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# About South Derbyshire District Council

**At the heart of England and the National Forest, South Derbyshire has been the fastest growing district in Derbyshire for almost two decades.**

People want to live and work in South Derbyshire. South Derbyshire is the home of Toyota's British car production site, which exports 80% of its vehicles to Europe.

At South Derbyshire District Council we are proud of our past and energised by our vision for the future.

## Population

South Derbyshire has a population of 92,700.

## Democracy

The Council is made up of 36 locally elected Councillors, covering 17 wards.

There are 50 parishes outside the urban area of Swadlincote, 33 administered by parish Councils and 17 by parish meetings.

## Council Services

South Derbyshire District Council is part of the two-tier local government for Derbyshire. Derbyshire has eight district Councils and a county Council. Services for South Derbyshire are divided between ourselves and the County Council. Find out more about what we do at [www.south-derbys.gov.uk](http://www.south-derbys.gov.uk).

# The Council's Vision

***“Making South Derbyshire a better place to live, work and visit”***

## Themes

The Plan covers all aspects of life in all areas of our District and the actions required to deliver the overall vision are grouped into 4 cross cutting themes:

### *Theme 1: Sustainable Growth and Opportunity*

This recognises the Council's strong and growing economy with its vibrant communities and even greater opportunities for the future such as Tourism and job creation, together with more sustainable development and clean environment.

### *Theme 2: Safe and Secure*

This theme covers quality decent homes to promote independent living and in neighbourhoods that feel safe and secure.

### *Theme 3: Lifestyle Choices*

This theme is about improving health and wellbeing by promoting and enabling a range of leisure and cultural activities for all age groups. It will include actions relating to the health of the community and also help for the community to reduce its carbon footprint.

### *Theme 4: Value for Money*

This includes ensuring we continue to meet community needs, improve performance and reduce costs through efficiencies; development of members and staff to ensure we are all able to be responsive to change and high standards of corporate governance, including sound and stable finances.

A copy of the Council's full Corporate Plan can be accessed on the Council's website:

<http://www.south-derbys.gov.uk/CouncilGovernmentDemocracy/Councils/CouncilPoliciesAndPlans/?qsNavSetting=max>

# Introduction

## **The Legal Basis**

The maintenance, preparation and format of the Council's accounts are governed by law. They follow the requirements for the publication of financial information governing local Councils. They are set out in order to show the day-to-day income and expenditure and to highlight changes to the financial position of the Council during the year.

## **Format of Financial Statements**

The financial statements have been prepared in accordance with legal regulations and professional accounting practice. The Chartered Institute of Public Finance and Accountancy (known as CIPFA) sets this out. This is the official organisation responsible for providing professional guidance to Councils to help them meet the legal requirements.

Various notes that aim to provide some background and explanation of the figures accompany the main financial statements. By its nature, the document contains a lot of technical information in accordance with the legal regulations.

However, this explanatory foreword is intended to provide a more user friendly summary of the Council's financial performance during 2009/10 and its financial position as at 31 March 2010.

It also highlights the financial challenges facing the Council in the future and provides in pictorial form, an analysis of where the Council it gets its money and how it spends it.

# Introduction

## The Main Accounts

In accordance with accounting practice, the Council's main income and expenditure is separated between its **revenue** and **capital** accounts.

**Revenue Account** – which records the day-to-day running expenses of the Council, such as salaries and wages of employees, cost of running buildings, vehicles, materials, equipment and office expenses, etc.

**Capital Account** – covers spending on major investment projects. This includes significant improvements to the Council's land, buildings and Council houses.

## Revenue Accounts

The Council reports its main revenue income and expenditure in the **Income and Expenditure Account**.

Within this, a separate account is kept which records the income and expenditure of providing Council housing. This is called the **Housing Revenue Account** or **HRA**.

All other Council services are accounted for in what is called the **General Fund**. Law requires accounting separately for Council housing in the HRA.

## Main Revenue Funding

The HRA is predominantly funded by rents from tenants and a Government subsidy. The General Fund is funded through the local Council Tax and by Government Grant and redistributed business rates.

## Main Capital Funding

The main sources of funding are from the proceeds of selling Council assets (**capital receipts**) and grants and contributions from other organisations in partnership with the Council.

## General Reserve Accounts

The Council keeps separate general reserves for its HRA and its General Fund. General reserves are mainly kept to provide a contingency to cover any unexpected event. In addition, they can be built up over time to be used for spending in the future.

# Overview

This overview provides an introduction and a broad analysis of the Council's financial performance and position for 2009/10.

The Council's financial plans for the year were supported by an increase in council tax of just 2.5%, this is less than the national average of 3.2% for shire district councils. This gave a Band D council tax of just £148.03.

Our net expenditure budget for the year was set at £11.73m (see the Income and Expenditure Account on page 25) . This represented the net cost of services, taking into account:

- £5.87m income from fees and charges for services provided.
- £15.35m of specific government grants.

The total net expenditure budget for the year was financed by:

- £7.15m of business rates and general government grants.
- £4.58m of council tax income.

It also assumed the following:

- A contribution of £156k from earmarked reserves.
- A contribution of £453k from general reserves and working balances.

The final outturn for the year was better than expected. Earmarked reserves and working balances were not required for the funding of expenditure, instead reserves and balances were increased by £381k.

## Explaining the differences

The major variances between the budget and the increase in reserves and balances are as follows:

# Overview

<b>Favourable Variances Compared to Estimates</b>	<b>£000s</b>	<b>%</b>
Concessionary Travel costs - lower usage in first full year of new scheme	(108)	23%
Transport - fuel, maintenance, repairs and labour for vehicles and plant	(88)	14%
Council Tax/NNDR Collection - increase in costs recovered	(80)	41%
I.T. - replacement hardware and software - balance transferred to Reserve	(72)	9%
Grounds Maintenance - direct labour and sub-contracting	(52)	11%
Recycling – contracted collection costs of recyclable materials	(48)	8%
Street Cleansing - direct labour and sub-contracting	(47)	12%
Building Regulations - vacant posts not filled and deleted in restructure	(40)	10%
Democratic Services – members’ allowances, expenses and support	(38)	6%
Green Bank Leisure Centre - repairs, contract fee and energy costs	(26)	17%
Protective Clothing - centralisation/rationalisation of council-wide spend	(24)	60%
Print Room - rationalisation of printing and purchasing stationery supplies	(23)	32%
Customer Services -staff vacancies	(20)	3%
Civic Offices - repairs/maintenance and re-tendering energy contract	(19)	7%
Licensing - income from taxi licensing and staff vacancies	(19)	7%
Economic Development - promotional expenses	(17)	18%
Interest Paid - on transferred debt due to lower interest rates	(16)	30%
Organisational Development - staff vacancies	(16)	2%
Other Variances	(6)	
<b>Total - Favourable Variances</b>	<b>(759)</b>	
<b><u>Adverse Variances Compared to Estimates</u></b>		
Housing Benefit - increase in payments	157	1%
Professional Fees - to support Corporate Services Partnering Contract	72	
Property Holdings - reduced income and increased maintenance costs	42	11%
Footpaths Agency - historical balance written-off on transfer of agency	35	
Etwall Leisure Centre - net subsidy increased	34	22%
Building Regulations - reduction in fee income	19	7%
Increase in Provision for Bad and Doubtful Debts	19	
<b>Total - Adverse Variances</b>	<b>378</b>	
<b>Total Variances</b>	<b>(381)</b>	

A proportion of the overall reduction in net spending has been transferred to earmarked reserves, in accordance with current policy or at the request of budget managers. This is to reflect that there is still some commitment against the original budget or it is being prudently set-aside to cover one-off liabilities anticipated in 2010/11, for which there is no mainstream budget. The proposals are summarised below.

# Overview

Service/Activity	£000s
Transfer to IT Reserve	70
Transfer to Vehicle Replacement Fund	50
Green Bank Leisure Centre – One-off costs arising out of refurbishment	32
Inspection Pit at new Council Depot	30
Area Based Grant 2009/10 not yet allocated	23
Economic Development Promotions	13
Adoption of Local Development Framework/New Legislation	10
Outstanding payments for Midway Fishponds	10
Legal Fees – Depot Relocation	9
Homelessness Grant – unspent allocation from 2009/10	9
Civic Offices – supplement base budget in 2010/11	7
Local Investigations	7
Health and Safety Equipment	6
Temporary debt Recovery Officer – extend temporary contract	5
Cleaner South Derbyshire Campaign	5
Repairs at East End Car Park	4
Walking Festival	3
<b>Total Transfer to Earmarked Reserves</b>	<b>293</b>

## Revenue Income and Expenditure

The Council's gross revenue expenditure in 2009/10 was £48.7m. The tables and graphs in this section show the money the Council receives and the costs it incurs in delivering the services that it provides.

Where the Money Comes From	£m	%
Government Grants	20.8	43
Council Tax	5.2	11
Housing Rents	9.6	20
Fees & Charges	3.5	7
Recharges & Contributions	9.7	20
<b>TOTAL INCOME</b>	<b>48.8</b>	<b>100</b>

Government Grants include revenue support grant and business rates re-distribution, together with specific grants, mainly for housing benefit payments and administration.

The main fees and charges are those associated with planning and building regulation fees, land searches, property rents and licence fees.

Recharges and contributions consist mainly of reimbursements of highways expenditure, partnership contributions for crime and disorder and capital charges financing adjustments.

# Overview

## Where the Money Went

The following table provides a high level summary of our net expenditure on Council services by priority: -

<b>2008/09 Net Actual Expenditure £000</b>		<b>200910 Net Actual Expenditure £000</b>
2,668	Lifestyle choices	2,459
1,285	Safe and secure	2,106
4,633	Sustainable growth and opportunity	4,070
6,929	Value for money	5,127
<b>15,515</b>	<b>Net Cost of Services</b>	<b>13,762</b>
180	Pension adjustment	769
310	Minimum revenue provision	297
(4,655)	Reversal of capital charges	(3,258)
121	Provision for bad debts	59
417	Revenue contributions to capital	126
0	Contribution to vehicle replacement fund	20
465	Contributions to/from expenditure financed from Earmarked Reserves and General Balances	(418)
(293)	Contribution to General Balances	386
<b>12,060</b>	<b>Net Expenditure</b>	<b>11,743</b>
7,675	General Government Grants	7,157
<b>4,385</b>	<b>Demand on Collection Fund</b>	<b>4,586</b>



# Overview

The following table looks at the Council's Net Cost of Services in a different way to show the main types of expenditure we incur. Our service expenditure can be split between staffing costs and other running costs, including capital charges. Running costs include the costs of running our buildings, transport, payments to contractors, payments we make to people receiving benefits and the cost of essential administrative and professional support services. Capital charges are made to cover the annual value of depreciation of our assets.

2008/09 Net Actual Expenditure £000		200910 Net Actual Expenditure £000	
12,398	Employees	12,113	
3,033	Premises Expenses	2,758	
463	Transport Related	384	
3,797	Supplies and Services	3,622	
3,846	Third Party Payments	3,922	
19,771	Transfer Payments	23,244	
6,638	Capital Charges	5,297	
34	Net Interest	128	
(1,398)	Reserves and Other Balance Sheet Items	(1,084)	
(16,984)	Grants	(20,384)	
(16,083)	Rents, Fees and Contributions	(16,238)	
<b>15,515</b>	<b>Net Cost of Services</b>	<b>13,762</b>	

## Treasury Management Performance

The Council approved its 2009/10 Treasury Management Strategy and Policy at the Finance and Management Committee on 17 February 2009. The actual income received from investments in 2009/2010 was £28,472. This was significantly less than £322,102 received during 2008/09. This was due to the effects of the recession, in particular: -

- Bank base rates have been maintained at an historical low of 0.5%.
- Downturn in the property market has affected the ability of the Council to dispose of surplus assets.
- Income from planning applications and building control fees remains below the level prior to the recession.

The overall rate of return for 2009/2010 was 0.36% above our target LIBID benchmark. The increased return arose from improvements in cash flow forecasts, resulting in improved cash management during the financial year.

# Overview

## Capital Expenditure

A summary of capital spending for 2009/10 is provided in the table below.

<b>Analysis of Spending by Main Service/Project Area</b>	<b>Estimate</b>	<b>Actual</b>	<b>Variance</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Council House Improvements	2,429	2,294	(135)
Disabled Facility Grants	459	474	15
Other Housing Investment	755	773	18
Leisure and Community Schemes	2,372	1,415	(957)
Environmental and Development	1,369	857	(512)
Property and Other Assets	729	559	(170)
<b>Total Expenditure</b>	<b>8,113</b>	<b>6,372</b>	<b>(1,741)</b>

Capital spending in the year of just under £6.4m, was approximately £1.7m lower than the overall budgeted programme. However, within this, there were several variations that had been reported in monitoring reports during the year. The main variances related to some of the bigger schemes where external funding was not finalised until well into the financial year. This is a timing difference as the budget for the total project was allocated entirely to 2009/10.

## Capital Financing

<b>Funding Stream</b>	<b>Estimate</b>	<b>Actual</b>	<b>Variance</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Government Grants	2,725	2,604	(121)
Capital Reserves	134	99	(35)
Revenue Contributions	205	234	29
Growth Point	1,333	393	(940)
Other External Financing	1,707	1,439	(268)
Section 106 Planning Agreements	169	32	(137)
Capital receipts	1,840	1,571	(269)
<b>Total Financing 2009/10</b>	<b>8,113</b>	<b>6,372</b>	<b>(1,741)</b>

# Overview

The table shows that the call on the Council's capital receipts was less (£269k) than estimated. This was due to amounts not spent as highlighted in the preceding sections.

The variance on Growth Point funding represents the spending profile of projects being affected by the finalisation of schemes within the national funding agreement. These schemes are ongoing and where committed, funding will be carried over to 2010/11. However, this is subject to a current review by the new Coalition Government into external funding at a national level. It is anticipated that where schemes are committed contractually and underway, then the funding will still be secured.

## **Housing Revenue Account**

The shows an improved position to that budgeted. The estimated deficit for the year (financed from reserves) was £412k. The actual out-turn was a deficit of £76k, i.e. a significant reduction of £336k.

The main reason for this reduction was that the provision for inflation of approximately £145k was not called upon in the year. Effectively, the main expenditure for repairs and management costs was contained within the base budget with any inflation being absorbed.

In addition, the provision for interim costs associated with the pay and grading review (£23k) was not required, although this will need to be rolled forward.

Consequently, these resources are maintained within the HRA and the level of its general reserve stood at £2.65m as at 31<sup>st</sup> March 2010, compared to an estimate of £2.32m.

## **Explaining the differences**

The 3<sup>rd</sup> quarter's monitoring and review report indicated a projected decrease in net expenditure on mainstream costs compared to budget. This was mainly due to lower expenditure on repairs, staff vacancies, together with income generated (net of additional resources) from the expanded Telecare Service.

The additional contributions absorbed the adverse variance on interest received from the General Fund. This was due to the low level of interest rates reducing the overall return for the Council on its short-term investments. These investments include the HRA reserve balance.

Spending on repair and maintenance was less than 1% down (£25k) compared to the estimate of approximately £2.9m. This included the effects of any inflationary pressures. The original budget for the year was approved at £80k higher at just under £3m; this amount was transferred during the year to supplement Major Capital Repairs.

# Overview

## **Reserves and Balances Summary – General Fund**

The level of general reserves at 31 March 2010 £639k above that estimated in the original budget. However, £217k will need to be rolled forward to meet the interim costs associated with the pay and grading review (£200k) together with growth in property numbers (£17k).

After allowing for this, general reserves are £421k better compared to that contained in the Medium Term Financial Plan (MTFP). Clearly, this helps to maintain balances at a prudent level, which help to will improve the overall financial position. In addition, the earmarking of funds in a dedicated reserve to meet one-off commitments in 2010/11 is also considered prudent.

However, the MTFP still highlights a budget deficit in 2011/12 and a significant shortfall in capital resources to meet all commitments. Although, on-going efficiency savings have already been identified to fund this deficit and planned work is ongoing to realise capital receipts, the effect of a likely reduction in the Government's general grant from 2011/12 is not yet known.

## **Housing Revenue Account**

Overall, the position on the HRA as at 31st March 2010 (i.e. a greater level of general reserves) will help to consolidate its financial position.

However, similar to the General Fund, over the life of the 10-year business-planning period associated with the HRA, current spending levels (including the annual payment to the National Rent Pool) are reliant on drawing down these reserves in the longer-term to meet a budget deficit.

Currently, the Council is considering the Government's proposals to become self-financing and move away from the national subsidy system. A review of the HRA business plan is also being undertaken.

## **Other Earmarked Reserves**

Sound financial management and a strong track record of striking the right balance between spending and the need to maintain a core level of resources to support the revenue account means that our finances are in a healthy state and our council tax is amongst the lowest nationally.

