

# SOUTH DERBYSHIRE DISTRICT COUNCIL

## STATEMENT OF ACCOUNTS 2006/07

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## EXPLANATORY FOREWORD

### 1. INTRODUCING THE ACCOUNTS

#### The Legal Basis

The maintenance, preparation and format of the Council's accounts are governed under 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.

This document contains several statements, and these are summarised below.

<ul style="list-style-type: none"><li>• <b>An Explanatory Foreword (including this introduction)</b></li></ul>	This sets out an overview of the Council's financial position as at 31 March 2007, its financial performance during 2006/07 and provides a summary of where the Council spends its money and how it is financed.
<ul style="list-style-type: none"><li>• <b>The Statement of Accounting Policies</b></li></ul>	Sets out the basis on which figures have been compiled in the various accounts.
<ul style="list-style-type: none"><li>• <b>The Statement of Responsibilities for the Statement of Accounts</b></li></ul>	Identifies the Council's responsibilities and the person appointed to ensure the proper administration of the Council's financial affairs.
<ul style="list-style-type: none"><li>• <b>The Income and Expenditure Account</b></li></ul>	Shows net expenditure on all services provided by the Council and how they were paid for.
<ul style="list-style-type: none"><li>• <b>The Statement of Movement on the General Fund Balance</b></li></ul>	Reconciles the Income and Expenditure Account surplus to the movement on the General Fund Balance for the year.
<ul style="list-style-type: none"><li>• <b>The Balance Sheet</b></li></ul>	Shows the Council's financial position as at 31 March 2007, its assets, liabilities, balances and reserves.
<ul style="list-style-type: none"><li>• <b>The Statement of Total Recognised Gains and Losses</b></li></ul>	Shows the change in the Council's net worth between the year of account and the previous one.
<ul style="list-style-type: none"><li>• <b>The Cash Flow Statement</b></li></ul>	Summarises the total movement of cash in and out of the Council, or simply, where the money came from and how it was spent.
<ul style="list-style-type: none"><li>• <b>The Housing Revenue Account (HRA) Income and Expenditure Account</b></li></ul>	Details the major elements of repairing, maintaining and managing council homes, and how this is met from rents, subsidies and other income.
<ul style="list-style-type: none"><li>• <b>The Statement of Movement on the Housing Revenue Account Balance</b></li></ul>	Reconciles the Housing Revenue Account Income and Expenditure Account surplus to the movement on the HRA Balance for the year.
<ul style="list-style-type: none"><li>• <b>The Collection Fund</b></li></ul>	Shows the level of business rates and council taxes that is due in the year and how these funds have been distributed.
<ul style="list-style-type: none"><li>• <b>The Statement on the System of Internal Control</b></li></ul>	Identifies the systems that the Council has in place to ensure that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded. This includes the Internal Audit Assurance Statement.

## 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 simplistic summary of the Council's financial performance during 2006/07 and its financial position as at 31 March 2007.

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

## Special Issues for 2006/07

For 2006/07, the financial statements represent a substantial change from those that authorities produced in 2005/06 and earlier years. The focus of the Statement of Accounts in those years was the Consolidated Revenue Account, which had the dual role of setting out the authority's financial performance as measured in accordance with proper accounting practices and determining the net expenditure to be charged against council tax in the year.

The new statements disaggregate the Consolidated Revenue Account and the old Statement of Movements on Reserves to produce a set of statements each with a single clear objective:

- Income and Expenditure Account – a summary of the resources generated and consumed by the authority in the year.
- Statement of the Movement on the General Fund Balance – a reconciliation showing how the balance of resources generated/consumed in the year links in with statutory requirements for raising council tax.
- Statement of Total Recognised Gains and Losses – demonstration of how the movement in net worth in the Balance Sheet is identified to the Income and Expenditure Account surplus/deficit and to other unrealised gains and losses.

To comply with proper accounting practices, the statements in the 2005/06 accounts (Consolidated Revenue Account and Statement of Movement on Reserves) have been restated in the 2006/07 Statement of Accounts to follow the new format.

## 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 and 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 act as a contingency to cover any unexpected event. In addition, they can be built up over time to be used for spending in the future.

## **Change in Accounting Policies**

In the 2006/07 Statement of Accounts, the Council has, as a result of changes in the Code of Practice on Local Authority Accounting in Great Britain 2006 (the SORP), adopted three significant new accounting policies that impact on the comparative figures published for the 2005/06 year:

- Capital financing charges for the use of fixed assets are no longer made to service revenue accounts
- Credits for government grants deferred are now posted to service revenue accounts rather than credited as a corporate income item
- Gains and losses on the disposal of fixed assets are recognised in the Income and Expenditure Account

The 2005/06 comparable figures in this Statement of Accounts have been restated to reflect the changes.

## OVERVIEW

This overview provides an introduction and a broad analysis of the Council's financial performance and position for 2006/07.

### Sound Financial Position

The accounts show that the Council's overall financial position continues to be sound and puts the Council in a good position to address the financial challenges that it faces in the future.

Overall net revenue expenditure on Council services (excluding council housing) was approximately £350,000 (3%) below that estimated for the year.

This was mainly due to additional income during the year (approximately £200,000) from planning and building regulation fees, together with interest on bank deposits and short-term investments.

In addition, overall expenditure was approximately £150,000 lower in the year. This was spread over various services and functions.

### Reserves

As at 31 March 2007, the Council's General Fund Reserve Balance stood at £3,677,737.

This is approximately 35% of the Council's current net revenue expenditure although future-spending plans will begin to draw this balance down.

In addition, the Council has taken steps to plan its finances responsibly for the future, and other funds have been set-aside within earmarked reserves.

These are to provide for known future spending commitments (both revenue and Capital).

Together, all of these reserves provide a sound basis to help meet the financial challenges that still lie ahead for the Council.

### Council Housing

The HRA recorded a surplus of over £1/2m for 2006/07. This was approximately £72,000 more than estimated.

The difference was mainly due to additional rent and supporting people grant, with overall expenditure remaining within budget.

Consequently, the HRA general reserve balance is still relatively healthy at approximately £2m as at 31 March 2007.

The HRA is subject to on-going scrutiny of its position in the longer-term as part of a 10-year business planning process.

### Capital Resources

The Council has built up a reasonable level of capital reserves for future capital investment. As at 31 March 2007, these stood at nearly £5m.

These will be used in the future, to continue to invest in the local community and help deliver the Council's priorities as set out in its 5-year capital investment programme.

### Future Issues

The Council plans its finances over a 3-year rolling period for revenue (General Fund), a 5-year period for capital investment and a 10-year period for the HRA.

Although finances are fairly sound now, the Council is likely to have future spending pressures that will draw upon its finances.

During 2006/07, the Council drew up a new Corporate Plan, which sets out the Council's key priorities for the future.

This is already demanding additional resources to meet the expectations of the local community.

In recent years, the Council has been able to repay all of its outstanding debt with the Government, from money it had effectively saved in the bank. This is generating savings on interest payments over many years.

In addition, under the Government's Gershon Efficiency Agenda, the Council has been making savings in its base budget and has plans to continue to do so in the future.

Procurement and greater electronic service delivery have been identified as key issues to deliver these savings, which can be re-invested into Council services.

A key part of the Council's overall financial strategy is to have a minimum level of reserves at the end of each service-planning period.

This is to act as a contingency against unforeseen circumstances, or to act as a buffer should base budgets change due to external factors and other business risks.

Effectively, this acts as the main financial target that the Council operates within.

The current financial models show that these targets although tight, will be achieved over the current planning period.

### **Summary**

These accounts continue to provide further reassurance that the Council can look forward to the future with a sound financial base.

This is built upon prudent levels of reserves with systems in place to ensure that it manages finances responsibly.

This does not mean that the Council can be complacent. Just like any other Council, South Derbyshire will continue to face the pressure of meeting the needs of local residents and a changing environment.

Finally, the Council realises the value of closing its accounts and providing information promptly, to provide up to date information.

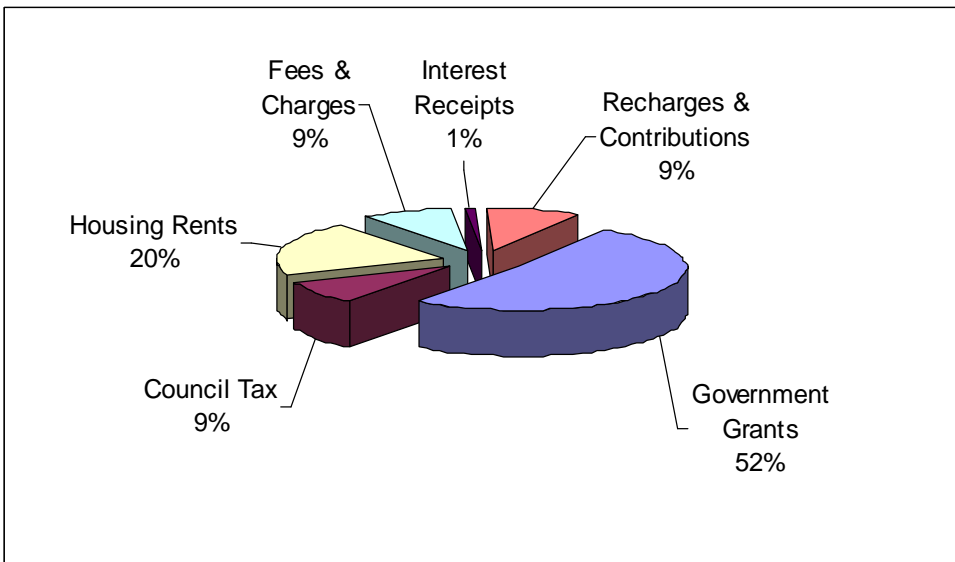
At the same time, preparing these accounts becomes more complex every year. As explained throughout these accounts, substantial changes were introduced during 2006/07.

Consequently, staff involved in this process deserve credit in ensuring that these financial statements are produced in a timely and professional manner.

## REVENUE INCOME AND EXPENDITURE 2006/07

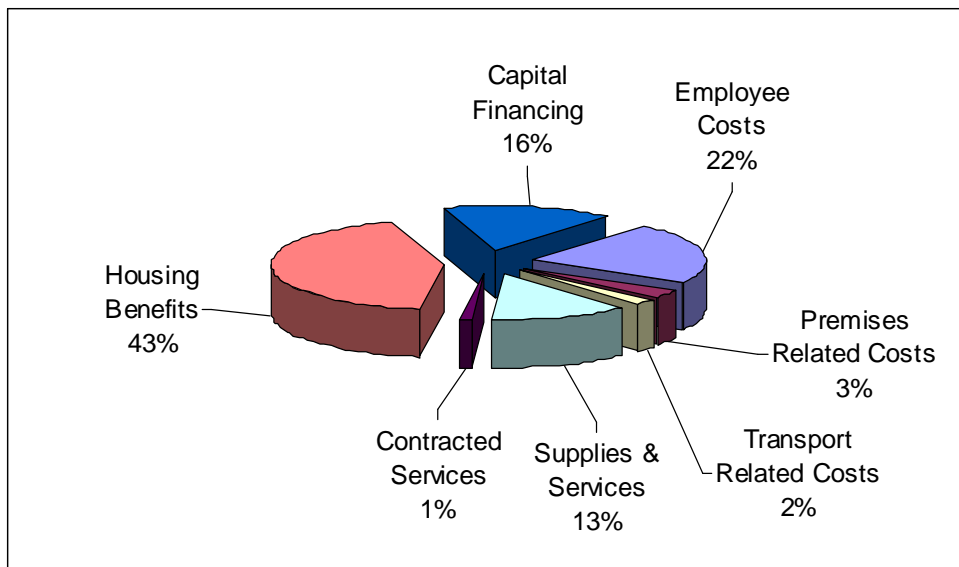
The Council's gross revenue expenditure in 2006/07 was £43.397m. The tables and graphs in this section show the money the Council receives and the costs it incurs in delivering the services that it provides.

Where the Money Comes From	£'000
<b>Government Grants</b>	<b>22,563</b>
<b>Council tax</b>	<b>4,166</b>
<b>Housing Rents</b>	<b>8,500</b>
<b>Fees &amp; Charges</b>	<b>3,837</b>
<b>Interest Receipts</b>	<b>397</b>
<b>Recharges &amp; Contributions</b>	<b>3,934</b>
<b>TOTAL INCOME</b>	<b>43,397</b>



- Government Grants include revenue support grant 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 license fees.
- Interest receipts are generated from accumulated capital receipts on bank deposit.
- Recharges and contributions consist mainly of reimbursements of highways expenditure, partnership contributions for crime and disorder and capital charges financing adjustments.

