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# About South Derbyshire District Council

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

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

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

## Population

South Derbyshire has a population of 91,200.

## Democracy

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

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

## Council Services

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

# The Council's Vision

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

## Themes

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

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

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

### *Theme 2: Safe and Secure*

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

### *Theme 3: Lifestyle Choices*

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

### *Theme 4: Value for Money*

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

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



# Introduction

## **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.

## **Format of Financial Statements**

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

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

However, this explanatory foreword is intended to provide a more user friendly summary of the Council's financial performance during 2008/09 and its financial position as at 31 March 2009.

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.

# Introduction

## The Main Accounts

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

**Revenue Account** – which records the day-to-day running expenses of the Council such as salaries and wages of employees, cost of running buildings 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 provide a contingency to cover any unexpected event. In addition, they can be built up over time to be used for spending in the future.

# Overview

This overview provides an introduction and a broad analysis of the Council's financial performance and position for 2008/09.

## **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 £0.5m (3.8%) less than budget. The main reason for the overall reduction is due to provisions (£0.2m) not being required or committed in 2008/09. These will be carried forward to 2009/10.

## **Reserves**

As at 31 March 2009, the Council's General Fund Reserve Balance stood at £2.8m.

This is approximately 24% 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 for 2008/09 shows an improved position to that estimated, with reserve balances showing £2.7m as at 31<sup>st</sup> March 2009. This is £50,000 more than estimated due to the HRA virtually achieving a break-even position for 2008/09 (compared to a budgeted deficit of £50,000).

## **Capital Resources**

The Council has a reasonable level of capital reserves for future capital investment. As at 31 March 2009, these stood at nearly £2.7m.

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.

# Overview

## Future Issues

The Council plans its finances over a 5-year rolling period for its General Fund Revenue and Capital Investment Accounts and a 10-year period for the HRA.

Although finances are fairly sound now, the Council will face future spending pressures that will draw upon its finances. The Council prudently sets aside resources for additional expenditure for known risks and cost pressures and reductions in income, especially planning and building control fees and investment income.

Other challenges lie ahead in the next twelve months, as findings from two major pieces of work should be concluded. The first relates to the housing stock options study, the second involves the creation of a private sector partnership for the delivery of corporate services for the Council.

South Derbyshire has, and will continue to anticipate growth in its population, business development and social infrastructure despite the current turmoil in the economy. This in turn, continues to place additional pressure on Council services.

Depending on how quickly and successfully the UK economy recovers from recession and the effects of the unprecedented levels of financial support the Government have given to the banking sector and public private partnerships, will inevitably mean a significant reduction in the level of Government support made available to local authorities. Therefore, it is anticipated that resources to develop and improve services will be severely restricted.

In anticipation of greater budgetary pressures, the Council will focus on:

- Improving efficiency and effectiveness, particularly in respect of 'back office functions' that support the delivery of front line services.
- Preservation of cash reserves through measures such as discretionary spending freezes, postponement of investment in improvement to services and general caution over spending.
- Delivering value through the improvement in planning by aligning strategic priorities with financial outcomes,
- Ensuring the benefits from investment in technology is realised.

## Introduction of International Financial Reporting Standards

Local Authorities are currently required to produce financial accounts in accordance with UK Generally Accepted Accounting Practice (UK GAAP) as interpreted by the CIPFA SORP. The Chancellors 2008 budget announced that from 1<sup>st</sup> April 2010 there will be a requirement for all Local Authorities to produce accounts in accordance with International Financial Reporting Standards (IFRS). This will mean a change to the accounting policies of the organisation for instance;

# Overview

- Fixed Assets will be recorded, valued and accounted for in components (e.g. lifts, roofs, windows, land and building all shown separately)
- The format of the main statements will be changed for example with the Income & Expenditure Account shown in reporting segments.
- Cash equivalents will be included on the cash flow statement.

The Private Sector is already compliant, and other areas within the public services (such as the NHS) are currently undertaking implementation. It is hoped that this unity among all public and private organisations internationally will mean that comparisons are clearer and policies are standardised. Therefore the financial performance is much easier to understand. IFRS will change not only the structure of the accounts, but also the numbers which make it up.

In order to make the accounts understandable to the reader, the Council will produce IFRS restated 2009-10 accounts alongside the 2010-11 accounts.

## **Pensions Liability**

In calculating the scheme assets and liabilities the fund's actuaries make a number of assumptions about events and circumstances in the future. The resulting actuarial calculations are subject to uncertainties on the outcome of future events. These include assumptions on the income and valuation of investments held by the fund. The principal actuarial assumptions made in relation to these accounts are disclosed at Note 10. This discloses the actuarial gains and losses in the year, which reflects where actual outcomes differed from actuarial assumptions made last year together with the effect of consequent revision of these estimates moving forward.

## **Summary**

These accounts continue to provide assurance 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.

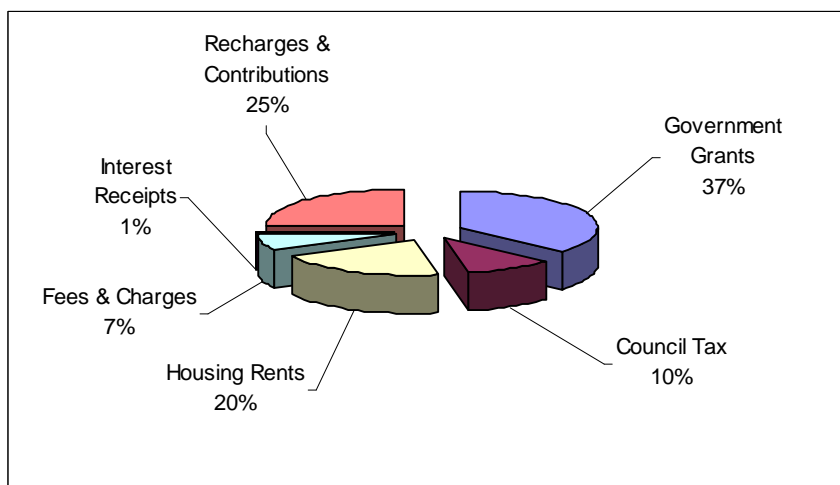


# Overview

## REVENUE INCOME AND EXPENDITURE 2008/09

The Council's gross revenue expenditure in 2008/09 was £46.8m. 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         |
|----------------------------|---------------|
| Government Grants          | 17,217        |
| Council Tax                | 4,867         |
| Housing Rents              | 9,385         |
| Fees & Charges             | 3,320         |
| Interest Receipts          | 322           |
| Recharges & Contributions  | 11,698        |
| <b>TOTAL INCOME</b>        | <b>46,809</b> |



Government Grants include revenue support grant together with specific grants, mainly for housing benefit payments and administration.

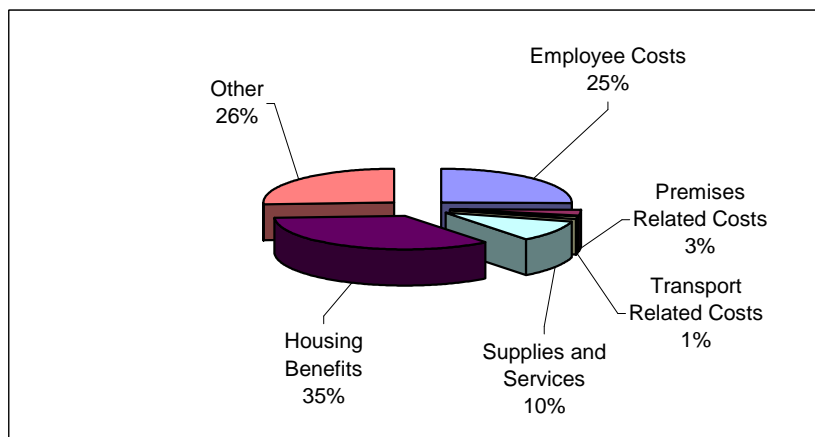
The main fees and charges are those associated with planning and building regulation fees, land searches, property rents and licence fees.

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.

# Overview

| <b>The Cost of Providing Services</b> | <b>£'000</b>  |
|---------------------------------------|---------------|
| Employee Costs                        | 11,858        |
| Premises Related Costs                | 1,285         |
| Transport Related Costs               | 463           |
| Supplies and Services                 | 4,893         |
| Housing Benefits                      | 16,278        |
| Other                                 | 12,032        |
| <b>TOTAL EXPENDITURE</b>              | <b>46,809</b> |



Employee costs include wages and salaries, 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.

Supplies and services include materials, equipment and communications, etc.

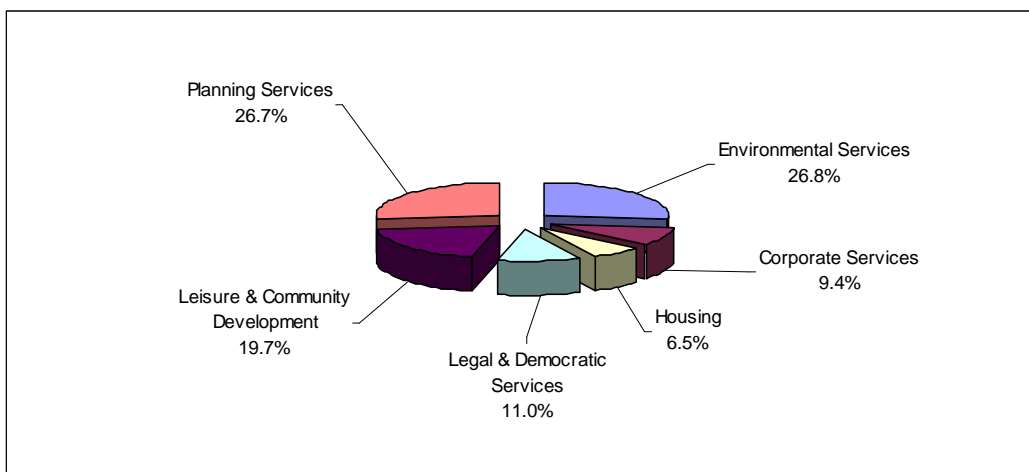
Other includes interest on short-term borrowings, interest on covenant agreements, leasing charges, concessionary travel costs, etc.

