthy and safe | PE1 Enable people to live independently | |
| | PE2 Protect and help support the most vulnerable, including those affected by financial challenges | |
| | PE3 Use existing tools and powers to take appropriate enforcement action | |
| | PE4 Increase levels of participation in sport, health, environmental and physical activities | |
| | PE5 Reduce the amount of waste sent to landfill | |
| | PE6 Develop the workforce of South Derbyshire to support growth | |
| **PLACE** Creating vibrant communities to meet residents' needs | PL1 Facilitate and deliver a range of integrated and sustainable housing and community infrastructure | X |
| | PL2 Enhance understanding of the planning process | X |
| | PL3 Help maintain low crime and anti-social behaviour levels in the District | |
| | PL4 Connect with our communities, helping them to feel safe and secure | |
| | PL5 Support provision of cultural facilities and activities throughout the District | |
| | PL6 Deliver services that keep the District clean and healthy | |
| **PROGRESS** Encouraging inward investment and tourism opportunities | PR1 Work to attract further inward investment | |
| | PR2 Unlock development potential and ensure the continuing growth of vibrant town centres | |
| | PR3 Work to maximise the employment, training and leisure uses of The National Forest by residents and increase the visitor spend by tourists | |
| | PR4 Help to influence and develop the infrastructure for economic growth | |
| | PR5 Provide business support and promote innovation and access to finance, including in rural areas | |

# 2.0 Project Definition

## 2.1 Background

A Planning Services review (Appendix B) was carried out by independent consultants, in collaboration with the planning team, in late 2017 which benchmarked the current service provision and documented out a target operating model (TOM) to be implemented over the coming years. In order to modernise both customer facing aspects and back office processes in the Planning Service the operating model comprises two principle themes, the correct staffing structure to processes customer requirements effectively and the correct technology to process these requirements efficiently.

Investment in technology underpins a significant part of the improvements identified.

A committee report 'Planning Services Review' detailing the staffing changes needed to modernise was approved by Environmental & Development Services committee on 31st May 2018 and Finance & Management Committee on 14th June 2018. This project brief sets out the requirements to change the digital infrastructure in the Planning Service in direct response to the review, but also in the wider corporate environment.

## 2.2 Project Objectives

The implementation of a modern hosted planning system to enable digital transformation, release efficiencies and enhance the customer experience.

## 2.3 Desired Outcomes

- Financial savings
- Efficiencies savings for more effect use of resource
- Improved service performance
- New document management solution
- New web check for applications
- Reducing IT risk
- Improved customer satisfaction
- Improved data quality and increased provision of open data
- Mitigating financial and reputational risk through better performance monitoring

## 2.4 Project scope and exclusions

The scope of the project is limited to the procurement and implementation of a new planning software system which will replace the existing Northgate ILap system. This will also enable the replacement and improvement of a number of bespoke web-based applications that deliver the public access elements of the planning service such as the planning applications register. The enhancement of the public access elements will further enable channel shift.

To enable the success of the overriding project there are a number of sub-projects that are needed:

- Review of document management of planning (retention, archiving and indexing) detailing an action plan to prepare for migration to new system.
- Audit of Planning spatial data and improvements needed to promote a 'spatial first' approach to all enquiries (Land Charges included)

- A review of the IT hardware to ensure it is fit for purpose, addressing the future mobile working requirements and the introduction of dual monitors across the service.

### 2.5 Assumptions

Resource allocation or availability of appropriate skills.

Project teams always work under some limitations and restrictions, a balance will need to be struck between members of a virtual team who are contributing to the discussion and evaluation and their substantive responsibilities.

Current provision to customers will remain unchanged until completion.

Currently supplier and operating model remains intact until new model is implemented.

No option shall be precluded on submission by any member of the project team, however only those identified as a viable business solution will be considered for implementation.