We maintain a number of earmarked special reserves, which we keep for specific types of expenditure in the future. We increased earmarked reserves by £300k during the course of the year, bringing the total held at 31 March 2009 to £1,025k.

# Overview

## Looking Ahead

### Relocation of the Council's Works Depot

The Council is currently progressing the relocation of its main depot site. This houses the waste collection, street cleansing, grounds and housing maintenance services. The project is part of a major regeneration scheme on the outskirts of Swadlincote Town Centre, known as Tetron Point.

The main outcomes for the Council will be a new purpose built depot which it will own on a freehold basis, together with a net capital receipt. This is being achieved through a land swap agreement between the Council and an appointed developer. Heads of Terms have been agreed and associated legal matters are currently being finalised.

The project is dependent upon planning consent being granted and terms being finalised with other landowners. All proposed transactions and land valuations have been independently verified by the Government's Valuation Office.

When all conditions are satisfied, current timescales indicate that the Council will take ownership of the facility in early 2012. At that time, the capital receipt will also be received. This receipt will be available for re-investment by the Council at that time.

The Council's Medium-Term Financial Plan does not currently recognise this potential income. As highlighted elsewhere in this Statement, the Council potentially faces a shortfall in capital resources to meet outstanding capital commitments. If that is not financed from elsewhere, then the capital receipt from this project will be a major contributor to that shortfall.

### Corporate Services Partnership (South Derbyshire Engage)

Following a detailed procurement exercise, the Council has recently appointed a private sector partner Northgate to deliver the day-to-day running of its Corporate Directorate.

This covers almost all of the Council's central and support services, including Finance, Personnel, Policy, Communications, I.T., Customer Services, together with Council Tax Collection and the Administration of Housing Benefits. The Council will retain overall responsibility for service delivery, including policy setting and financial management.

This is part of a wider partnership project to deliver investment into these services and help the Council to realise procurement and efficiency savings as part of its "Value for Money priority." Other agreed outcomes include job creation through the development of a Regional Business Centre, based in the main administrative building in Swadlincote. Services will continue to be delivered locally.

The proposal from the private sector partner includes immediate savings on the cost of the transferring services, which are guaranteed through a fixed fee for at least the next 7-years. In addition, subject to final Council approval, other savings will be guaranteed on a

# Overview

risk/reward basis in income collection and procurement of supplies and services. Northgate is also investing £1.8m in updated IT technology.

The partnership is currently working through a transition stage and finalising contract/legal negotiations. It is expected that a contract and partnership agreement will be implemented on 1st August 2010, for a period of 7-years with an option to extend by a further 3-years.

Further details on performance against budgets were reported to the Council on 29 June 2010. This is available on request from the main Civic Offices or on the Council's web site at:

<http://www.south-derbys.gov.uk/CouncilGovernanceDemocracy/Council/CouncilTaxAndFinance/finance/accounts.htm>

# Statement of Accounting Policies

## 1. General Principles

The Statement of Accounts summarises the Council's transactions for the 2009/10 financial year and its position as at 31 March 2010. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2009 – A Statement of Recommended Practice (the SORP). The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets.

## 2. 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:

- Fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods or services.
- 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 carried as stock on the Balance Sheet.
- Works are charged as expenditure when they are completed, before which they are carried as work in progress on the Balance Sheet.
- Interest payable in 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.

An exception to this principle relates to utilities and other periodic payments that are charged on the date due rather than being apportioned between financial years. This policy is consistently applied each year and, therefore, does not have a material effect on the year's accounts.

## 3. Provisions

Provisions are made where an event has taken place that gives the Council an obligation that probably requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain. 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.

# Statement of Accounting Policies

Provisions are charged to the appropriate service revenue account in the year that the authority becomes aware of the obligation, based on the best estimate of the likely settlement. 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.

## **4. Reserves**

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts in the Statement of Movement on the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year for inclusion in the Net Cost of Services in the Income and Expenditure Account. The reserve is then appropriated back into the General Fund Balance 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 tangible fixed assets and retirement benefits. These do not represent usable resources for the Council.

## **5. 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 income at the date that the authority satisfies the conditions of entitlement to the grant/contribution, there is reasonable assurance that the monies will be received and the expenditure for which the grant is given has been incurred. Revenue grants are matched in service revenue accounts with the service expenditure to which they relate. Grants to cover general expenditure (e.g. Revenue Support Grant) are credited to the foot of the Income and Expenditure Account after Net Operating Expenditure.

## **6. Retirement 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.



# Statement of Accounting Policies

The Local Government Pension Scheme is accounted for as a Defined Benefits Scheme:

- The liabilities of the Derbyshire County Council Pension Scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method — i.e. 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.
- The assets of the Derbyshire County Council Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:
  - Quoted securities — mid market value.
  - Unquoted securities — professional estimate.
  - Unitised securities — average of the bid and offer rates.
  - Property — market value.
- The change in the net pensions liability is analysed into seven components:
  - Current service cost — the increase in liabilities as result of years of service earned this year — allocated in the Income and Expenditure Account to the revenue accounts of services for which the employees worked.
  - Past service cost — the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years — debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs.
  - Interest cost — the expected increase in the present value of liabilities during the year as they move one year closer to being paid — debited to Net Operating Expenditure in the Income and Expenditure Account.
  - Expected return on assets — the annual investment return on the fund assets attributed to the Council, based on an average of the expected long-term return — credited to Net Operating Expenditure in the Income and Expenditure Account.
  - Gains/losses on settlements and curtailments — the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees — debited to the Net Cost of Service in the Income and Expenditure Account as part of Non Distributed Costs.
  - Actuarial gains and losses — changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions — debited to the Statement of Total Recognised Gains and Losses.
  - Contributions paid to the Derbyshire County Council Pensions Fund — cash paid as employer's contributions to the pensions fund.

# Statement of Accounting Policies

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the Pension Fund in the year, not the amount calculated according to the relevant accounting standards. In the Statement of Movement on the General Fund Balance, 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.

## **Discretionary Benefits**

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

## **7. VAT**

Income and expenditure excludes any amounts related to VAT, as all VAT inputs are recoverable from HM Revenue and Customs and all VAT paid is recoverable from it.

## **8. 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 CIPFA Best Value Accounting Code of Practice 2009 (BVACOP). The total absorption costing principle is used — the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core — costs relating to the Council's status as a multi-functional, democratic organisation.
- Non-Distributed Costs — the cost of discretionary benefits awarded to employees retiring early and depreciation and impairment losses chargeable on non-operational properties.

These two cost categories are defined in BVACOP and accounted for as separate headings in the Income and Expenditure Account, as part of Net Cost of Services.

# Statement of Accounting Policies

## 9. Intangible Fixed Assets

Expenditure on assets that do not have physical substance but are identifiable and controlled by the Council (e.g. software licences) is capitalised when it will bring benefits to the Council for more than one financial year. The balance is amortised to the relevant service revenue account over the economic life of the investment to reflect the pattern of consumption of benefits. The useful economic life of each intangible asset is assumed to be no more than 20 years.

## 10. Tangible Fixed Assets

Tangible Fixed Assets are assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis.

**Recognition:** expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised on an accruals basis, provided that it yields benefits to the Council and the services that it provides for more than one financial year. Expenditure that secures but does not extend the previously assessed standards of performance of asset (e.g. repairs and maintenance) is charged to revenue as it is incurred. Expenditure incurred on information technology is charged to revenue in the year of acquisition.

**Measurement:** assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are then carried in the Balance Sheet using the following measurement bases:

- Investment properties and assets surplus to requirements — lower of net replacement cost or net realisable value.
- Dwellings, other land and buildings, vehicles, plant and equipment — lower of net current replacement cost or net realisable value in existing use.
- Infrastructure assets and community assets — depreciated historical cost.

Net current replacement cost is assessed as:

- Non-specialised operational properties — existing use value
- Specialised operational properties — depreciated replacement cost.
- Investment properties and surplus assets — market value.

Assets included in the Balance Sheet at current value are revalued where there have been material changes in the value, 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 Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to a service revenue account.

# Statement of Accounting Policies

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

**Impairment:** the values of each category of assets and of material individual assets that are not being depreciated are reviewed at the end of each financial year for evidence of reductions in value. Where impairment is identified as part of this review or as a result of a valuation exercise, this is accounted for:

- Where attributable to the clear consumption of economic benefits — the loss is charged to the relevant service revenue account.
- Otherwise — written-off against any revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess charged to the relevant service revenue account.

Where an impairment loss is charged to the Income and Expenditure Account but there were accumulated revaluation gains in the Revaluation Reserve for that asset, an amount of up to the value of the loss is transferred from the Revaluation Reserve to the Capital Adjustment Account.

**Disposals:** when an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet is written off to the Income and Expenditure Account as part of the gain or loss on the disposal. Receipts from disposals are credited to the Income and Expenditure Account as 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 in the Revaluation Reserve are transferred to the Capital Adjustment Account. Net receipts in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Usable 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 Statement of Movement on the General Fund Balance.

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 the Movement on the General Fund balance.

# Statement of Accounting Policies

**Depreciation:** is provided for on all assets with a determinable finite life (except for investment properties), by allocating the value of the asset in the Balance Sheet over the periods expected to benefit from their use.

- Depreciation is calculated using the straight-line method.
- Assets in the course of construction are not depreciated until they are brought into use.
- Newly acquired assets are depreciated in the year of acquisition.
- Assets are not depreciated in the year of disposal.

Revaluation gains are also depreciated, with an amount equal to the difference between current value and 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.

**Grants and Contributions:** where grants and contributions are received that are identifiable to fixed assets with a finite useful life, the amounts are credited to the Government Grants Deferred Account. The balance is then written down to revenue to offset depreciation charges made for the related assets in the relevant service revenue account, in line with the depreciation policy applied to them.

## 11. Charges to Revenue for Fixed 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.
- Impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service and other losses where there are no accumulated gains in the Revaluation Reserve against which they can be written-off.
- Amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise Council Tax to cover depreciation, impairment losses or amortisation's. However, it is required to make an annual provision from the revenue to contribute towards the reduction in its overall borrowing requirement (equal to at least 4% of the underlying amount, measured by the adjusted Capital Financing Requirement, excluding amounts attributable to HRA activity). Depreciation, impairment losses and amortisations are, therefore, replaced by a revenue provision in the Statement of Movement on the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

# Statement of Accounting Policies

## **12. 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 fixed assets has been charged as expenditure to the relevant service revenue account in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account then reverses out the amounts charged in the Statement of Movement on the General Fund Balance so there is no impact on the level of Council Tax.

## **13. Leases**

Where assets are acquired under operating leases, the rentals payable are charged to the relevant service revenue account on a straight-line basis over the term of the lease, generally meaning that rentals are charged when they become payable. The cost of the assets and the related liability for future rentals payments are not shown in the Balance Sheet, but are disclosed in the notes. The Council leases some of its properties to third parties. Rent is charged for the use of these properties, and the value of these assets is included as investment properties in the Council's Balance Sheet and credit rentals to revenue as they become payable.

## **14. Financial Liabilities**

Financial Liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure Account 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 principal repayable. Interest charged to the Income and Expenditure Account is the amount payable for the year in the loan agreement.

## **15. Financial Assets**

Financial Assets relevant to the Council relate to loans and receivables; assets that have fixed or determinable payments but are not quoted in an active market.

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure Account for interest receivable are based on the carrying amount of the asset, multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event those payments due under contract will not be made; the asset is written down and a charge made to the Income and Expenditure Account.

# Statement of Accounting Policies

Any gains and losses that arise on derecognition of the asset are credited/debited to the Income and Expenditure Account.

## **15. Stock and Work-in-Progress**

Stock held at the year-end has been valued at either replacement cost or average cost, whilst work-in-progress has been included in the accounts at cost. Whilst accepting that this does not comply with SSAP 9, it is judged that any resultant financial implications are not material.

## **16. Estimates**

Where there is uncertainty over the monetary amount of an item in the Accounts, an appropriate estimation technique will be used. Estimations will therefore correspond with appropriate measurement bases that are recognised as standard accounting practice.





# Statement of Responsibilities

## Statement of Responsibilities for the Statement of Accounts

### The Authority's responsibilities

The Authority is required:

- to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Director of Corporate Services;
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- to approve the Statement of Accounts.

### The Director of Corporate Services' responsibilities

The Director of Corporate Services is responsible for the preparation of the Authority'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 SORP).

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

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent; and
- complied with the Local Authority SORP.

The Director of Corporate Services has also:

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

### Certification by Director of Corporate Services

**This Statement of Accounts gives a true and fair view of the financial position of South Derbyshire District Council as at 31 March 2010 and its Income and Expenditure for the year ended 31 March 2010.**

.....  
**Director of Corporate Services**

.....  
**Date**



# Core Financial Statements

## Income and Expenditure Account for the Year Ended 31 March 2010

Net Cost			Gross Expenditure	Income	Net Expenditure
2008/09	Note		2009/10	2009/10	2009/10
£000			£000	£000	£000
583	Central Services to the Public		6,716	(5,966)	750
11,939	Cultural, Environmental and Planning Services		12,793	(3,721)	9,072
473	Highways and Transport Services		736	(433)	303
215	Local Authority Housing (Housing Revenue Account)		10,668	(10,372)	296
793	Other Housing Services (General Fund)		16,532	(15,074)	1,458
1,750	Corporate and Democratic Core		1,274	(1)	1,273
480	Non Distributed Costs	12	117	(9)	108
<b>16,233</b>	<b>Net Cost of Services</b>		<b>48,836</b>	<b>(35,576)</b>	<b>13,260</b>
28	(Gain) / loss on disposal of fixed assets				(92)
482	Parish Precepts				509
(121)	(Surplus) or Deficit of Trading Operations not included in the Net Cost of Services	3			750
375	Interest Payable and Similar Charges				175
(322)	Interest and Investment Income				(28)
1,030	Pensions Interest Cost and Expected Return on Pensions Assets	9			1,553
332	Contribution to Housing Pooled Capital Receipts				354
<b>18,037</b>	<b>Net Operating Expenditure</b>				<b>16,481</b>
(1,581)	General Government Grants	6			(1,854)
(6,094)	Non Domestic Rates Redistribution				(5,797)
(4,870)	Demand on the Collection Fund				(5,196)
<b>5,492</b>	<b>Income and Expenditure Account Deficit / (Surplus)</b>				<b>3,634</b>

# Core Financial Statements

## Statement of Movement on the General Fund Balance

2008/09		<i>Note</i>	2009/10
<i>£000</i>			<i>£000</i>
5,492	Income and Expenditure Account Deficit / (Surplus)		3,634
(5,199)	Net additional amount required by statute or non-statutory proper practices to be debited or (credited) to the General Fund Balance for the year.	13	(3,820)
293	Movement in Year		(186)
(3,093)	Balance on General Fund Brought Forward		(2,800)
<b>(2,800)</b>	<b>Balance on General Fund Carried Forward</b>		<b>(2,986)</b>

# Core Financial Statements

## Statement of Total Recognised Gains and Losses

The Income and Expenditure Account brings together all the functions of the Authority and summarises all of the resources that the Authority has generated, consumed or set aside in providing services during the year. The Authority recognises gains and losses in its Balance Sheet that are not debited or credited to the Income and Expenditure Account. The Statement of Recognised Gains and Losses (STRGL) is the statement that brings these other gains and losses together with the out-turn on the Income and Expenditure Account to show the total movement in the Authority's net worth for the year.