<b>The Cost of Providing Services</b>	<b>£'000</b>
<b>Employee Costs</b>	<b>9,761</b>
<b>Premises Related Costs</b>	<b>1,239</b>
<b>Transport Related Costs</b>	<b>787</b>
<b>Supplies and Services</b>	<b>5,582</b>
<b>Contracted Services</b>	<b>640</b>
<b>Housing Benefits</b>	<b>18,482</b>
<b>Capital Financing</b>	<b>6,906</b>
<b>TOTAL EXPENDITURE</b>	<b>43,397</b>



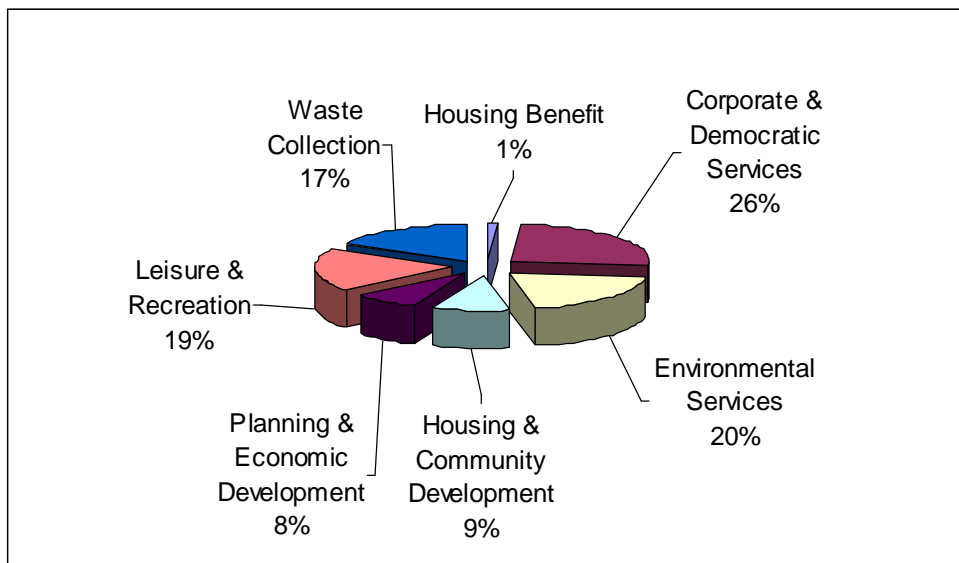
- Employee costs include wages and salaries, statutory pension and National Insurance contributions.
- Housing benefit payments include council tax benefit, rent allowances for private sector tenants and rent rebates for council house tenants.
- Capital financing costs relate to interest on short-term borrowings, interest on covenant agreements and leasing charges for vehicles and plant.
- Contracted services relate mainly to repair and maintenance of council homes and for recycling and composting services.
- Supplies and services include materials, equipment and communications, etc.

### **Net Cost of Services**

The chart below shows an analysis of the net cost of providing the Council's major services. This includes charges for depreciation and other capital costs charged to services, as detailed in the Income and Expenditure Account on page 18.



<b>Analysis of Net Cost Across Services</b>	<b>£000</b>
<b>Housing Benefit</b>	<b>78</b>
<b>Corporate and Democratic Services</b>	<b>3,007</b>
<b>Environmental Services</b>	<b>2,391</b>
<b>Housing and Community Development</b>	<b>1,092</b>
<b>Planning and Economic Development</b>	<b>932</b>
<b>Leisure and Recreation</b>	<b>2,234</b>
<b>Waste Collection</b>	<b>1,965</b>
<b>TOTAL NET SPENDING</b>	<b>11,699</b>



- The costs of corporate and democratic services include policy and service strategy.
- Core management and statutory services such as treasury management – the cost of “being in business as a public and accountable body.”
- The costs of environmental services include public health services, regulation and the maintenance of public spaces.
- The costs of leisure and recreation include maintenance of parks, play areas and the costs of the council’s leisure centres.

## COMPARISON TO BUDGET 2006/07

### General Fund Services

The approved budget highlighted a deficit on the General Fund of £347,640. Subsequent financial monitoring reports during the year projected a lower deficit. The actual out-turn was in fact a small surplus of £2,159 – representing an overall reduction in net revenue expenditure of £349,799. The major variances are outlined in the following table.

<b>Final Variance compared to Probable Out-turn 2006/07</b>	<b>£'000</b>
<b>Additional Income</b>	
• Development Control and Building Regulation Fees	120
• Interest on bank deposits and short-term investments	93
<b>Sub-Total - Increased Income</b>	<b>213</b>
<b>Add Lower Costs in the Following Areas</b>	
• Refuse Collection and Street Cleansing Costs	11
• Repair and Maintenance at Green Bank Leisure Centre	22
• Etwall Leisure Centre (also lower income)	23
• Legal Services – lower staffing costs	15
• IT connections and equipment	27
• Corporate Training Budget	20
• Payments to the Revenues and Benefits Consortium	67
• Administration of revenues including cash collection costs	36
• Economic Development – marketing and promotions	33
• Policy Unit – lower staffing costs mainly from vacancies	16
• Heritage Conservation	19
• Others	6
<b>Sub-Total – Lower Spending Areas</b>	<b>295</b>
<b>Less Higher Spending in the Following Areas</b>	
• Finance Department – covering vacancies and long-term absences	66
• Best Value Review and Inspection of Cultural Services	25
• Costs incurred ahead of the Major Sites Appeal Inquiry	20
• Repair and Maintenance of the Civic Offices and Depot	18
• Environmental Health – mainly Statutory Meat Inspections	18
• Installing and running new Christmas Lights in the town centre	11
<b>Sub-Total – Higher Spending Areas</b>	<b>158</b>
<b>Overall Reduction in Net Revenue Expenditure 2006/07</b>	<b>350</b>

### Housing Revenue Account (HRA)

The final accounts for 2006/07, also shows an improved position to that estimated, with reserve balances standing at nearly £2m as at 31 March 2007. This is approximately £72,000 more than estimated.

Again, additional income accrued to the HRA in the form of rents, but mainly through extra Supporting People Grant – an additional £3,500 per month reflecting eligibility and turnover rates in the year. This had been anticipated.

The overall increase in income represented less than 1% of the total amount due from tenants and the County Council. Expenditure was overall, virtually on budget.

## COUNCIL RESERVES

### General Fund Reserves

The Council began the year with a General Fund Balance of £3,465,959. Overall, this reserve increased by £211,778 to £3,677,737.

### HRA General Reserve

The Housing Revenue Account overall produced a surplus of approximately £516,000, increasing this reserve to £1,994,052 as at 31 March 2007.

### Other Earmarked Reserves

Apart from general reserves, the Council maintains other earmarked reserves that are held for specific purposes. They are provided to meet future and known commitments and in some cases, to spread expenditure over a number of years. They are summarised in the following table.

Analysis of Earmarked Reserves	Balance as at 1 April 06 £000	Less Used in Year £000	Add Income in Year £000	Balance as at 31 Mar 07 £000
DSO	37	0	0	37
Commutation Adjustment	410	410	0	0
HRA – IT System	52	13	0	39
IT	215	60	0	155
Commitments	863	726	0	137
Repton Parish Contributions	33	0	0	33
Local Strategic Partnership	34	10	0	24
Environmental Partnership	0	0	8	8
Crime and Disorder	0	97	413	316
Sports Development	0	8	28	20
Youth Engagement	0	15	107	92
Planning Delivery	0	223	446	223
<b>TOTAL – Earmarked Reserves</b>	<b>1,644</b>	<b>1,562</b>	<b>1,002</b>	<b>1,084</b>

### Commutation Adjustment

This reserve had been built up on annual basis to meet the negative effect of the commutation adjustment, which would have been a cost on the Council's General Fund from 2008/09. However, accounting regulations under the Local Government Act 2003 effectively revoked this.

Consequently, this reserve is no longer required and was transferred to the General Fund in 2006/07.

## CAPITAL INVESTMENT AND FINANCING

### Capital Spending

Total capital spending for 2006/07 was £5,609,379, which was approximately £900,000 lower on the overall budgeted programme. The main reasons for this were:

- Planned and contracted maintenance on council houses was lower due to a combination of fewer winter heating failures than anticipated and less take up by tenants on the bathroom replacement programme.
- Less take up of the Community Partnerships (Capital Grants) Scheme in year.
- Less expenditure on youth and play development areas and crime prevention initiatives due to other priorities being delivered.

However, work was completed in the year on some major on-going projects such as the development of Rosliston Forestry Centre and the restoration of Maurice Lea Park. A summary of overall spending is shown in the following table.

<b>Analysis of Capital Spending 06/07</b>	<b>£'000</b>
Council House Improvements	1,975
Disabled Facility Grants	622
Private Sector and Other Housing	987
Community and Recreational Facilities	1,157
Environmental Services	373
Property and other Assets	811
<b>Total Expenditure</b>	<b>5,925</b>

### Capital Financing

The following table shows how capital expenditure was financed in 2006/07.

<b>Analysis of Capital Financing 06/07</b>	<b>£'000</b>
Government Borrowing Allocations	2
Central Government Grants	2,355
External Contributions	465
Section 106 and Planning Gain Receipts	613
Revenue Contributions	47
Capital Receipts	1,977
Revenue and Capital Reserves	466
<b>Total Financing</b>	<b>5,925</b>

Further details on performance against budgets were reported to the Council on 28<sup>th</sup> June 2007.

This is available on request from the main Civic Offices or on the web site at:

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

## STATEMENT OF ACCOUNTING POLICIES

### 1. GENERAL

The Statement of Accounts summarises the Council's transactions for the 2006/07 financial year and its position at the year-end of 31 March 2007.

The accounts have been drawn up in accordance with the Code of Practice on Local Authority Accounting in Great Britain 2006 (the SORP, which is recognised by statute as representing proper accounting practices) with the following exceptions:

- a) Accruals concept - In accordance with normal Local Authority practice the accruals concept has not been applied with regard to certain debtors and creditors (see Paragraph 9).
- b) Valuation of stock - Instead of valuing stock at the lower of cost or net realisable value it has been treated as detailed in Paragraph 10.
- c) Pensions – Contributions in respect of Local Government pensions are determined by Government issued Superannuation Fund regulations. The effect that this has on compliance with FRS17 is explained in Paragraph 14.
- d) Gains/Losses on sales of fixed assets – In accordance with statute, receipts from the sales of fixed assets are not taken to revenue but transferred to a specific reserve (capital receipts). However, in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2006, total gains or losses on the disposal of fixed assets are now required to be credited or debited to the Income and Expenditure Account and the amount reversed in the Statement of Movement on the General Fund Balance.
- e) Valuation of assets – There is no option to carry assets at historical cost - all assets other than infrastructure, community and intangible assets are shown at current value.

As a result of changes in the SORP, the Council has adopted three significant new accounting policies for 2006/07 that impact on the comparative figures published for the 2005/06 year:

- Capital financing charges for the use of fixed assets are no longer made to service revenue accounts.
- Credits for government grants deferred are now posted to service revenue accounts rather than credited as a corporate income item.
- Gains and losses on the disposal of fixed assets are recognised in the income and expenditure account.

The 2005/06 comparable figures in this Statement of Accounts have been restated to reflect the changes.

### 2. FIXED ASSETS

All fixed assets are capitalised and included in the balance sheet at their current value (except for infrastructure, community and intangible assets which are included at historic cost). Assets acquired under finance leases are also capitalised, and are included in the balance sheet on the basis of the outstanding obligation to make future rental payments.

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 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).

The net gain or loss on disposals is not however a charge against council tax, as the cost of acquiring and the income from the sale of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated from the Statement of Movement on the General Fund Balance to ensure a neutral impact.

The Council does not operate a "de minimis" value for capitalisation.

### **3. INTANGIBLE 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 written off to the relevant service revenue account annually over the economic life of the investment.

### **4. DEPRECIATION**

Following the adoption of the principles of accounting standards FRS11 and FRS15, depreciation is now provided for on all fixed assets with a finite useful life (which can be determined at the time of acquisition or revaluation) as follows:

- 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 and disposals, except plant and machinery, are not depreciated in the year of acquisition/disposal

### **5. CHARGES TO REVENUE FOR FIXED ASSETS ETC.**

All revenue accounts of the Council are charged, where applicable, for all fixed assets used in the provision of services. These charges equate to the annual provision for depreciation, impairment and amortisation, where appropriate. This is a change introduced by the 2006 SORP, as previously a capital financing charge calculated by applying a notional rate of interest was also charged to revenue services. The comparative figures for 2005/06 have been restated to reflect this change.

The provision for depreciation for the use of fixed assets and relevant impairment losses etc included in the revenue accounts are credited in the Statement of Movement on the General Fund Balance to ensure that there is a neutral impact on the amounts required to be raised via local taxation. In the case of the Housing Revenue Account, a similar practice ensures that the fixed asset charges have a neutral impact on rents, in the same way that those charged to General Fund services have a neutral impact on the amounts required to be raised from local taxation. Amounts set aside from revenue for the repayment of external loans, to finance capital expenditure or as transfers to other earmarked reserves are disclosed as appropriations in the "Net Additional Amount Required..." in the Statement of Movement on the General Fund Balance. External interest payable is charged to the Income and Expenditure Account.

### **6. DEFERRED CHARGES**

Deferred charges represent expenditure which may properly be capitalised, but which does not represent tangible fixed assets. Such expenditure is amortised to revenue over an appropriate period based on the benefit obtained from the expenditure. In most cases the expenditure will be written down in the year it is incurred.

### **7. LEASES**

Rentals payable under operating leases are charged to revenue on an accruals basis. Where the Authority acts as a lessor, income is credited to revenue on a cash basis.

### **8. GOVERNMENT GRANTS AND CONTRIBUTIONS**

Where the acquisition of a fixed asset is financed either wholly or in part by a government grant or other contribution, the amount of the grant or contribution is credited initially to the government grants-deferred account. As a result of changes in the SORP for 2006/07, amounts are now released to the relevant service account over the useful life of the asset to match the depreciation charged on the asset to which it relates.

Government grants and other contributions are accounted for on an accruals basis and recognised in the accounting statements when the conditions for their receipt have been complied with and there is reasonable assurance that the grant or contribution will be received.

## 9. CAPITAL RECEIPTS

Prior to 2004/05, the Local Government and Housing Act 1989 required a proportion of these 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 2004/05 a pooling arrangement was introduced under which a proportion of the Housing Revenue capital receipts are paid over to the Government.

Interest on the sums held is credited to the General Fund.

## 10. DEBTORS AND CREDITORS

The accounts of the Council are maintained on an accruals basis in accordance with the Code of Accounting Practice and FRS 18. Sums due to or from the Council during the year are included whether or not the cash has actually been received or paid in the year. An exception to this principle relates to gas, electricity, telephone and other periodic payments that are charged on the due date 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.