# Overview

## 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 25.

| <b>Analysis of Net Cost Across Services</b> | <b>£'000</b>  |
|---|---------------|
| Environmental Services                      | 4,283         |
| Corporate Services                          | 1,507         |
| Housing                                     | 1,036         |
| Legal & Democratic Services                 | 1,750         |
| Leisure & Community Development             | 3,143         |
| Planning Services                           | 4,260         |
| <b>TOTAL NET SPEND</b>                      | <b>15,979</b> |



# Overview

## COMPARISON TO BUDGET 2008/09

### General Fund Services

The out-turn was a reduction in general fund spending of approximately £472,000 compared to budget.

The main reasons for the overall reduction (compared to budget) are shown in the following table, which were reported in monitoring reports during the financial year.

#### General Fund - Final Variance compared to Budget 2008/09

|   | £'000       | % ' Age of Budget |
|---|-------------|-------------------|
| <b>Favourable Variances</b>   |             |                   |
| Reduction in Concessionary Travel costs   | -492        | 60%               |
| Provision for interim pay and grading costs c/fwd                               | -95         | 100%              |
| Reduction in overall operational costs of Waste Collection and street cleansing | -73         | 3%                |
| Overall employee's pay and on-costs across the Council                          | -68         | <1%               |
| Additional rental income from Industrial Holdings                               | -64         | 58%               |
| Provision for supporting voluntary sector c/fwd                                 | -50         | 100%              |
| Increase in Licensing income (especially private hire vehicles)                 | -42         | 30%               |
| Lower costs of IT hardware, software maintenance and replacement                | -37         | 7%                |
| Net cost of Housing Benefits  | -26         | <1%               |
| Provision for transitional costs of new Etwall Leisure Centre c/fwd             | -22         | 100%              |
| Lower maintenance and equipment costs on Civic Offices                          | -18         | 42%               |
| Streamlining of expenditure on protective clothing                              | -18         | 44%               |
| <b>Offset by Adverse Variances</b>  |             |                   |
| Interest on short-term investments and recharge to HRA                          | 129         | 35%               |
| Reduction in income from Building Regulations                                   | 90          | 27%               |
| Reduction in net income from Land Charges                                       | 83          | 49%               |
| Increase in Provision for Bad and Doubtful Debts                                | 81          | 200%              |
| Reduction in income from Planning Fees  | 63          | 10%               |
| Legal and Professional Fees (Planning Inquiries and Enforcement Appeal)         | 27          | N/A               |
| Increase in energy costs (mainly at Civic Offices and Depot)                    | 21          | 15%               |
| Reduction in income from Burial Fees  | 13          | 30%               |
| Increase in kennel fees   | 11          | 110%              |
| Other variances (net)   | 15          | N/A               |
| <b>Overall Reduction in Net Revenue Expenditure 2008/09</b>                     | <b>-472</b> |                   |

# Overview

## **Housing Revenue Account (HRA)**

The HRA for 2008/09 shows an improved position to that estimated, with reserve balances of £2.7m as at 31<sup>st</sup> March 2009. This is approximately £50,000 more than estimated due to the HRA virtually achieving a break-even position for 2008/09 (compared to a budgeted deficit of £50,000).

Monitoring reports during the year indicated projected increases in income from rents and Supporting People contributions with a reduction in repairs and maintenance expenditure. These are confirmed in the final account.

There were additional costs in management and sheltered services due mainly to the development of the Careline Service (approved earlier in the year), although these costs (as estimated) were more than offset by additional income generated.

In total, additional income of £190,000 was generated overall in the HRA, representing a 2% increase on budgeted income of approximately £10m for 2008/09.

The break-even position also accommodated the costs of the Stock Options Review in the year, which was originally approved as an extra call on the HRA reserve.

## **COUNCIL RESERVES**

### **General Fund Reserves**

The Council began the year with a General Fund Balance of £3.1m. Overall, this reserve decreased by £0.3m to £2.8m.

### **HRA General Reserve**

The Housing Revenue Account overall remained at £2.7m as at 31 March 2009.

# Overview

## 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.

| Reserve                               | Balance<br>1 April 2008<br>£'000 | Transfers<br>to<br>£'000 | Transfers<br>from<br>£'000 | Balance<br>31 March 2009<br>£'000 |
|---------------------------------------|----------------------------------|--------------------------|----------------------------|-----------------------------------|
| DSO                                   | 37                               | 0                        | 0                          | 37                                |
| New Technology                        | 129                              | 90                       | 40                         | 179                               |
| Repton Revenue Contributions          | 33                               | 0                        | 0                          | 33                                |
| Committed Expenditure                 | 115                              | 126                      | 115                        | 126                               |
| Corporate Services Partnering Project | 0                                | 100                      | 22                         | 78                                |
|                                       | <b>314</b>                       | <b>316</b>               | <b>177</b>                 | <b>453</b>                        |

## CAPITAL INVESTMENT AND FINANCING

### Capital Spending

Total capital spending for 2008/09 was £6.7m, which was £0.6m lower than the overall budgeted programme.

A summary of overall spending is shown in the following table.

| Analysis of Capital Spending 2008/09 | £'000        |
|--------------------------------------|--------------|
| Council House Improvements           | 2,910        |
| Private Sector and Other Housing     | 1,251        |
| Leisure and Community Facilities     | 1,581        |
| Environmental Services               | 354          |
| Property and other Assets            | 595          |
| <b>TOTAL EXPENDITURE</b>             | <b>6,691</b> |

# Overview

## Capital Financing

The following table shows how capital expenditure was financed in 2008/09.

| <b>Analysis of Capital Financing 2008/09</b> | <b>£'000</b> |
|--|--------------|
| Government Grants                            | 3,152        |
| Capital Reserves                             | 652          |
| Revenue Contributions                        | 99           |
| Local Area Agreement                         | 25           |
| Growth Point                                 | 205          |
| Other External Financing                     | 1,451        |
| Section 106 Planning Agreements              | 162          |
| Capital receipts                             | 945          |
| <b>TOTAL FINANCING</b>                       | <b>6,691</b> |

Further details on performance against budgets were reported to the Council on 25 June 2009. This is available on request from the main Civic Offices or on the Council's web site at:

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

# Statement of Accounting Policies

## 1. General Principles

The Statement of Accounts summarises the Council's transactions for the 2008/09 financial year and its position as at 31 March 2009. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2008 – A Statement of Recommended Practice (the SORP). The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets.

## 2. Accruals of Income and Expenditure

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

- Fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods or services.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as stocks on the Balance Sheet.
- Works are charged as expenditure when they are completed, before which they are carried as works in progress on the Balance Sheet.
- Interest payable in borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where the income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

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

## 3. Provisions

Provisions are made where an event has taken place that gives the Council an obligation that probably requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain. For instance the Council may be involved in a dispute that could eventually result in the making of a settlement or the payment of compensation.



# Statement of Accounting Policies

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

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

## **4. Reserves**

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts in the Statement of Movement on the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year for inclusion in the Net Cost of Services in the Income and Expenditure Account. The reserve is then appropriated back into the General Fund Balance statement so that there is no net charge against Council Tax for the expenditure.

Certain reserves are kept to manage the accounting processes for tangible fixed assets and retirement benefits. These do not represent usable resources for the Council.

## **5. Government Grants and Contributions (Revenue)**

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as income at the date that the authority satisfies the conditions of entitlement to the grant/contribution, there is reasonable assurance that the monies will be received and the expenditure for which the grant is given has been incurred. Revenue grants are matched in service revenue accounts with the service expenditure to which they relate. Grants to cover general expenditure (e.g. Revenue Support Grant) are credited to the foot of the Income and Expenditure Account after Net Operating Expenditure.

## **6. Retirement Benefits**

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

# Statement of Accounting Policies

The Local Government Pension Scheme is accounted for as a defined benefits scheme:

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

# Statement of Accounting Policies

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the Statement of Movement on the General Fund Balance this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the Pension Fund and any amounts payable to the fund but unpaid at the year-end.

## **Discretionary Benefits**

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

## **7. VAT**

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

## **8. Overheads and Support Services**

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2008 (BVACOP). The total absorption costing principle is used — the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

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

## **9. Intangible Fixed Assets**

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

# Statement of Accounting Policies

## 10. Tangible Fixed Assets

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

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

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

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

Net current replacement cost is assessed as:

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

Assets included in the Balance Sheet at current value are revalued where there have been material changes in the value, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to a service revenue account.

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

# Statement of Accounting Policies

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

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

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

**Disposals:** when an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet is written off to the Income and Expenditure Account as part of the gain or loss on the disposal. Receipts from disposals are credited to the Income and Expenditure Account as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account. Net receipts in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Usable Capital Receipts Reserve and then only can be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the Capital Financing Requirement). Receipts are appropriated to the Reserve from the Statement of Movement on the General Fund Balance.