2008/09	2009/10
<i>£000</i>	<i>£000</i>
5,492 (Surplus)/Deficit on the Income and Expenditure Account	3,634
2,541 (Surplus)/Deficit arising on Revaluation of Fixed Assets	(1,888)
(3,493) Actuarial (gains)/losses on pension fund assets and liabilities	7,574
(54) Adjustment to reflect South Derbyshire District Council is an agent acting on behalf of major preceptors for Council Tax collection	0
456 Adjustment to reflect the changing the classification of grants previously accounted for as specified within the Net Cost of Services section of the Income and Expenditure Account	0
<b>4,942 Total Recognised (Gains)/Losses for Year</b>	<b>9,320</b>

Change in Net Worth	<i>£000</i>
Net Worth 2008/09	122,200
Net Worth 2009/10	(112,880)
<b>Total</b>	<b>9,320</b>

# Core Financial Statements

## Balance Sheet

As at 31 March 2009		Note	As at 31 March 2010	
£'000			£'000	£'000
10	<b>Intangible Assets</b>	18		0
	<b>Tangible Fixed Assets</b>			
	<b>Operational Assets</b>			
126,067	Council Dwellings		125,420	
13,583	Other Land & Buildings		12,347	
1,021	Vehicles, Plant, Furniture & Equipment	14	1,170	
934	Infrastructure Assets		880	
3,430	Community Assets		3,861	143,678
	<b>Non-Operational Assets</b>			
3,300	Investment Properties		3,478	
244	Assets Under Construction		379	
710	Surplus Assets Held for Disposal		600	4,457
<b>149,299</b>	<b>Total Fixed Assets</b>			<b>148,135</b>
52	Long Term Investments	20		52
22	Long Term Debtors	21		54
<b>74</b>	<b>Total Long Term Assets</b>			<b>148,241</b>
	<b>Current Assets</b>			
61	Stock and Work-in-Progress	22	43	
5,693	Debtors	23	4,862	
0	Short Term Investments		1,009	
7	Cash-in-Hand		209	6,123
<b>154,134</b>	<b>Total Assets</b>			<b>154,364</b>
	<b>Current Liabilities</b>			
(274)	Short-term Borrowing	24	(3,184)	
(3,911)	Creditors	25	(4,315)	
(695)	Bank Overdrawn		0	(7,499)
<b>150,254</b>	<b>Total Assets Less Current Liabilities</b>			<b>146,865</b>
(1,000)	Long Term Borrowing – net	26	(1,000)	
(17,909)	Deferred Liability – Pension Fund	9	(26,166)	
(1,188)	Deferred Liabilities	27/28	(769)	
(2,923)	Government Grants Deferred	29	(2,614)	
(4,932)	Grants Unapplied	33	(3,436)	
(102)	Provisions	37	0	(33,985)
<b>122,200</b>	<b>Total Assets Less Liabilities</b>			<b>112,880</b>
	<b>Revenue Balances:</b>			
12	Deferred Capital Receipts	30		6
1,880	Fixed Asset Revaluation Reserve	32		2,677
128,989	Capital Adjustment Account	32		128,182
2,757	Usable Capital Receipts Reserve	39		1,232
(17,909)	Pensions Reserve	9		(26,166)
0	Major Repairs Reserve	34		128
725	Earmarked Reserves	36		1,025
57	Collection Fund Adjustment Account			105
158	Fixed Asset Replacement Reserve	35		50
2,800	General Fund Reserves		2,986	
2,731	Housing Revenue Account Balance		2,655	5,641
<b>122,200</b>	<b>Total Net Worth</b>			<b>112,880</b>

# Core Financial Statements

## Cash Flow Statement

Year ended 31 March 2009			Year ended 31 March 2010	
£'000		Note	£'000	£'000
	<b>Revenue Activities</b>			
	Cash outflows			
28	<b>Net Revenue Activities Cash Flow</b>	1		(4,034)
	<b>Returns on Investment and Servicing of Finance</b>			
	Cash outflows			
355	Interest paid		176	
	Cash inflows			
(362)	Interest received		(29)	147
	<b>Capital Activities</b>			
	Cash outflows			
3,040	Purchase of fixed assets		3,259	
4,829	Other capital cash payments		5,178	8,437
	Cash inflows			
(459)	Sale of fixed assets		(536)	
(2,400)	Capital grants received		(2,229)	
(1,093)	Other Grants and Contributions		(780)	
(24)	Other capital cash receipts		0	(3,545)
<b>3,914</b>	<b>Net Cash (Inflow)/Outflow Before Financing</b>			<b>1,005</b>
	<b>Financing</b>			
	Cash outflows			
0	Repayment of amounts borrowed		90	
66,580	Temporary investments		61,425	
	Cash inflows			
(70,170)	Temporary investments repaid		(60,417)	
(75)	Temporary loans	3	(3,000)	<b>(1,902)</b>
<b>249</b>	<b>Net (Increase)/Decrease in Cash</b>	2		<b>(897)</b>

# Notes to the Core Financial Statements

## **Income and Expenditure Account and Statement of Movement on the General Fund Balance**

### **1. Restated Comparative Figures**

Two changes have been made to the Accounts, which have resulted in amendments being made to the comparative figures in the statements and supporting notes.

These changes are as a result of :-

1. Grant income within the Income and Expenditure Account previously recognised as a specific grant, accounted for within the Net Cost of Services, is now treated as a general grant.
2. Accounting for local taxes has been covered in the SORP for the first time. This means the Council is recognised as acting as an agent to Derbyshire County Council, Derbyshire Police Authority and Derbyshire Fire and Rescue Service in the collection of Council Tax and the Government in the collection of Business Rates. Whereas the total balances for Council Tax and Business Rates were recorded in the Council's accounts, these have been replaced with the relevant share of balances for each organisation.

### **2. Minimum Revenue Provision**

The Council is required to pay off an element of the accumulated General Fund Capital Financing Requirement (CFR) each year through a revenue charge, the Minimum Revenue Provision (MRP). For 2009/10 this equated to £297,000 (2008/09 £310,000).

### **3. Trading Services**

These are activities of the Council of a commercial nature that are financed substantially by charges made to recipients of the service. The financial results for 2009/2010 are summarised below:



# Notes to the Core Financial Statements

2008/09		2009/10		
Total		Industrial Estates	Markets	Total
£000		£000	£000	£000
(371)	Gross Income	(242)	(8)	(250)
250	Gross Expenditure	988	12	1,000
<b>(121)</b>	<b>(Surplus)/Deficit on Trading Services</b>	<b>746</b>	<b>4</b>	<b>750</b>

Of the total deficit, £740,000 relates to a reduction in the asset value of the George Holmes Estate. The reduction in value recognises the correct legal title of the industrial estate by the Council.

## 4. Operating Leases

Operating leases are used to finance a wide range of equipment, vehicles and plant. The amount paid under such leases in 2009/2010 was £85,182 (2008/2009 £142,461). The future cash payments required under these leases are estimated at £90,480.

The Council also leases an Industrial Estate where the rental payable in 2009/2010 was £50,300 (2008/2009 £50,300).

The Authority was committed at 31 March 2010 to making payments of £93,528 under operating leases in 2009/10, comprising the following elements:

	Other Land and Buildings	Vehicles, Plant and Equipment	Total
	£'000	£'000	£'000
Leases Expiring in 2010/11	1	13	14
Leases Expiring between 2011/12 and 2014/15	14	28	42
Leases Expiring after 2014/15	51	0	51
<b>Total Due</b>	<b>66</b>	<b>41</b>	<b>107</b>

The Council rents some properties to tenants under lease arrangements. Amounts receivable under these leases in 2009/10 was £368,587 (£385,000 in 2008/09). The asset value of these properties at 31 March 2010 was £3.9m. Accumulated depreciation and impairment totalled £1.0m (nil in 2008/09).

# Notes to the Core Financial Statements

## 5. Agency Services

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

2008/09 £000	Principal	Activity	2009/10 £000
299	Derbyshire County Council	Highways amenity maintenance and gully cleansing	258

## 6. General Government Grants

These grants are paid by central government to aid local authority services in general, as opposed to specific grants, which may only be used for a specific purpose.

2008/09 £000		2009/10 £000
848	Revenue Support Grant	1,338
23	Area Based Grant	23
395	Business Growth Incentive	37
315	Planning Delivery Grant	456
<b>1,581</b>		<b>1,854</b>

## 7. Members' Allowances

Local Authorities are required to disclose annually the amounts paid to each member in respect of basic allowance, special responsibility allowance and attendance allowance. Placing an advertisement in a local newspaper fulfils this requirement. Additionally the Code of Practice requires the disclosure of the total amount of Member's Allowances paid. Under the Council's Scheme of Allowances, a basic allowance is paid to each member together with any relevant special responsibility allowances, travelling expenses, conference expenses and telephone and subsistence allowances. Attendance Allowance is no longer paid.

The total of payments made to Members in 2009/10 amounted to £328,632 (2008/09 was £323,924), detailed as follows: -

# Notes to the Core Financial Statements

2008/09		2009/10
<i>£000</i>		<i>£000</i>
203	Basic Allowance	210
92	Special Responsibility Allowance	95
17	Travelling Expenses	12
12	Other	11
<b>324</b>		<b>328</b>

## 8. Officers' Emoluments

The number of employees whose remuneration, excluding pension contributions, was £50,000 or more in bands of £5,000 was: -

Number of Employees	Remuneration Band	Number of Employees
2008/09		2009/10
4	£50,000 - £54,999	3
3	£55,000 - £59,999	5
	£60,000 - £64,999	
	£65,000 - £69,999	
	£70,000 - £74,999	
	£75,000 - £79,999	
	£80,000 - £84,999	
2	£85,000 - £89,999	2
	£90,000 - £94,999	
	£95,000 - £99,999	
	£100,000 - £104,999	
1	£105,000 - £109,999	
	£110,000 - £114,999	1

# Notes to the Core Financial Statements

Senior Officers' Remuneration-Salary is between £50,000 and £150,000 per year: -

## 2009/10

Post Title	Salary (inc fees and allowances)	Expense Allowances	Total Remuneration exc. Pension Contributions	Pension Contribution	Total Remuneration inc. Pension Contributions
	£	£	£	£	
Chief Executive	110,235	1,495	111,730	21,937	133,667
Director of Community Services	86,088	1,499	87,587	17,132	104,719
Director of Corporate Services	86,088	1,404	87,492	17,132	104,624
Head of Legal and Democratic Services	61,197	1,473	62,670	12,178	74,848
<b>Total</b>	<b>343,608</b>	<b>5,871</b>	<b>349,479</b>	<b>68,379</b>	<b>417,858</b>

## 2008/09

Post Title	Salary (inc fees and allowances)	Expense Allowances	Total Remuneration exc. Pension Contributions	Pension Contribution	Total Remuneration inc. Pension Contributions
	£	£	£	£	
Chief Executive	107,610	1,500	109,110	21,414	130,525
Director of Community Services	83,988	1,358	85,346	16,714	102,060
Director of Corporate Services	83,988	1,350	85,338	16,714	102,052
Head of Legal and Democratic Services	54,150	1,340	55,490	10,776	66,266
<b>Total</b>	<b>329,736</b>	<b>5,548</b>	<b>335,284</b>	<b>65,618</b>	<b>400,902</b>

## 9. Pensions

### *Participation in Pensions' Schemes*

As part of the terms and conditions of employment, the Council offers retirement benefits in a defined pension scheme. The benefits are not payable until employees retire but the Council has a commitment to make the payments that need to be disclosed at the time that the employees earn their future retirement.

Employees are admitted to the Derbyshire County Council Pension Fund, which is administered by the Derbyshire County Council under regulations governing the Local Government Pension Scheme. This is a funded scheme into which the Council and its pension fund employees pay contributions at a level estimated to balance pension liabilities with investment assets.

# Notes to the Core Financial Statements

## Transactions Relating to Retirement Benefits

The cost of retirement benefits are recognised in the Net Cost of Services when earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge required to be made against Council Tax is based on the cash payable in the year, so the real cost of the retirement benefits is reversed out in the Statement of Movement in the General Fund Balance. The following transactions have been made in the Income and Expenditure Account and Statement of Movement in the General Fund Balance during the year:

Year ended 31 March 2009			Year ended 31 March 2010	
£000	£000	Income and Expenditure Account	£000	£000
1,403		<i>Net Cost of Service</i>	959	
26	1,429	Current Service Cost	0	959
		Past Service Cost		
		<i>Net Operating Expenditure</i>		
3,678		Interest Cost	3,586	
(2,648)		Expected Return on Scheme Assets	(2,033)	
80	1,110	Effect of Curtailment /Settlement	0	1,553
	<u>2,539</u>	<b>Net Charge to the Income and Expenditure Account</b>		<u>2,512</u>
		<i>Statement of Movement on the General Fund Balance</i>		
	<u>(2,539)</u>	Reversal of net charges made for retirement benefits in accordance with FRS 17		<u>(2,512)</u>
		<i>Actual Amount Charged Against the General Fund Balance for Pensions in the Year</i>		
	<u>1,729</u>	Employer's contribution payable to scheme		<u>1,829</u>

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial losses of £7.6m (£3.5m gain in 2008/09) were included in the Statement of Total Recognised Gains and Losses. The cumulative amount of actuarial gains and losses recognised in the Statement of Total recognised Gains and Losses is £6.7m.

# Notes to the Core Financial Statements

## Assets and Liabilities in Relation to Retirement Benefits

2008/09 £000	Reconciliation of Present Value of the Scheme Liabilities	2009/10 £000
<b>60,477</b>	<b>1 April 2009</b>	<b>50,728</b>
1,403	Current Service Cost	959
3,678	Interest Cost	3,586
489	Contribution by Scheme Participants	522
(13,169)	Actuarial (Gains) and Losses	16,924
(2,256)	Benefits Paid	(1,927)
26	Past Service Cost	0
80	Curtailment	0
<b>50,728</b>	<b>31 March 2010</b>	<b>70,792</b>

2007/08 £000	Reconciliation of Fair Value of the Scheme Assets	2008/09 £000
<b>39,885</b>	<b>1 April 2009</b>	<b>32,819</b>
2,648	Expected Rate of Return	2,033
(9,676)	Actuarial (Gains) and Losses	9,350
1,729	Employer Contributions	1,829
489	Contribution by Scheme Participants	522
(2,256)	Benefits Paid	(1,927)
<b>32,819</b>	<b>31 March 2010</b>	<b>44,626</b>

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

The actual return on scheme assets in the year was £11.3m (2008/09 £(7.0m)).

Scheme History	2005/06 £'000	2006/07 As restated £'000	2007/08 As restated £'000	2008/09 £'000	2009/10 £'000
Present Value of Liabilities	(57,534)	(57,514)	(60,477)	(50,728)	(70,792)
Fair Value of Assets	37,832	40,174	39,885	32,819	44,626
Surplus / (Deficit) in the Scheme	(19,702)	(17,340)	(20,592)	(17,909)	(26,166)

# Notes to the Core Financial Statements

The Council has not restated the fair value of scheme assets for 2004/05 and 2005/06 as permitted by FRS 17 (as revised).

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total liability of £26.2m has an impact on the net worth of the Authority as recorded in the Balance Sheet. The statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy as the deficit will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary. The total contributions expected to be made by the Council in the year to 31 March 2011 is £1.8m (£1.8m 2009/10).

## Basis for Estimating Asset and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method. An estimate of the pensions that will be payable in future years will be dependent on assumptions about mortality rates, salary levels, etc. The Pension Fund liabilities have been assessed by Mercer Limited, an independent firm of actuaries. Estimates are being based on the latest full valuation of the scheme as at 31 March 2007.

The principal assumptions used by the actuary have been:

2008/09			2009/10	
<i>Beginning of Period</i>	<i>End of Period</i>		<i>Beginning of Period</i>	<i>End of Period</i>
<b>Long-term expected rate of return on assets in the scheme</b>				
7.5%	7.5%	Equity investments	7.5%	7.5%
4.6%	4.0%	Government Bonds	4.0%	4.5%
6.1%	6.0%	Other Bonds	6.0%	5.2%
6.5%	6.5%	Property	6.5%	6.5%
5.25%	0.5%	Cash/Liquidity	0.5%	0.5%
7.5%	7.5%	Other	7.5%	7.5%
<b>Mortality assumptions:</b>				
Longevity at 65 for current pensioners:				
21.1	21.2	Men	21.2	21.2
24.0	24.0	Women	24.0	24.1
Longevity at 65 for future pensioners:				
22.2	22.2	Men	22.2	22.2
25.0	25.0	Women	25.0	25.0
3.6%	3.3%	Rate of inflation	3.3%	3.3%
5.1%	4.8%	Rate of increase in salaries	4.8%	4.8%
3.6%	3.3%	Rate of increase in pensions	3.3%	3.3%
6.1%	7.1%	Rate for discounting scheme liabilities	7.1%	5.6%
50% take maximum cash, 50% take 3/80ths cash			50% take maximum cash, 50% take 3/80ths cash	

# Notes to the Core Financial Statements

The Pension Scheme assets consist of the following categories, by proportion of the total assets held.

As at 31 March 2009			As at 31 March 2010	
<i>Beginning of Period</i>	<i>End of Period</i>		<i>End of Period</i>	<i>Beginning of Period</i>
69.4%	63.5%	Equity investments	63.5%	68.0%
16.7%	20.9%	Government Bonds	20.9%	14.6%
1.6%	3.5%	Other Bonds	3.5%	5.8%
4.9%	7.1%	Property	7.1%	5.1%
6.3%	4.7%	Cash/Liquidity	4.7%	5.8%
1.1%	0.3%	Other	0.3%	0.7%
<b>100.0</b>	<b>100.0</b>	<b>Total</b>	<b>100.0</b>	<b>100.0</b>

## History of Experience Gains and Losses

The actuarial gains identified as movements on the pension Reserve in 2009/10 can be analysed into the following categories, measured as a percentage of asset or liabilities at 31 March 2010:

Scheme History	2005/06	2006/07	2007/08 As restated	2008/09	2009/10
	%	%	%	%	%
Difference between the expected and actual return on investments	14.2	(0.3)	(7.8)	(29.5)	(21)
Experience gains and losses on liabilities	(5.0)	0	(0.9)	(26.0)	(23.9)



# Notes to the Core Financial Statements

## 10. Related Party Transactions

FRS 8 requires the Council to disclose any material transactions with related parties. This is to highlight the possibility of the Council's financial position being affected by the existence of these related parties or by any material transactions with them.