## 11. STOCKS 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.

## 12. COSTS OF SUPPORT SERVICES

The costs of central, departmental and support services have been fully allocated to services as detailed below:

COST	BASIS OF ALLOCATION
Central Departments	Time spent by staff reflected in service level recharges
Administrative Buildings	Floor area
Computer Hardware	Previous 12 months' usage
Central Personnel Costs	Number of staff
Other Central Expenses	Estimated gross expenditure (allocated via departments)

In accordance with the Best Value Accounting Code of Practice 2006, the costs of the corporate and democratic core have been included with unapportionable central overheads in a separate objective head in the Council's Income and Expenditure Account and not allocated further, although a contribution is made from the Housing Revenue Account.

## 13. PROVISIONS

Provisions represent sums set aside for liabilities which have been incurred but which are of uncertain timing.

The Council maintains provisions in respect of bad and doubtful debts. These potential bad debts include amounts in respect of rent, Council Tax and Business Rate arrears. Provisions have been estimated in accordance with recommended practice. Provisions for bad and doubtful debts reduce the value of total debtors shown on the face of the Balance Sheet.

Other provisions, created in 2006/07, are:

- Suspended Benefit Cases
- Major Sites Appeal Inquiry.

These have been treated as "Exceptional Items" in 2006/07 and are shown on the face of the Income and Expenditure Account.

## **14. RESERVES**

The Council maintains capital reserves as specified by the Code of Practice on Local Authority Accounting. The most significant of these reserves are the Fixed Asset Restatement Account and the Capital Financing Account. Neither reserve is available to meet the authority's current expenditure, whether it is revenue or capital.

In addition to the General Reserves held for the General Fund and Housing Revenue Accounts, together with Usable Capital Receipts, the Council also has earmarked reserves held for specific purposes. They are provided to meet future and known commitments and, in some cases, to spread expenditure over a number of years. Such reserves are created by appropriating amounts in the Statement of Movement on the General Fund Balance. When expenditure to be financed from such a reserve is incurred, it is charged to the appropriate service revenue account in that year to score against 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.

Details of all capital and revenue reserves are shown in the notes to the Balance Sheet.

## **15. PENSIONS**

Employees of the Council are members of the Derbyshire County Council Pension Fund, which is a defined benefit scheme.

The liabilities of the pension scheme attributed to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method. This is an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees based on assumptions about mortality rates, employee turnover and projections of earnings for current employees.

Liabilities are discounted to their value at current prices using the iBoxx Sterling AA corporate bond over 15 years index rate as being appropriate for the duration of the overall liabilities.

The expected rate of return on plan assets is based on market expectation, at the beginning of the period, for investment returns over the entire life of the related obligations

Under the requirements of FRS 17, the charges to revenue accounts should reflect the pension earned by current employees in the year. The Income and Expenditure Account reflects this, and also shows other revenue costs of pensions i.e. the interest cost and the expected return on pensions assets. In order that there is a neutral impact on the amounts required to be raised by local taxation any difference arising from the different way of charging is transferred (in the Statement of Movement on the General Fund Balance) to the Pensions Reserve on the Balance Sheet.

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.

There have been some changes to the Local Government Pension Scheme (LPGS) benefits during the 2006/07 year, the major one of which is the removal of the "rule of 85" provisions for new entrants from 1 October 2006. This does not materially affect the 2006/07 accounting figures.

## **16. INVESTMENTS**

Investments are recorded in the accounts at cost.

## **17. VAT**

Income and expenditure excludes any amounts related to VAT as all VAT collected is payable to H.M. Revenue and Customs and all VAT paid is recoverable from them.



## 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
- 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:

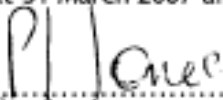
- selected suitable accounting policies and then applied them consistently
- made judgements and estimates that were reasonable and prudent
- complied with the local authority SORP.

The Director of Corporate Services has also:

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

#### Certification by Director of Corporate Services

This Statement of Accounts presents fairly the financial position of South Derbyshire District Council at 31 March 2007 and its income and expenditure for the year ended 31<sup>st</sup> March 2007.

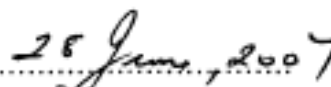
  
.....  
Director of Corporate Services

  
.....  
Date

#### Certification by the Chairman of the Finance & Management Committee

I certify that the Statement of Accounts relating to the year ended 31 March 2007 was considered and approved by resolution of the Finance & Management Committee of South Derbyshire District Council on 28<sup>th</sup> June 2007.

  
.....  
Chairman, Finance & Management Committee

  
.....  
Date

**INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2007**

<b>Net Cost</b>	<i>Note</i>	<b>Gross Expenditure</b>	<b>Income</b>	<b>Net Expenditure</b>
<b>2005/06 £'000</b>		<b>2006/07 £'000</b>	<b>2006/07 £'000</b>	<b>2006/07 £'000</b>
760	Central Services to the Public	6,901	6,055	846
1,841	Cultural and Related Services	3,346	869	2,477
3,421	Environmental Services	4,453	896	3,557
680	Planning and Development Highways, Roads and Transport Services	2,196	1,264	932
828		1,549	267	1,282
879	Housing Services – General Fund	12,249	11,237	1,012
(452)	Housing Services – Housing Revenue	10,095	10,880	(785)
<b>7,957</b>		<b>40,789</b>	<b>31,468</b>	<b>9,321</b>
1,933	Corporate and Democratic Core	2,221	138	2,083
279	Non Distributed Costs	387	92	295
<b>10,169</b>	<b>Net Cost of Services</b>	<b>43,397</b>	<b>31,698</b>	<b>11,699</b>
107	(Gain) or loss on disposal of fixed assets			51
306	Parish Precepts			363
(160)	(Surplus) or Deficit of Trading Operations	(2)		(131)
338	Interest Payable and Similar Charges			476
(165)	Interest and Investment Income			(491)
604	Pensions Interest Cost and Expected Return on Pensions Assets	(9)		474
1,205	Contribution to Housing Pooled Capital Receipts			1,478
-	Exceptional Items	(16)		682
<b>12,404</b>	<b>Net Operating Expenditure</b>			<b>14,601</b>
(2,955)	General Government Grants			(1,068)
(2,466)	Non Domestic Rates Distribution			(5,286)
(4,162)	Demand on the Collection Fund			(4,434)
(85)	Transfer from (-) the Collection Fund in Respect of Surpluses			(95)
<b>2,736</b>	<b>Income and Expenditure Account Deficit / Surplus (-)</b>			<b>3,718</b>

## STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

2005/06 £000	<i>Note</i>	2006/07 £000
2,736		3,718
<u>(3,227)</u>		<u>(3,930)</u>
(491)		(212)
(2,975)		(3,466)
<u>(3,466)</u>	(15)	<u>(3,678)</u>

## 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. An Authority will be recognising 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 outturn on the Income and Expenditure Account to show the total movement in the Authority's net worth for the year.

	2006/7		2005/06	
	£'000	£'000	£'000	£'000
(Surplus)/Deficit on the Income and Expenditure Account	3,718		2,736	
(Surplus)/Deficit arising on Revaluation of Fixed Assets	(18,896)		24,693	
Pension Reserve – Actuarial (Gains)/Losses on Pension Fund Assets and Liabilities	(3,641)		1,962	
Movement on Collection Fund	62		43	
Other Movements	<u>(520)</u>		<u>(1,882)</u>	
Total Recognised (Gains)/Losses for Year		<u><b>(19,277)</b></u>		<u><b>27,552</b></u>

## RECONCILIATION WITH BALANCE SHEET

<u>Change in net worth</u>	£000	£000
2004/05 Net Worth	-	141,043
2005/06 Net Worth	113,491	113,491
2006/07 Net Worth	132,768	-
<b>Difference</b>	<u><b>(19,277)</b></u>	<u><b>27,552</b></u>
<u>STRGL as above</u>	£000	£000
Loss/ (Gain)	<u><b>(19,277)</b></u>	<u><b>27,552</b></u>

## BALANCE SHEET

	Note	31 March 2007			31 March 2006		
		£'000	£'000	£'000	£'000	£'000	£'000
<b>Fixed Assets</b>	(18-23)						
<b>Intangible Fixed Assets</b>			63			90	
<b>Tangible Fixed Assets</b>							
Operational Assets							
Council dwellings		127,809			115,275		
Other land and buildings		19,109			15,599		
Vehicles, plant and equipment		647			384		
Infrastructure assets		861			583		
Community assets		3,933	152,359		2,974	134,815	
<b>Non operational Assets</b>							
Assets under construction			355			969	
<b>Total Fixed Assets</b>				152,777			135,874
Long term Investments	(24)		26			26	
Long term debtors	(25)		38	64		50	76
<b>Total Long Term Assets</b>				<b>152,841</b>			<b>135,950</b>
<b>Current Assets</b>							
Stock and works in progress	(26)		81			50	
Debtors	(27)		3,634			7,840	
Investments	(24)		5,458			800	
Cash and Bank			14	9,187		0	8,690
<b>Total Assets</b>				<b>162,028</b>			<b>144,640</b>
<b>Current Liabilities</b>							
Short term borrowing			(243)			(182)	
Creditors	(28)		(5,670)			(4,479)	
Cash and Bank			0	(5,913)		(401)	(5,062)
<b>Total Assets less current liabilities</b>				<b>156,115</b>			<b>139,578</b>
<b>Long term Liabilities</b>							
Long term borrowing	(29)		(1,000)			(1,000)	
Deferred liabilities	(30-31)		(2,713)			(3,146)	
Pensions Liability	(43)		(17,259)			(20,535)	
Government and Other Grants Deferred	(32)		(1,693)			(1,406)	
Provisions	(41)		(682)	(23,347)		0	(26,087)
<b>Total Assets less Liabilities</b>				<b>132,768</b>			<b>113,491</b>
<b>Financed by:</b>							
Fixed Asset Restatement Account	(34)			112,577			96,347
Capital Financing Account	(35)			21,438			20,366
Usable Capital Receipts Reserve	(46)			4,985			6,127
Capital Grants Unapplied	(36& 46)			3,691			4,059
Pensions Reserve	(43)			(17,259)			(20,535)
Earmarked Reserves	(40)			1,084			1,644
General Fund				3,678			3,466
Housing Revenue Account				1,994			1,478
Fixed Asset Replacement Reserve	(38)			283			374
Major Repairs Reserve	(37)			261			57
Collection Fund	(39)			16			78
Deferred Capital Receipts	(33)			20			30
<b>Net Worth</b>				<b>132,768</b>			<b>113,491</b>

## CASH FLOW STATEMENT

		Year ended 31 March 2007		Year ended 31 March 2006	
	Note	£'000	£'000	£'000	£'000
<b>Revenue Activities</b>					
Cash outflows					
Employees		10,584		9,439	
Housing Benefit payments		4,918		4,640	
Derbyshire CC precept		29,024		27,318	
Police Authority precept		4,093		3,842	
Fire Authority		1,746		1,636	
Parish Councils		363		306	
Payment to Capital Receipts Pool		1,462		1,205	
Payment to NNDR Pool		15,170		14,983	
Other operating costs		15,112	82,472	13,133	76,502
Cash inflows					
Housing rents (net of rebates)		(3,913)		(3,031)	
Council Tax income		(35,421)		(33,329)	
Non-Domestic Rate income		(16,561)		(15,204)	
Receipts from NNDR pool		(5,286)		(2,466)	
Revenue Support Grant		(1,068)		(2,955)	
Government Grants	(55)	(18,064)		(16,639)	
Fees and Charges		(3,968)		(3,179)	
Other income		(1,477)	(85,758)	(2,124)	(78,927)
<b>Revenue Activities Net cash flow</b>	(52)		<b>(3,286)</b>		<b>(2,425)</b>
<b>Servicing of Finance</b>					
Cash outflows					
Interest paid		438		338	
Cash inflows					
Interest received		(426)	12	(165)	173
<b>Capital Activities</b>					
Cash outflows					
Fixed assets		2,473		3,233	
Other capital payments		2,288	4,761	3,464	6,697
Cash inflows					
Sale of fixed assets		(2,615)		(4,458)	
Government Capital grants	(55)	(754)		(874)	
Other Grants and Contributions		(3,205)		(1,560)	
Other capital income		0	(6,574)	(90)	(6,982)
<b>Net Cash (Inflow)/Outflow Before Financing</b>			<b>(5,087)</b>		<b>(2,537)</b>
<b>Financing</b>					
Cash outflows					
Repayment of amounts borrowed		0		3,790	
Temporary investments		64,613		39,128	
Temporary Loan to Parish Council		75	64,688	0	42,918
Cash inflows					
Temporary investments repaid		(59,955)		(38,335)	
Temporary loans		(61)	(60,016)	(1,916)	(40,251)
<b>Net (Increase)/Decrease in Cash</b>	(53)		<b>(415)</b>		<b>130</b>

## NOTES TO THE CORE STATEMENTS

### A. INCOME AND EXPENDITURE ACCOUNT AND STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

#### 1. MINIMUM REVENUE PROVISION

The authority is required by statute to set aside a minimum revenue provision for the redemption of external debt. The method of calculating the provision is defined by statute.