### 2.6 Stakeholders and Interfaces

- Planning Department
- Building Control (Lichfield DC under new partnership agreement)
- Business Systems & Information Unit
- Corporate ICT
- North Lincolnshire Council
- Northgate (Current Supplier)
- Chesterfield Procurement Partnership
- Land Charges
- New supplier

## 3.0 Outline Business Case

**Why the project is needed:**

In addition to the details provided in section 1.0 it is also prudent to note that other catalyst for change in relation to a new planning system exist. A major corporate risk is related to the internal hosting of the current system, principally concerned with the viability and capability of the existing infrastructure (namely the server PM-SDDC-PLAN) to continue delivering the software. There has been small service outages already incurred as a result of the aging and complicated nature of the infrastructure.

It must also be noted that the contractual arrangement for licenses and support relating to the current system is not under a contract term. That is to say, a 12 month rolling arrangement exists which is subject to challenge under procurement regulations.

## 3.1 Option 1: Remain As Is.

The Council's current Planning and Land Charges system is the Northgate iLAP suite of software which also includes Building Control and the Local Land and Property Gazetteer. This system has been in place for approximately 20 years and requires the on-site installation of an Oracle database.

This Oracle based database technology, whilst once a standard method of running high-volume databases, is now becoming an ever increasing cost burden to the Council. It is no longer cost effective for the Council to retain the skills and knowledge for the maintenance and day to day running of this system. This type of installation also requires dedicated hardware which is contrary to the Council's recently approved Information Technology and Digital Strategy.

As previously described the current infrastructure is in need of replacement irrespective of a software change. In order to progress this change an undertaking of work akin to 90% of the work required to change the hardware and software would need to take place. This work has been reviews with a full scope from the supplier and will cost almost half of the anticipated cost of implementing a new modern solution and give no benefit to service users or processors.

Options to move these databases to an off-site 'hosted' version have also been investigated as a short term solution to mitigate the risk of any potential hardware failure that may occur before the replacement system is fully operational. However, the costs quoted by Northgate are excessive and cannot be justified for such a short term resolution at just under 70% of the cost of a full implementation.

A hosted version may have removed some of the operational risk of hardware failure, but does not update the software functionality or improve the system in any way that will improve business processes. Additionally, the hosting costs increase the annual costs of the software to £20,000 over and above the allocated budget for software in these service areas.

Alongside the main planning system there is also a range of bespoke web-based applications that deliver the public access elements of the planning service such as the planning applications register. These are currently being maintained with the support of North Lincolnshire Council, which brings an additional cost to the service of approx. 5k per annum as well as server hosting costs. There are issues with these web based systems on a weekly basis. The server that they are hosted on is also now due for upgrade and this will also bring additional costs. The skills required to support all of this are specialised and this is not a sustainable approach to support what is a statutory requirement.

*An extract of Appendix B: Planning Service Improvement Review (External Consultant) documenting specific concerns with ICT can be found at Appendix C: (Extract of Planning Service Review) Technology Section*

## 3.2 Option 2: Outsource

Outsourcing of the planning service is not an option that the Council is considering at this time.

### 3.3 Option 3: Implement a new system

Work has taken place to explore resource commitments needed to implement a new system resulting in up to date market knowledge based on the Council's requirements. This has given the service a good indication of implementation cost, revenue budget commitments and opportunities the market can provide with modern digital solutions.

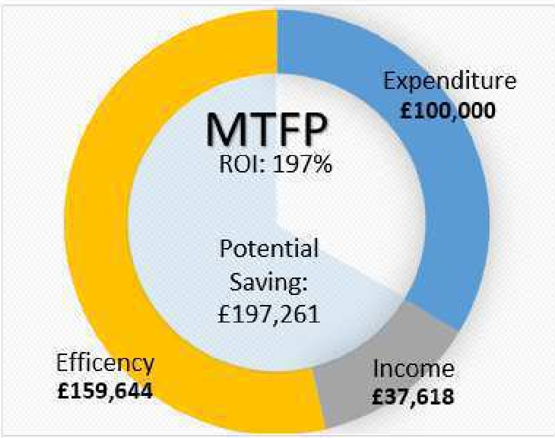
Based on this market testing, networking with other Local Authorities and the recommendations from the Planning Services Review, some business process re-engineering work has been completed in order to validate the anticipated return on investment of a new Planning System.