The Council receives General Government Grants and National Non-Domestic Rates from Central Government and the amounts involved are disclosed in the Income and Expenditure Account on page 25. Details of other grants for specific projects or services are shown in the Cash Flow Statement on page 29.

Derbyshire County Council, the Police Authority and the Fire Authority issue precepts on the Council and these are shown in the Collection Fund on page 79. The Derbyshire County Council is the administering authority for the Pension Fund and a note to the accounts (note 9) explains the accounting treatment for pensions provision.

The amounts due to or from Central Government, other local authorities or precepting bodies at the end of the financial year are shown in notes 23 and 25 to the Balance Sheet.

Council members make disclosures of their interests to the Council's Monitoring Officer, and also have to make declarations on individual committee agenda items. Annually an enquiry form is sent to all members and senior managers asking for disclosure of any related party transactions that have occurred during the financial year. No material related party transactions have been identified for 2009/10.

# Notes to the Core Financial Statements

## 11. Audit Costs

The Code of Practice on Local Authority Accounting requires the disclosure of fees payable to the Audit Commission in respect of external audit and inspection.

2008/09 £		2009/10 £
68,650	Audit of Accounts	66,000
30,100	Use of Resources	30,000
5,980	Statutory Inspections	0
45,414	Grant Claim Certification	76,606
<b>150,144</b>	<b>Total</b>	<b>172,606</b>

## 12. Non-Distributed Costs

The Best Value Accounting Code of Practice excludes non-Distributed Costs from recharging to particular services and is therefore shown on the face of the Income and Expenditure Account. For 2009/10 these costs mainly relate to:

2008/09 £000		2009/10 £000
251	Residual Corporate Overheads	44
26	Pension Fund – Past Service Cost	0
82	Internal Trading Accounts – Printing & Office Cleaners	5
121	Increase in Provision for Bad Debts	59
<b>480</b>	<b>Total</b>	<b>108</b>

# Notes to the Core Financial Statements

## 13. Statement of Movement on General Fund Balance

The Income and Expenditure Account shows the Council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the Authority is required to raise Council Tax on a different accounting basis, the main differences being:

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.
- The payment of a share of housing capital receipts to the Government scores as a loss in the Income and Expenditure Account, but is met from the usable capital receipts balance rather than the Council Tax.
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits earned.

The General Fund Balance compares the Council's spending against the Council Tax that has arisen for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

The Statement of Movement on the General Fund Balance (page 26) summarises the differences between the out-turn on the Income and Expenditure Account and the General Fund Balance.

# Notes to the Core Financial Statements

## Net Additional Amount Required by Statute or Non-Statutory Proper Practices to be Debited or Credited to the General Fund Balance for the Year

These are those items of expenditure and income which are not chargeable direct to the Income and Expenditure Account but which nevertheless affect the movement on the General Fund balance. They are as follows:

2008/09 £000		2009/10 £000
<b>Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year.</b>		
(4,076)	Depreciation and impairment of fixed assets	(2,215)
(75)	Excess HRA depreciation over MRA	(101)
113	Amortisation of Government's Deferred Grants	440
(982)	Revenue Expenditure Funded from Capital Under Statute	(1,929)
(28)	Loss on disposal of fixed assets	92
(2,539)	Net charges made for retirement benefits in accordance with FRS 17	(2,573)
3	Amount by which Council Tax income in the Income and Expenditure Account is different from the amount taken to the General Fund in accordance with the Regulation	105
<b>Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year.</b>		
310	Provision for Repayment of Debt	297
417	Capital expenditure charged to the General Fund Balance	163
(332)	Transfer from Usable Capital Receipts for contribution to Housing Pooled Capital Receipts	(354)
1,729	Employer's contributions payable to the Derbyshire County Council Pension Fund and retirement benefits paid direct to pensioners	1,890
<b>Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year.</b>		
1	Transfers to / (from) HRA Balances	(76)
260	Net Transfer to / (from) Reserves	441
<b>(5,199)</b>	<b>Net Additional Amount required to be Credited to the General Fund</b>	<b>(3,820)</b>

# Notes to the Core Financial Statements

## Balance Sheet

### 14. Tangible Fixed Assets

	<i>Operational</i>					<i>Non-operational</i>			<b>Total</b>
	<b>Council Dwellings</b>	<b>Other Land and Buildings</b>	<b>Vehicles Plant and Equipment</b>	<b>Infra-structure</b>	<b>Community Assets</b>	<b>Investment Properties</b>	<b>Assets Under Construction</b>	<b>Surplus Assets</b>	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>									
At 1 April 2009	126,067	14,175	2,236	1,412	4,305	3,282	244	707	152,428
Additions	1,895	215	423	0	0	0	379	0	2,912
Disposals	(296)	(45)	0	0	(20)	0	0	(12)	(373)
Reclassifications	0	0	0	0	0	0	0	0	0
Revaluations	(2,246)	35	0	0	15	188	0	(98)	(2,106)
At 31 March 2010	125,420	14,380	2,659	1,412	4,300	3,470	623	597	152,861
<b>Depreciation and Impairments</b>									
At 1 April 2009	0	592	1,215	478	875	(18)	0	(3)	3,139
Charge for 2009/10	5,872	1,079	274	54	226	450	342	0	7,989
Disposals	0	(1)	0	0	0	0	0	0	(1)
Reclassifications	0	0	0	0	0	0	0	0	0
Revaluations	(5,872)	(1,026)	0	0	(8)	295	(98)	0	(6,401)
At 31 March 2010	0	644	1,489	532	1,093	727	244	(3)	4,726
<b>Balance Sheet amount at 31 March 2010</b>	125,420	13,736	1,170	880	3,207	2,743	379	600	148,135
<b>Balance Sheet amount at 1 April 2009</b>	126,067	13,583	1,021	934	3,430	3,300	244	710	149,289

<b>As at 31 March 2009</b>	<b>Nature of Asset Holding (all owned)</b>	<b>As at 31 March 2010</b>
£000		£000
20,226	General Fund	19,618
129,063	Housing Revenue Account	128,517
<b>149,289</b>	<b>Total</b>	<b>148,135</b>

# Notes to the Core Financial Statements

## 15. Tangible Fixed Asset Valuation

The value at which each category of tangible fixed asset is included in the balance sheet is valued in accordance with CIPFA requirements contained within the SORP. This stipulates that assets are revalued in intervals not exceeding five years, and also whenever a permanent material change in value arise from market forces, or a change in categorisation/classification occurs. The fixed assets shown in the balance sheet have been valued in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors.

The Council had its Council housing stock valuation, and the valuation of a proportion of other housing and General Fund land and buildings carried out as at the 31 March 2010 by an external independent valuer — the District Valuer.

### Operational Assets

**Council Dwellings:** These are Housing Revenue Account dwellings that have been valued on the basis of Beacon selection, where a typical property is valued as being representative of a particular house type and location. The valuation for each of the beacon properties selected was on the basis of existing use value — social housing.

The District Valuer's valuation of Council dwellings, before social housing use discount, at 31 March 2010 was £250,840,000.

**Operational Assets:** Operational Non-specialised assets have been valued at existing use value. Specialised properties, i.e. those that are rarely if ever sold on the open market, have generally been valued at depreciated replacement cost.

**Infrastructure and Community Assets:** These are valued at historical cost.

**Non – Operational Assets:** For balance sheet purposes these are assets that are: -

- Under construction – £378,516 as at 31 March 2010 (31 March 2009 – £244,075)
- Surplus and unused – £599,625 as at 31 March 2010 (31 March 2008 – £709,725).

# Notes to the Core Financial Statements

**Impairment:** An impairment review as at 31 March 2010 was carried out by the Council's Corporate Asset Manager who is MRICS qualified.

## 16. Depreciation

Depreciation has been provided for on assets with a finite useful life in accordance with Financial Reporting Standard 15 and the SORP 2009. There is no requirement to depreciate land assets. In calculating depreciation, the straight line method has been adopted using a prudent estimate for the useful economic life and residual land value for individual assets within each category. A maximum life of 50 years is used for all assets, although each asset is considered individually based on its condition and construction. The asset register contains the detailed information used in the depreciation calculation.

## 17. Capital Expenditure and Financing

The capital expenditure in 2009/2010, and the methods of financing, are detailed below:

2008/09 £000		2009/10 £000
<b>13,258</b>	<b>Opening Capital Financing Requirement</b>	<b>12,930</b>
	<i>Capital Investment</i>	
3,197	Operational Assets	2,327
244	Assets under Construction	357
3,107	Revenue Expenditure Funded from Capital Under Statute	3,870
	<i>Sources of Finance</i>	
(1,153)	Capital Receipts	(1,571)
(5,296)	Government Grants and Other Contributions	(4,712)
(427)	Sums Set Aside from Revenue (includes direct revenue financing and MRP)	(586)
<b>12,930</b>	<b>Closing Capital Financing Requirement</b>	<b>12,615</b>
	<i>Explanation of Movements in Year</i>	
(310)	Minimum Revenue Provision	(297)
(18)	Transferred Debt (HRA assets)	(18)
<b>(328)</b>	<b>Increase/(Decrease) in Capital Financing Requirement</b>	<b>(315)</b>

# Notes to the Core Financial Statements

## Commitments under capital contracts

**Business Units at Rosliston Forestry Centre.** At an estimated cost of £0.6m the project aims are to:

- create further woodland economy related employment opportunities within the National Forest;
- enhance the tourism experience in the National Forest and at Rosliston Forestry Centre.;
- showcase the potential for the use of timber and renewable energy in construction units within the National Forest and beyond.;
- enhance the sustainability of Rosliston Forestry Centre; and
- offset economic and social disadvantage related to the former South Derbyshire Coalfield.

The works on site commenced on 9 November 2009 and the construction element of the project is on target for completion during the summer of 2010.

**Work to Swadlincote Town Centre.** At an estimated cost of £1.5m, the project aims to make the public spaces in the Delph and West Street area more attractive while signaling very clearly that the Council has the vision that the town has a great future. In particular:

- using natural materials in a way that capitalises on Swadlincote's heritage assets;
- de-cluttering the streets, providing better signage, improved street lighting and high quality street furniture and planting;
- creating more attractive and accessible links between the town centre and Ernest Hall Way to the new retail site adjacent to Morrisons via Bank Passage;
- giving The Delph a better sense of place and definition whilst screening buildings of low architectural quality; and
- creating a better setting for the entrance to the Town Hall whilst accommodating the continuation of the On Street Market and other events.

The major works to West Street are now complete and the street re-opened to vehicles and pedestrians (some minor remedial works still required). Work has been undertaken on the detailed design of The Delph and the contractor appointed. Work has commenced with completion being the new target for 2011.



# Notes to the Core Financial Statements

## Information on Assets Held

Fixed assets owned by the Council include the following:

31 March 2009 (No.)		31 March 2010 (No.)
3,093	<b>Council Dwellings</b>	3,055
	<b>Operational Buildings</b>	
1	Town Hall	1
1	Civic Offices	1
1	Depot and Workshops	1
1	Leisure Centre and Pool	1
1	Leisure Centre	1
1	Forestry Centre	1
19	Off Street Car Parks	18
8	Public Conveniences	7
474	Garage Sites and Plots	511
16	Pavilions and Changing Rooms	14
	<b>Community Assets</b>	
370 acres	Parks and Open Spaces	370 acres
3	Cemeteries	4
7	Allotments	7
10	Community Rooms (Sheltered Housing Schemes)	10
	<b>Non-Operational Properties</b>	
21 acres	Land awaiting development	24
1	Industrial Estates	1
1	Factory	1
16	Shops	16
1	Bus Station	1
1	Market	1
3	Craft Workshops	3
19	Other Properties	19

# Notes to the Core Financial Statements

## 18. Intangible Assets

31 March 2009 £000	Software Licences	31 March 2010 £000
36	Net Book Value	10
(26)	Amortisation at 1 April 2008	(10)
10	<b>Balance at 1 April 2008</b>	0
0	Expenditure in Year	0
10	<b>Balance at 31 March 2009</b>	0

## 19. Financial Instruments

### Disclosure of Nature and Extent of Risk Arising from Financial Instruments

#### Key Risks

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

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

#### Overall Procedures for Managing Risk

The Council's overall risk management procedures focus on the unpredictability of financial markets, and on implementing restrictions to minimise these. The procedures for risk management are set out in the *Local Government Act 2003* and the associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice, and Investment Guidance issued through the Act. Overall, these procedures require the Council to manage risk in the following ways:

# Notes to the Core Financial Statements

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

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

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

## **Credit Risk**

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above.

The following analysis summarises the Authority's potential maximum exposure to credit risk, based on the experience of default assessed by the ratings agencies.

# Notes to the Core Financial Statements

Deposits with banks and financial institutions	31 March 2010	Historical experience of default %	Estimated maximum exposure to default	Estimated maximum exposure at 31 March 2010
	£000		£000	£000
Rated AA -counterparties	1,009	0	0	0
Rated A-counterparties	209	0	0	0
<b>Total</b>	<b>1,218</b>		<b>0</b>	<b>0</b>

## Liquidity risk

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

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well through cash flow management procedures required by the Code of Practice.

## Refinancing and Maturity Risk

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

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

# Notes to the Core Financial Statements

The maturity analysis of financial liabilities is as follows:

<b>31 March 2009</b> <i>£000</i>		<b>31 March 2010</b> <i>£000</i>
823	Within 1 year	3,603
954	Between 2 and 5 years	550
1,234	More than 5 years	1,219
<b>3,011</b>		<b>5,372</b>

The maturity analysis of financial assets is as follows:

<b>31 March 2009</b> <i>£000</i>		<b>31 March 2010</b> <i>£000</i>
0	Within 1 year	1,009
0	Between 2 and 5 years	0
0	More than 5 years	0
<b>0</b>		<b>1,009</b>

## Market Risk

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

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

# Notes to the Core Financial Statements

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

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

**Foreign Exchange Risk** - The Council has no financial assets or liabilities denominated in foreign currencies. It, therefore, has no exposure to loss arising from movements in exchange rates.

## Financial Instruments Balances

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments:

The Council has determined that there is no material difference between fair value and carrying value for the classes of financial instruments held and that, therefore, fair value has been taken to be the carrying value of the instrument.

<b>Total 31 March 2009 £000</b>		<b>Long-Term 31 March 2010 £000</b>	<b>Current 31 March 2010 £000</b>	<b>Total 31 March 2010 £000</b>
3,011	Financial liabilities at amortised cost	1,769	3,603	5,372
<b>3,011</b>	<b>Total Borrowings</b>	<b>1,769</b>	<b>3,603</b>	<b>5,372</b>
0	Loans and Receivables	0	1,009	1,009
<b>0</b>	<b>Total Investments</b>	<b>0</b>	<b>1,009</b>	<b>1,009</b>

# Notes to the Core Financial Statements

## 20. Investments

### Long Term Investments:

A sum equating to £40,000 is held on behalf of the South Derbyshire Music Trust, leaving the balance at 31 March 2010 being made up of a number of small investments.

### Short Term Investments:

The Council held £1.0m on temporary deposit with banks at 31 March 2010 (2008/09 - nil).

## 21. Long Term Debtors

This covers sums outstanding in respect of mortgages, loans to voluntary organisations and debt relating to transferred services, as follows:

	Balance at 1 April 2009	Expenditure	Amounts Received	Balance at 31 March 2010
	£000's	£000's	£000's	£000's
Mortgages	15	0	(7)	8
Loans to Voluntary Organisations	2	0	0	2
Transferred Services Derbyshire County Council	5	0	(5)	0
Charges on property	0	44	0	44
<b>Total</b>	<b>22</b>	<b>44</b>	<b>(12)</b>	<b>54</b>

## 22. Stock and Work-in-Progress

As at 31 March 2009 £000's		As at 31 March 2010 £000's
6	Rosliston Forestry Centre	6
55	Depot	37
<b>61</b>		<b>43</b>

# Notes to the Core Financial Statements

## 23. Debtors

31 March 2009 £'000		31 March 2010 £'000
	<b>Amounts falling due within one year:</b>	
2,946	Government Departments	3,315
238	Other local authorities	265
396	Council Tax payers	424
429	Tenants	331
2,577	Sundry Debtors	1,373
6,586		5,708
	<b>Provision for doubtful debts:</b>	
(488)	General debtors	(474)
(180)	Tenants	(135)
(225)	Collection Fund	(237)
5,693		4,862

## 24. Short Term Borrowing

31 March 2009 £000		31 March 2010 £000
0	Other Local Authorities	3,000
268	Parish Councils	178
6	Other	6
274		3,184

The short term borrowing of £3.0m was taken out on 16 March 2010 in order to meet cash flow commitments. This situation had arisen because of timing differences between making payments to contractors for major capital schemes and reimbursement of this expenditure from funding partners. In previous years the Council had sufficient surplus cash to meet similar commitments without the need for, short term borrowing. However, effects of the recession have resulted in significantly less cash being available to help manage the Council's overall cash flow position. This loan was repaid on 4 May 2010.