	2006/2007		2005/2006	
	£'000	£'000	£'000	£'000
MRP calculated for the year	333		321	
Less Commutation adjustment	(76)		(133)	
		257		188
Additional revenue provision		0		0
		257		188
Charged as Depreciation (General Fund)	(742)		(597)	
Assets written off and impairment	(234)		(579)	
Deferred charges	(1,873)		(2,329)	
Release of grants deferred	906		1,715	
		(1,943)		(1,790)
Adjustment to MRP		(1,686)		(1,602)
Depreciation in excess of MRA		(158)		(100)
Transferred debt Principal Repayments		18		20
		(1,826)		(1,682)

#### 2. 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 2006/2007 are summarised below:

	2006/2007			2005/2006
	Industrial Estates	Markets	Total Trading Services	Total Trading Services
	£'000	£'000	£'000	£'000
Gross Income	(350)	(2)	(352)	(339)
Gross Expenditure	204	17	221	179
(Surplus)/deficit on trading services	(146)	15	(131)	(160)

### 3. OPERATING LEASES

Operating leases are used to finance a wide range of equipment, vehicles and plant. The amount paid under such leases in 2006/2007 was £248,456 (2005/2006 £265,745). The future cash payments required under these leases are estimated at £456,000 as shown in the following table.

	<b>£000's</b>
Due within 1 year	76
Due in 2 – 5 years	303
Due in more than 5 years	<u>77</u>
<b>Total Due</b>	<u><b>456</b></u>

The Council also leases an Industrial Estate where the annual rental is £50,000 giving a total future commitment of £850,000 over the remaining 17 years of the lease.

The Council rents some properties to tenants under lease arrangements. Amounts receivable under these leases in 2006/07 was £396,000.

The asset value of these properties at 31 March 2007 was £3,836m.

### 4. PUBLICITY

Section 5 of the Local Government Act 1986 requires expenditure on certain publicity to be disclosed. The Council's spending for 2006/2007 is as follows:

	<b>2006/07</b> <b>£'000</b>	<b>2005/06</b> <b>£'000</b>
Recruitment advertising	70	66
Promotional expenses	<u>160</u>	<u>120</u>
<b>Total Expenditure</b>	<u><b>230</b></u>	<u><b>186</b></u>



## 5. BUILDING CONTROL TRADING ACCOUNT

The Local Authority Building Control Regulations require the disclosure of information regarding the setting of charges for the administration of the building control function. However, certain activities performed by Building Control cannot be charged for, such as providing general advice and liaising with other statutory authorities. The statement below shows the total cost of operating Building Control divided between the chargeable and non-chargeable activities.

	<b>Chargeable</b>	<b>Non Chargeable</b>	<b>Total Building Control</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Expenditure</b>			
Employee expenses	160	142	302
Premises	5	4	9
Transport	6	5	11
Supplies and Services	47	32	79
Central and Support Services Charges	28	13	41
	246	196	442
<b>Income</b>			
Building Regulations Charges	338	0	338
Miscellaneous Charges	0	8	8
	338	8	346
<b>Surplus/Deficit for Year</b>	(92)	188	96

## 6. AGENCY SERVICES

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

<b>Principal</b>	<b>Activity</b>	<b>Expenditure</b>	
		<b>2006/07</b>	<b>2005/06</b>
		<b>£'000</b>	<b>£'000</b>
Derbyshire County Council	Highways – Amenity maintenance and gully cleansing	244	238

## 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 subsistence allowances. Attendance Allowance is no longer paid.

The total of payments made to Members in 2006/07 amounted to £331,248 (2005/06 was £321,397), detailed as follows: -

	<b>2006/2007</b>	<b>2005/2006</b>
	<b>£</b>	<b>£</b>
Basic Allowance	187,984	182,700
Special Responsibility Allowance	111,051	108,275
Travelling Expenses	21,245	20,748
Subsistence	5,463	5,040
Conferences	5,505	4,634
	<hr/>	<hr/>
	331,248	321,397
	<hr/>	<hr/>

## 8. OFFICERS' EMOLUMENTS

The number of employees whose remuneration, excluding pension contributions, exceeded £50,000 was:

Remuneration Band	Number of Employees	
	2006/2007	2005/2006
£50,000 - £59,999	1	0
£60,000 - £69,999	2	3
£70,000 - £79,999	1	0
£80,000 - £89,999	1	1

## 9. PENSIONS

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 into the fund at a level estimated to balance pension liabilities with investment assets. The cost of retirement benefits is accounted for when they are earned and is included in the Net Cost of Service in the Income and Expenditure Account.

The following transactions have been included in that Account.

	Year ended 31 March 2007		Year ended 31 March 2006	
	£' 000	£' 000	£' 000	£' 000
Current service costs		1,339		1,125
Past service costs		0		53
		<u>1,339</u>		<u>1,178</u>
Expected return on assets	(2,347)		(1,987)	
Pension interest cost	2,821		2,591	
Net Operating Expenditure		<u>474</u>		<u>604</u>
Movement on Pensions Reserve		<u>(365)</u>		<u>(399)</u>
Actual amount charged against Council Tax & HRA		<u>1,448</u>		<u>1,383</u>

Notes 43 and 44 to the Balance Sheet contain further details relating to pensions.

## 10. RELATED PARTY TRANSACTIONS

FRS8 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 Revenue Support Grant and National Non-Domestic Rates from Central Government and the amounts involved are disclosed in the Income and Expenditure Account on page 18. Details of other grants for specific projects or services are shown in the Cash Flow Statement on page 22.

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 57. The Derbyshire County Council is the administering authority for the Pension Fund and a note to the Income and Expenditure Account on page 27 (note 9) and to the Balance Sheet on page 43 (note 43) explains the accounting treatment for pension 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 27 and 28 to the Balance Sheet on page 37.

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 2006/07. In addition, the Council formally nominates members to sit on outside bodies.

## 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.

	<b>2006/2007</b>	<b>2005/2006</b>
	<b>£</b>	<b>£</b>
Audit of Accounts	66,000	68,615
Use of Resources	27,300	23,534
Statutory Inspections	11,900	4,770
Grant Claim Certification	22,611	14,120
	<hr/>	<hr/>
	127,811	111,039
	<hr/>	<hr/>

## 12. SECTION 137 EXPENDITURE

The majority of the provisions of Section 137 of the Local Government Act 1972 were replaced by the 'well being' powers contained in the Local Government Act 2000. This gives principal local authorities a discretionary power to do anything they consider likely to promote the economic, social or environmental well being of their area. There is no spending limit attached to this power. Principal authorities have to disclose their expenditure incurred under S 137(3) e.g. donations to charities, voluntary bodies and not for profit bodies.

Expenditure incurred in 2006/2007 was £180,742 (2005/2006 £141,803).

## 13. NON-DISTRIBUTED COSTS

These relate to some pensions costs and some miscellaneous items.

## 14. 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 it raised 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 summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance.

**15. 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:

<b>2005/06</b>	<b>2006/07</b>
<b>£000</b>	<b>£000</b>
<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>	
(1,176) Depreciation and Impairment of fixed assets	(976)
(100) Excess HRA Depreciation over MRA	(158)
1,715 Amortisation of Government Grants Deferred	906
(2,329) Write Down of Deferred Charges	(1,873)
(107) Gain or loss on disposal of fixed assets	(51)
(399) Contribution from the Pension Reserve	(365)
<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>	
208 Provision for Repayment of Debt	275
24 Capital Expenditure Charged to the General Fund Balance	47
(1,205) Transfer from Usable Capital Receipts for contribution to Housing Pooled Capital Receipts	(1,478)
<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>	
127 Transfer to / from (-) HRA Balances	516
15 Net Transfer to / from (-) Reserves	(773)
<b>(3,227)</b>	<b>(3,930)</b>
<b>Net Additional Amount Required to be Credited to the General Fund.</b>	

The net transfer from Reserves in 2006/07 is as follows:

	£000	£000
Commutation Adjustment Reserve	410	
L.S.P Reserve	10	
S 106 Swadlincote Woodlands Reserve	38	
S 106 Grounds Maintenance Reserve	16	
Committed Expenditure Reserve	<u>726</u>	<u>1,200</u>
Less:		
Transfer to Crime and Disorder Reserve	169	
Transfer to Youth Engagement Reserve	89	
Transfer to Planning Delivery Grant Reserve	<u>169</u>	<u>427</u>
		<u>773</u>

## 16. EXCEPTIONAL ITEMS

These relate to provisions created as follows:

	£
Suspended Benefit Cases	282,000
Major Sites Appeal Inquiry	400,000
	<hr/>
Total	<u>682,000</u>

Full details of the Council's provisions are shown in note 41 to the Balance Sheet.

## 17. 2005/06 COMPARABLES

As a result of changes in the SORP the 2005/06 figures in this Statement of Accounts have had to be restated. Details of the adjustments made to the 2005/06 comparables in the Income and Expenditure Account are as follows:

	Consolidated Revenue Account in 2005/06 Statement of Accounts	Removal of Capital Financing Charges	Transfer of Share of Corporate and Democratic Core and Non Distributed Costs from HRA	Recognition of Gains and Losses on Disposal of Fixed Assets	2005/06 Comparatives in Income and Expenditure Account
	£'000s	£'000s	£'000s	£'000s	£'000s
Central Services to the Public	760	0	0	0	760
Cultural and Related Services	2,164	(323)	0	0	1,841
Environmental Services	3,458	(37)	0	0	3,421
Planning and Development	741	(61)	0	0	680
Highways, Roads and Transport Services	863	(35)	0	0	828
Housing Services - General Fund	879	0	0	0	879
Housing Services - Housing Revenue	3,896	(4,180)	(168)	0	(452)
Corporate and Democratic Core	1,824	0	109	0	1,933
Non Distributed Costs	301	(81)	59	0	279
<b>Impact on Net Cost of Services</b>	<b>14,886</b>	<b>(4,717)</b>	<b>0</b>	<b>0</b>	<b>10,169</b>
Loss on Disposal of Fixed Assets	0	0	0	107	107
Parish Precepts	306	0	0	0	306
(Surplus) or Deficit on Trading Operations	(82)	(78)	0	0	(160)
Transfer from Asset Management Revenue Account	(4,457)	4,795	0	0	338 *
Interest and Investment Income	(165)	0	0	0	(165)
Pensions Interest Costs etc.	604	0	0	0	604
Contribution to Housing Pooled Capital Receipts	1,205	0	0	0	1,205
Exceptional Items	0	0	0	0	0
<b>Impact on Net Operating Expenditure</b>	<b>12,297</b>	<b>0</b>	<b>0</b>	<b>107</b>	<b>12,404</b>

\* Now shown as "Interest Payable and Similar Charges"

## B. NOTES TO THE BALANCE SHEET

### 18. FIXED ASSETS

Movements in fixed assets during the year were as follows:

	<b>Council Dwellings</b>	<b>Other Land and Buildings</b>	<b>Infra-structure Assets</b>	<b>Community Assets</b>	<b>Vehicles Plant and Equipment</b>	<b>Intangible Fixed Assets</b>	<b>Total</b>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Gross book value 31 March 2006	117,036	17,508	927	3,259	861	90	139,681
Accumulated depreciation	(1,761)	(1,909)	(344)	(285)	(477)	0	(4,776)
Net book value 1 April 2006	115,275	15,599	583	2,974	384	90	134,905
Adjustments	0	254	0	0	0	0	254
Additions	1,975	249	307	1,111	431	0	4,073
Disposals	(2,641)	(25)	0	0	0	0	(2,666)
Revaluations	15,009	3,633	0	0	0	0	18,642
Depreciation	(1,809)	(468)	(29)	(152)	(168)	(27)	(2,653)
Impairment	0	(133)	0	0	0	0	(133)
<b>Net book value 31 March 2007</b>	<b>127,809</b>	<b>19,109</b>	<b>861</b>	<b>3,933</b>	<b>647</b>	<b>63</b>	<b>152,422</b>

Adjustments are due to recognition or de-recognition of Land and Buildings after a review by Property Services.

As indicated in the Statement of Accounting Policies, the requirements of FRS11, FRS15 and Resource Accounting for Housing have all been implemented. As a result, depreciation is now provided on all the authority's assets with a finite life other than those which are under construction, or which have been acquired or disposed of during the financial year.

Intangible fixed assets are defined in FRS10 as non-financial fixed assets that do not have physical substance but are identifiable and are controlled by the authority through custody or legal rights. These assets represent purchased software licences, the costs of which will be written off over 5 years in line with the general policy on IT Purchases. No amortisation is carried out in the initial year in line with the Council's depreciation policy.

### 19. FIXED ASSET VALUATION

The value at which each category of asset is included in the balance sheet needs to be revalued 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 categorization/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 2007 by an external independent valuer – the District Valuer. .

## Operational Assets

### i) 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 at 31 March 2007 was £127,808,750.

### ii) Other Land and Buildings

Operational Non-specialised assets have been valued at existing use value with the exception of the Depot due to its impending sale.

Specialised properties, i.e. those that rarely if ever sold on the open market have generally been valued at depreciated replacement cost.

The District Valuer has valued a proportion of this classification of assets as at 31 March 2007 at £16,810,500. The proportion of General Fund assets included in this amount (previously valued at £11.064m) is £14,300,500 summarised below.

	<b>DRC</b>	<b>EUV</b>	<b>MV</b>	<b>Total</b>
<b>Asset Valuation Classification</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Non-Specialised – Non-Operational	255,700	8,500	4,467,600	4,731,800
Specialised – Non-Operational	22,500	5,200	113,000	140,700
Non-Specialised – Operational	0	2,753,000	2,500,000	5,253,000
Specialised – Operational	4,155,000	0	20,000	4,175,000
<b>Total L &amp; B Valued by DV</b>	<b>4,433,200</b>	<b>2,766,700</b>	<b>7,100,600</b>	<b>14,300,500</b>

The value of HRA assets valued in this classification is:

Operational £2,125,000

Non-Operational £385,000

### (iii) Infrastructure and Community Assets.

These are valued at historical cost

### iv.) Non – Operational Assets.

For balance sheet purposes these are assets that are: -

- a. Under construction – These are valued at costs incurred to date
- b. Surplus and unused. – Nil as at 31 March 2007

## Impairment

An impairment review of the Council's assets was carried out as at 31 March 2007 by the Council's Corporate Asset Manager who is MRICS qualified.