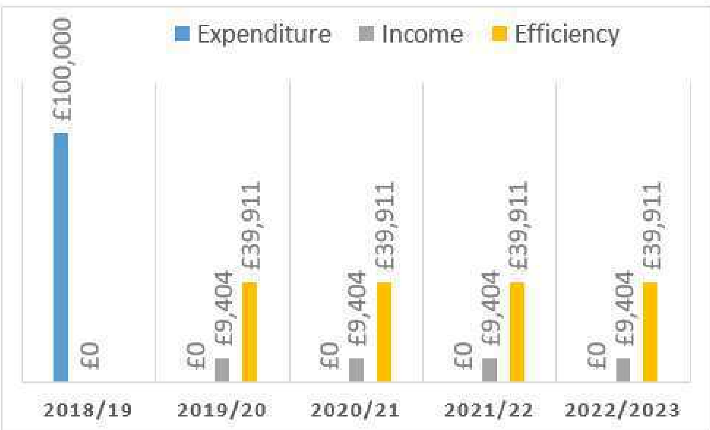
It is expected that £100,000 will be needed to complete the implementation. This cost will need to be added to the service budget through approval at Finance and Management Committee however is being sought on the basis that the Service will contribute all it can through underspend, earmarked reserves and any additional income before using any additional funding.

A new solution will provide many opportunities to improve efficiency in the service, the main items have been logged and valued to give an indication of the types of tasks and commitments that will see a reduction post implementation. (These can be found in Appendix A, included in this report).

The table below displays these returns in two categories, firstly the cashable savings due to decrease licensing costs and auxiliaries such as printing and postage (approx. £10k / annum). The second category relates to the value of resource released due to a streamlined process. At present these are not cash savings but it should be noted that half of the approx. £40k / annum relates to one job role (Technical Officer) which could be refocused on other valued work or used to safeguard against increasing staffing commitments in light of demand increase and service growth.

| | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/2023 | TOTAL |
|---|---|---|---|---|---|---|
| | Year 1 Return | Year 2 Return | Year 3 Return | Year 4 Return | Year 5 Return | MFTP |
| **Expenditure** | | | | | | |
| Implementation | £100,000 | | | | | |
| Licence | £0 | £0 | £0 | £0 | £0 | |
| | £100,000 | £0 | £0 | £0 | £0 | **£100,000** |
| **Return** | | | | | | |
| Revenue Budget | £0 | £9,404 | £9,404 | £9,404 | £9,404 | **£37,618** |
| Efficency | | £39,911 | £39,911 | £39,911 | £39,911 | £159,644 |
| Combined | | £49,315 | £49,315 | £49,315 | £49,315 | £197,261 |
| | | | | | **ROI** | 197% |



As can be seen in the table above, the implementation would not result in a revenue budget increase. Market testing has shown the current licensing costs would not be exceeded, in some cases they would decrease. Though this cannot be guaranteed at this stage as a procurement exercise has not taken place to select a supplier based on cost and quality.

Any new solution would be hosted by the supplier, reducing the commitment and therefore the risk of on-premises hosted system. The new provider would be responsible for providing a working solution with uninterrupted availability, security compliance and upgrades. Given the current situation with the vulnerability of the physical server currently hosted on-premises outlined in section 3.1 this would be highly desirable.

An added advantage of a supplier hosted solution when compared to the current environment is the ability to host documents linked to planning work without demanding a large storage commitment on the corporate storage, which is at present under strain. This also gives further opportunities to exploit mobile and/or flexible working solutions not currently available.