# Notes to the Core Financial Statements

## 25. Creditors

31 March 2009		31 March 2010
£'000		£'000
409	Government Departments	464
42	Major Precepting Authorities (Collection Fund)	408
112	Council Tax payers	135
133	Tenants	141
3,179	Sundry Creditors	3,130
36	Deposits	37
<b>3,911</b>		<b>4,315</b>

## 26. Long Term Borrowing

The only long-term borrowing still remaining is one Money Market loan for £1m. This costs £48,750 per year in interest charges at a fixed rate of 4.875%. It is due to mature in 2032. Potentially, there is a break clause; the lender has the option of reviewing the interest rate at any time and increasing it if they so wish. However, the Council then has the option of rejecting this and can instead choose to repay without incurring any penalty.

31 March 2009	Total Outstanding	31 March 2010
£'000		£'000
	<b>Type of Loan</b>	
1.000	Money Market Loan	1.000
	<b>Maturing Within</b>	
-	1 - 2 years	-
-	2 - 5 years	-
-	5 - 10 years	-
1.000	More than 10 years	1.000

# Notes to the Core Financial Statements

## 27. Deferred Liabilities

This comprises the debt outstanding on assets transferred from other local authorities in 1974 (primarily the former South East Derbyshire District Council) together with the outstanding liabilities in respect of deferred purchase (covenant) agreements.

An analysis of future liabilities is given in the table below.

31 March 2009	Transferred Assets	Deferred Covenants	31 March 2010
£'000	£'000	£'000	£'000
954 Due in 2 – 5 years	78	472	550
234 Due in more than 5 years	219	0	219
<b>1,188 Total Due</b>	<b>297</b>	<b>472</b>	<b>769</b>

## 28. Deferred Purchase (Covenants)

The Council entered into two Deferred Purchase (Covenant) agreements with a financial institution for the carrying out of certain specified capital projects:

**September 1987** — An agreement, valued at £3.5m, was entered into for the repair element of the post-war Council House Improvements Scheme and environmental and recreational facilities such as pavilions, car parks, public conveniences and village halls. This was later extended to £4.5m. As at 31 March 2010, all schemes had been completed. After allowing for principal repayments, there was an outstanding balance of £872,145. The agreement has been extended to September 2011 with a repayment profile that will clear the principal outstanding by that date.

**March 1990** — An agreement valued at £3 million was entered into for the provision of and improvement to major recreational facilities in the District. The facility was subsequently reduced to £2 million. This has been used to finance improvements to the Green Bank Leisure Centre. As at 31 March 2010, all principal outstanding had been repaid.

# Notes to the Core Financial Statements

## 29. Government and Other Grants Deferred

Movements during the year are as follows:

<b>31 March 2009</b>		<b>31 March 2010</b>
<b>£'000</b>		<b>£'000</b>
2,387	Opening Balance	2,923
654	Grants applied to capital investment	370
(118)	Grants amortised in year	(679)
<b>2,923</b>	<b>Closing Balance</b>	<b>2,614</b>

## 30. Deferred Capital Receipts

Deferred capital receipts of £5,606 in 2009/10 (£12,344 in 2008/09) are amounts derived from the sale of assets that will be received in instalments over agreed periods of time. They arise mainly from mortgages on the sale of Council houses and form the main part of mortgages that appear within the grouping of fixed/long term assets.

# Notes to the Core Financial Statements

## 31. Summary Information to Detail Movements on Reserves

	Balance 1 April 2009	Gains/ Losses Debited/ Credited to Reserve	Net Amount to/from Other Reserves	Balance 31 March 2010	Purpose of Reserve	Further Details of Movements
	£000	£000	£000	£000		
Deferred Capital Receipts	12	0	(6)	6	Amounts derived from the sales of assets, which will be received in instalments over agreed periods of time	See Note 30 to the Core Financial Statements
Fixed Asset Revaluation Reserve	1,880	1,888	(1,101)	2,677	Store of gains on revaluation of fixed assets	See Note 32 to the Core Financial Statements
Capital Adjustment Account	128,989	0	(807)	128,182	Store of capital resources set aside to meet past expenditure	See Note 32 to the Core Financial Statements
Usable Capital Receipts Reserve	2,757	0	(1,525)	1,232	Proceeds of fixed asset sales available to meet future capital investment	See Note 39 to the Core Financial Statements
Pensions Reserve	(17,909)	(7,574)	(683)	(26,166)	Balancing account to allow inclusion of Pensions liability in the Balance Sheet	See Note 9 to the Core Financial Statements
Major Repairs Reserve	0	0	128	128	Resources available to meet capital investment in Council housing	See Note 34 to the Core Financial Statements
Earmarked Reserves	725	0	300	1,025	Amounts set aside for specific policy purposes	See Note 36 to the Core Financial Statements
Fixed Asset Replacement Reserve	158	0	(108)	50	Fund the acquisition of vehicles, plant and equipment	See Note 35 to the Core Financial Statements
Collection Fund Adjustment Account	57	0	48	105	The difference between the income included in the Income and Expenditure Account and the amount required by legislation to be credited to the General Fund	
General Fund Reserve	2,731	(3,634)	3,889	2,986	Resources available to meet future running costs for non-housing services	See Note 3, Statement of Movement on the General Fund Balance
Housing Revenue Account Balance	2,800	0	(135)	2,655	Resources available to meet future running costs for Council housing	See HRA Statements
<b>Total</b>	<b>122,200</b>	<b>(9,320)</b>	<b>0</b>	<b>112,880</b>		

# Notes to the Core Financial Statements

## 32. Fixed Asset Revaluation Reserve and Capital Adjustment Account

The principle of capital accounting is that accounting for fixed assets is separated from accounting for their financing.

Two reserves are employed to help manage this separation.

**Revaluation Reserve** – records unrealised revaluation gains arising from 1 April 2007 from holding fixed assets.

**Capital Adjustment Account** – provides a balancing mechanism between different rates at which assets are depreciated under the SORP and are financed through the capital controls system.

These reserves are matched by fixed assets within the Balance Sheet and do not represent resources available to the Council.

### Fixed Asset Revaluation Reserve

31 March 2009 £'000		31 March 2010 £'000
6,189	Balance at 1 April	1,880
0	Revaluation	5,040
(4,305)	Depreciation & Impairment Losses	(4,197)
(4)	Disposal	(46)
<b>1,880</b>	<b>Balance at 31 March</b>	<b>2,677</b>

# Notes to the Core Financial Statements

## Capital Adjustment Account

31 March 2009 £'000		31 March 2010 £'000
<b>130,880</b>	Balance at 1 April 2008	<b>128,989</b>
(63)	Adjustments to Fixed Asset Register	20
(5,859)	Depreciation and Impairment Losses	(3,641)
427	Disposal of Fixed Assets	(325)
(2,617)	Revenue Expenditure Funded from Capital Under Statute	(3,358)
5,894	Resources Set Aside to Finance Capital Expenditure	6,182
310	Minimum Revenue Provision	297
17	Payment Transfer Debt Principal	18
<b><u>128,989</u></b>	<b>Balance at 31 March</b>	<b><u>128,182</u></b>

# Notes to the Core Financial Statements

## 33. Grants Unapplied

This comprises Government and other grants received to fund expenditure. The movements during the year are detailed below.

	1 April 2009	Receipts in Year	Payments in Year	31 March 2010
	£'000	£'000	£'000	£'000
Local Strategic Partnership	33	0	(13)	20
Tetron Point (Planning Agreement)	54	0	0	54
Swadlincote Woodlands (Commuted Sums)	109	0	(51)	58
Public Open Space (Commuted Sums)	706	24	(30)	700
Crime and Disorder Partnership	215	184	(68)	331
Young Peoples' Cultural Partnership	85	5	(11)	79
Youth Engagement Partnership	274	188	(56)	406
Area Meetings	30	8	0	38
Mystery Shopper	25	0	(25)	0
Climate Heroes Project partnership	25	0	(5)	20
Local Authority Energy Partnership	50	5	0	55
Environmental Partnership	7	0	0	7
Building Control Service Partnership	1	0	(1)	0
Get Active in the Forest Partnership	15	40	(36)	19
Planning Agreements (Capital)	2,703	459	(2,252)	910
Maurice Lea Park	75	0	(13)	62
Youth Service Grant	13	0	0	13
Electoral Registration Software	3	0	0	3
Free Swim Programme	27	92	(82)	37
Dilapidation Deposit (Trellborg Site)	261	0	0	261
Other	221	362	(221)	362
<b>Total</b>	<b>4,932</b>	<b>1,368</b>	<b>(2,864)</b>	<b>3,436</b>

# Notes to the Core Financial Statements

## 34. Major Repairs Reserve

This reserve has been established since April 2001 as part of the implementation of Resource Accounting in the Housing Revenue Account. Sums are transferred to the reserve annually in accordance with the estimated long term average amount of capital spending required to maintain the Authority's housing stock in its current condition. The reserve is available to meet capital expenditure on the land, houses and other property within the Authority's Housing Revenue Account. The balance on the Account as at 31 March 2010 was £128,256 (nil in 2008/09).

## 35. Fixed Asset Replacement Reserve

The Council approved the creation of a Fixed Asset Replacement Reserve to finance the replacement of vehicles, plant and equipment.

<b>Total 31 March 2009</b>		<b>Total 31 March 2010</b>
<b>£'000</b>		<b>£'000</b>
11	Balance at 1 April	158
(82)	Grants applied to capital investment	(403)
229	Contribution – Capital Receipts	225
0	General Fund Reserve	70
<b>158</b>	<b>Balance at 31 March</b>	<b>50</b>



# Notes to the Core Financial Statements

## 36. Earmarked Reserves

Reserve	Balance 1 April 2009 £'000	Transfers to £'000	Transfers from £'000	Balance 31 March 2010 £'000
DSO	37	0	0	37
New Technology	179	70	(125)	124
Repton Revenue Contributions	33	0	0	33
Committed Expenditure	126	172	(75)	223
Corporate Services Partnering Project	78	0	0	78
Planning Delivery	272	456	(217)	511
Local Authority Business Incentive	0	12	0	12
Rosliston Forestry Centre	0	7	0	7
	<b>725</b>	<b>717</b>	<b>(417)</b>	<b>1,025</b>

The reserves have been set up for the following purposes:

Reserve	Purpose
DSO	<p>This reserve was built up in previous years from surpluses made on the DSO trading account.</p> <p>It is currently earmarked to fund one-off expenditure associated with transport and technical works and, in particular, to meet any vehicle leasing costs associated with early termination or non-recoverable insurance costs.</p>
New Technology	<p>This reserve is to fund the replacement of computer hardware and software to generally upgrade IT and to help meet the requirements as set out in the Council's IT strategy.</p> <p>It has been funded from savings on current computer leases and other IT related running costs.</p>
Repton Revenue Contributions	An amount remaining from the sale proceeds of Repton Depot that is earmarked to be spent on projects in Repton Parish.
Committed Expenditure	This is to meet various commitments that were allocated in previous year's budgets but not spent.
Corporate Services Partnering Project	To meet costs of finding a suitable private sector partner to provide Corporate Support Services.
Planning Delivery	To cover future commitments funded by the Planning Delivery Grant.
Local Authority Business Incentive	Resources set aside to fund the provision of debt counselling initiatives.
Rosliston Forestry Centre	Profits from the café set aside to be re-invested back in the facility.

# Notes to the Core Financial Statements

## 37. Provisions

The Council reviewed all of its Provisions and Reserves during 2009/10. Amounts recognised as provisions are the best estimate of the liability, taking into account risks and uncertainties surrounding the events.

Provision	Balance 1 April 2009 £'000	Contributions to £'000	Contributions from £'000	Balance 31 March 2010 £'000
Suspended Benefit Cases	102	0	102	0
	<b>102</b>	<b>0</b>	<b>102</b>	<b>0</b>

A provision has been set-up for the following purposes:

Reserve	Purpose
Suspended Benefit Cases	<p>Over the previous 3 years, the Council has made provision to repay housing benefit subsidy it had previously reclaimed from the Department for Works and Pensions. This was in respect of a review being carried out concerning the calculation of certain benefit cases, in particular where benefit had been temporarily suspended. The issue involved the Council's previous computer system and potentially how the amount of reimbursement to the Council from the Department was calculated.</p> <p>The review looked at the financial years 2005/06, 2006/07 and 2007/08. The Council has now been notified that the Department is content with the Council's claims and no sums are due, therefore the provision is no longer required.</p>

# Notes to the Core Financial Statements

## 38. Trust and Other Funds

The Council administers the Chair's Charity, which raises funds annually in the Chair's name on behalf of charities and voluntary groups within South Derbyshire. These funds are then distributed to the beneficiaries nominated by the Chair. The total donated in 2009/2010 was £10,178 (£5,400 in 2008/2009).

The balance held for the Charity is not included in the Balance Sheet.

## 39. Usable Capital Receipts Reserve

Capital Receipts from the sales of assets, repayment of discounts and grants are treated in accordance with appropriate regulations. The income is credited to the Usable Capital Receipts Reserve, net of any residual payment to Central Government.

<b>31 March 2009</b> <b>£'000</b>		<b>31 March 2010</b> <b>£'000</b>
3,955	Balance at 1 April 2009	2,757
	Capital Receipts in Year from (net of disposal costs):	
5	Deferred Capital Receipts	7
372	Sale of Assets	439
52	Repayments of Grants and Discounts	53
1	Other	0
(1,296)	Capital Receipts Applied to Fund Capital Expenditure	(1,670)
(332)	Capital Pooling (payment to Central Government)	(354)
<b>2,757</b>	<b>Balance at 31 March 2010</b>	<b>1,232</b>

# Notes to the Core Financial Statements

## **40. Contingent Liabilities and Assets**

There are no contingent liabilities or assets for the financial year 2009/10.

## **41. Authorisation of Accounts for Issue**

The Director of Corporate Services, authorised this Statement of Accounts for issue on 22 June 2010.

## **42. Events After the Balance Sheet Date**

These are events occurring between the Balance Sheet date of 31 March 2010 and the date the accounts are signed by the Director of Corporate Services that have a bearing on the financial results. There are no such events that require disclosure.