There has been impairment to pavilions and a village hall to the value of £ 68,000 (General Fund), and to land at Vale Road, Hartshorne to the value of £65,000 (HRA).



## 20. DEPRECIATION

Depreciation has been calculated using the straight-line method. The useful lives assessed by the District Valuer and the authority's Estates Officer have been used for operational and non-operational assets. Useful lives for other assets have been assessed as:

Infrastructure	40 years
Bus shelters	10 years
Plant and equipment	5 - 10 years

## 21. CAPITAL EXPENDITURE AND FINANCING

The capital expenditure in 2006/2007, and the methods of financing, are detailed below:

	£'000		£'000
<b>Expenditure</b>		<b>Financing</b>	
Parks & Recreation Grounds	248	Usable Capital Receipts	
Improvements to Council Dwellings	1,975	Housing	1,977
Improvements to Sheltered Housing	3	General Fund	0
Improvements to Careline Equipment	75		
Rosliston Forest Centre	41		
Improvements to Administration Buildings	137	Major Repairs Reserve	1,605
I T Development	61	Grants/Contributions	1,215
Environmental Improvements	493	Credit Approvals	2
Vehicles, Plant & Equipment	431	Asset replacement account	315
Capital expenditure not adding value to fixed asset values:		Section 106	613
Capital Expenditure Written Off	173	Capital Allowance Reserve	78
Deferred Charges	1,873	Revenue contribution	47
Deferred purchase repayments	415	Other Reserves	73
	<u>5,925</u>		<u>5,925</u>

Commitments under capital contracts:

There are commitments under capital contracts totalling in excess of £2.575 million, which includes £2.434 million for Housing Maintenance Contracts.

## 22. INFORMATION ON ASSETS HELD

Fixed assets owned by the Council include the following:

	<b>31 March 2007 (No.)</b>	<b>31 March 2006 (No.)</b>
<b>Council Dwellings</b>	3,124	3,172
<b>Operational Buildings</b>		
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	1
Off Street Car Parks	22	20
Public Conveniences	10	10
Garage Sites and Plots	479	604
Pavilions and Changing Rooms	16	15
<b>Community Assets</b>		
Parks and Open Spaces	370 acres	370 acres
Cemeteries	3	7
Allotments	7	9
Community Rooms (sheltered housing schemes)	10	13
<b>Non-Operational Properties</b>		
Land awaiting development	21 acres	13 acres
Industrial Estates	1	1
Factory	1	1
Shops	15	19
Bus Station	1	1
Market	1	1
Craft Workshops	7	7
Other Properties	14	9

Adjustments are due to recognition or de-recognition of land and buildings after a review by Property Services.

### 23. DEFERRED CHARGES

Deferred charges represent expenditure which may properly be capitalised but which does not represent tangible fixed assets. Expenditure in the year is amortised to revenue over an appropriate period based on the benefit obtained from the expenditure. In most cases the expenditure will be written down in the year it is incurred.

Movements on deferred charges during 2006/2007 are detailed below:

	Improvement			Total
	Grants	Partnerships	Other	
	£'000	£'000	£'000	£'000
Balance as at 1 April 2006	0	0	0	0
Expenditure 2006/2007	1,238	67	568	1,873
Amounts written off 2006/2007 to Income and Expenditure Account	(1,238)	(67)	(568)	(1,873)
<b>Balance as at 31 March 2007</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

### 24. INVESTMENTS

The balance sheet figure of long term Investments largely comprises of an investment of £20,000 in a debenture raised by the Association of District Councils (Properties) Ltd for new office accommodation. No interest is receivable, but the Council will be entitled to its pro rata share of the appreciation in value of the property on redemption of the Debenture Stock 1996/2011.

In addition the Council held £5.458m on temporary deposit with banks and other financial institutions at 31 March 2007.

### 25. LONG TERM DEBTORS

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

	31 March	
	2007	2006
	£'000	£'000
Mortgages	29	40
Loans to voluntary organisations	2	2
Transferred services		
Derbyshire County Council	7	8
	<u>38</u>	<u>50</u>

The movements during the year on mortgages are detailed more fully below:

	2006/2007				2005/2006			
	Non-Council Houses		Council Houses		Non-Council Houses		Council Houses	
	No.	£'000	No.	£'000	No.	£'000	No.	£'000
Opening Balance	1	1	11	40	1	1	16	65
<i>Less:</i>								
Repayments	0	0	4	11	0	0	5	25
<b>Balance outstanding at year end</b>	<b>1</b>	<b>1</b>	<b>7</b>	<b>29</b>	<b>1</b>	<b>1</b>	<b>11</b>	<b>40</b>

## 26. STOCK AND WORK IN PROGRESS

	31 March	
	2007	2006
	£'000	£'000
Stock		
Rosliston	5	0
Depot		
Fuel	10	5
Plastic Sacks	6	6
Housing Materials	52	35
Piper Lifeline	2	2
	<hr/>	<hr/>
	75	48
Work in Progress		
Rechargeable Work	6	2
	<hr/>	<hr/>
	81	50

## 27. DEBTORS

	<b>As at 31 March</b>	
	<b>2007</b>	<b>2006</b>
	<b>£'000</b>	<b>£'000</b>
<b>Amounts falling due within one year:</b>		
Government Departments	437	1,503
Other local authorities	75	124
Council Tax payers	2,238	1,882
NNDR payers	688	642
Tenants	363	345
Sundry Debtors	1,928	5,147
Car Leasing	2	0
	5,731	9,643
<b>Provision for doubtful debts:</b>		
General debtors	(365)	(369)
Tenants	(230)	(192)
Council Tax Payers	(1,341)	(1,116)
NNDR Payers	(165)	(158)
	(2,101)	(1,835)
	3,630	7,808
<b>Amounts falling due after one year:</b>		
Car loans to employees	4	32
	4	32
	<b>3,634</b>	<b>7,840</b>

S106 monies of £2.5m due from St Modwens Properties PLC, which was received in May 2006, was brought into the 2005/06 Accounts as an adjusted post balance sheet event.

## 28. CREDITORS

	<b>As at 31 March</b>	
	<b>2007</b>	<b>2006</b>
	<b>£'000</b>	<b>£'000</b>
Government Departments	803	81
Major Precepting Authorities (Collection Fund)	122	600
Council Tax payers	1,022	1,017
NNDR payers	318	291
Tenants	129	120
Sundry Creditors	3,273	2,368
Deposits	3	2
	5,670	4,479
	<b>5,670</b>	<b>4,479</b>

## 29. LONG TERM BORROWING

Type of Loan	Total Outstanding as at 31 March	
	2007	2006
	£'000	£'000
Money Market Loan	1,000	1,000
<b>Maturing Within</b>		
1 - 2 years	-	-
2 - 5 years	-	-
5 - 10 years	-	-
More than 10 years	1,000	1,000

## 30. 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 (see note 31 below for further details).

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

	Transferred Assets	Deferred Covenants	Total
	£'000	£'000	£'000
Due within 1 year	17	450	467
Due in 2 – 5 years	72	1,893	1,965
Due in more than 5 years	281	0	281
Total Due	<u>370</u>	<u>2,343</u>	<u>2,713</u>

## 31. DEFERRED PURCHASE (COVENANTS)

The Council has 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 2007 all schemes had been completed. After allowing for principal repayments, there was an outstanding balance of £1,912,145.

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 2007 this had been completed. After allowing for principal repayments, there was an outstanding balance of £430,442.

The agreement has been extended to March 2010 with a repayment profile that will clear the principal outstanding by that date.

### 32. GOVERNMENT AND OTHER GRANTS DEFERRED

Movements during the year are as follows:

	<b>£000</b>
Balance at 1 April 2006	(1,406)
Grants applied to capital investment	(339)
Grants amortised in year	52
<b>Balance at 31 March 2007</b>	<b><u>(1,693)</u></b>

### 33. DEFERRED CAPITAL RECEIPTS

Deferred capital receipts 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.

### 34. FIXED ASSET RESTATEMENT ACCOUNT

This largely represents the difference between the valuation of assets under the previous system of capital accounting and the revaluation as at 1 April 1995 required under the new system. The reserve is written down by the net book value of assets as they are disposed of and the amount of capital expenditure that does not increase the value of fixed assets held by the Council. The reserve is debited or credited with the deficits or surpluses arising on subsequent revaluations. Details of the 2006/2007 transactions are shown below

	<b>Fixed Asset Restatement Account £'000</b>
(Gains)/Losses on revaluation of fixed assets	(18,896)
Impairment losses due to general changes in prices	0
<b>Total (increase)/decrease in unrealised capital resources</b>	<b><u>(18,896)</u></b>
Amounts written off fixed asset balances for disposals	2,666
<b>Total Movement on Reserve</b>	<b><u>(16,230)</u></b>
Balance b/fwd 1 April 2006	(96,347)
<b>Balance c/fwd 31 March 2007</b>	<b><u>(112,577)</u></b>

### 35. CAPITAL FINANCING ACCOUNT

This contains the amounts that are required by statute to be set aside from capital receipts for the repayment of external loans and the amount of capital expenditure financed from revenue, capital receipts, grants and contributions. It also contains the difference between amounts provided for depreciation and those required to be charged to revenue to repay the principal element of external loans. The balance on the reserve is reduced as loan debt is repaid. Details of the transactions during 2006/2007 are shown below.

	<b>Capital Financing Account</b>
	<b>£'000</b>
<b>Capital receipts set aside</b>	
Receipts set aside to reduce indebtedness	0
Usable receipts applied	(5,875)
<b>Total capital receipts set aside</b>	<b>(5,875)</b>
<b>Revenue resources set aside</b>	
Capital expenditure financed from revenue	(47)
Reconciling amount for provisions for loan repayment	4,850
<b>Total resources set aside</b>	<b>(1,072)</b>
Balance b/fwd 1 April 2006	(20,366)
<b>Balance c/fwd 31 March 2007</b>	<b>(21,438)</b>



### 36. CAPITAL GRANTS UNAPPLIED

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

	<b>2006/2007</b>		<b>2005/2006</b>
	<b>£'000</b>		<b>£'000</b>
Balance Brought Forward	4,059		1,803
Grants Received	268		3,907
Grants Applied	(612)		(1,276)
Transferred/Repaid	(24)		(375)
Balance Carried Forward	<u>3,691</u>		<u>4,059</u>
<b>Grants received during the year are detailed below.</b>			
Section 106 Planning Agreements:		Section 106 Planning Agreements:	
Qualitas - Woodville	56	St Modwens Hilton	2,500
Woodyard Lane, Foston	10	Morrison's	473
Taylor Healthcare	4	Orchard Close	2
Station Road, Woodville	4	Woodlands, Swadlincote	148
Alderslade Farm, Aston	16	Qualitas site, Woodville	56
Burton Road, Woodville	30	Woodlands 1, Woodville	140
		Westbury	31
		Hatton Flood Relief	30
		Oversetts Road, Newhall	5
		Hilton Road, Etwall	26
		Edward Street, Overseal	15
Other Grants:		Other Grants:	
St Modwen's, Hilton - Interest	109	Implementing E-Government	418
Miscellaneous	39	Miscellaneous	63
<b>Total Grants Received</b>	<b><u>268</u></b>		<b><u>3,907</u></b>

### 37. 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 movement on the Reserve in 2006/07 was (£204,000) and the balance on the Account as at 31 March 2007 was (£261,000), (2005/06 (£57,000)).

### 38. FIXED ASSET REPLACEMENT RESERVE

The Council approved the creation of a Fixed Asset Replacement Reserve to finance the replacement of vehicles, plant and equipment. The opening balance at the start of the year was £374 k. During the year £315k (£328k in 2005/2006) was used for the purpose for which the reserve was established and a contribution from capital receipts of £224k was made to the reserve. The balance at the end of the year is £283 k.

### 39. COLLECTION FUND

The Collection Fund is a statutory fund in which are recorded the transactions for council tax and business rates. The balance on the fund is available for distribution to South Derbyshire District Council, Derbyshire County Council and the Police and Fire authorities in future years in proportion to their past precepts on the Fund. Details of the Collection Fund transactions can be found on page 57.

### 40. EARMARKED RESERVES

Details are given in the note on Movements in Revenue Reserves on Page 46.

### 41. PROVISIONS

The Council maintains several provisions, details of which are as follows:

Provision	Balance at 1 April 2006	Contributions in 2006/07	Expenditure in 2006/07	Balance at 31 March 2007
Suspended Benefit Cases	£ 0	£ (282)	£ 0	£ (282)
Major Sites Appeal Inquiry	0	(400)	0	(400)
<b>Sub Total</b>	<b>0</b>	<b>(682)</b>	<b>0</b>	<b>(682)</b>
Bad/Doubtful Debts - Tenants	(193)	(37)	0	(230)
- Sundry Debtors	(369)	(37)	42	(364)
- Council Tax	(1,116)	(225)	0	(1,341)
- Business Rates	(158)	(6)	0	(164)
<b>Total Provisions</b>	<b>(1,836)</b>	<b>(987)</b>	<b>42</b>	<b>(2,781)</b>

All provisions represent sums set aside for liabilities which have been incurred but which are of uncertain timing. They have been estimated in accordance with recommended practice. All the provisions have been reviewed during 2006/07.

The provisions for bad/doubtful debts are to cover irrecoverable debts in respect of rents, Council Tax, Business Rates and general sums due to the Authority.