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

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

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

# Statement of Accounting Policies

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

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

## 11. Charges to Revenue for Fixed Assets

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

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

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

## 12. Revenue Expenditure Funded from Capital Under Statute

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

# Statement of Accounting Policies

## 13. Leases

**Finance Leases:** The Council accounts for leases as finance leases when substantially all the risks and rewards relating to the leased property transfer to the Council. Rentals payable are apportioned between:

- A charge for the acquisition of the interest in the property (recognised as a liability in the Balance Sheet at the start of the lease, matched with a tangible fixed asset — the liability is written down as rent becomes payable).
- A finance charge (debited to Net Operating Expenditure in the Income and Expenditure Account as rent becomes payable).

Fixed assets recognised under finance leases are accounted for using the policies applied generally to Tangible Fixed Assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.

**Operating Leases:** Leases that do not meet the definition of finance leases are accounted for as operating leases. Rentals payable are charged to the relevant service revenue account on a straight-line basis over the term of the lease, generally meaning that rentals are charged when they become payable.

## 14. Financial Liabilities

Financial Liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the effective rate for the instrument. For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable and interest charged to the Income and Expenditure Account is the amount payable for the year in the loan agreement.



# Statement of Accounting Policies

## **15. Financial Assets**

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

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

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

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

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

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

## **16. Interest in Companies and Other Entities**

For the 2008/09 financial year, local authorities are required to comply with the requirement that, where they have interests in subsidiaries, associated companies and joint ventures that are material in aggregate, they must prepare the revenue account and the balance sheet based on the financial results for the whole of the group. South Derbyshire District Council does not have any interests of this type and therefore group accounts do not apply.

## **17. Estimates**

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





# Statement of Responsibilities

## Statement of Responsibilities for the Statement of Accounts

### The Authority's responsibilities

The Authority is required:

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

### The Director of Corporate Services' responsibilities

The Director of Corporate Services is responsible for the preparation of the Authority's statement of accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the SORP).

In preparing this statement of accounts, the Director of Corporate Services has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent; and
- Complied with the local authority SORP.

The Director of Corporate Services has also:

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

### Certification by Director of Corporate Services

**This Statement of Accounts presents fairly the financial position of South Derbyshire District Council at 31 March 2009 and its income and expenditure for the year ended 31 March 2009**

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

.....  
**Date**



# Core Financial Statements

## Income and Expenditure Account for the Year Ended 31 March 2009

| Net Cost      |   |      | Gross Expenditure | Income          | Net Expenditure |
|---------------|---|------|-------------------|-----------------|-----------------|
| 2007/08       |   | Note | 2008/09           | 2008/09         | 2008/09         |
| £000          |   |      | £000              | £000            | £000            |
| 1,351         | Central Services to the Public  |      | 5,581             | (4,998)         | 583             |
| 7,745         | Cultural, Environmental and Planning Services                                       |      | 14,747            | (3,062)         | 11,685          |
| 996           | Highways and Transport Services   |      | 899               | (426)           | 473             |
| 566           | Local Authority Housing (Housing Revenue Account)                                   |      | 10,224            | (10,009)        | 215             |
| 1,158         | Other Housing Services (General Fund)   |      | 13,119            | (12,326)        | 793             |
| 2,042         | Corporate and Democratic Core   |      | 1,750             | 0               | 1,750           |
| 253           | Non Distributed Costs   | 15   | 489               | (9)             | 480             |
| <b>14,111</b> | <b>Net Cost of Services</b>   |      | <b>46,809</b>     | <b>(30,830)</b> | <b>15,979</b>   |
| 314           | (Gain) / loss on disposal of fixed assets   |      |                   |                 | 2               |
| 413           | Parish Precepts   |      |                   |                 | 482             |
| (116)         | (Surplus) or Deficit of Trading Operations not included in the Net Cost of Services | 2    |                   |                 | (121)           |
| 414           | Interest Payable and Similar Charges  |      |                   |                 | 375             |
| (517)         | Interest and Investment Income  |      |                   |                 | (322)           |
| 398           | Pensions Interest Cost and Expected Return on Pensions Assets                       | 10   |                   |                 | 1,030           |
| 1,434         | Contribution to Housing Pooled Capital Receipts                                     |      |                   |                 | 332             |
| <b>16,451</b> | <b>Net Operating Expenditure</b>  |      |                   |                 | <b>17,757</b>   |
| (963)         | General Government Grants   |      |                   |                 | (871)           |
| (5,786)       | Non Domestic Rates Redistribution   |      |                   |                 | (6,094)         |
| (4,647)       | Demand on the Collection Fund   |      |                   |                 | (4,867)         |
| (36)          | Transfer to / (from) the Collection Fund in Respect of Surpluses                    |      |                   |                 | 0               |
| <b>5,019</b>  | <b>Income and Expenditure Account Deficit / (Surplus)</b>                           |      |                   |                 | <b>5,925</b>    |

# Core Financial Statements

## Statement of Movement on the General Fund Balance

| 2007/08        |   | Note | 2008/09        |
|----------------|---|------|----------------|
| £000           |   |      | £000           |
| 5,019          | Income and Expenditure Account Deficit / (Surplus)  |      | 5,925          |
| (4,434)        | Net additional amount required by statute or non-statutory proper practices to be debited or (credited) to the General Fund Balance for the year. | 17   | (5,632)        |
| 585            | Movement in Year  |      | 293            |
| (3,678)        | Balance on General Fund Brought Forward   |      | (3,093)        |
| <b>(3,093)</b> | <b>Balance on General Fund Carried Forward</b>  |      | <b>(2,800)</b> |

# Core Financial Statements

## Statement of Total Recognised Gains and Losses

The Income and Expenditure Account brings together all the functions of the Authority and summarises all of the resources that the Authority has generated, consumed or set aside in providing services during the year. 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 out-turn on the Income and Expenditure Account to show the total movement in the Authority's net worth for the year.

| <b>2007/08<br/>(restated)</b> |  | <b>2008/09</b> |
|-------------------------------|--|----------------|
| <b>£000</b>                   |  | <b>£000</b>    |
| 5,019                         | (Surplus)/Deficit on the Income and Expenditure Account            | 5,951          |
| (6,189)                       | (Surplus)/Deficit arising on Revaluation of Fixed Assets           | 2,541          |
| 2,598                         | Actuarial (gains)/losses on pension fund assets and liabilities    | (3,493)        |
| 80                            | Changes to valuation of pension fund scheme assets and liabilities | 0              |
| 15                            | Movement on Collection Fund  | (56)           |
| <b>1,523</b>                  | <b>Total Recognised (Gains)/Losses for Year</b>                    | <b>4,943</b>   |

| <b>Change in Net Worth</b> | <b>£000</b>  | <b>£000</b>  |
|----------------------------|--------------|--------------|
| Net Worth 2006/07          |              | 128,394      |
| Net Worth 2007/08          | 126,871      | (126,871)    |
| Net Worth 2008/09          | (121,928)    |              |
| <b>Total</b>               | <b>4,943</b> | <b>1,523</b> |

**Note** – Comparative figures for 2007/08 have been amended due to changes in the disclosure of pension fund scheme assets and liabilities.

# Core Financial Statements

## Balance Sheet

| As at<br>31 March 2008<br>(restated)<br>£'000 |  | Note | As at<br>31 March 2009 |                |
|---|--|------|------------------------|----------------|
|   |  |      | £'000                  | £'000          |
| 36  | <b>Intangible Assets</b>                     | 23   |                        | 10             |
|   | <b>Tangible Fixed Assets</b>                 |      |                        |                |
|   | <b>Operational Assets</b>                    |      |                        |                |
| 128,954                                       | Council Dwellings                            |      | 126,067                |                |
| 20,982  | Other Land & Buildings                       |      | 13,583                 |                |
| 1,169   | Vehicles, Plant, Furniture & Equipment       | 18   | 1,021                  |                |
| 986   | Infrastructure Assets                        |      | 934                    |                |
| 3,649   | Community Assets                             |      | 3,430                  | 145,035        |
|   | <b>Non-Operational Assets</b>                |      |                        |                |
| 0   | Investment Properties                        |      | 3,300                  |                |
| 0   | Assets Under Construction                    |      | 244                    |                |
| 0   | Surplus Assets Held for Disposal             |      | 710                    | 4,254          |
| <b>155,776</b>                                | <b>Total Fixed Assets</b>                    |      |                        | <b>149,299</b> |
| 72  | Long Term Investments                        | 25   |                        | 52             |
| 29  | Long Term Debtors                            | 26   |                        | 22             |
| <b>155,877</b>                                | <b>Total Long Term Assets</b>                |      |                        | <b>149,373</b> |
|   | <b>Current Assets</b>                        |      |                        |                |
| 85  | Stock and Work in Progress                   | 27   | 61                     |                |
| 4,257   | Debtors                                      | 28   | 6,573                  |                |
| 3,590   | Short Term Investments                       | 25   | 0                      |                |
| 2   | Cash-in-Hand                                 |      | 7                      | 6,641          |
| <b>163,811</b>                                | <b>Total Assets</b>                          |      |                        | <b>156,014</b> |
|   | <b>Current Liabilities</b>                   |      |                        |                |
| (274)   | Short-term Borrowing                         |      | (274)                  |                |
| (4,107)                                       | Creditors                                    | 29   | (4,242)                | (5,211)        |
| (441)   | Bank Overdrawn                               |      | (695)                  |                |
| <b>158,989</b>                                | <b>Total Assets Less Current Liabilities</b> |      |                        | <b>150,803</b> |
| (1,000)                                       | Long Term Borrowing – net                    | 30   | (1,000)                |                |
| (20,592)                                      | Deferred Liability – Pension Fund            | 10   | (17,909)               |                |
| (2,246)                                       | Deferred Liabilities                         | 31   | (1,737)                |                |
| (2,387)                                       | Government Grants Deferred                   | 33   | (2,923)                |                |
| (5,431)                                       | Grants Unapplied                             | 37   | (5,204)                |                |
| (462)   | Provisions                                   | 42   | (102)                  | (28,875)       |
| <b>126,871</b>                                | <b>Total Assets Less Liabilities</b>         |      |                        | <b>121,928</b> |
| 17  | Deferred Capital Receipts                    | 34   |                        | 12             |
| 6,189   | Fixed Asset Revaluation Reserve              | 36   |                        | 1,880          |
| 130,880                                       | Capital Adjustment Account                   | 36   |                        | 128,989        |
| 3,955   | Usable Capital Receipts Reserve              | 44   |                        | 2,757          |
| (20,592)                                      | Pensions Reserve                             | 10   |                        | (17,909)       |
| 273   | Major Repairs Reserve                        | 38   |                        | 0              |
| 314   | Earmarked Reserves                           | 41   |                        | 453            |
| 11  | Fixed Asset Replacement Reserve              | 39   |                        | 158            |
|   | <b>Revenue Balances:</b>                     |      |                        |                |
| 3,093   | General Fund Reserves                        |      | 2,800                  |                |
| 2,730   | Housing Revenue Account Balance              |      | 2,731                  |                |
| 1   | Collection Fund Balance                      | 40   | 57                     | 5,588          |
| <b>126,871</b>                                | <b>Total Net Worth</b>                       |      |                        | <b>121,928</b> |