As documented in Appendix A: Finance and Efficiency Assessment, some of the efficiencies released through a new planning system are related to performance management and reporting. A new solution will provide faster access to a wider pool of data, in a useful format in order to make better informed decisions.

A new system will contribute towards corporate channel shift targets to migrate transaction away from face to face or phone, where appropriate, due to the ability to self-serve information such as application status, which will be a requirement in the specification.

It is worth noting that the current fee paid to Northgate is for support and maintenance only. If the replacement is not implemented before 1 August 2019 the service will face a decision to decline the support and maintenance agreement (equivalent to £2,728 / month) or incur the cost alongside running costs of a new system. It is possible to continue using the current system without a support and maintenance agreement.

An indicative timeline is show below:

| | 2018/19 | | | 2019/20 | |
|---|---|---|---|---|---|
| | Q2 | Q3 | Q4 | Q1 | Q2 |
| **Indicative timeframe** | | | | | |
| Procurement | | | | | |
| Data & Document and validation | | | | | |
| Migration | | | | | |
| Interfaces | | | | | |
| Testing | | | | | |
| GO LIVE | | | | | |

# 4.0 Project Product Description (project components and success criteria)

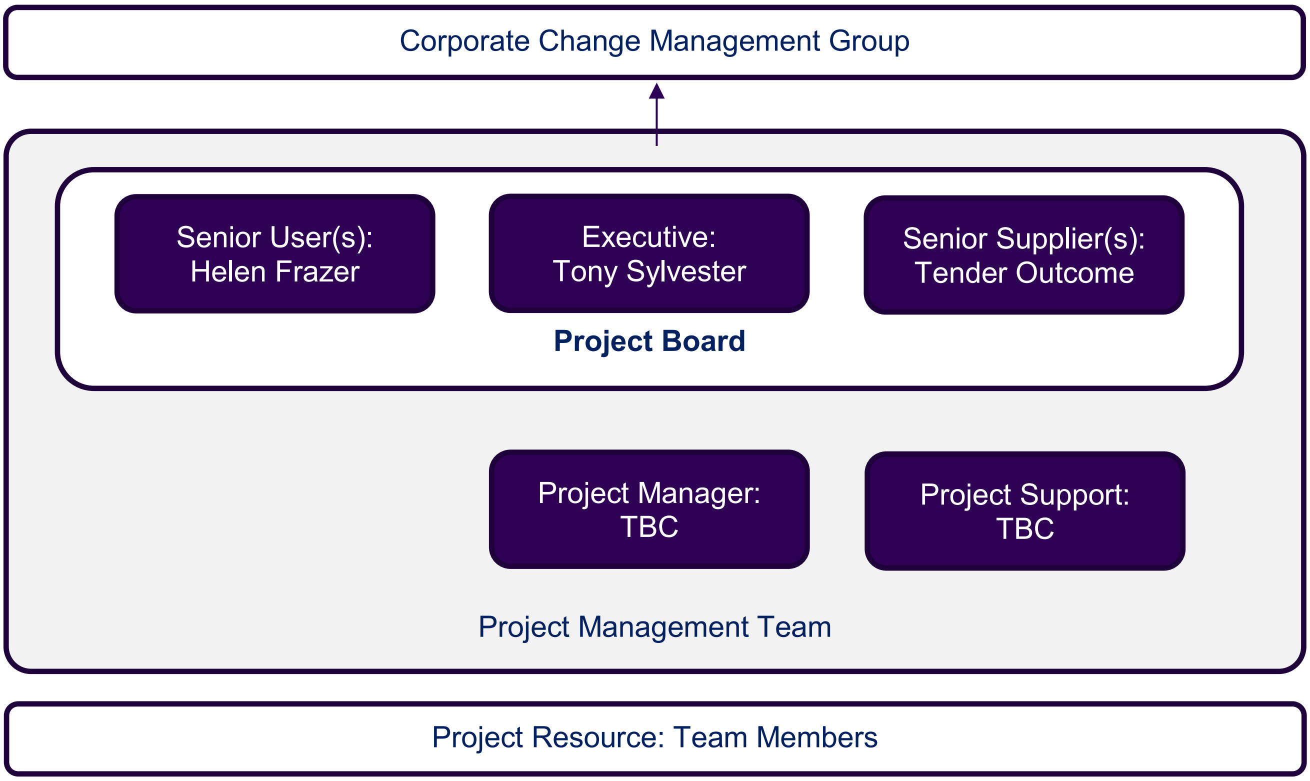
| Project Name | Planning System Replacement |
|---|---|
| Project Purpose | The implementation of a modern hosted planning system to enable digital transformation, release efficiencies and enhance the customer experience |
| Composition: What are the major components, resources or activities needed to complete the project | Tender and Procurement of new supplier<br>Review and indexation of existing documents ready for migration<br>Extract, cleanse and prepare system data for migration<br>Business process review<br>Migration process<br>Interfaces (web checks)<br>Quality control and end user testing |
| Skills Required | Internal super users<br>Project management<br>Technical evaluation<br>Document management<br>Web interfaces<br>Oracle database management |
| Customer Expectations | 1. The system will be automate and/or streamline a number of work allocation tasks<br>2. The system will produce a performance management dashboard for the monitoring of caseload and performance.<br>3. Searching for relevant documents to confirm full planning history will be streamlined into one place to search.<br>4. The system will link all associated documents to the application record.<br>5. The system will allow all comments to be logged by interested parties on a web portal which will automatically be saved into the back office<br>6. The system will have the capability to send out communications in bulk without onerous processing for each communication inserted.<br>7. The system will have an integrated document management system with workflow which will keep an electronic file<br>8. The system will offer a modern, easy to navigate interface to enhance customer satisfaction. |
| Acceptance Criteria | 1. Time taken to allocate cases will be reduced by 50%<br>2. Manual reporting and spreadsheets compilation will cease and system will produce automatically.<br>3. Time taken will be reduced from 15 minutes per search to 5minutes.<br>4. Approximately 5 minutes to locate files relating to a case will be saved as there will be a direct link.<br>5. The task of manually logging approx. 6500 comments per annum will cease. |