# Notes to the Core Financial Statements

## Notes to the Cash Flow Statement

### 43. Reconciliation of Deficit to Net Cash Flow

Year ended 31 March 2009	£'000	Year ended 31 March 2010	
		£'000	£'000
291	Income and Expenditure Account (surplus) / deficit for the year		(185)
	<i>Exclude non-cash transactions:</i>		
182	Charged to capital	184	
360	Transfer from provisions	(2)	
(2,212)	Capital charges included in Income and Expenditure Account	(2,211)	
(118)	Contribution to capital expenditure	(108)	
331	Payments to Capital Receipts Pool	354	
(194)	Contribution to reserves	(62)	
(236)	Grant unapplied	(62)	(1,907)
	<i>Adjust for items on an accruals basis:</i>		
(135)	Creditors	19	
2,316	Debtors	(1,809)	
(24)	Stocks	(17)	
(499)	Adjustment for non revenue portion	(11)	(1,818)
	<i>Exclude items classified elsewhere:</i>		
(34)	Servicing of finance shown later in the cash flow statement		(124)
<b>28</b>	<b>Revenue Activities Net Cash Flow</b>		<b>(4,034)</b>

### 45. Movement in Cash

	Balance as at 31 March 2009	Balance as at 31 March 2010	Movement in the year
	£'000	£'000	£'000
Cash in bank and held as floats	6	6	0
Bank / (Bank overdraft)	(695)	202	897
<b>Net Cash Outflow</b>	<b>(689)</b>	<b>208</b>	<b>897</b>

# Notes to the Core Financial Statements

## 46. Movement in Financing

	Balance as at 1 April 2009	Balance as at 31 March 2010	Movement in the year
	£'000	£'000	£'000
Investments	0	1,009	1,009
Long term borrowing	(1,000)	(1,000)	0
Temporary loans	(274)	(3,185)	(2,911)
<b>Net Cash Outlay from Financing</b>	<b>(1,274)</b>	<b>(3,176)</b>	<b>(1,902)</b>

## 47. Analysis of Government Grants

Year ended 31 March 2009		Year ended 31 March 2010
£'000		£'000
<b>Grants Towards Revenue Activities</b>		
16,683	Department of Work and Pensions	20,085
315	Planning Development Grant	456
159	National Concessionary Travel Scheme	150
60	Other	162
<b>17,217</b>		<b>20,853</b>
<b>Grants Towards Capital Activities</b>		
910	Private Sector Housing Improvement	781
395	Local Authority Business Growth Incentive	0
<b>1,305</b>		<b>781</b>

# Supplementary Financial Statements

## Housing Revenue Account Income and Expenditure Account for the Year Ended 31 March 2010

2008/09 £'000		Note	2009/10 £'000
	<b><u>Income</u></b>		
9,285	Dwelling Rents		9,525
100	Non dwelling Rents		95
158	Charges for Services and Facilities		178
52	Contributions towards expenditure		112
414	Supporting People Grant		462
<b>10,009</b>	<b>Total Income</b>		<b>10,372</b>
	<b><u>Expenditure</u></b>		
3,028	Repairs and Maintenance		2,860
1,792	Supervision and Management		2,113
1	Rents, Rates, Taxes and Other Charges		10
2,961	Negative Subsidy – Payments to Secretary of State	7	3,064
19	Provision for Bad and Doubtful Debts		21
2,234	Depreciation and Impairment of Fixed Assets		2,441
25	Debt Management Costs		0
<b>10,060</b>	<b>Total Expenditure</b>		<b>10,509</b>
<b>51</b>	<b>Sub Total: Net Cost of HRA Services as included in whole Authority Income &amp; Expenditure Account</b>		<b>137</b>
135	HRA services share of Corporate and Democratic Core		131
29	HRA share of other amounts included in whole authority Net Cost of Services but not allocated to specific services		28
<b>215</b>	<b>Sub Total: Net Cost of HRA Services</b>		<b>296</b>
28	Gain or (loss) on sale of HRA fixed assets		(73)
216	Interest Payable and Similar Charges		138
(157)	Interest and Investment Income		(22)
154	Pensions interest cost and expected return on pensions assets		233
<b>456</b>	<b>(Surplus) or deficit for the year on HRA services</b>		<b>572</b>

# Supplementary Financial Statements

## Statement of Movement on the HRA Balance for the Year Ended 31 March 2010

2008/09 £'000		2009/10 £'000
456	<b>(Surplus) or deficit for the year on the HRA Income and Expenditure Account</b>	572
	<b>Additional amounts required by statute or non-statutory proper practices:</b>	
(28)	Gain / (loss) on sale of HRA fixed assets	73
(290)	Impairment of Fixed Assets and Reversal of Capital Expenditure not Adding Value Written off to Revenue	(444)
(114)	HRA share of contributions to / (from) Pensions Reserve	(132)
50	Capital Expenditure funded by HRA	108
(75)	Transfer to / (from) Major Repairs Reserve	(101)
<u>(1)</u>	<b>(Increase) / decrease in the Housing Revenue Account Balance</b>	<u>76</u>
(2,730)	Balance on HRA brought forward	(2,731)
<u><u>(2,731)</u></u>	<b>Balance on HRA carried forward</b>	<u><u>(2,655)</u></u>



# Supplementary Financial Statements

## Notes to the Housing Revenue Account

### 1. Background

The Housing Revenue Account (HRA) is a record of revenue expenditure and income relating to the Authority's housing stock. Its primary purpose is to ensure that expenditure on managing tenancies and maintaining dwellings is balanced by rents charged to tenants. Consequently, the HRA is a statutory account, ring-fenced from the rest of the General Fund, so that rents cannot be subsidised from Council Tax (or vice versa).

The ring fence is controlled by Schedule 4 to the Local Government and Housing Act 1989, which specifies the debits and credits to be made to the HRA and excludes any other postings. The schedule is supplemented each year by the Item 8 Determination (which sets out capital accounting and capital finance entries) and the HRA Subsidy Determination (which calculates the annual subsidy receivable or payable by the Authority).

### 2. Tangible Fixed Assets

Movements in Housing Revenue Account Fixed Assets during the year were as follows:

	Council Dwellings	Other Land and Buildings	Vehicles Plant and Equipment	Infra-structure	Investment Properties	Surplus Assets	Total
	£'000	£'000	£'000	£'000			£'000
<b>Cost or Valuation</b>							
At 1 April 2009	126,067	2,639	135	35	175	50	129,101
Additions	1,895	0	0	0	0	0	1,895
Disposals	(296)	(43)	0	0	0	0	(339)
Reclassifications	0	0	0	0	0	0	0
Revaluations	(2,246)	(157)	0	0	(63)	0	(2,466)
At 31 March 2010	125,420	2,439	135	35	112	50	128,191
<b>Depreciation and Impairments</b>							
At 1 April 2009	0	0	38	0	0	0	38
Charge for 2009/10	5,564	435	16	0	63	0	6,078
Disposals	0	(1)	0	0	0	0	(1)
Reclassifications	0	0	0	0	0	0	0
Revaluations	(5,564)	(434)	0	0	(63)	0	(6,061)
At 31 March 2010	0	0	54	0	0	0	54
<b>Balance Sheet amount at 31 March 2010</b>	<b>125,420</b>	<b>2,439</b>	<b>81</b>	<b>35</b>	<b>112</b>	<b>50</b>	<b>128,137</b>
<b>Balance Sheet amount at 1 April 2009</b>	<b>126,067</b>	<b>2,639</b>	<b>97</b>	<b>35</b>	<b>175</b>	<b>50</b>	<b>129,063</b>

# Supplementary Financial Statements

The dwellings in the Housing Revenue Account were valued as at £250,840,000. After taking account of houses sold in 2009/10 and the social housing discount factor, the vacant possession value of the remaining dwellings at 31 March 2010 was £125,420,000. From 1 April 2005 the vacant possession discount factor has reduced to 50% (1 April 2004 62%). The lower figure of £125,420,000 shown in the accounts represents the cost to the Government of providing housing at less than open market rents. The revaluation was in accordance with the Government's resource accounting policy, at Existing Use Value Social Housing.

The Housing Revenue Account assets were valued as at 31 March 2010; the balance sheet value reflects sales of dwellings and depreciation in the year.

Depreciation of £2.0m has been charged. This figure is made up of £1.9m for Council dwellings; the other £0.1m is in respect of garages, shops and other assets, which has been credited back to the HRA below the net operating expenditure as a transfer from the Major Repairs Reserve (note 5 below).

### 3. Capital Expenditure and Financing

The Housing Revenue Account capital expenditure in 2009/2010, and the methods of financing, are detailed below:

2008/09 £000		2009/10 £000
<b>5,513</b>	<b>Opening Capital Financing Requirement</b>	<b>5,495</b>
	<i>Capital Investment</i>	
2,667	Operational Assets	1,923
0	Non-operational Assets	0
290	Revenue Expenditure Funded from Capital Under Statute	370
	<i>Sources of Finance</i>	
(2,147)	Major Repairs Reserve	(1,768)
(747)	Capital Receipts	(405)
(14)	Government Grants and Other Contributions	(13)
(67)	Sums Set Aside from Revenue (includes direct revenue financing and MRP)	(125)
<b>5,495</b>	<b>Closing Capital Financing Requirement</b>	<b>5,477</b>
	<i>Explanation of Movements in Year</i>	
(18)	Sums Set Aside from Revenue – Transferred Debt	(18)
<b>(18)</b>	<b>Increase/(Decrease) in Capital Financing Requirement</b>	<b>(18)</b>

# Supplementary Financial Statements

## 4. Capital Receipts

The capital receipts for the Housing Revenue account are detailed below (excluding cost of disposal):

<b>2008/2009</b>		<b>2009/2010</b>
<b>£'000</b>		<b>£'000</b>
3	Sale of land	81
393	Sale of Council houses	369
4	Deferred capital receipts	7
52	Other capital receipts	53
<b>452</b>		<b>510</b>

Prior to 2004/2005, the Local Government and Housing Act 1989 required a proportion of these capital receipts to be set aside for debt redemption and the remainder to be held in the Usable Capital Receipts Reserve until such time as they are used to finance capital expenditure. From 2004/2005 a pooling arrangement was introduced under which a proportion of the capital receipts are paid over to the government. In 2009/2010 the sum paid was £354,226 (£331,829 in 2008/09) and is excluded from the above amount.

# Supplementary Financial Statements

## 5. Major Repairs Reserve

This reserve has been established since 1 April 2001 as part of the implementation of Resource Accounting in the Housing Revenue Account. Sums are transferred to the reserve annually in accordance with the estimated long term average amount of capital spending required to maintain the Authority's housing stock in its current condition. The reserve is available to meet capital expenditure on the land, houses and other property within the Authority's Housing Revenue Account, as shown below:

Year ended 31 March 2009 £'000		Year ended 31 March 2010 £'000
273	Balance at 1 April 2009	0
	Depreciation:	
1,875	Dwellings	1,896
75	Other HRA asset	101
2,223		1,997
(2,148)	Financing of capital expenditure	(1,768)
(75)	Transfer to Housing Revenue Account	(101)
<b>0</b>	<b>Balance at 31 March 2010</b>	<b>128</b>

# Supplementary Financial Statements

## 6. Housing Stock

The Council was responsible for managing an average of dwellings in 2009/2010. The composition of the stock at 31 March 2010 is as follows:

<b>Year ended 31 March 2009</b>		<b>Year ended 31 March 2010</b>
1,634	Houses	1,627
822	Flats	791
637	Bungalows	637
<b>3,093</b>	<b>Total</b>	<b>3,055</b>

The change in stock during the year is as follows:

<b>Year ended 31 March 2009</b>		<b>Year ended 31 March 2010</b>
3,099	Stock as at 1 April 2009	3,093
6	Less: Sales	6
0	Decommissioned	32
<b>3,093</b>	<b>Stock as at 31 March 2010</b>	<b>3,055</b>

# Supplementary Financial Statements

## 7. Housing Subsidy

The Local Government and Housing Act 1989 introduced a new deficit subsidy for the Housing Revenue Account. The deficit is derived as the balance on a notional Housing Revenue Account for the Authority, calculated in accordance with statutory determinations prescribing notional levels of increase in costs and rent income. As a result the position on the notional Housing Revenue Account can differ substantially from that on the Council's actual Housing Revenue Account.

Following the implementation of Resource Accounting, the subsidy includes a Major Repairs Allowance that reflects the estimated average annual cost of maintaining the condition of the authority's housing stock over a 30-year period.

From 2004/05 the cost of Housing Rent Rebates is required to be charged to the General Fund. This has resulted in a negative entitlement to Housing Subsidy and the Council making a contribution to the Exchequer of £3,064,293 (£2,960,995 in 2008/2009).

2008/09	Subsidy Element	2009/10
£'000		£'000
1,272	Allowance for Management	1,328
2,706	Allowance for Maintenance	2,799
1,875	Allowance for Major Repairs	1,896
471	Charges for Capital	247
69	Other Items of Reckonable Expenditure	51
6,393		6,321
(9,353)	Rent	(9,384)
(1)	Interest on Receipts	(1)
<b>2,961</b>	<b>Amount Payable by the Authority</b>	<b>3,064</b>

## 8. Gross Rent Income

This is the total rent income due for the year after allowance is made for voids etc. During the year void properties equated to 0.40% of the gross rent debit. Average rents were £59.91 (exclusive of other charges) a week in 2009/10, an average increase of £1.80 or 3.1% over the previous year.

# Supplementary Financial Statements

## 9. Provision for Bad Debts

The provision is assessed in accordance with the Local Government and Housing Act 1989. This specifies percentages to be applied according to the value of individual arrears. The total provided as at 31 March 2010 was £135,300 (31 March 2009 £180,005).

## 10. Rent Arrears

The totals for all arrears are as follows:

Year ended 31 March 2009		Year ended 31 March 2010
£'000		£'000
294	Arrears at 31 March	239
25	Written off during the year	65

## 11. HRA Share of Contributions to or from Pensions Reserve

Accounting Standard FRS 17 requires organisations to reflect the true cost of providing pensions in their accounts. However, with local authorities this should not impact on the Council Tax or on housing rents. The amount shown here is calculated to adjust the balance on the Housing Revenue Account to reflect actual employer contributions paid by the Authority.

# Supplementary Financial Statements

## **Collection Fund Income and Expenditure Account**

This statement reflects the statutory requirements for billing authorities to maintain a separate Collection Fund, showing the transactions relating to Non-Domestic Rates and the Council Tax, and illustrating the way in which these have been distributed to preceptors and the General Fund. The balance on the Collection Fund is disaggregated at the year-end to attribute relevant amounts to the precepting authorities (shown as creditors or debtors in the balance sheet) and the billing authority (South Derbyshire District Council).



# Supplementary Financial Statements

Year ended 31 March 2009	£'000	Note	Year ended 31 March 2010	
			£'000	£'000
<b>Income</b>				
38,989	Council Tax payers		40,624	
4,198	Council Tax benefit		4,895	45,519
19,582	Non Domestic Ratepayers			21,300
<b>62,769</b>	<b>Total Income</b>			<b>66,819</b>
<b>Expenditure</b>				
Precepts and demands				
31,308	Derbyshire County Council		32,520	
4,867	South Derbyshire District Council		5,095	
4,508	Police Authority		4,943	
1,912	Fire Authority		2,026	44,584
Non Domestic Rates				
19,493	Payment to NNDR Pool		21,213	
89	Collection allowances		87	21,300
125	Council Tax/NNDR increase in provision for bad and doubtful debts			99
0	Fund surplus (Council Tax) paid over to billing/precepting authorities			384
<b>62,302</b>	<b>Total Expenditure</b>			<b>66,367</b>
<b>(467)</b>	<b>Deficit / (surplus) for year</b>			<b>(452)</b>
(6)	Balance at 1 April 2009			(473)
(467)	Deficit/(surplus) for year			(452)
<b>(473)</b>	<b>Balance at 31 March 2010</b>			<b>(925)</b>

# Supplementary Financial Statements

## Notes to the Collection Fund Account

### 1. Council Tax

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into 8 valuation bands using estimated 1 April 1991 values for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by the District Council, Derbyshire County Council, the Police Authority and the Fire Authority for the forthcoming year and dividing this by the Council Tax base (the total number of properties in each band adjusted by a proportion to convert the number to a band D equivalent and adjusted for discounts, i.e. for 30,641.6 for 2009/2010 compared with 30,367.5 for 2008/2009). This basic amount of Council Tax for a band D property (an average of £1,452.79 for 2009/2010 compared with £1,402.67 for 2008/2009) is multiplied by the proportion specified for the particular band to give an individual amount due.

The Council Tax base for 2009/2010 was calculated as follows:

Band	Estimated number of taxable properties after effects of discounts	Proportion of Band D charge	Band D equivalent dwellings
A	24.50	5/9	13.6
A	9054.75	6/9	6036.5
B	7860.25	7/9	6113.5
C	5961.00	8/9	5298.7
D	5669.00	9/9	5669.0
E	3194.25	11/9	3904.1
F	1682.75	13/9	2430.6
G	823.00	15/9	1371.7
H	55.50	18/9	111.0
	<hr/>		<hr/>
	34325.00		30948.7
	<hr/>		<hr/>
Less adjustment for collection rates			307.1
			<hr/>
Council Tax base 2009/2010			30641.6

# Supplementary Financial Statements

## 2. Non-Domestic Rates

Under the arrangements for Uniform Business Rates, the Council collects Non-Domestic Rates for its area. These are based on local rateable values multiplied by a uniform national rate. The total amount, less certain relief and other deductions, is paid to a central pool (the NNDR pool) managed by Central Government, which in turn pays back to authorities their share of the pool based on a standard amount per head of population.

The total non-domestic rateable value at 31 March 2010 was £49,596,523 (£47,734,723 at 31 March 2009). The national non-domestic multiplier for 2009/2010 was 48.5p (46.2p for 2008/2009).

## 3. Collection Fund Surpluses and Deficits

The balance of the surplus of £925,069 on the Collection Fund at 31 March 2010 will be distributed in subsequent financial years to the District Council, Derbyshire County Council, the Police Authority and the Fire Authority in proportion to the value of the respective demands and precepts made on the Collection Fund.