**Note** – Comparative figures for 2007/08 have been amended due to changes in the disclosure of pension fund scheme assets and liabilities. Also, changes to the classification of investments have been made.

# Core Financial Statements

## Cash Flow Statement

| Year ended<br>31 March<br>2008 |   | Year ended<br>31 March 2009 |              |
|--------------------------------|---|-----------------------------|--------------|
| £'000                          | Note  | £'000                       | £'000        |
|                                | <b>Revenue Activities</b>                             |                             |              |
|                                | Cash outflows   |                             |              |
| 485                            | <b>Net Revenue Activities Cash Flow</b>               |                             | 28           |
|                                | <b>Returns on Investment and Servicing of Finance</b> |                             |              |
|                                | Cash outflows   |                             |              |
| 395                            | Interest paid   | 355                         |              |
|                                | Cash inflows  |                             |              |
| (475)                          | Interest received                                     | (362)                       |              |
|                                | <b>Capital Activities</b>                             |                             |              |
|                                | Cash outflows   |                             |              |
| 2,946                          | Purchase of fixed assets                              | 3,040                       |              |
| 3,545                          | Other capital cash payments                           | 4,829                       | 7,869        |
|                                | Cash inflows  |                             |              |
| (2,157)                        | Sale of fixed assets                                  | (459)                       |              |
| (1,490)                        | Capital grants received                               | (2,400)                     |              |
| (865)                          | Other Grants and Contributions                        | (1,093)                     |              |
| (78)                           | Other capital cash receipts                           | (24)                        | (3,976)      |
| <b>2,306</b>                   | <b>Net Cash (Inflow)/Outflow Before Financing</b>     |                             | <b>3,914</b> |
|                                | <b>Financing</b>                                      |                             |              |
|                                | Cash outflows   |                             |              |
| 54,910                         | Repayment of amounts borrowed                         | 0                           |              |
| 19,515                         | Temporary investments                                 | 66,580                      |              |
| 0                              | Temporary Loan to Parish Council                      | 0                           |              |
|                                | Cash inflows  |                             |              |
| (51,238)                       | Temporary investments repaid                          | (70,170)                    |              |
| (25,040)                       | Temporary loans                                       | (75)                        |              |
|                                |   |                             | (3,665)      |
| <b>453</b>                     | <b>Net (Increase)/Decrease in Cash</b>                |                             | <b>249</b>   |



# Notes to the Core Financial Statements

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

### 1. Minimum Revenue Provision

The Council is required to pay off an element of the accumulated General Fund Capital Financing Requirement (CFR) each year through a revenue charge, the Minimum Revenue Provision (MRP).

| 2007/08<br>£000 |                                     | 2008/09<br>£000 |
|-----------------|-------------------------------------|-----------------|
| 322             | 4% of General Fund CFR              | 310             |
| (26)            | Less: Commutation Adjustment        | 0               |
| <b>296</b>      | <b>Provision for Debt Repayment</b> | <b>310</b>      |

### 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 2008/2009 are summarised below:

| 2007/08      |  | 2008/09            |          |              |
|--------------|--|--------------------|----------|--------------|
| Total        |  | Industrial Estates | Markets  | Total        |
| £000         |  | £000               | £000     | £000         |
| (354)        | Gross Income                                 | (368)              | (3)      | (371)        |
| 238          | Gross Expenditure                            | 244                | 6        | 250          |
| <b>(116)</b> | <b>(Surplus)/Deficit on Trading Services</b> | <b>(124)</b>       | <b>3</b> | <b>(121)</b> |

# Notes to the Core Financial Statements

## 3. Operating Leases

Operating leases are used to finance a wide range of equipment, vehicles and plant. The amount paid under such leases in 2008/2009 was £142,461 (2007/2008 £239,588). The future cash payments required under these leases are estimated at £173,019.

The Council also leases an Industrial Estate where the rental payable in 2008/2009 was £50,300 (2007/2008 £50,300).

The authority was committed at 31 March 2009 to making payments of £132,840 under operating leases in 2009/10, comprising the following elements:

|   | Other Land<br>and Buildings<br>£'000 | Vehicles, Plant<br>and Equipment<br>£'000 | Total<br>£'000 |
|---|--------------------------------------|---|----------------|
| Leases Expiring in 2009/10                  | 0                                    | 41  | 41             |
| Leases Expiring between 2010/11 and 2013/14 | 0                                    | 37  | 37             |
| Leases Expiring after 2013/14               | 50                                   | 5   | 55             |
| <b>Total Due</b>                            | <b>50</b>                            | <b>83</b>                                 | <b>133</b>     |

The Council rents some properties to tenants under lease arrangements. Amounts receivable under these leases in 2008/09 was £385,000 (£428,189 in 2007/08). The asset value of these properties at 31 March 2009 was £4.3m.

## 4. Publicity

Section 5 of the Local Government Act 1986 requires expenditure on certain publicity to be disclosed. The Council's spending for 2008/2009 is as follows:

| 2007/08<br>£000 |                          | 2008/09<br>£000 |
|-----------------|--------------------------|-----------------|
| 83              | Recruitment Advertising  | 72              |
| 215             | Promotional Expenses     | 203             |
| <b>298</b>      | <b>Total Expenditure</b> | <b>275</b>      |

# Notes to the Core Financial Statements

Promotional expenses can be further analysed below:

| <b>2007/08</b>  | <b>2008/09</b> |
|---|----------------|
| <b>£000</b>   | <b>£000</b>    |
| 29 Statutory Notices (e.g. Planning, Council Tax)         | 30             |
| <i>Promotions and information to the public:</i>          |                |
| 29 Liberation Day / Youth Engagement / Crime and Disorder | 21             |
| 5 Telephones  | 5              |
| 0 Choice Based Lettings                                   | 4              |
| 28 Economic Development                                   | 29             |
| 24 Rosliston Forestry Centre/ Environmental Education     | 20             |
| 42 Waste Collection including recycling                   | 28             |
| 54 Other  | 63             |
| 4 Member's Surgeries                                      | 3              |
| <b>215</b>  | <b>203</b>     |

# Notes to the Core Financial Statements

## 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.

| 2007/08      |                                       | 2008/09      |                |              |
|--------------|---------------------------------------|--------------|----------------|--------------|
| Total        |                                       | Chargeable   | Non Chargeable | Total        |
| £000         |                                       | £000         | £000           | £000         |
|              | <b>Expenditure</b>                    |              |                |              |
| 273          | Employee expenses                     | 189          | 116            | 305          |
| 9            | Premises                              | 12           | 7              | 19           |
| 11           | Transport                             | 7            | 4              | 11           |
| 77           | Supplies and Services                 | 52           | 25             | 77           |
| 37           | Central and Support Service Recharges | 36           | 13             | 49           |
| <b>407</b>   | <b>Total Expenditure</b>              | <b>296</b>   | <b>165</b>     | <b>461</b>   |
|              | <b>Income</b>                         |              |                |              |
| (300)        | Building Regulations Charges          | (236)        | 0              | (236)        |
| (7)          | Miscellaneous Charges                 | 0            | (5)            | (5)          |
| <b>(307)</b> | <b>Total Income</b>                   | <b>(236)</b> | <b>(5)</b>     | <b>(241)</b> |
| <b>100</b>   | <b>(Surplus)/Deficit for the Year</b> | <b>60</b>    | <b>160</b>     | <b>220</b>   |

## 6. Agency Services

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

| 2007/08<br>£000 | Principal                 | Activity   | 2008/09<br>£000 |
|-----------------|---------------------------|--|-----------------|
| 290             | Derbyshire County Council | Highways amenity maintenance and gully cleansing | 299             |