| | |
|---|---|
| | 6. The processing/sending of communications will happen in the background without user intervention and waiting for the processing.<br>7. The needs for printing of file documents and correspondence will reduce by 80%<br>8. A customer satisfaction survey will be undertaken after implementation and evaluated against the most recent satisfaction survey conducted by the Service. |

## 5.0 Project Approach

The project will use the corporate approach to change management as outlined by the Business Change team and report Corporate Change Management Group (CCMG) periodically to provide highlight reports against the project plan.

## 6.0 Project Management Team Structure




## References

Appendix A: Finance and Efficiency Assessment [WITHHELD]
Appendix B: Planning Service Improvement Review (External Consultant) [REFERENCED]
Appendix C: Extract of Planning Service Review (Technology Section) [REFERENCED]

| | | |
|---|---|---|
| **REPORT TO:** | **FINANCE AND MANAGEMENT COMMITTEE: SPECIAL – FINAL ACCOUNTS** | **AGENDA ITEM: 13** |
| **DATE OF MEETING:** | **26th JULY 2018** | **CATEGORY: DELEGATED** |
| **REPORT FROM:** | **STRATEGIC DIRECTOR (CORPORATE RESOURCES)** | **OPEN** |
| **MEMBERS' CONTACT POINT:** | **KEVIN STACKHOUSE (EXT 5811)** | **DOC:** |
| **SUBJECT:** | **COMMITTEE WORK PROGRAMME** | **REF:** |
| **WARD(S) AFFECTED:** | **ALL** | **TERMS OF REFERENCE: G** |

## 1.0 Recommendations

1.1 That the Committee considers and approves the updated work programme.

## 2.0 Purpose of Report

2.1 The Committee is asked to consider the updated work programme.

## 3.0 Detail

3.1 Attached at Annexe 'A' is an updated work programme document. The Committee is asked to consider and review the content of this document.