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

	£
Derbyshire County Council	675,682
South Derbyshire District Council	104,728
Derbyshire Police Authority	102,832
Derbyshire Fire Authority	41,827
	925,069

## 4. Precepts and Demands on the Collection Fund

Total 2008/09 £000		Precept 2009/10	Share of Surplus 31 March 2009	Total 2009/10
31,308	Derbyshire County Council	32,520	319	32,839
4,508	Derbyshire Police Authority	4,943	46	4,989
1,912	Derbyshire Fire Authority	2,026	19	2,045
37,728		39,489	384	39,873

# Annual 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. South Derbyshire District Council also has a duty under the Local Government Act 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, South Derbyshire District Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

South Derbyshire District Council has formulated a 'Local Code of Corporate Governance', which is consistent with the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government'. A copy of the Code is on our website at [www.south-derbys.gov.uk](http://www.south-derbys.gov.uk) or can be obtained from the Head of Legal & Democratic Services, Civic Offices, Civic Way, Swadlincote, Derbyshire, DE11 0AH.

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, and culture and values, by which South Derbyshire District Council is directed and controlled and its activities through which it accounts to, engages with, and leads the community. It enables South Derbyshire District Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective and efficient services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can, therefore, only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process, designed to identify and prioritise the risks to the achievement of South Derbyshire District Council's policies, aims and strategic objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The Governance Framework has been in place at South Derbyshire District Council for the year ended 31st March 2010 up to the date of approval of the Annual Report and Statement of Accounts.

# Annual Governance Statement

## **C The Governance Framework**

The key elements of the systems and processes that comprise South Derbyshire District Council's Governance Framework are as follows:

### **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.

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 further it 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 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.

The Overview and Scrutiny Committee have 'call-in' powers to consider the appropriateness of Policy Committee decisions. It also shadows the policy committees, supports policy development and review and it carries 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. They 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 has designated the Head of Legal and Democratic Services as its Monitoring Officer. It is the function of this officer to ensure compliance with established policies, procedures, laws and regulations.

# Annual Governance Statement

After consulting with the Head of the Council's Paid Service (the Chief Executive) and Chief Finance Officer (Director of Corporate Services), the Monitoring Officer will report to Full Council if they consider that any proposal, decision or omission would give rise to unlawfulness or maladministration.

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

In addition, the Council operates 2 regulatory committees focusing on Development Control (planning applications and enforcement) and a Licensing and Appeals Committee. Furthermore, a Standards Committee which is chaired by an independent member oversees the conduct of elected councillors.

The Standards Committee assists in setting and promoting the ethics agenda for the Council and monitors training in relevant areas and is chaired by an Independent Member.

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

## **Code of Corporate Governance**

The Code was updated during 2008 to reflect the new Governance Framework developed by CIPFA/SOLACE and is subject to regular six monthly reviews by a Senior Officer Group reporting to Audit Sub-Committee and the Standards Committee, with an annual report to Full Council.

## **Standards of Financial Conduct**

Financial management is conducted in accordance with financial management and procedural rules, as set out in Part 4 of the Constitution. The Council has designated the Director of Corporate Services in accordance with Section 151 of the Local Government Act 1972.

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

The Council's financial management arrangements conforms with 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.

# Annual Governance Statement

The financial management system includes:

- A medium term Financial Plan linked to Service Plans
- An annual budget cycle incorporating Council approval for revenue and capital budgets, as well as treasury management strategies
- 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 Statements of Recommended Practice, Accounting Codes of Practice and Financial Reporting Standards
- Regular budget monitoring by budget holders through monthly financial monitoring reports
- Identification of financial risks regularly challenged, both internally and externally

## **Standards of Overall Conduct**

Elected councillors and employees 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 Officers and Members are required to declare interests and register gifts and hospitality.

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

From May 2008, the responsibility for considering written complaints against elected or co-opted Members of both the District Council and the Parishes of South Derbyshire moved from Standards for England to South Derbyshire District Council's Standards Committee. All decisions taken under the local assessment framework are reviewed by the Standards Committee which decides whether there is a need to recommend changes to policies or for further training.

Standards for England provides advice and guidance to Council's Standards Committee on the Member Code of Conduct.

# Annual Governance Statement

## **Members and Senior Officers – Development Needs**

Members and senior officers receive a thorough induction tailored to their role in the Council, including when they take on new roles. The Council has adopted an e-induction checklist and an e-induction package for officers, and an induction scheme is undertaken by Members at the beginning of each four year term of office. In addition, on an annual basis, existing and new Members of the Development Control, Standards and Licensing & Appeals Committees must attend training sessions to enable them to continue to sit on these Committees, to ensure that they are fully briefed on new developments in these areas.

The Council provides a full range of development opportunities for Members and the Senior Management Team, who undertake Performance Development Reviews, 360° appraisals and attend the Leadership and Development course.

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

## **Establishing Council Objectives**

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

The Sustainable Community Strategy for South Derbyshire 2009-2029 is produced 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, PCT and the Voluntary Sector. This plan aims to improve the overall economic, social and environmental wellbeing of South Derbyshire by tackling those issues that are important to the local community, business and service providers.

## **Complaints**

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

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

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



# Annual Governance Statement

## Service Delivery

The Comprehensive Area Assessment (CAA) is a new approach and will provide the first independent assessment of the prospects for local areas and the quality of life for people living there. It will assess and report how well public money is spent and will ensure that local public bodies are accountable for their quality and impact.

The CAA is based on two assessments

## Organisational Assessment

### 1. Managing performance

This will assess how well the Council is delivering services, outcomes and sustainable improvements in its priorities that are important locally, including whether it has the leadership, capacity and capability it needs to deliver future improvements. This is a joint inspectorate judgement and replaces the Direction of Travel assessment.

In December 2009, the Organisational Assessment stated that the Council performs well overall (scoring a three out of four). It listens to what local people tell it and is improving those things that matter most to local people such as the economy, value for money and anti-social behaviour. It confirmed that most Council services are good and getting better and that Councillors and staff work well together, along with police, nearby councils and other local organisations.

### 2. Use of Resources

We are also assessed by our external auditors, Grant Thornton, on an annual basis, on how we use our resources. For 2008/09, Grant Thornton has produced a judgement for each of the following three themes:

- **Managing finances** - focusing on sound and strategic financial management (3);
- **Governing the business** - focusing on strategic commissioning and good governance (3); and
- **Managing resources** - focusing on the effective management of natural resources, assets and people (2).

Overall, the Council scored a 3 out of 4 in the new Use of Resources Framework which shows that processes are effective and having the intended impact.

We have created our own evidence base based on consultation and research that highlights the key issues that we need to tackle. We need to look increasingly at outcomes for our residents and delivering quality services that they want. The importance of data quality, as set out in the Council's Data Quality Strategy, will also focus on making sure that our arrangements for collecting information are robust and that we can trust the evidence and management information we collect for the district. We are also placing an increasing importance on self-awareness; we need to know ourselves what we are good at and how we can work with our partners to deliver improved outcomes for residents across the district.

# Annual Governance Statement

## Business Improvement

To support service delivery, the Council has a dedicated Business Improvement Team. This is intended to co-ordinate greater efficiency and effectiveness in the use of Council resources.

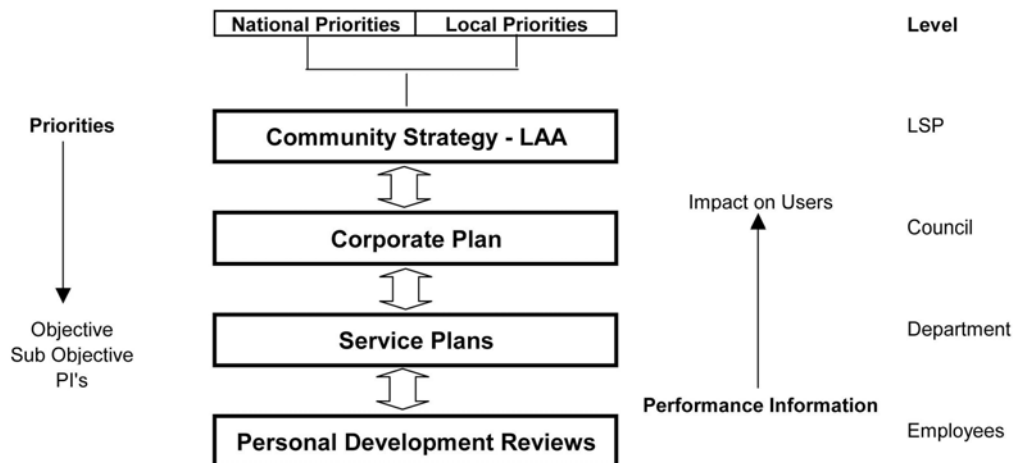
## Procurement

The Procurement Section ensures that our purchasing is legal, ethical, accountable and carried out in accordance with regulatory and legislative requirements.

## Managing Performance

Our performance framework is largely developed from national requirements in terms of the National Indicators and the Comprehensive Area Assessment (CAA) and the local issues that are emerging from the Sustainable Community Strategy. It also takes into account the Derbyshire LAA 2008-2011 – ‘Working Together for a Better Derbyshire’ and changes to the local arrangements for the collection and analysis of performance information. An outline of the new framework is shown in Figure 1.

Figure 1 – South Derbyshire District Council's performance framework



# Annual Governance Statement

## Components

**Our Sustainable Community Strategy** sets the long-term vision and community goals for all partners in South Derbyshire. This was reviewed in 2009 and a new Strategy launched for the period 2009-2029. This feeds into the countywide LAA, published in June 2008.

The Council's **Corporate Plan** describes how we will provide services to support the Community Strategy and focus our resource on key priorities and actions for improvement. This is an integral part of the Council's Performance Management framework and the actions set out how we will deliver our key priorities, 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 resourced fully.

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

**Performance Development Reviews** provide employees with a clear understanding of how their work is enabling the Council to deliver the priorities detailed in the **Corporate Plan**.

## Partnership Working

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

The Council's most significant partnerships are the South Derbyshire Partnership and the Safer South Derbyshire Partnership that operates under the Local Area Agreement for the County of Derbyshire.

These partnerships are properly constituted and Committees are established (comprising representatives of this Council) who monitor and review progress.

## Risk Management

The Council operates under a Risk Management Policy Statement, which sets out the principles, responsibilities and commitment to dealing with risk. It is effectively the framework for the management of risk throughout the Council.

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

In addition, the Council's Corporate Plan and financial strategy identify and evaluate risk at a more strategic level. Furthermore, evaluation of proposals for new spending and capital investment includes a risk assessment score.

# Annual Governance Statement

The Council's risk management strategy was reviewed and updated during 2009/10. A revised corporate framework for managing risk and to embed risk within services was approved by the Council in March 2010. This included guidance for managers in assessing and treating risk, together with a refresh of the Corporate Risk Management Group. The strategy will be fully implemented during 2010/11.

## **Internal Audit**

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

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

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

Internal audit is the main means by which the Council obtains assurances that systems are operating effectively. They are 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 Annual Action Plan that sets out the Council's commitment to health and safety and identifies positions with responsibilities under the policy. There is also a quarterly Employee Health and Safety Committee, chaired by the Director of Community Services, with representatives from the trade unions and managers, which monitors policies and work practices.

## **The Council's Audit Sub-Committee**

The purpose of the Sub-Committee is to provide independent assurance of the adequacy of the risk management framework and the associated control environment.

It also provides independent scrutiny of the Authority's financial and non-financial performance to the extent that it affects the Authority's exposure to risk and weakens the control environment.

The Sub-Committee also oversee the Authority's corporate governance arrangements in relation to financial matters in conjunction with the Standards Committee.

# Annual Governance Statement

## External Scrutiny

Grant Thornton UK has been appointed as the Council's 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 economy, efficiency and effectiveness in the use of resources.

Officers of the Council meet regularly with the external auditors to discuss planned and ongoing external audit and inspection activity through the Annual Audit Plan (developed using risk-based criteria) and also the results of such activity and how improvements will be implemented across the Council.

The Auditors undertake regular reviews each year and issue reports with action plans to aid improvement in specific areas. The annual Audit and Inspection Letter summarises the conclusions and significant issues arising out of audit and other inspections undertaken.

The outcome of all inspections and audits are used to plan and improve Council services.

## ICT (Information Communication Technology)

The Council would not be able to operate without an effective ICT infrastructure in place.

The Council's ICT Strategy is designed to ensure that the appropriate ICT 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, the ICT infrastructure complies with the requirements of Government Connect (the Government best practice requirements for IT security). Third party ICT health checks are carried out on an annual basis, ensuring that an independent assessment of the ICT infrastructure is given.

## D Review of Effectiveness

South Derbyshire District Council has responsibility for conducting, at least annually, a review of the effectiveness of its Governance Framework, including the system of internal control. The review of effectiveness is informed by the work of the Corporate Management Team, who have responsibility for the development and maintenance of the governance environment, Internal Audit reports on the audits conducted through the year, and also by comments made by the External Auditors and other review agencies and inspectorates.

The processes and indicators that have been applied in maintaining and reviewing the effectiveness of internal control during the year 2009/10 are set out below.

# Annual Governance Statement

## Overall Corporate Governance

The Council has adopted a Local Code of Corporate Governance based on recommended best practice, which reflects the governance framework developed by CIPFA/SOLACE. This sets out the systems by which the Council directs and controls its functions. This code is reviewed twice (on a half yearly basis) during the year.

## The System of Internal Audit

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

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

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

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

Internal Audit is subject to an annual assessment by the Council's external auditors (currently Grant Thornton).

As part of the annual assessment, Internal Audit's operational plan is reviewed, including their coverage of controls in important financial systems. External audit express an opinion on the adequacy of internal audit work and, where appropriate, rely on their work for assurance. As highlighted in their Annual Audit Letter for 2009, Grant Thornton confirmed that there were no issues that warranted a report to the Council.

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

In accordance with the 3 year cycle, the review for 2009/10 used a self-assessment approach undertaken by the Council's Chief Finance (Section 151) Officer. This followed a detailed independent peer (external) review in 2008/09.

Based on this, the Audit Sub-Committee concluded that during 2009/10, the system of internal audit was effective. Internal Audit's Annual Assurance Statement that sets out an assessment of the internal control system is attached at **Annexe A**.

# Annual Governance Statement

## Communication and Consultation

### Communication

Corporate communications covers the full range of media management, publications and external and internal communications. This is provided by a central team based in the Organisational Development Unit. Through targeting our communications activities the Council can continue to enhance its reputation and profile at a local and national level. Good corporate communications can encourage people to feel positively about the Council because they are better informed, have higher levels of satisfaction and know they are getting value for money. We review and update the Council's Corporate Communications Strategy and Action Plan on an annual basis.

### Consultation

The Corporate Plan is informed by consultation and is based on the views of all stakeholders including local people, voluntary and community groups and local businesses, as well as evidence collected on the District through our [Evidence Base](#).

The Consultation Strategy was first developed in July 2007 and has improved the coordination of consultation activities between the services within the Council and with key partners. This ensures that citizens' views were used effectively to inform Council decision-making. This is reviewed and updated on an annual basis.

We have undertaken the new Place Survey with the first survey being carried out in 2008 and have developed robust Action Plans to address the issues raised. We have also undertaken a comprehensive consultation exercise as part of the development of the Corporate Plan and Community Strategy.

### 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. Changes to the Constitution have to be approved by Full Council and reflect any changes to the Council's structure and responsibilities.

In addition, the Overview and Scrutiny Committee has the power to "call in" a decision, which has been made by a policy committee but not yet implemented, to enable them to consider whether the decision is appropriate. No decisions were called in during 2009/10.

The Overview and Scrutiny Committee scrutinises key policy issues, recommending and reporting back actions to the main policy committees. Their annual reports set out details of their work and outcomes during the year.

An external Peer Review of our Overview and Scrutiny function was carried out with an associated Action Plan approved by Members in October 2009. The review concluded that we "carried out good quality, innovative and influential scrutiny". In terms of the impact of our reviews, it was concluded that they have a "positive impact" and we are "punching above our weight".

# Annual Governance Statement

## **Propriety in the Conduct of Business**

For the 2009/10 reporting period, South Derbyshire District Council has not been the subject of a finding of maladministration by the Ombudsman.

No elected member of South Derbyshire District Council was found to be in breach of the Code of Conduct during 2009/10.

There were 10 major reportable accidents under Health & Safety Regulations during 2009/10. Following investigation of each accident, risk assessments were reviewed and updated as appropriate. No enforcement or other action was taken by the Health & Safety Executive.

## **Monitoring Performance**

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

External assessment of the Council’s performance is also undertaken on an annual basis through the Use of Resources Assessment and Organisational Assessment. This is completed by the Council’s External Auditor and will be used as the Council’s contribution towards the CAA.