# Notes to the Core Financial Statements

## 7. General Government Grants

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

From 2008/09 the Area Based Grant (ABG) replaced the Local Area Agreement Grant (LAA). ABG is a non-ring fenced general grant, no conditions on use is imposed as part of the grant determination, ensuring full local control over how funding can be used. This means that unlike LAA grant, its use is not restricted to supporting the achievements of LAA targets.

| 2007/08    |                       | 2008/09    |
|------------|-----------------------|------------|
| £000       |                       | £000       |
| 963        | Revenue Support Grant | 848        |
| 0          | Area Based Grant      | 23         |
| <b>963</b> |                       | <b>871</b> |

## 8. Members' Allowances

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

The total of payments made to Members in 2008/09 amounted to £323,924 (2007/08 was £309,093), detailed as follows: -

# Notes to the Core Financial Statements

| 2007/08    |                                  | 2008/09    |
|------------|----------------------------------|------------|
| £000       |                                  | £000       |
| 194        | Basic Allowance                  | 203        |
| 90         | Special Responsibility Allowance | 92         |
| 16         | Travelling Expenses              | 17         |
| 9          | Other                            | 12         |
| <b>309</b> |                                  | <b>324</b> |

## 9. Officers' Emoluments

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

| Number of<br>Employees | Remuneration Band  | Number of<br>Employees |
|------------------------|--------------------|------------------------|
| 2007/08                |                    | 2008/09                |
| 2                      | £50,000 - £59,999  | 3                      |
| 0                      | £60,000 - £69,999  | 0                      |
| 2                      | £70,000 - £79,999  | 2                      |
| 0                      | £80,000 - £89,999  | 0                      |
| 1                      | £90,000 - £99,999  | 0                      |
| 0                      | £100,000 and above | 1                      |

## 10. Pensions

### *Participation in Pensions Schemes*

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

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

# Notes to the Core Financial Statements

## *Change in Accounting Policy*

Under the 2008 SORP the Council has adopted the amendment to FRS17, Retirement Benefits. As a result, quoted securities held as assets in the defined benefits scheme are now valued at bid price rather than mid-market value. The effect of this change is that the value of scheme assets at 31 March 2009 has been restated from £40m. Current and prior year deficit have been unaffected by this change.

# Notes to the Core Financial Statements

## Transactions Relating to Retirement Benefits

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

| Year ended<br>31 March 2008<br>(as restated) |              |  | Year ended<br>31 March 2009 |              |
|--|--------------|--|-----------------------------|--------------|
| £000   | £000         | Income and Expenditure Account   | £000                        | £000         |
| 1,146  |              | <i>Net Cost of Service</i>   | 1,403                       |              |
| 444  | 1,590        | Current Service Cost   | 26                          | 1,429        |
|  |              | Past Service Cost  |                             |              |
|  |              | <i>Net Operating Expenditure</i>   |                             |              |
| 3,096  |              | Interest Cost  | 3,678                       |              |
| (2,693)                                      |              | Expected Return on Scheme Assets   | (2,648)                     |              |
| 299  | 702          | Effect of Curtailment /Settlement  | 80                          | 1,110        |
|  | <b>2,292</b> | <b>Net Charge to the Income and Expenditure Account</b>                                |                             | <b>2,539</b> |
|  |              | <i>Statement of Movement on the General Fund Balance</i>                               |                             |              |
|  | 2,292        | Reversal of net charges made for retirement benefits in accordance with FRS 17         |                             | (2,539)      |
|  |              | <i>Actual Amount Charged Against the General Fund Balance for Pensions in the Year</i> |                             |              |
|  | <b>1,632</b> | Employers' contribution payable to scheme  |                             | <b>1,729</b> |

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial gains and losses of £3.5m (£2.6m 2007/08 as restated) were included in the Statement of Total Recognised Gains and Losses. The cumulative amount of actuarial gains and losses recognised in the Statement of Total recognised Gains and Losses is £6.1m.



# Notes to the Core Financial Statements

## Assets and Liabilities in Relation to Retirement Benefits

| 2007/08<br>£000 | Reconciliation of Present Value of the Scheme Liabilities | 2008/09<br>£000 |
|-----------------|---|-----------------|
| <b>57,514</b>   | <b>1 April</b>  | <b>60,477</b>   |
| 1,146           | Current Service Cost                                      | 1,403           |
| 3,096           | Interest Cost   | 3,678           |
| 433             | Contribution by Scheme Participants                       | 489             |
| (525)           | Actuarial (Gains) and Losses                              | (13,169)        |
| (1,930)         | Benefits Paid   | (2,256)         |
| 444             | Past Service Cost   | 26              |
| 299             | Curtailment   | 80              |
| <b>60,477</b>   | <b>31 March</b>   | <b>50,728</b>   |

| 2007/08<br>(as restated)<br>£000 | Reconciliation of Fair Value of the Scheme Assets | 2008/09<br>£000 |
|----------------------------------|---|-----------------|
| <b>40,174</b>                    | <b>1 April</b>                                    | <b>39,885</b>   |
| 2,693                            | Expected Rate of Return                           | 2,648           |
| (3,117)                          | Actuarial (Gains) and Losses                      | (9,676)         |
| 1,632                            | Employer Contributions                            | 1,729           |
| 433                              | Contribution by Scheme Participants               | 489             |
| (1,930)                          | Benefits Paid                                     | (2,256)         |
| <b>39,885</b>                    | <b>31 March</b>                                   | <b>32,819</b>   |

# Notes to the Core Financial Statements

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

The actual return on scheme assets in the year was £(7.0m) (2007/08 £(1.3m)).

| <b>Scheme History</b>             | <b>2004/05</b> | <b>2005/06</b> | <b>2006/07</b>               | <b>2007/08</b>               | <b>2008/09</b> |
|-----------------------------------|----------------|----------------|------------------------------|------------------------------|----------------|
|                                   | <i>£'000</i>   | <i>£'000</i>   | <i>As restated<br/>£'000</i> | <i>As restated<br/>£'000</i> | <i>£'000</i>   |
| Present Value of Liabilities      | (47,583)       | (57,534)       | (57,514)                     | (60,477)                     | (50,728)       |
| Fair Value of Assets              | 29,409         | 37,832         | 40,174                       | 39,885                       | 32,819         |
| Surplus / (Deficit) in the Scheme | (18,174)       | (19,702)       | (17,340)                     | (20,592)                     | (17,909)       |

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

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total liability of £17.9m has an impact on the net worth of the authority as recorded in the Balance Sheet. The statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy as the deficit will be made good by increase contributions over the remaining working life of employees, as assessed by the scheme actuary. The total contributions expected to be made by the Council in the year to 31 March 2010 is £1.6m.

## **Basis for Estimating Asset and Liabilities**

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

# Notes to the Core Financial Statements

The principal assumptions used by the actuary have been:

| <b>2007/08</b>   |                      |   | <b>2008/09</b>                               |                      |
|--|----------------------|---|--|----------------------|
| <i>Beginning of Period</i>                                       | <i>End of Period</i> |   | <i>Beginning of Period</i>                   | <i>End of Period</i> |
| <b>Long-term expected rate of return on assets in the scheme</b> |                      |   |  |                      |
| 7.5%   | 7.5%                 | Equity investments  | 7.5%   | 7.5%                 |
| 4.7%   | 4.6%                 | Government Bonds  | 4.6%   | 4.0%                 |
| 5.4%   | 6.1%                 | Other Bonds   | 6.1%   | 6.0%                 |
| 6.5%   | 6.5%                 | Property  | 6.5%   | 6.5%                 |
| 5.25%  | 5.25%                | Cash/Liquidity  | 5.25%  | 0.5%                 |
| N/A  | 7.5%                 | Other   | 7.5%   | 7.5%                 |
| <b>Mortality assumptions:</b>                                    |                      |   |  |                      |
| Longevity at 65 for current pensioners:                          |                      |   |  |                      |
| 18.6   | 21.1                 | Men   | 21.1   | 21.2                 |
| 21.6   | 24.0                 | Women   | 24.0   | 24.0                 |
| Longevity at 65 for future pensioners:                           |                      |   |  |                      |
| 18.6   | 22.2                 | Men   | 22.2   | 22.2                 |
| 21.6   | 25.0                 | Women   | 25.0   | 25.0                 |
| 3.1%   | 3.6%                 | Rate of inflation   | 3.6%   | 3.3%                 |
| 4.6%   | 5.1%                 | Rate of increase in salaries                                      | 5.1%   | 4.8%                 |
| 3.1%   | 3.6%                 | Rate of increase in pensions                                      | 3.6%   | 3.3%                 |
| 5.4%   | 6.1%                 | Rate for discounting scheme liabilities                           | 6.1%   | 7.1%                 |
| 50% take maximum cash, 50% take 3/80ths cash                     |                      | Take-up option to convert annual pension into retirement lump sum | 50% take maximum cash, 50% take 3/80ths cash |                      |

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

| <b>As at 31 March 2008</b> |                      |                    | <b>As at 31 March 2009</b> |                            |
|----------------------------|----------------------|--------------------|----------------------------|----------------------------|
| <i>Beginning of Period</i> | <i>End of Period</i> |                    | <i>End of Period</i>       | <i>Beginning of Period</i> |
| 71.8%                      | 69.4%                | Equity investments | 69.4%                      | 63.5%                      |
| 15.0%                      | 16.7%                | Government Bonds   | 16.7%                      | 20.9%                      |
| 1.7%                       | 1.6%                 | Other Bonds        | 1.6%                       | 3.5%                       |
| 5.3%                       | 4.9%                 | Property           | 4.9%                       | 7.1%                       |
| 6.2%                       | 6.3%                 | Cash/Liquidity     | 6.3%                       | 4.7%                       |
| 0.0%                       | 1.1%                 | Other              | 1.1%                       | 0.3%                       |
| <b>100.0</b>               | <b>100.0</b>         | <b>Total</b>       | <b>100.0</b>               | <b>100.0</b>               |