## 4.0 Financial Implications

4.1 None arising directly from this report.

## 5.0 Background Papers

5.1 Work Programme.

Annexe A

# Finance and Management Committee – 26th July 2018
# Work Programme

| Work Programme Area | Date of Committee meetings | Contact Officer (Contact details) |
|---|---|---|
| **Reports Previously Considered By Last 3 Committees** | | |
| Corporate Plan 2016-21: Performance Report (1 October – 31 December 2017) | 15th March 2018 | Keith Bull<br>Head of Communications<br>(01283) 598705 |
| Budget and Financial Monitoring 2017/18 | 15th March 2018 | Kevin Stackhouse<br>Strategic Director (Corporate Resources)<br>(01283) 595811 |
| Street Scene Resources and Improvements | 15th March 2018 | Adrian Lowery<br>Direct Services Manager<br>(01283) 595764 |
| Swadlincote Tourist Information Centre | 15th March 2018 | Mike Roylance<br>Economic Development Manager<br>(01283) 595725 |
| Application for European Structural and Investment Funds | 15th March 2018 | Mike Roylance<br>Economic Development Manager<br>(01283) 595725 |
| 100% Business Rates Retention | 3rd May 2018 | Kevin Stackhouse<br>Strategic Director (Corporate Resources)<br>(01283) 595811 |

| | | |
|---|---|---|
| Corporate Plan 2016-21: Performance Report (1 January – 31 March 2018) | 14th June 2018 | Keith Bull<br>Head of Communications<br>(01283) 598705 |
| Service Plans | 14th June 2018 | Keith Bull<br>Head of Communications<br>(01283) 598705 |
| Annual Equalities and Safeguarding Report 2017/18 | 14th June 2018 | Keith Bull<br>Head of Communications<br>(01283) 598705 |
| Annual Health and Safety Report 2017/18 | 14th June 2018 | Tony Guest<br>Health and Safety Officer<br>(01283) 595872 |
| Sickness Absence 2017/18 | 14th June 2018 | David Clamp<br>Head of Organisational Development<br>(01283) 595729 |
| Annual Consultation Report 2017/18 | 14th June 2018 | Keith Bull<br>Head of Communications<br>(01283) 598705 |
| Annual Communications Report 2017/18 | 14th June 2018 | Keith Bull<br>Head of Communications<br>(01283) 598705 |
| Compliments, Complaints and Freedom of Information Requests October 2017 to March 2018 | 14th June 2018 | Kevin Stackhouse<br>Strategic Director Corporate Resources<br>(01283) 595811 |

| **Provisional Programme of Reports to be considered by Committee** | | |
|---|---|---|
| Budget Out-Turn and Final Accounts 2017/18 | 26th July 2018 | Kevin Stackhouse<br>Strategic Director Corporate Resources<br>(01283) 595811 |
| Treasury Management Annual Report 2017/18 | 26th July 2018 | Kevin Stackhouse<br>Strategic Director Corporate Resources<br>(01283) 595811 |
| Annual Accounts and Financial Statements 2017/18 | 26th July 2018 | Kevin Stackhouse<br>Strategic Director Corporate Resources<br>(01283) 595811 |
| Better Care Funding Allocation 2018-19 | 26th July 2018 | Eileen Jackson<br>Housing Strategy Manager<br>(01283) 595763 |
| The Local Authorities' Property Fund | 26th July 2018 | Kevin Stackhouse<br>Strategic Director Corporate Resources<br>(01283) 595811 |
| Planning & Land Charges Software | 26th July 2018 | Tony Sylvester<br>Planning Services Manager<br>(01283) 595743 |
| Corporate Plan 2016-21: Performance Report<br>(1 April 2018 – 30 June 2018 | 30th August 2018 | Keith Bull<br>Head of Communications<br>(01283) 598705 |