## **Partnerships**

The Council is a principal partner in the South Derbyshire Partnership (SDP) and the Safer South Derbyshire Partnership (SSDP). The governance arrangements, which include a constitution and terms of reference, replicate those in the county-wide Derbyshire Partnership Forum. This ensures that decisions are made in an accountable manner and that transparency is shown as part of the decision making process. The partnerships have annual action plans which are monitored and reported quarterly to the relevant Strategic Boards. The Council receives an End of Year Report on the performance which identifies the outcomes of partnership work and the financial implications of work undertaken. These reports were presented to Full Council, LSP Board and Parish Council Liaison Meetings.

Information on outcomes for local people is collected as part of the performance management arrangements operated at a county level through the collection of performance information for the Local Area Agreement and locally through the SDP’s Sustainable Community Strategy.



# Annual Governance Statement

## Use of Resources

External Auditor, Grant Thornton, also judged the Council's performance in how it uses its resources and manages its finances, including how well it achieves value for money. The Council achieved a Level 3 for managing finances and governing the business, and Level 2 for managing resources, scoring an overall 3 (out of 4). This shows that the Council is performing consistently well in this area, with processes that are effective and having the intended impact.

## Other Indicators

Generally, liaison takes place on an on-going basis with Heads of Service, who help assess the adequacy of internal control and to help identify areas for improvement.

Finally, the Council's Annual Audit and Inspection Letter reports any significant weaknesses in the overall control framework and arrangements to prevent and detect fraud and corruption, together with its framework for ensuring the legality of financial transactions.

## E Significant Governance Issues

The Council operates within a fast changing environment. Consequently, the system needs to be subject to constant review but there will always be room to strengthen and increase the effectiveness of internal control.

Indeed, issues identified in the corresponding statement for 2008/09 identified several areas to be developed. Many of these were acted upon during 2009/10, such as:

- Creation, adoption and publication of a new Sustainable Community Strategy for South Derbyshire 2009-2029 by the South Derbyshire Partnership
- Reached National Equality Framework 'Achieving' status following IDeA Peer Assessment
- Positive external Peer Assessment of the Council's Overview and Scrutiny function
- Risk Management Strategy was reviewed and updated. A revised Corporate Framework for Managing Risk and to embed risk within services was approved by Council ensuring that risk management has been integrated with performance
- Implementation of the locally based system for the assessment, referral, investigation and hearing of complaints of alleged Member misconduct
- Achieved a Level 3 for Use of Resources
- 6 monthly review of our local Code of Corporate Governance in accordance with the CIPFA/SOLACE framework
- Establishment and approval of a Corporate Workforce Development Strategy
- Undertook Personal Development Plans with Members in conjunction with the Groups' nominated training champions

# Annual Governance Statement

- Revised policy and procedure for our Recruitment and Selection process
- Development of a robust Action Plan to address the issues raised in the Place Survey
- Implemented the Performance Management system
- Access Strategy has been reviewed
- Implemented actions arising out of the External Review (2008/09) of internal Audit, including a more governance focused audit plan for 2010/11 and the introduction of key performance indicators

Whilst these will continue to be embedded in the day-to-day business of the Council, there are other areas that have been identified that are considered key in further strengthening the internal control environment.

Primarily, these have been highlighted from a review of the Local Code of Corporate Governance and through work undertaken by External Auditor, Grant Thornton, during the last year, including its Use of Resources Judgement.

In addition, some actions may relate to areas where an initial strategy, policy or plan is required to strengthen the control environment. Any specific or detailed actions emanating from these are monitored and reviewed as part of the Council's Performance Management Framework.

The Local Code of Corporate Governance is held as an action area due to outstanding actions required from its half yearly review. This code is a key part of the Council's overall system of internal control.

# Annual Governance Statement

Areas which have been identified as being essential in further strengthening the internal control environment are summarised below:-

<b>Issue and Actions</b>	<b>Timescale</b>	<b>Responsible Officer</b>
Continue to review the Local Code of Corporate Governance in accordance with updated guidance and to undertake any outstanding work during the year	½ yearly review	Head of Legal & Democratic Services
Implement actions from the Audit Commission's review of the Local Area Agreement (as they affect the Council) – in particular, on risk and financial management arrangements	by March 2011	Director of Corporate Services
Ensure that the Council recognises more clearly its duty to promote equality and opportunity – Implement our robust Action Plan to address those areas identified in the IDeA Peer Assessment following reaching the 'Achieving' status to cement our robust and effective approach towards equalities	by March 2011	Director of Corporate Services
Members' training and development programme to be reviewed and Action Plan implemented	by March 2011	Director of Corporate Services/ Head of Legal & Democratic Services
Create a scheme for responding to petitions received	by January 2011	Head of Legal & Democratic Services
Maintain and strengthen current partnership arrangements – Develop a Good Practice Protocol for partnership working	by March 2011	Director of Corporate Services
Implement Action Plan from the External Auditors' review of our Use of Resources Assessment	by March 2011	Director of Corporate Services
Full implementation of the Risk Management Strategy via the Corporate Risk Management Group	by March 2011	Head of Finance and Property Services
Adopt the revised Members' Code of Conduct on introduction of the legislation	by March 2011	Head of Legal & Democratic Services
Implementation of an Action Plan to take forward the outcomes of the Place Survey	by March 2011	Director of Corporate Services



# Annual Governance Statement

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

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

Signed: .....

(Leader of the Council)

Dated: .....

Signed: .....

(Chief Executive)

Dated: .....



# Annual Governance Statement

Annexe A

## INTERNAL AUDIT ASSURANCE STATEMENT – 2009/2010

### Statutory Requirement

The requirement for an Internal Audit function of local authorities is implied by section 151 of the Local Government Act 1972, which requires that authorities make arrangements for the proper administration of their financial affairs and ensure that one of their officers has responsibility for that role. The appointed officer, for South Derbyshire District Council, is the Director of Corporate Services. The Accounts and Audit Regulations 2003 and the Accounts and Audit (Amendment) (England) Regulations 2006 more specifically require that 'a relevant body shall maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper internal audit practices'.

### System of Internal Control

The Council is responsible for ensuring that there is a sound system of internal control, which facilitates the effective exercise of the Council's functions. The control environment comprises a number of elements within its framework; a key element is the use of internal controls.

Internal controls are processes designed and implemented by management to ensure statutory requirements, policies and procedures are complied with, assets are safeguarded and records are complete and accurate.

### The role of Internal Audit

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

Internal audit is the main means by which the Council obtains assurances that systems are operating effectively. This is achieved by reviewing systems over a period of time thereby assessing the effectiveness of the overall internal control system. A long-term strategic plan is formulated using a risk assessment methodology within the audit planning process and annual work plans are undertaken.

Internal Audit operates within the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom. All audit work carried out is in accordance with the standards in the code and subject to a quality review process.

Internal Audit and external audit operate a joint working arrangement, known as the Managed Audit, to maximise the effectiveness of the audit process within the Council. The external auditor considers Internal Audit as a core component of the Council's internal control framework.

# Annual Governance Statement

The Internal Audit Service is subject to regular inspection by the Council's external auditors who, in accordance with the Audit Commission's Code of Practice, place reliance on the work carried out. Internal Audit is responsible to the Director of Corporate Services and the Head of Finance and Property Services being the Responsible Finance Officer and Deputy for the Authority.

## **Internal Audit's Assessment of the Internal Control System**

The review of the effectiveness of internal control is informed by the work of Internal Audit and the senior managers within the Council who have responsibility for the development and maintenance of the internal control environment. In addition, the comments made by our external auditors, inspectorates and other review agencies are also part of the overall assessment.

Internal Audit examined systems operating in a range of Council functions and Services during 2009/10 in accordance with the annual plan. Internal Audit's observations and recommendations were discussed with relevant managers as part of the operation of the internal audit service.

In relation to work carried out by Internal Audit for this period and during April and May 2010, I consider, that based on this work, reliance can be placed upon the Council's internal control system. The Council has implemented many new computer systems over the last five years, most of which are material to the final accounts process. The controls in these systems have been extensively reviewed during 2009/10 to confirm the level of internal control is maintained. Some issues arose relating to the control data on one of the revenue systems but this was satisfactorily resolved during the course of the audit. Internal Audit has also examined more non-financial areas and no major weaknesses were found.

**A. J. Stamper**

**Audit Manager**

**June 2010**





# Glossary of Terms

## Glossary of Terms

### Accounting Policies

Those principles, bases, conventions, rules and practices applied by the Council that specify how the effects of transactions and other events are to be reflected in its financial statements through:

- recognising assets from liabilities;
- selecting the bases for measurement; and
- presenting gains, losses, assets, liabilities and changes to reserves.

Accounting policies do not include estimation techniques.

Accounting policies define the process whereby transactions and other events are reflected in financial statements. For example, an accounting policy for a particular type of expenditure may specify whether an asset or a liability is to be recognised; the basis on which it is to be measured; and where in the revenue account or balance sheet it is to be presented.

### Accruals Basis

An accounting convention in which a transaction is reflected in the accounts for the period in which the substance of the arrangement takes place (e.g. when a service is provided or when goods are delivered) as opposed to the period during which a contract is entered into, or in which payments are made or received.

### Administrative Buildings

Buildings that either have a shared use or are not charged directly to a service. The costs relating to all such buildings are usually pooled and then allocated to the users of the buildings on some appropriate basis (usually the floor area occupied by each user).

### Balance Sheet

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

### Balances

Surplus of income over expenditure that may be used to finance expenditure. Balances can be earmarked in the accounts for specific purposes. Those that are not represent resources set aside for such purposes as general contingencies and cash flow management.

### Billing Authorities

Those authorities which collect the Council tax and non-domestic rate.

# Glossary of Terms

## **Capital Charge**

A charge to service revenue accounts to reflect the cost of fixed assets used in the provision of services.

## **Capital Expenditure**

Spending on the acquisition or enhancement of assets either directly by the local authority, or indirectly in the form of grants to other persons or bodies. Expenditure that does not fall within this definition must be charged to a revenue account.

## **Capital Expenditure Reserve**

An internal reserve to finance capital expenditure without resort to external borrowing. It can be built up by contributions from revenue and capital receipts.

## **Capital Programme**

The capital projects an authority proposes to undertake over a set period of time. The usual period covered by a capital programme is three to five years.

## **Capital Receipts**

The proceeds from the disposal of land and other assets. 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.

## **Collection Fund**

The fund administered by a billing authority into which Council taxes are paid, and from which payments are made its own general fund and to the other precepting authorities.

## **Community Assets**

Assets that the Local Authority intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal, for example parks and historic buildings.

## **Contingency**

A provision made in the budget for unforeseen expenditure, a short-fall in income or inflation in excess of any other budgetary provision which has been made.

## **Council Tax**

The main source of local taxation to local authorities. Council tax is levied on households within its area by the billing authority and the proceeds are paid into its Collection Fund for distribution to precepting authorities and for use by its own general fund.

# Glossary of Terms

## **Council Tax Base**

The Council Tax base of an area is equal to the number of band “D” equivalent properties. It is calculated by counting the number of properties in each of the eight Council tax bands and then converting this into an equivalent number of band “D” properties (e.g. a band “H” property pays twice as much Council tax as a band “D” property and, therefore, is equivalent to two band “D” properties). For the purpose of calculating revenue support grant, the Government assumes a 100% collection rate. For the purpose of calculations made by a local authority of the basic amount of Council Tax for its area for each financial year, the Authority makes an estimate of its collection rate.

## **Current Expenditure**

Expenditure on running costs, such as that in respect of employees, premises, supplies and services.

## **Deferred Capital Receipts**

Amounts derived from the sale of assets, which will be received in instalments over agreed periods of time. They arise mainly from mortgages on the sale of Council houses.

## **Deferred Charges**

Expenditure of a capital nature where no fixed asset is created but which may properly be financed over a period of years, e.g. renovation grants. Deferred charges are written down to revenue over appropriate periods.

## **Depreciation**

Charges reflecting the decline in value (not cost) of assets as a result of their usage or ageing.

## **Earmarked Reserves**

Reserves held by an Authority for a specific purpose.

## **Emoluments**

All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax), and the money value of any other benefits received other than in cash. Pension contributions payable by either employees or the Authority are excluded.

## **External Audit**

The independent examination of the activities and accounts of the Authority to ensure that the accounts have been prepared in accordance with legislative requirements and proper practices and to ensure that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

# Glossary of Terms

## **Fees and Charges**

Income raised by charging users of services for the facilities. For example local authorities usually make charges for the use of leisure facilities, car parks and the collection of trade refuse etc.

## **Financial Year**

The local authority financial year commences on 1 April and ends on 31 March the following year.

## **GAAP**

Generally Accepted Accounting Principles.

## **General Fund**

The main revenue fund of a billing authority. 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).

## **Gross Expenditure**

The total cost of providing the Council's services before taking into account income from Government grants and fees and charges for services.

## **Housing Benefit**

Financial help given to local authority or private tenants whose income is below prescribed amounts. The Government finances about 95% of the cost of benefits to non- HRA tenants ("rent allowances") and the whole of the cost of benefits to HRA tenants (through the rent rebate element of housing subsidy).

## **Housing Revenue Account**

A local authority's statutory account covering revenue income and expenditure on the housing services relating to its housing stock.

## **Impairment**

A reduction in the value of a fixed asset, below its carrying amount on the balance sheet.

# Glossary of Terms

## **Internal Audit**

An independent appraisal function established by the management of an organisation for the review of the internal control system as a service to the organisation. It objectively examines, evaluates and reports on the adequacy of internal control as a contribution to the proper economic, efficient and effective use of resources. Every local authority is required to maintain an adequate and efficient internal audit. A review of the effectiveness of the internal audit function of a local authority has to be considered and approved by the authority's Members each year.

## **Minimum Revenue Provision (MRP)**

The minimum amount which must be charged to a revenue account each year and set aside as provision for repaying external loans and meeting other credit liabilities.

## **National Non-Domestic Rate (NNDR or Business Rates)**

A levy on businesses, based on a national rate in the pound set by the government, multiplied by a "rateable value" of the premises they occupy. NNDR is collected by billing authorities on behalf of the government, which redistributes it among all local authorities and police authorities on the basis of population.

## **Net Expenditure**

Gross expenditure less specific service income, but before deduction of revenue support grant.

## **Non-operational Assets**

Fixed assets held by a local authority but not directly occupied, used or consumed in the delivery of services. Examples of non-operational assets are assets that are surplus to requirements pending sale or redevelopment.

## **Precept**

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

## **Precepting Authorities**

Those authorities that are not billing authorities, i.e. do not collect the Council tax and non-domestic rates. County Councils, Police Authorities and Joint Authorities are "major precepting authorities" and parish, community and town Councils are "local precepting authorities".

# Glossary of Terms

## Provisions

Amounts set aside in the accounts for a financial year to cover future expenditure on liabilities or losses that have been incurred but which are of uncertain timing.

## Related Parties

Two or more parties are related parties when at any time in the financial period:

- One party has direct or indirect control of the other party; or
- The parties are subject to common control from the same source; or
- One party has influence over the financial and operational policies of the other party to an extent that the other party might be inhibited from pursuing at all times its own separate interests; or
- The parties, in entering a transaction are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interests.

Examples of related parties of an authority include:

- Central Government
- Local authorities and other bodies precepting or levying demands on the Council Tax;
- Its subsidiary and associated companies;
- Its joint ventures and joint venture partners;
- Its Elected Members;
- Its Chief Officers

For individuals identified as related parties, the following are also presumed to be related parties:

- Members of the close family, or the same household, and
- Partnerships, companies, trusts or other entities in which the individual, or a member of their close family or the same household, has a controlling interest.

## Reserves

Amounts set aside in the accounts for future purposes that fall outside the definition of provisions. They include general balances and reserves that have been earmarked for specific purposes. Expenditure is not charged directly to a reserve, but to the appropriate service revenue account.

## Revenue Support Grant (RSG)

A general grant paid by the Government to local authorities as a contribution towards the cost of their services.

# Glossary of Terms

## **Statement of Accounts**

Local authorities are required to prepare, in accordance with proper practices, a Statement of Accounts in respect of each financial year, which contains prescribed financial statements and associated notes. Members of the Authority must approve the Statement by 30 June following the end of the financial year.

## **Statement of Recommended Practice (SORP)**

The Code of Practice on Local Authority Accounting in the United Kingdom.

## **Total Cost**

The total cost of a service or activity includes all costs which relate to the provision of the service (directly or bought in), or to the undertaking of the activity. Gross total cost includes employee costs, expenditure relating to premises and transport, supplies and services, third party payments, transfer payments, support services and capital charges. This includes an appropriate share of all support services and overheads that need to be apportioned.

## **Trading Services**

Services which are, or are generally intended to be, financed mainly from charges levied on the users of the service.

## **Usable Capital Receipts**

Amounts available to finance capital expenditure in future years.



# Independent Auditor's Report

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