# Notes to the Core Financial Statements

## History of Experience Gains and Losses

The actuarial gains identified as movements on the pension Reserve in 2008/09 can be analysed into the following categories, measured as a percentage of asset or liabilities at 31 March 2009:

| Scheme History   | 2003/04 | 2004/05 | 2005/06 | 2006/07 | 2007/08<br>As restated | 2008/09 |
|--|---------|---------|---------|---------|------------------------|---------|
|  | %       | %       | %       | %       | %                      | %       |
| Difference between the expected and actual return on investments | 12.1    | 4.0     | 14.2    | (0.3)   | (7.8)                  | (29.5)  |
| Experience gains and losses on liabilities                       | 0       | 4.2     | (5.0)   | 0       | (0.9)                  | (26.0)  |

## 11. Related Party Transactions

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

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

Derbyshire County Council, the Police Authority and the Fire Authority issue precepts on the Council and these are shown in the Collection Fund on page 77. The Derbyshire County Council is the administering authority for the Pension Fund and a note to the accounts on page 35 (note 10) 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 28 and 29 to the Balance Sheet on page 53.

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 2008/09.

# Notes to the Core Financial Statements

## 12. 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.

| 2007/08<br>£   |                           | 2008/09<br>£   |
|----------------|---------------------------|----------------|
| 67,815         | Audit of Accounts         | 68,650         |
| 28,050         | Use of Resources          | 30,100         |
| 12,844         | Statutory Inspections     | 5,980          |
| 16,001         | Grant Claim Certification | 45,414         |
| <b>124,710</b> | <b>Total</b>              | <b>150,144</b> |

## 13. 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 2008/2009 was £255,304 (2007/2008 £186,458).

## 14. Local Authority (Goods and Services) Act 1970

The Council is empowered by this Act to provide Goods and Services to other public bodies. During the period to 31 March 2009, there were no material transactions.

# Notes to the Core Financial Statements

## 15. Non-Distributed Costs

The Best Value Accounting Code of Practice excludes non-Distributed Costs from recharging to particular services and is therefore shown on the face of the Income and Expenditure Account. For 2008/09 these costs mainly relate to:

| 2007/08<br>£000 |   | 2008/09<br>£000 |
|-----------------|---|-----------------|
| 170             | Residual Corporate Overheads  | 251             |
| 254             | Pension Fund – Curtailment Loss   | 0               |
| 377             | Pension Fund – Past Service Cost  | 26              |
| (831)           | Pension Fund – Past Service Gain – relating to 2005/06<br>(omitted from the Income and Expenditure Account) | 0               |
| 224             | Internal Trading Accounts – Printing & Office Cleaners  | 82              |
| 59              | Increase in Provision for Bad Debts   | 121             |
| <b>253</b>      | <b>Total</b>  | <b>480</b>      |

## 16. Statement of Movement on General Fund Balance

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

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

The General Fund Balance compares the Council's spending against the Council tax that has rose 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 out-turn on the Income and Expenditure Account and the General Fund Balance.

# Notes to the Core Financial Statements

## 17. 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:

| 2007/08<br>£000  |  | 2008/09<br>£000 |
|--|--|-----------------|
| <b>Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year.</b>     |  |                 |
| (2,016)  | Depreciation and impairment of fixed assets  | (4,076)         |
| (142)  | Excess HRA depreciation over MRA   | (75)            |
| 153  | Amortisation of Governments Grants Deferred  | 113             |
| (2,216)  | Revenue Expenditure Funded from Capital Under Statute  | (982)           |
| (314)  | Loss on disposal of fixed assets   | (2)             |
| (2,287)  | Net charges made for retirement benefits in accordance with FRS 17   | (2,539)         |
| 833  | Gain on Pension Fund arising from changes to Scheme Benefits omitted from 2005/06 accounts                                       | 0               |
| <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> |  |                 |
| 296  | Provision for Repayment of Debt  | 310             |
| 200  | Capital expenditure charged to the General Fund Balance  | 49              |
| (1,434)  | Transfer from Usable Capital Receipts for contribution to Housing Pooled Capital Receipts  | (332)           |
| 1,631  | Employer's contributions payable to the Derbyshire County Council Pension Fund and retirement benefits paid direct to pensioners | 1,729           |
| <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>          |  |                 |
| 736  | Transfers to / (from) HRA Balances   | 1               |
| 126  | Net Transfer to / (from) Reserves  | 172             |
| <b>(4,434)</b>   | <b>Net Additional Amount required to be Credited to the General Fund</b>   | <b>(5,632)</b>  |

# Notes to the Core Financial Statements

## Balance Sheet

### 18. Tangible Fixed Assets

|  | <i>Operational</i>       |                                 |                                     |                        |                         | <i>Non-operational</i>       |                                  |                       | <b>Total</b> |
|--|--------------------------|---------------------------------|-------------------------------------|------------------------|-------------------------|------------------------------|----------------------------------|-----------------------|--------------|
|  | <b>Council Dwellings</b> | <b>Other Land and Buildings</b> | <b>Vehicles Plant and Equipment</b> | <b>Infra-structure</b> | <b>Community Assets</b> | <b>Investment Properties</b> | <b>Assets Under Construction</b> | <b>Surplus Assets</b> |              |
|  | <i>£'000</i>             | <i>£'000</i>                    | <i>£'000</i>                        | <i>£'000</i>           | <i>£'000</i>            | <i>£'000</i>                 | <i>£'000</i>                     | <i>£'000</i>          | <i>£'000</i> |
| <b>Cost or Valuation</b>                     |                          |                                 |                                     |                        |                         |                              |                                  |                       |              |
| At 1 April 2008                              | 128,963                  | 16,286                          | 2,090                               | 1,412                  | 4,305                   | 3,393                        | 0                                | 1,543                 | 157,992      |
| Additions                                    | 2,621                    | 431                             | 146                                 | 0                      | 0                       | 0                            | 244                              | 0                     | 3,442        |
| Disposals                                    | (393)                    | 0                               | 0                                   | 0                      | 0                       | 0                            | 0                                | 0                     | (393)        |
| Reclassifications                            | 0                        | 0                               | 0                                   | 0                      | 0                       | 0                            | 0                                | 0                     | 0            |
| Revaluations                                 | (3,249)                  | (2,542)                         | 0                                   | 0                      | 0                       | (111)                        | 0                                | (836)                 | (6,738)      |
| At 31 March 2009                             | 127,942                  | 14,175                          | 2,236                               | 1,412                  | 4,305                   | 3,282                        | 244                              | 707                   | 154,303      |
| <b>Depreciation and Impairments</b>          |                          |                                 |                                     |                        |                         |                              |                                  |                       |              |
| At 1 April 2008                              | 0                        | 300                             | 922                                 | 425                    | 656                     | 79                           | 0                                | 0                     | 2,382        |
| Charge for 2008/09                           | 1,875                    | 386                             | 293                                 | 53                     | 219                     | 0                            | 0                                | 80                    | 2,906        |
| Disposals                                    | 0                        | 0                               | 0                                   | 0                      | 0                       | 0                            | 0                                | 0                     | 0            |
| Reclassifications                            | 0                        | 0                               | 0                                   | 0                      | 0                       | 0                            | 0                                | 0                     | 0            |
| Revaluations                                 | 0                        | (94)                            | 0                                   | 0                      | 0                       | (97)                         | 0                                | (83)                  | (274)        |
| At 31 March 2009                             | 1,875                    | 592                             | 1,215                               | 478                    | 875                     | (18)                         | 0                                | (3)                   | 5,014        |
| <b>Balance Sheet amount at 31 March 2009</b> | 126,067                  | 13,583                          | 1,021                               | 934                    | 3,430                   | 3,300                        | 244                              | 710                   | 149,289      |
| <b>Balance Sheet amount at 1 April 2008</b>  | 128,963                  | 15,986                          | 1,168                               | 987                    | 3,649                   | 3,314                        | 0                                | 1,543                 | 155,610      |

**Note –** For 2008/09 the Council has utilised an Asset Register developed by CIPFA to calculate the figures for the following asset classifications; Council Dwellings, Other Land and Buildings, Investment Properties and Surplus Assets. As a result the accuracy of data held has changed the comparative figures for 2007/08. As the changes are not material the figures in the accounts have not been amended, only the comparative figures in the above note have been updated.



# Notes to the Core Financial Statements

| As at<br>31 March 2008<br>£000 | Nature of Asset Holding (all owned) | As at<br>31 March 2009<br>£000 |
|--------------------------------|-------------------------------------|--------------------------------|
| 23,782                         | General Fund                        | 20,226                         |
| 131,958                        | Housing Revenue Account             | 129,063                        |
| <b>155,740</b>                 | <b>Total</b>                        | <b>149,289</b>                 |

## 19. Tangible Fixed Asset Valuation

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

The Council had its Council housing stock valuation, and the valuation of a proportion of other housing and General Fund land and buildings carried out as at the 31 March 2009 by an external independent valuer — the District Valuer.