| | | |
|---|---|---|
| Budget and Financial Monitoring 2018/19 | 30th August 2018 | Kevin Stackhouse<br>Strategic Director (Corporate Resources)<br>(01283) 595811 |
| Data Quality Strategy and Annual Report 2017/18 | 30th August 2018 | Keith Bull<br>Head of Communications<br>(01283) 598705 |
| Proposed Capital Investment Strategy and Policy Framework | 30th August 2018 | Kevin Stackhouse<br>Strategic Director (Corporate Resources)<br>(01283) 595811 |
| Updated Treasury Management Investment Strategy and Counterparty List | 30th August 2018 | Kevin Stackhouse<br>Strategic Director (Corporate Resources)<br>(01283) 595811 |
| Toyota City | 30th August 2018 | Mike Roylance<br>Economic Development Manager<br>(01283) 595725 |
| Business Rate Retention Pilot – Strategic Investment Fund | 30th August 2018 | Mike Roylance<br>Economic Development Manager<br>(01283) 595725 |
| Annual Training and Development Report 2017/18 | 30th August 2018 | Loyd Baker<br>Service Lead HR and Training<br>(01283) 228770 |
| Updated Financial Strategy | 11th October 2018 | Kevin Stackhouse<br>Strategic Director (Corporate Resources)<br>(01283) 595811 |

| | | |
|---|---|---|
| A Review of Earmarked Reserves | 11th October 2018 | Kevin Stackhouse<br>Strategic Director (Corporate Resources)<br>(01283) 595811 |
| Updated Medium-Term Financial Plan to 2024 | 11th October 2018 | Kevin Stackhouse<br>Strategic Director (Corporate Resources)<br>(01283) 595811 |
| Discretionary Business Rates Relief Schemes | 11th October 2018 | Kevin Stackhouse<br>Strategic Director (Corporate Resources)<br>(01283) 595811 |
| Corporate Plan 2016-21: Performance Report<br>(1 April 2018 – 30 June 2018) | 29th November 2018 | Kevin Stackhouse<br>Strategic Director (Corporate Resources)<br>(01283) 595811 |
| Budget and Financial Monitoring 2018/19 | 29th November 2018 | Kevin Stackhouse<br>Strategic Director (Corporate Resources)<br>(01283) 595811 |
| Compliments, Comments, Complaints and FOI Requests 1st April to 30th September 2018 | 29th November 2018 | Kevin Stackhouse<br>Strategic Director (Corporate Resources)<br>(01283) 595811 |
| Proposed Service Budgets 2019/20 | 10th January 2018 | Kevin Stackhouse<br>Strategic Director (Corporate Resources)<br>(01283) 595811 |
| Consolidated Budget Proposals 2019/20 and Medium-Term Financial Plan to 2023/24 | 10th January 2018 | Kevin Stackhouse<br>Strategic Director (Corporate Resources)<br>(01283) 595811 |

| | | |
|---|---|---|
| Proposed Treasury Management Strategy 2019/20 | 14th February 2019 | Kevin Stackhouse<br>Strategic Director (Corporate Resources)<br>(01283) 595811 |
| Proposed Local Council Tax Support Scheme 2019/20 | 14th February 2019 | Kevin Stackhouse<br>Strategic Director (Corporate Resources)<br>(01283) 595811 |
| Final Consolidated Budget Proposals 2019/20 and Medium-Term Financial Plan to 2023/24 | 14th February 2019 | Kevin Stackhouse<br>Strategic Director (Corporate Resources)<br>(01283) 595811 |
| Corporate Plan 2016-21: Performance Report (1 April 2018 – 30 June 2018) | 14th March 2019 | Kevin Stackhouse<br>Strategic Director (Corporate Resources)<br>(01283) 595811 |
| Budget and Financial Monitoring 2018/19 | 14th March 2019 | Kevin Stackhouse<br>Strategic Director (Corporate Resources)<br>(01283) 595811 |