The "Suspended Benefit" provision is to cover costs which may be recovered by the Department of Work and Pensions at some stage in the future.

The "Major Sites Appeal Inquiry" provision is to cover the costs associated with the Inquiry which commenced in May 2007.

## 42. 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 2006/2007 was £8,000 (£10,000 in 2005/2006).

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

## 43. DISCLOSURE OF THE MOVEMENT IN NET PENSION ASSET/LIABILITY

Note 9 to the Income and Expenditure Account contains details of the Council's participation in the Local Government Pensions Scheme which is administered by Derbyshire County Council.

The underlying assets and liabilities for retirement benefits attributable to the authority at 31 March 2007 are:

	<b>2006/07</b>	<b>2005/06</b>
	<b>£' 000</b>	<b>£' 000</b>
Estimated liabilities in the scheme	57,514	58,367
Estimated assets in the scheme	<u>40,255</u>	<u>37,832</u>
	<u>17,259</u>	<u>20,535</u>

The liabilities show the underlying commitment that this Council has in the long run to pay retirement benefits. The total liability of £17.259m has a substantial impact on the net worth of the authority as recorded in the balance sheet. However, statutory arrangements for funding the deficit mean that the financial position of this Council remains healthy. The deficit on the scheme will be made good by increased contributions over the remaining life of employees as assessed by the scheme's actuary.

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pension that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. Mercer Human Resources Ltd. who are authorised by the Financial Services Authority and are an independent firm of actuaries has assessed the Derbyshire County Council liabilities.

The main assumptions used in the calculations are:

	<b>2006/2007</b>	<b>2005/2006</b>
	<b>%</b>	<b>%</b>
Rate of inflation	3.1	2.9
Rate of increase in salaries	4.6	4.4
Rate of increase in pensions	3.1	2.9
Proportion of employees opting to take commuted lump sum	0	0
Rate of discounting scheme liabilities	5.4	4.7

Assets in the Derbyshire County Council Pension Fund are valued at fair value, and consist of the following categories, by proportion of the total assets held.

	31 March 2007		31 March 2006	
	Long-term Rate of Return	Investment Category	Long-term Rate of Return	Investment Category
	%	%	%	%
Equities	7.50	71.80	7.00	70.90
Government Bonds	4.70	15.00	4.30	14.50
Other Bonds	5.40	1.70	4.90	1.90
Property	6.50	5.30	6.00	5.10
Cash	5.25	6.20	4.50	7.60
		<u>100.00</u>		<u>100.00</u>

Further information can be found in the Derbyshire County Council Pension Fund Annual Report upon request from the County Treasurer, Derbyshire County Council, County Hall, Matlock, DE4 3AG.

#### 44. MOVEMENTS IN THE PENSION RESERVE IN 2006/07

	Year Ended 31 March 2007		
	£'000	£'000	£'000
Net pension liability at 31 March 2006			(20,535)
Current service costs		(1,339)	
Employers contributions		1,448	
Net interest/return on assets		(474)	
Actuarial gains/losses in year	2,808		
Adjustment re past service gain	<u>833</u>	<u>3,641</u>	
Net Movement for the year			<u>3,276</u>
<b>Net pension liability at 31 March 2007</b>			<u><u>(17,259)</u></u>

The actuarial gains identified as movements on the Pension Reserve in 2006/2007 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March 2007.

	<b>2006/07</b>		<b>2005/06</b>		<b>2004/05</b>	
	<b>%</b>	<b>£'000</b>	<b>%</b>	<b>£'000</b>	<b>%</b>	<b>£'000</b>
Difference between the expected and actual return on investments	-0.3	(119)	14.2	5,364	4.0	1,174
Difference between actuarial assumptions about liabilities and actual experience	0	0	-5.0	(2,905)	4.2	2,015
Changes in demographic and financial assumptions used to estimate liabilities	5.1	2,927	-7.7	(4,421)	-17.5	(8,327)
		<u>2,808</u>		<u>(1,962)</u>		<u>(5,138)</u>

#### 45. MOVEMENTS IN REVENUE RESERVES

	General Fund Balance	HRA Balance	Collection Fund Balance	Earmarked Revenue Reserves	Pensions Reserve
	£'000	£'000	£'000	£'000	£'000
Movement in year	(212)	(516)	62	560	0
Appropriations to/from revenue	0	0		0	365
Actuarial gains and losses re pensions	0	0		0	(3,641)
	(212)	(516)	62	560	(3,276)
Balance b/fwd at 1 April 2006	(3,466)	(1,478)	(78)	(1,644)	20,535
<b>Balance c/f at 31 March 2007</b>	<b>(3,678)</b>	<b>(1,994)</b>	<b>(16)</b>	<b>(1,084)</b>	<b>17,259</b>

Earmarked revenue reserves are made up as follows:	Balance at 1 April 2006	Movements in year	Balance at 31 March 2007
	£'000	£'000	£'000
DSO	(37)	0	(37)
Commutation Adjustment	(410)	410	0
Covenant Repayment/Housing IT	(52)	13	(39)
New Technology	(215)	60	(155)
Repton Revenue Contributions	(33)	0	(33)
Grants/Committed Expenditure	(863)	726	(137)
LSP	(34)	10	(24)
Environmental Partnership	0	(8)	(8)
Crime and Disorder	0	(316)	(316)
Sports Development	0	(20)	(20)
Youth Engagement	0	(92)	(92)
Planning Delivery	0	(223)	(223)
	(1,644)	560	(1,084)

#### 46. MOVEMENTS IN REALISED CAPITAL RESOURCES

	Usable Capital Receipts	Unapplied Capital Grants and Contributions
	£'000	£'000
Amounts receivable in 2006/07	(2,755)	(268)
Amounts applied etc. in 2006/07	3,897	636
<b>Total (increase)/decrease in realised capital resources</b>	<b>1,142</b>	<b>368</b>
Balance b/fwd at 1 April 2006	(6,127)	(4,059)
<b>Balance c/fwd at 31 March 2007</b>	<b>(4,985)</b>	<b>(3,691)</b>

See Note 36 to the Balance Sheet on page 41 for further details.

#### 47. SUMMARY OF TOTAL MOVEMENTS IN RESERVES

	2006/7		2005/06	
	(Gain)/Loss for year £'000	(Gain)/Loss for year £'000	(Gain)/Loss for year £'000	(Gain)/Loss for year £'000
Income and Expenditure Account	3,718		2,736	
Net Additional Amount	(3,930)		(3,227)	
<b>Movement on General Fund</b>		<b>(212)</b>		<b>(491)</b>
Housing Revenue Account	(516)		(127)	
Collection Fund	62		43	
Earmarked Revenue Reserves	560		(397)	
Pensions Reserve	365		399	
Actuarial Gains/Losses relating to pensions	(3,641)	(3,170)	1,962	1,880
<b>Total (gain)/loss of revenue reserves</b>		<b>(3,382)</b>		<b>1,389</b>
Usable Capital Receipts	1,142		(1,891)	
Unapplied Capital Grants and contributions	368		(2,257)	
<b>Total (gain)/loss in realised capital resources</b>		<b>1,510</b>		<b>(4,148)</b>
<b>Fixed Assets</b>				
(Gain)/loss for year (revaluations net of disposals)	(16,230)		29,740	
<b>Total (gain)/loss in unrealised value of fixed assets</b>		<b>(16,230)</b>		<b>29,740</b>
Deferred Capital Receipts	10		23	
Capital Receipts set aside	(5,875)		(6,025)	
Revenue Resources set aside	4,803		6,527	
Fixed Asset Replacement Reserve	91		103	
Major Repairs Reserve	(204)		(57)	
<b>Total (gain)/loss of amounts set aside to finance capital investment</b>		<b>(1,175)</b>		<b>571</b>
<b>Total Recognised (Gains)/losses</b>		<b>(19,277)</b>		<b>27,552</b>

#### **48. CONTINGENT LIABILITIES AND ASSETS 2006/2007**

The Council is a member of a local authority consortium that had entered into a contractual arrangement with a supplier for the provision of a replacement computer system to administer Council Tax, Business Rates and the payment of Housing Benefit. During the year, the consortium formally terminated the contract and entered into legal proceedings to gain financial compensation. As at the 31 March 2007 the Council, along with the other members of the consortium, has included within its accounts for the current and previous financial years only those payments actually made to the supplier and to other third parties. Since the balance sheet date, a settlement in favour of the Consortium has been agreed. Although the Council will receive a share of this settlement, this is still to be determined and at this stage is estimated at around £100,000. However, this has not been recognised in the accounts.

In the meantime, the Council has made appropriate arrangements to ensure that it will continue to be in a position to effectively administer Council Tax, Business Rates and the payment of Housing Benefit.

#### **49. EVENTS AFTER THE BALANCE SHEET DATE**

These are events occurring between the Balance Sheet date of 31 March 2007 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.

#### **50. COSTS OF INTRODUCTION OF THE EURO**

The Council monitors the likely impact the adoption and introduction of the Euro in the UK would have on the Council's services and its financial information systems. Until such time as a decision is made the expenditure on Euro activities is to be absorbed within existing budgets and any new financial or data systems are examined for Euro compliance. The main financial systems are all now Euro compliant.

#### **51. AUTHORISATION OF ACCOUNTS FOR ISSUE**

The Statement of Accounts was authorised for issue by the Responsible Finance Officer, Jayne Jones, Director of Corporate Services on 28<sup>th</sup> June 2007. This date is also the date up to which events having a bearing on the Statement of Accounts for 2006/07 have been considered and recognised in the Accounts.



## C. NOTES TO THE CASH FLOW STATEMENT

### 52. RECONCILIATION OF DEFICIT TO NET CASHFLOW

	Year ended 31 March 2007		Year ended 31 March 2006	
	£'000	£'000	£'000	£'000
Income and Expenditure Account (surplus) / deficit for the year		(212)		(491)
<i>Exclude non-cash transactions:</i>				
Charged to capital	196		355	
Increase in provisions	(1,106)		(90)	
Provision for repayment of capital	(2,113)		(1,994)	
Payments to Capital Receipts Pool	1,478		1,205	
Contribution to reserves	1,057		(252)	
		(488)		(776)
<i>Adjust for items on an accruals basis:</i>				
Creditors	(1,791)		(346)	
Debtors	(4,205)		(635)	
Stocks	31		(4)	
Adjustment for non revenue portion	3,391	(2,574)	0	(985)
<i>Exclude items classified elsewhere:</i>				
Servicing of finance shown later in the cash flow statement		(12)		(173)
<b>Revenue Activities Net Cash Flow</b>		<b>(3,286)</b>		<b>(2,425)</b>

### 53. MOVEMENT IN CASH

	Balance as at 31 March 2006	Balance as at 31 March 2007	Movement in the year
	£'000	£'000	£'000
Cash overdrawn	(401)	14	415
<b>Net Cash Outflow</b>			<b>415</b>

#### 54. MOVEMENT IN FINANCING

	Balance as at 1 April 2006	Balance as at 31 March 2007	Movement in the year
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Investments	800	5,458	4,658
Long term borrowing	(1,000)	(1,000)	0
Temporary loans	(182)	(243)	(61)
Loan to Parish Council	0	75	75
<b>Net Cash Outlay from Financing</b>	<b>(382)</b>	<b>4,290</b>	<b>4,672</b>

#### 55. ANALYSIS OF GOVERNMENT GRANTS

	Year ended 31 March 2007	Year ended 31 March 2006
	<i>£'000</i>	<i>£'000</i>
<b>Grants towards Revenue Activities</b>		
Housing Subsidy	1,964	1,761
Supporting People	392	377
Planning	224	170
Homelessness	30	56
Dept of Works & Pensions	15,434	14,233
Other	20	42
	<b>18,064</b>	<b>16,639</b>
<b>Grants towards Capital Activities</b>		
Private Sector Improvement	702	163
Other	52	0
Defra – Flood Alleviation	0	209
IEG	0	502
	<b>754</b>	<b>874</b>

## HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE ACCOUNT

The Housing Revenue Account (HRA) reflects a statutory obligation to account separately for local authority housing provision as defined in the Local Government and Housing Act 1989. The HRA Income and Expenditure Account shows the major elements of housing revenue expenditure — maintenance, administration and capital financing costs — and how these are met by rents, subsidy and other income.

## HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE ACCOUNT

2005/06 £000		Note	2006/07 £'000
	<u>Income</u>		
8,226	Dwelling Rents		8,500
95	Non dwelling Rents		95
73	Charges for Services and Facilities		72
20	Contributions towards expenditure		12
377	Supporting People Grant		392
<b><u>8,791</u></b>	<b>Total Income</b>		<b><u>9,071</u></b>
	<u>Expenditure</u>		
2,982	Repairs and Maintenance		2,644
1,348	Supervision and Management		1,416
(27)	Rents, Rates, Taxes and Other Charges		-
2,088	Negative Subsidy – Payments to Secretary of State	(6)	2,222
29	Provision for Bad and Doubtful Debts	(7)	38
1,859	Depreciation and Impairment of Fixed Assets		1,966
60	Transfer from other funds as directed by the Secretary of State		-
<b><u>8,339</u></b>	<b>Total Expenditure</b>		<b><u>8,286</u></b>
<b>(452)</b>	<b>Sub Total: Net Cost of HRA Services as included in whole authority Income &amp; Expenditure Account</b>		<b>(785)</b>
109	HRA services share of Corporate and Democratic Core		129
	HRA share of other amounts included in whole authority Net Cost of Services but not allocated to specific services		
59			64
<b>(284)</b>	<b>Sub Total: Net Cost of HRA Services</b>		<b>(592)</b>
105	Gain or loss on sale of HRA fixed assets		76
(65)	Interest and Investment Income		(96)
100	Pensions interest cost and expected return on pensions assets		79
<b><u>(144)</u></b>	<b>Surplus or deficit for the year on HRA services</b>		<b><u>(533)</u></b>

## STATEMENT OF MOVEMENT ON HOUSING REVENUE ACCOUNT BALANCE

		<i>Note</i>
<b>(144)</b>	<b>Surplus or deficit for the year on the HRA Income and Expenditure Account</b>	<b>(533)</b>
	<b>Additional amounts required by statute or non- statutory proper practices:</b>	
	Difference between interest payable and similar charges, including amortisation of premiums and discounts determined in accordance with SORP and those determined in accordance with statute	260
266		260
(105)	Gain or (loss) on sale of HRA fixed assets	(76)
	HRA share of contributions to or from Pensions Reserve	(64)
(64)		(9) (64)
-	Capital Expenditure funded by HRA	37
20	HRA share of Minimum Revenue Provision	18
(100)	Transfer to / from (-) Major Repairs Reserve	(158)
<u>(1,351)</u>	Balance on HRA brought forward	<u>(1,478)</u>
<b><u>(1,478)</u></b>	<b>Balance on HRA carried forward</b>	<b><u>(1,994)</u></b>

## NOTES TO THE HOUSING REVENUE ACCOUNT

### 1. FIXED ASSETS

Movements in Housing Revenue Account fixed assets during the year were as follows:

	<b>Council Dwellings</b>	<b>Other Land and Buildings</b>	<b>Infra- structure</b>	<b>Plant and Machinery</b>	<b>Intangible Assets</b>	<b>Total</b>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Gross book value as at 31 March 2006	117,036	2,898	0	14	37	119,985
Accumulated Depreciation	(1,761)	(68)	0	(2)	0	(1,831)
<b>Net book value as at 1 April 2006</b>	<b>115,275</b>	<b>2,830</b>	<b>0</b>	<b>12</b>	<b>37</b>	<b>118,154</b>
Adjustments*	0	(340)	0	0	0	(340)
Additions	1,975	0	35	39	0	2,049
Disposals	(2,641)	0	0	0	0	(2,641)
Revaluations	15,009	376	0	0	0	15,385
Depreciation	(1,809)	(85)	0	(8)	(9)	(1,911)
Impairment	0	(65)	0	0	0	(65)
<b>Net book value as at 31 March 2007</b>	<b>127,809</b>	<b>2,716</b>	<b>35</b>	<b>43</b>	<b>28</b>	<b>130,631</b>

\* These arise as a result of a review of the asset register by Property Services during 2006/07

The vacant possession value of the council dwellings within the Housing Revenue Account as at 31 March 2007 was £255,618,000. The difference between this value and the restated balance sheet value of £127,809,000 reflects the economic cost to the Government of providing council housing at less than market rents.

There has been impairment (£65,000) to the value of land at Vale Road, Hartshorne. The site was historically valued on the assumption that all the land had potential for residential development, however the majority of the site now falls outside the developable area.

## 2. CAPITAL EXPENDITURE AND FINANCING

The Housing Revenue Account capital expenditure in 2006/2007, and the methods of financing, are detailed below:

<b>Expenditure</b>	<b>£'000</b>	<b>Financing</b>	<b>£'000</b>
<i>Capital expenditure</i>			
Improvements to Sheltered Housing	3	Major Repairs Reserve	1,605
Improvements to Council Dwellings	1,975	Revenue Contributions	37
Improvements to Careline Equipment	75	Capital Allowance Reserve	78
Vehicles, Plant and Machinery	39	Capital Receipts	556
		Fixed Asset Replacement Fund	39
<i>Capital expenditure not adding value to fixed assets</i>			
		Grants/ Contributions	21
Deferred purchase repayments	244	Other Reserves	13
Capital Expenditure Written Off	13		
	<u>2,349</u>		<u>2,349</u>

## 3. CAPITAL RECEIPTS

The capital receipts for the Housing Revenue account are detailed below:

	<b>2006/2007</b>	<b>2005/2006</b>
	<b>£'000</b>	<b>£'000</b>
Sale of land	0	888
Sale of council houses	2,642	3,395
Deferred capital receipts	10	23
Other capital receipts	37	73
	<u>2,689</u>	<u>4,379</u>

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 2006/2007 the sum paid was £1.478m and is excluded from the above amount.

#### 4. 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 2007	Year ended 31 March 2006
	£'000	£'000
Balance at beginning of year	(57)	0
Depreciation provision transferred from Capital Financing Account		
Dwellings	(1,809)	(1,761)
Other HRA property	(179)	(114)
	(2,045)	(1,875)
Financing of capital expenditure	1,605	1,718
Contribution to repairs	21	
Transfer to Housing Revenue Account	158	100
<b>Balance at end of year</b>	<b>(261)</b>	<b>(57)</b>

#### 5. HOUSING STOCK

The Council was responsible for managing an average of 3,146 dwellings in 2006/2007. The composition of the stock at 31 March 2007 is as follows:

Houses	1,663
Flats	824
Bungalows	637
Total	3,124

The change in stock during the year is as follows:

	Year ended 31 March 2007	Year ended 31 March 2006
Stock as at 1 April	3,172	3,235
Less: Sales	48	63
Stock as at 31 March	3,124	3,172

#### 6. 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 £2,222,026 (£2,088,023 in 2005/2006).

Subsidy Element	2006/07	2005/06
	£000	£000
Allowance for Management	1,225	1,127
Allowance for Maintenance	2,599	2,353
Allowance for Major Repairs	1,809	1,761
ALMO Allowance	0	0
PFI Allowance	0	0
Admissible Allowance	22	0
Charges for Capital	516	504
Other Items of Reckonable Expenditure	88	100
Rental Constraint Allowance	77	0
	6,336	5,845
Rent	(8,555)	(7,929)
Interest on Receipts	(3)	(4)
Amount Receivable (Payable) by the Authority	(2,222)	(2,088)

## 7. 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 2007 was £230,000 (31 March 2006 £192,000).

## 8. RENT ARREARS

The totals for all arrears are as follows:

	Year ended 31 March 2007	Year ended 31 March 2006
	£'000	£'000
Arrears at 31 March	335	322
Written off during the year	0	16

## 9. HRA SHARE OF CONTRIBUTIONS TO OR FROM PENSION 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.



## COLLECTION FUND ACCOUNT

### 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).

	Note	Year ended 31 March 2007			Year ended 31 March 2006		
		£'000	£'000	£'000	£'000	£'000	£'000
<b>Income</b>							
Council Tax payers	(1)		35,381			33,244	
Council Tax benefit			3,750	39,131		3,618	36,862
Non Domestic Ratepayers	(2)			16,738			15,075
<b>Total Income</b>				<b>55,869</b>			<b>51,937</b>
<b>Expenditure</b>							
Precepts and demands							
Derbyshire CC			28,410			26,759	
South Derbyshire DC			4,434			4,162	
Police Authority			4,007			3,765	
Fire Authority			1,709	38,560		1,603	36,289
Non Domestic Rates	(2)						
Payment to NNDR Pool			16,700			14,983	
Collection allowances			86	16,786		86	15,069
Council Tax/NNDR increase in provision for bad and doubtful debts				231			217
Fund surplus (council tax) paid over to billing/precepting authorities	(3)			832			753
<b>Total Expenditure</b>				<b>56,409</b>			<b>52,328</b>
<b>Deficit / (surplus) for year</b>	(3)			<b>540</b>			<b>391</b>
Balance at beginning of year				(678)			(1,069)
Deficit/(surplus) for year				540			391
<b>Balance at 31 March</b>	(3)			<b>(138)</b>			<b>(678)</b>

## 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. 29,645.9 for 2006/2007 compared with 29,179.9 for 2005/2006). This basic amount of council tax for a band D property (an average of £1,300.58 for 2006/2007 compared with £1,243.51 for 2005/2006) is multiplied by the proportion specified for the particular band to give an individual amount due.

The council tax base for 2006/2007 was calculated as follows:

Band	Estimated number of taxable properties after effects of discounts	Proportion of Band D charge	Band D equivalent dwellings
A	26.25	5/9	14.60
A	8,806.50	6/9	5,871.00
B	7,671.25	7/9	5,966.50
C	5,693.50	8/9	5,060.90
D	5,422.00	9/9	5,422.00
E	3,081.25	11/9	3,766.00
F	1,644.75	13/9	2,375.70
G	812.50	15/9	1,354.20
H	57.25	18/9	114.50
	<u>33,215.25</u>		<u>29,945.40</u>
			(299.50)
			<u>29,645.90</u>
			Less adjustment for collection rates
			<u>Council Tax base 2006/2007</u>
			29,645.90

### 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 2007 was £45,617,848 (£42,674,209 at 31 March 2006). The national non-domestic multiplier for 2006/2007 was 43.3p (42.2p for 2005/2006).

### 3. COLLECTION FUND SURPLUSES AND DEFICITS

The balance of the surplus of £137,663 on the Collection Fund at 31 March 2007 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:

	<b>£000</b>
Derbyshire County Council	102*
South Derbyshire District Council	16
Derbyshire Police Authority	14*
Derbyshire Fire Authority	6*
	<hr/>
	<b>138</b>
	<hr/> <hr/>

\* Treated as creditors in the Balance Sheet

## **STATEMENT ON INTERNAL CONTROL**

### **1. SCOPE OF RESPONSIBILITY**

- 1.1. The 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.
- 1.2. The 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.
- 1.3. In discharging this overall responsibility, the Council is also responsible for ensuring that there is a sound system of internal control, which facilitates the effective exercise of the Council's functions including arrangements for the management of risk.

### **2. THE PURPOSE OF THE SYSTEM OF INTERNAL CONTROL**

- 2.1. The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve the Council's policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.
- 2.2. The system of internal control is based on an ongoing process designed to:
  - Identify and prioritise the risks to the achievement of the Council's policies, aims and objectives,
  - Evaluate the likelihood of those risks being realised and the impact should they be realised, and
  - Manage them efficiently, effectively and economically.
- 2.3. The system of internal control detailed below has been in place at the Council for the year ended 31 March 2007. Up to the date of approval of the annual report and accounts (June 2007) and, except for the details of significant internal control issues at Section 5, accords with proper practice.

### **3. THE INTERNAL CONTROL ENVIRONMENT**

- 3.1. The internal control environment is designed to control the overall business of the Council, including:
  - How it ensures that it is doing the right thing - for example via communication and consultation.
  - How its business is controlled - standards, regulations, etc.
  - How it is accountable and operates with integrity - lines of reporting and decision-making, codes of conduct, etc.
  - How public resources are safeguarded – for example through internal audit, anti fraud and corruption policies.
  - How it delivers efficient and effective services - for example through procurement, partnership working and how resources are utilised.
  - How it monitors progress and identifies areas for improvement – for example through internal and external scrutiny and a performance management framework, and
  - How risk is identified and managed.
- 3.2. These various facets can be identified in several forms across the Council. This document brings together the key elements of the Council's overall internal control framework. They are set out below.

## **Decision Making**

- 3.3. 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.
- 3.4. The Full Council makes decisions on key policies and sets the budget and levels of local taxation for the Council's services.

## **Policy Making**

- 3.5. 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
- 3.6. 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.
- 3.7. An Overview and 2 Scrutiny committees (Corporate Scrutiny and Community Scrutiny) shadow the policy committees. They also support policy development and review.
- 3.8. Six area meetings and a Parish Forum 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**

- 3.9. 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.
- 3.10. After consulting with the Head of the Council's paid service (the Chief Executive) and Chief Finance Officer, the Monitoring Officer will report to Full Council if they consider that any proposal, decision or omission would give rise to unlawfulness or maladministration.
- 3.11. Such a report will have the effect of stopping the proposal or decision being implemented until the report has been considered.
- 3.12. 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 that includes independent members oversees the conduct of elected councillors.
- 3.13. Accountability for the use of public funds and service provision, etc. is largely undertaken through the annual publication of a Statement of Accounts and Best Value Performance Plan.

## **Standards of Financial Conduct**

- 3.14. 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.
- 3.15. This officer is responsible for making arrangements for the proper administration of financial affairs in accordance with best professional practice.
- 3.16. 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.

## **Standards of Overall Conduct**

- 3.17. 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.
- 3.18. 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).

## **Establishing Corporate Objectives**

- 3.19. These are set out in a Corporate Plan. This is effectively the Council's business/forward plan, set for 3 years and updated annually. This plan sets out the vision for South Derbyshire along with its priorities for delivering local services.
- 3.20. The District's Community Strategy also influences this plan. This aims to improve the overall economic, social and environmental wellbeing of South Derbyshire by tackling those issues that are important to the local community and service providers.
- 3.21. It involves working through a local strategic partnership, with other agencies and service providers within the District.

## **Consultation**

- 3.22. 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. A quarterly newspaper is also published to enable the communication of information between the Council and its residents.

## **Service Delivery**

- 3.23. The Council has an established service-planning framework, which sets out the key tasks and targets for all of the Council's services. The Council was assessed in 2004 under the national Comprehensive Performance framework as a "fair" authority (on a scale ranging from poor, weak, fair and good to excellent).
- 3.24. Following on from this as part of testing service delivery, the Audit Commission on an annual basis, assesses how the Council "uses its resources" and by issuing a "direction of travel statement." In addition, the Commission also undertake detailed inspections of specific areas from time to time.
- 3.25. Areas for improvement are identified and action plans stemming from these assessments and reviews, help to ensure that the Council is constantly seeking ways of ensuring economical, effective and efficient use of its resources and for securing continuous improvements in service delivery.