### Operational Assets

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

The District Valuer's valuation of Council dwellings before social housing use discount at 31 March 2009 was £252,134,500.

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

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

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

- Under construction – £244,075 as at 31 March 2009 (31 March 2008 – nil)
- Surplus and unused – £709,725 as at 31 March 2009 (31 March 2008 – nil).

# Notes to the Core Financial Statements

**Impairment:** An impairment review as at 31 March 2009 was carried out by the Council's Corporate Asset Manager who is MRICS qualified. The Revaluation Reserve has been included in the Balance Sheet with a zero opening balance. Therefore, any reductions in a Fixed Asset's value has been treated as an impairment and charged to revenue.

## 20. Depreciation

Depreciation has been provided for on assets with a finite useful life in accordance with Financial Reporting Standard 15 and the SORP 2008. There is no requirement to depreciate land assets. In calculating depreciation, the straight line method has been adopted using a prudent estimate for the useful economic life and residual land value for individual assets within each category. A maximum life of 50 years is used for all assets, although each asset is considered individually based on its condition and construction. The asset register contains the detailed information used in the depreciation calculation.

## 21. Capital Expenditure and Financing

The capital expenditure in 2008/2009, and the methods of financing, are detailed below:

| 2007/08<br>£000 |   | 2008/09<br>£000 |
|-----------------|---|-----------------|
| <b>13,571</b>   | <b>Opening Capital Financing Requirement</b>                            | <b>13,258</b>   |
|                 | <i>Capital Investment</i>   |                 |
| 3,447           | Operational Assets  | 3,197           |
| 0               | Assets under Construction   | 244             |
| 3,295           | Revenue Expenditure Funded from Capital Under Statute                   | 3,107           |
|                 | <i>Sources of Finance</i>   |                 |
| (1,547)         | Capital Receipts  | (1,153)         |
| (4,994)         | Government Grants and Other Contributions                               | (5,296)         |
| (514)           | Sums Set Aside from Revenue (includes direct revenue financing and MRP) | (427)           |
| <b>13,258</b>   | <b>Closing Capital Financing Requirement</b>                            | <b>12,930</b>   |
|                 | <i>Explanation of Movements in Year</i>                                 |                 |
| (296)           | Minimum Revenue Provision   | (310)           |
| (17)            | Transferred Debt (HRA assets)   | (18)            |
| <b>(313)</b>    | <b>Increase/(Decrease) in Capital Financing Requirement</b>             | <b>(328)</b>    |

# Notes to the Core Financial Statements

## Commitments under capital contracts

The Council had commitments under capital contracts totalling in excess of £2.1m, which includes:

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

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

The business units are due to be completed in the spring of 2010.

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

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

The work to the town centre is due to be completed in the autumn of 2010.

# Notes to the Core Financial Statements

## 22. Information on Assets Held

Fixed assets owned by the Council include the following:

| 31 March 2008<br>(No.) |   | 31 March 2009<br>(No.) |
|------------------------|---|------------------------|
| 3,099                  | <b>Council Dwellings</b>                    | 3,093                  |
|                        | <b>Operational Buildings</b>                |                        |
| 1                      | Town Hall                                   | 1                      |
| 1                      | Civic Offices                               | 1                      |
| 1                      | Depot and Workshops                         | 1                      |
| 1                      | Leisure Centre and Pool                     | 1                      |
| 1                      | Leisure Centre                              | 1                      |
| 1                      | Forestry Centre                             | 1                      |
| 20                     | Off Street Car Parks                        | 19                     |
| 8                      | Public Conveniences                         | 8                      |
| 476                    | Garage Sites and Plots                      | 474                    |
| 16                     | Pavilions and Changing Rooms                | 16                     |
|                        | <b>Community Assets</b>                     |                        |
| 370 acres              | Parks and Open Spaces                       | 370 acres              |
| 3                      | Cemeteries                                  | 3                      |
| 7                      | Allotments                                  | 7                      |
| 10                     | Community Rooms (sheltered housing schemes) | 10                     |
|                        | <b>Non-Operational Properties</b>           |                        |
| 21 acres               | Land awaiting development                   | 21 acres               |
| 1                      | Industrial Estates                          | 1                      |
| 1                      | Factory                                     | 1                      |
| 16                     | Shops                                       | 16                     |
| 1                      | Bus Station                                 | 1                      |
| 1                      | Market                                      | 1                      |
| 7                      | Craft Workshops                             | 3                      |
| 15                     | Other Properties                            | 19                     |

# Notes to the Core Financial Statements

## 23. Intangible Assets

| 31 March 2008<br>£000 | Software Licences               | 31 March 2009<br>£000 |
|-----------------------|---------------------------------|-----------------------|
| 63                    | Net Book Value                  | 36                    |
| (27)                  | Amortisation at 1 April 2008    | (26)                  |
| <u>36</u>             | <b>Balance at 1 April 2008</b>  | <u>10</u>             |
| 0                     | Expenditure in Year             | 0                     |
| <u>36</u>             | <b>Balance at 31 March 2009</b> | <u>10</u>             |

## 24. Financial Instruments

The term financial instrument covers both financial assets and financial liabilities, including the payment of trade creditors and the receipt of sundry income.

Financial assets and financial liabilities should be measured at fair value less transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability.

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

Financial instruments for the Council are disclosed in the following notes to the accounts:

- Investments (note 25)
- Debtors (notes 26 and 28)
- Creditors (note 29)
- Borrowing (note 30)
- Deferred Liabilities (note 31)

# Notes to the Core Financial Statements

Financial instruments are classified as follows:

| <b>Total<br/>31 March<br/>2008<br/>£000</b> |   | <b>Long-Term<br/>31 March<br/>2009<br/>£000</b> | <b>Current<br/>31 March<br/>2009<br/>£000</b> | <b>Total<br/>31 March<br/>2009<br/>£000</b> |
|---|---|---|---|---|
| 1,274                                       | Financial liabilities at amortised cost | 1,000   | 274   | 1,274                                       |
| <b>1,274</b>                                | <b>Total Borrowings</b>                 | <b>1,000</b>                                    | <b>274</b>                                    | <b>1,274</b>                                |
| 3,662                                       | Loans and Receivables                   | 52  | 0   | 52  |
| <b>3,662</b>                                | <b>Total Investments</b>                | <b>52</b>                                       | <b>0</b>                                      | <b>52</b>                                   |

In deciding the categories of financial instruments consideration was made of debtors and creditors to other organisations. It was agreed that these did fall under the classification of financial instruments. However it was decided that these would be declared as individual notes within the statements as has been the practice in previous years (See notes 26, 28 and 29). They will have no effect on fair values as they are measured at cost.

## Credit Risk

Credit risk arises from the short-term lending of surplus funds to banks, building societies and other local authorities as well as credit exposures to the Council's customers. It is the policy of the Council to place deposits only with a limited number of high quality banks and building societies whose credit rating is independently assessed as sufficiently secure and to restrict lending to a prudent maximum amount for each institution. The Council has a policy of limiting deposits with institutions and limits on the maximum size of one transaction in placing a deposit. These limits are prescribed in the Treasury Management Strategy.

No credit limits were exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds. Investments are made in accordance with the Councils approved Treasury Management Strategy that gives detailed guidance on where investments can be made, concentrating on high security and low risk areas.

## Debtors

The Council does not generally allow credit for customers, such that the major part of the £6.6 million outstanding balance on sundry debtors at the year-end is past its due date for payment.

# Notes to the Core Financial Statements

## **Liquidity Risk**

The Council has identified in its Treasury Management Strategy that is no significant risk that the Council will be unable to raise finance to meets its commitments under financial instruments.

## **Market Risk**

### Interest rate risk

Increases or decreases in interest rates will affect interest earned on variable rate investments, potentially reducing income credited to the Income and Expenditure Account.

### Price risk

The Council does not invest in equity shares and therefore is not exposed to any risk from this area.

### Foreign exchange risk

The Council has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

## **25. Investments**

**Long Term Investments:** The investment of £20,000 in a debenture raised by the Association of District Councils (Properties) Ltd for new office accommodation was repaid during 2008/09, leaving the balance at 31 March 2009 being made up of a number of small investments.

**Short Term Investments:** The Council held no temporary deposits with banks and other financial institutions at 31 March 2009, compared with £3.6m at 31 March 2008.