## **Procurement**

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

## **Managing Performance**

- 3.27. The Council's performance management framework is called "Achieving More" and our Corporate Plan sets out the strategic priorities for providing and improving local services. Targets and milestones are cascaded down into departmental service plans and then into personal development plans for individual employees.
- 3.28. The Council's policy committees monitor progress against targets and performance as part of the performance management framework. In addition, an Improvement Panel scrutinises key performance targets and considers corrective action where necessary.
- 3.29. Suitably trained and experienced staff delivers all services. Within individual service plans, managers identify actions to address any risks or changes to the service that have an impact on employees (where appropriate).

- 3.30. This is used to develop a corporate approach to learning and development alongside events undertaken within each service area.

### **Partnership Working**

- 3.31. The Council works in partnership with many other public agencies and private organisations to deliver its services. The extent of these partnerships varies across the Authority.
- 3.32. The Council's most significant partnerships are the Local Strategic Partnership and the Safer South Derbyshire Partnership that operates under the Local Area Agreement for the County of Derbyshire.
- 3.33. These partnerships are properly constituted and Committees are established (comprising representatives of this Council) who monitor and review progress.

### **Risk Management**

- 3.34. 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.
- 3.35. The Council, through its service planning process, has a system for identifying and evaluating significant risks. Each divisional service plan contains a risk register and this is developed and maintained by officers involved in planning and delivering services.
- 3.36. 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.
- 3.37. A cross-departmental Risk Management Group has defined terms of reference to review and develop principles, challenge service risks, oversee significant business risks and to help embed risk management in the Council.
- 3.38. Quarterly monitoring reports are provided to the Finance and Management Committee.

### **Internal Audit**

- 3.39. Under the Account and Audit Regulations 2003, 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.
- 3.40. 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.
- 3.41. 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.

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

- 3.42. The purpose of the Sub Committee is to provide independent assurance of the adequacy of the risk management framework and the associated control environment.
- 3.43. 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.
- 3.44. The Sub Committee also oversee the Authority's corporate governance arrangements in relation to financial matters in conjunction with the Standards Committee.

### **External Scrutiny**

- 3.45. The Audit Commission 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.

- 3.46. This includes reviewing arrangements in place for securing economy, efficiency and effectiveness in the use of resources.
- 3.47. The Commission undertake regular reviews each year and issue reports with action plans to aid improvement in specific areas. The annual Audit and Inspection Letter that is reported to Council, summarises the conclusions and significant issues arising out of audit and other inspections undertaken.

#### **4. REVIEW OF EFFECTIVENESS**

- 4.1. The Council has responsibility for conducting, at least annually, a review of the system of internal control. Many aspects of the current framework are indeed subject to on-going review.
- 4.2. Its effectiveness is informed from work undertaken by Internal Audit and from senior managers, who have responsibility for the development and maintenance of the framework. In addition, recommendations from the Council's external auditors and other review agencies also inform this framework.
- 4.3. The processes and indicators that have been applied in maintaining and reviewing the effectiveness of internal control during the year 2006/07 are set out below.

#### **Overall Corporate Governance**

- 4.4. The Council has adopted a local code of corporate governance based on recommended best practice (the CIPFA/SOLACE framework). This sets out the systems by which the Council directs and controls its functions. This code was reviewed and updated twice (on a ½ yearly basis) during the year.

#### **The System of Internal Audit**

- 4.5. 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 4-yearly cyclical period. This is based on a risk assessment of each area.
- 4.6. Internal Audit reports to the Council's Audit Committee on a quarterly basis. The reporting process requires a report of each audit to be submitted to the relevant service manager.
- 4.7. 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.
- 4.8. Under its terms of reference, the Audit 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.
- 4.9. Internal Audit is subject to an annual assessment by the Council's external auditors. A more detailed review is undertaken once every 3-years and this was completed during 2006/07.
- 4.10. This review concluded that overall they were satisfied (apart from some points addressed in an action plan) that the Council has appropriate constitutional and managements arrangements in place for its internal audit service.
- 4.11. 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. This was satisfactory for 2006.
- 4.12. Furthermore, the Council is required to conduct an annual review of the effectiveness of its system of internal audit. The review is required to ensure that the opinion in the



annual report of the Audit Manager may be relied upon as a key source of evidence for this Statement.

- 4.13. The Audit Sub Committee, who concluded that during 2006/07, the system of internal audit was effective, considered this. Internal Audit's annual Assurance Statement that sets out an assessment of the internal control system is attached at Appendix 1.

### **Communication and Consultation**

- 4.14. During 2006/07, the Council undertook a comprehensive consultation exercise on its new corporate plan through an "ideas into action" campaign. This involved extensive consultation with local residents and other stakeholders to determine actions required to help deliver the Council's main priorities.
- 4.15. The Council's budgetary plans for the next 3-years were based on this consultation.
- 4.16. During 2006/07, the Council also identified resources for a dedicated corporate consultation officer. Consequently, a new communication and consultation strategy, which will be approved shortly, will improve our engagement with all residents and stakeholders across the Council's area.

### **The Constitution**

- 4.17. 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.
- 4.18. In addition, the Overview 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 2006/07.
- 4.19. The Overview and Scrutiny Committees scrutinise 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.

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

- 4.20. During 2006/07, the Council reviewed and updated its whistle blowing policy and publicised this across the organisation.

### **Monitoring Performance**

- 4.21. The "Achieving More" framework specifies the performance-monitoring regime. The Council's Improvement Panel met on a regular basis to scrutinise progress against key performance targets and improvement milestones.
- 4.22. A "traffic light" monitoring system is used to highlight areas at risk of being achieved/not achieved. The Panel make recommendations to all policy committees where performance is not on track and minutes of meetings are referred to the Finance and Management Committee.
- 4.23. During the year, Policy Committees also 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.
- 4.24. During 2006/07, the Audit Commission undertook a review of performance management arrangements and concluded that we are "making good progress in implementing a strong, corporate approach to performance management."
- 4.25. They also looked at the Council's arrangements for data quality and made recommendations for further improvements in this area.

## **Partnerships**

- 4.26. In accordance with the Local Area Agreement, internal audit carried out a review of the governance arrangements for the Safer South Derbyshire Partnership. The report found no major or high-risk internal control issues, but did make some recommendations to improve operations which have/are being actioned.

## **Use of Council Resources**

- 4.27. The Audit Commission 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 improved in 3 of the 5 categories assessed compared to the previous year and scored an overall 3 (out of 4). This shows that the Council is now performing consistently well in this area.

## **Other Indicators**

- 4.28. 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.
- 4.29. Finally, the Council's Annual Audit and Inspection Letter reports any significant weaknesses in the overall control framework, in arrangements to prevent and detect fraud and corruption, and in its framework for ensuring the legality of financial transactions.

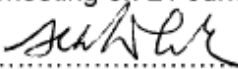
## **5. SIGNIFICANT INTERNAL CONTROL ISSUES**

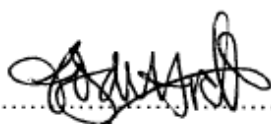
- 5.1. The Council operates within a fast changing environment. Consequently, the system needs to be subject to constant review and there will always be room to strengthen and increase the effectiveness of internal control.
- 5.2. Indeed, issues identified in the corresponding statement for 2005/06, identified several areas to be developed. Many of these were acted upon during 2006/07 such as:
- Developing a new communication and consultation strategy
  - Establishing an Audit Committee
  - Producing an summary statement of accounts
  - Reviewing performance management
  - Regular reporting on risk management
  - Reviewing and updating the whistle blowing policy
- 5.3. 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.
- 5.4. Primarily these have been highlighted from a review of the Local Code of Corporate Governance and through work undertaken by the Audit Commission during the last year, including its Use of Resources Judgement.
- 5.5. 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.
- 5.6. The Local Code of Corporate Governance is held as an action area due to outstanding actions required from its ½ yearly review. This code is a key part of the Council's overall system of internal control.
- 5.7. These areas are summarised in the table on Page 67 (below). These actions will be monitored and reviewed mainly through the Council's Improvement Plan (as contained in its yearly Best Value Performance Plan for 2007/08).

**INTERNAL CONTROL – ACTIONS 2007/08**

	<b>Issue and Actions</b>	<b>Timescale</b>	<b>Responsible Officer</b>
1	<b>Continue to review the Local Code of Corporate Governance</b> – in accordance with updated guidance (which is imminent) and to undertake any outstanding work during the year.	½ yearly reviews	Head of Legal and Democratic Services
2	<b>Maintain and strengthen current partnership arrangements</b> - develop a good practice protocol for internal use to support effective partnership working.	By September 2007	Deputy Chief Executive
3	<b>Maintain and improve performance further in the Use of Resources Assessment</b> – in particular on production of annual financial statements, financial monitoring and training.	By September 2007	Director of Corporate Services
4	<b>Implement a Data Quality Strategy</b> – need to adopt the Strategy and deliver the associated action plan.	By June 2007	Deputy Chief Executive
5	<b>Communication and Consultation Strategy</b> – need to adopt the strategy and roll out the toolkit to meet the Government’s expectation for greater community engagement.	By June 2007	Deputy Chief Executive
6	<b>Further embed the Council’s performance management framework throughout the Council</b> – deliver the action plan agreed with the Audit Commission, in particular to focus on the achievement of outcomes.	By March 2008	Deputy Chief Executive
7	<b>Implement actions from the Audit Commission’s review of the Local Area Agreement (as they affect the Council)</b> – in particular on risk and financial management arrangements.	By March 2008	Director Of Corporate Services

Considered and approved by resolution of the Audit Sub Committee of South Derbyshire District Council at its meeting on 21 June 2007.

.....  
  
 ..... Leader of the Council  
 28/6/07 ..... Dated

.....  
  
 ..... Chief Executive  
 28 June 2007 ..... Dated

## **INTERNAL AUDIT ASSURANCE STATEMENT**

### **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 to the standards set out in the CIPFA Code of Practice for Internal Audit in Local Government in the UK.

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. 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 in 2006/2007 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 the 2006/2007 financial year, I consider, that based on this work, reliance can be placed upon the Council's internal control system. The Council has implemented a number of new computer systems and these are subject to ongoing review to ensure the level of internal control is maintained.

**A.J.Stamper**

**Audit Manager**

**June 2007**

## **Independent auditor's report to the Members of South Derbyshire District Council**

### **Opinion on the financial statements**

I have audited the financial statements of South Derbyshire District Council for the year ended 31 March 2007 under the Audit Commission Act 1998, which comprise the Income and Expenditure Account, Statement of the Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, the Housing Revenue Account, the Collection Fund and the related notes. These financial statements have been prepared under the accounting policies set out within them.

This report is made solely to South Derbyshire District Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

### ***Respective responsibilities of the Chief Finance Officer and auditors***

The Director of Corporate Services responsibilities for preparing the financial statements in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006 are set out in the Statement of Responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements present fairly the financial position of the Authority in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006.

I review whether the statement on internal control reflects compliance with CIPFA's guidance 'The statement on internal control in local government: meeting the requirements of the Accounts and Audit Regulations 2003' issued in April 2004. I report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the statement on internal control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

I read other information published with the financial statements, and consider whether it is consistent with the audited financial statements. This other information comprises only the Explanatory Forward. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

### ***Basis of audit opinion***

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the financial

statements, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

### ***Opinion***

In my opinion the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006, the financial position of the Authority as at 31 March 2007 and its income and expenditure for the year then ended.

*Andrew Blackburn – District Auditor  
Audit Commission, Littlemoor House, Eckington, Sheffield S21 4EF  
26 September 2007*

### **Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources**

#### ***Authority's Responsibilities***

The authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to regularly review the adequacy and effectiveness of these arrangements.

Under the Local Government Act 1999, the authority is required to prepare and publish a best value performance plan summarising the authority's assessment of its performance and position in relation to its statutory duty to make arrangements to ensure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

#### ***Auditor's Responsibilities***

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. I report if significant matters have come to my attention which prevent me from concluding that the authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

I am required by section 7 of the Local Government Act 1999 to carry out an audit of the authority's best value performance plan and issue a report:

- certifying that I have done so
- stating whether I believe that the plan has been prepared and published in accordance with statutory requirements set out in section 6 of the Local Government Act 1999 and statutory guidance; and
- where relevant, making any recommendations under section 7 of the Local Government Act 1999.

## **Conclusion**

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in December 2006, I am satisfied that, in all significant respects, South Derbyshire District Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2007.

## **Best Value Performance Plan**

I issued my statutory report on the audit of the authority's best value performance plan for the financial year 2006/07 on 8 December 2006. I did not identify any matters to be reported to the authority and did not make any recommendations on procedures in relation to the plan.

## **Certificate**

I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

*Andrew Blackburn – District Auditor  
Audit Commission, Littlemoor House, Eckington, Sheffield S21 4EF  
26 September 2007*

## **GLOSSARY OF TERMS**

### **Accounting Policies**

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

- Recognising
- Selecting measurement bases for, and
- Presenting assets, liabilities, gains losses 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 loss 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 set the council tax and collect the council tax and non-domestic rate.

### **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 to the general fund of billing and 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.

### **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 and 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 employee or employer are excluded.

**External Audit**

The independent examination of the activities and accounts of local authorities 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.

**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 the 31 March the following year.

**Formula Spending Share (FSS)**

A nominal measure of an authority's relative cost of service provision calculated by the government and used for the distribution of RSG.

**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.

**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 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.

**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 rate. County Councils, Police Authorities and Joint Authorities are "major precepting authorities" and parish, community and town councils are "local precepting authorities".

### **Provisions**

Amounts set aside in the accounts for a financial year to cover future expenditure on liabilities or losses that have been incurred, but 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 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 grant 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. The grant makes up the difference between a Council's FSS and the amount it would receive from Assumed National Council Tax and redistributed non-domestic rates.

### **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 the 30<sup>th</sup> 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.