# Notes to the Core Financial Statements

## 26. Long Term Debtors

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

|   | Balance at<br>1 April 2008 | Expenditure | Amounts<br>Received | Balance at<br>31 March 2009 |
|---|----------------------------|-------------|---------------------|-----------------------------|
|   | £000's                     | £000's      | £000's              | £000's                      |
| Mortgages   | 21                         | 0           | (6)                 | 15                          |
| Loans to Voluntary Organisations                  | 2                          | 0           | 0                   | 2                           |
| Transferred Services<br>Derbyshire County Council | 6                          | 0           | (1)                 | 5                           |
| <b>Total</b>                                      | <b>29</b>                  | <b>0</b>    | <b>(7)</b>          | <b>22</b>                   |

## 27. Stock and Work in Progress

| As at<br>31 March 2008<br>£000's |                  | As at<br>31 March 2008<br>£000's |
|----------------------------------|------------------|----------------------------------|
| 6                                | Rosliston        | 6                                |
| 76                               | Depot            | 55                               |
| 2                                | Other            | 0                                |
| 1                                | Work in Progress | 0                                |
| <b>85</b>                        |                  | <b>61</b>                        |



# Notes to the Core Financial Statements

## 28. Debtors

| 31 March<br>2008<br>£'000 |   | 31 March<br>2009<br>£'000 |
|---------------------------|---|---------------------------|
|                           | <b>Amounts falling due within one year:</b> |                           |
| 449                       | Government Departments                      | 1,722                     |
| 359                       | Other local authorities                     | 196                       |
| 2,334                     | Council Tax payers                          | 2,807                     |
| 964                       | NNDR payers                                 | 1,481                     |
| 482                       | Tenants                                     | 429                       |
| 2,043                     | Sundry Debtors                              | 2,577                     |
| 6,631                     |   | 9,212                     |
|                           | <b>Provision for doubtful debts:</b>        |                           |
| (353)                     | General debtors                             | (488)                     |
| (186)                     | Tenants                                     | (180)                     |
| (1,835)                   | Collection Fund                             | (1,971)                   |
| 4,257                     |   | 6,573                     |

## 29. Creditors

| 31 March<br>2008<br>£'000 |  | 31 March<br>2009<br>£'000 |
|---------------------------|--|---------------------------|
| 1,590                     | Government Departments                         | 501                       |
| 7                         | Major Precepting Authorities (Collection Fund) | 462                       |
| 267                       | Council Tax payers                             | 315                       |
| 256                       | NNDR payers                                    | 165                       |
| 121                       | Tenants  | 133                       |
| 1,863                     | Sundry Creditors                               | 2,630                     |
| 3                         | Deposits                                       | 36                        |
| 4,107                     |  | 4,242                     |

# Notes to the Core Financial Statements

## 30. Long Term Borrowing

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

| 31 March 2008<br>£'000 | Total Outstanding      | 31 March 2009<br>£'000 |
|------------------------|------------------------|------------------------|
|                        | <b>Type of Loan</b>    |                        |
| 1.000                  | Money Market Loan      | 1.000                  |
|                        | <b>Maturing Within</b> |                        |
| -                      | 1 - 2 years            | -                      |
| -                      | 2 - 5 years            | -                      |
| -                      | 5 - 10 years           | -                      |
| 1.000                  | More than 10 years     | 1.000                  |

## 31. 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 32 below for further details).

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

| 31 March 2008 | Transferred Assets       | Deferred Covenants | 31 March 2009 |
|---------------|--------------------------|--------------------|---------------|
| £'000         | £'000                    | £'000              | £'000         |
| 508           | Due within 1 year        | 530                | 549           |
| 1,481         | Due in 2 – 5 years       | 872                | 954           |
| 257           | Due in more than 5 years | 0                  | 234           |
| <b>2,246</b>  | <b>Total Due</b>         | <b>1,402</b>       | <b>1,737</b>  |

# Notes to the Core Financial Statements

## 32. 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 2009 all schemes had been completed. After allowing for principal repayments, there was an outstanding balance of £1,242,145.

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 2009 this had been completed. After allowing for principal repayments, there was an outstanding balance of £160,000.

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

## 33. Government and Other Grants Deferred

Movements during the year are as follows:

| 31 March 2008<br>£'000 |                                      | 31 March 2009<br>£'000 |
|------------------------|--------------------------------------|------------------------|
| 1,693                  | Opening Balance                      | 2,387                  |
| 847                    | Grants applied to capital investment | 654                    |
| (153)                  | Grants amortised in year             | (118)                  |
| <u>2,387</u>           | <b>Closing Balance</b>               | <u>2,923</u>           |

## 34. Deferred Capital Receipts

Deferred capital receipts of £12,000 in 2008/09 (£17,000 in 2007/08) are amounts derived from the sale of assets that will be received in instalments over agreed periods of time. They arise mainly from mortgages on the sale of Council houses and form the main part of mortgages that appear within the grouping of fixed/long term assets.

# Notes to the Core Financial Statements

## 35. Summary Information to Detail Movements on Reserves

|                                 | Balance<br>1 April<br>2008 | Gains/<br>Losses<br>Debited/<br>Credited<br>to<br>Reserve | Net<br>Amount<br>to/from<br>Other<br>Reserves | Balance<br>31 March<br>2009 | Purpose of Reserve  | Further Details of<br>Movements                               |
|---------------------------------|----------------------------|---|---|-----------------------------|---|---|
|                                 | £000                       | £000  | £000  | £000                        |   |   |
| Deferred Capital Receipts       | 17                         | 0   | (5)   | 12                          | Amounts derived from the sales of assets, which will be received in instalments over agreed periods of time | See Note 34 to the Core Financial Statements                  |
| Fixed Asset Revaluation Reserve | 6,189                      | (2,541)   | (1,768)                                       | 1,880                       | Store of gains on revaluation of fixed assets   | See Note 36 to the Core Financial Statements                  |
| Capital Adjustment Account      | 130,880                    | 0   | (1,891)                                       | 128,989                     | Store of capital resources set aside to meet past expenditure   | See Note 36 to the Core Financial Statements                  |
| Usable Capital Receipts Reserve | 3,955                      | 0   | (1,198)                                       | 2,757                       | Proceeds of fixed asset sales available to meet future capital investment                                   | See Note 44 to the Core Financial Statements                  |
| Pensions Reserve                | (20,592)                   | 3,493   | (810)   | (17,909)                    | Balancing account to allow inclusion of Pensions liability in the Balance Sheet                             | See Note 10 to the Core Financial Statements                  |
| Major Repairs Reserve           | 273                        | 0   | (273)   | 0                           | Resources available to meet capital investment in Council housing   | See HRA Note 5 page 71  |
| Earmarked Reserves              | 314                        | 0   | 139   | 453                         | Amounts set aside for specific policy purposes  | See Note 41 to the Core Financial Statements                  |
| Fixed Asset Replacement Reserve | 11                         | 0   | 147   | 158                         | Fund the acquisition of vehicles, plant and equipment   | See Note 39 to the Core Financial Statements                  |
| General Fund Reserve            | 3,093                      | (5,492)   | 5,199   | 2,800                       | Resources available to meet future running costs for non-housing services                                   | See Statement of Movement on the General Fund Balance page 26 |
| Housing Revenue Account Balance | 2,730                      | (458)   | 459   | 2,731                       | Resources available to meet future running costs for Council housing  | See HRA Statements page 68                                    |
| Collection Fund Balance         | 1                          | 56  | 0   | 57                          | Retained surplus on the Collection Fund   | See Collection Fund note 40 page 62                           |
| <b>Total</b>                    | <b>126,871</b>             | <b>(4,942)</b>  | <b>1</b>                                      | <b>121,928</b>              |   |   |
|                                 |                            |   |   |                             |   |   |

# Notes to the Core Financial Statements

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

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

Two reserves are employed to help manage this separation.

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

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

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

### Fixed Asset Revaluation Reserve

| 31 March 2008<br>£'000 |                                  | 31 March 2009<br>£'000 |
|------------------------|----------------------------------|------------------------|
| 0                      | Balance at 1 April               | 6,189                  |
| 6,189                  | Revaluation                      | 0                      |
| 0                      | Depreciation & Impairment Losses | (4,305)                |
| 0                      | Disposal                         | (4)                    |
| <b>6,189</b>           | <b>Balance at 31 March</b>       | <b>1,880</b>           |

# Notes to the Core Financial Statements

## Capital Adjustment Account

| 31 March 2008<br>£'000 |   | 31 March 2009<br>£'000 |
|------------------------|---|------------------------|
| 0                      | Balance at 1 April 2008                               | 130,880                |
|                        | Balance Transferred from:                             |                        |
| 112,577                | Fixed Asset Restatement Account                       | 0                      |
| 21,438                 | Capital Financing Account                             | 0                      |
| 134,015                | Restated balance at 1 April                           | 130,880                |
| 0                      | Adjustments to Fixed Asset Register                   | (63)                   |
| (3,833)                | Depreciation and Impairment Losses                    | (5,859)                |
| (2,105)                | Disposal of Fixed Assets                              | 427                    |
| (3,404)                | Revenue Expenditure Funded from Capital Under Statute | (2,617)                |
| 5,893                  | Resources Set Aside to Finance Capital Expenditure    | 5,894                  |
| 296                    | Minimum Revenue Provision                             | 310                    |
| 18                     | Payment Transfer Debt Principal                       | 17                     |
| <b>130,880</b>         | <b>Balance at 31 March</b>                            | <b>128,989</b>         |

# Notes to the Core Financial Statements

## 37. Grants Unapplied

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

|   | 1 April 2008 | Receipts in Year | Payments in Year | 31 March 2009 |
|---|--------------|------------------|------------------|---------------|
|   | £'000        | £'000            | £'000            | £'000         |
| Local Strategic Partnership               | 26           | 7                | 0                | 33            |
| Tetron Point (Planning Agreement)         | 54           | 0                | 0                | 54            |
| Swadlincote Woodlands (Commuted Sums)     | 156          | 8                | 55               | 109           |
| Public Open Space (Commuted Sums)         | 600          | 134              | 28               | 706           |
| Crime and Disorder Partnership            | 226          | 189              | 200              | 215           |
| Young Peoples Cultural Partnership        | 50           | 35               | 0                | 85            |
| Youth Engagement Partnership              | 219          | 133              | 78               | 274           |
| Planning Delivery Grant                   | 221          | 315              | 264              | 272           |
| Area Meetings                             | 23           | 7                | 0                | 30            |
| Mystery Shopper                           | 30           | 5                | 10               | 25            |
| Climate Heroes Project partnership        | 69           | 0                | 44               | 25            |
| Local Authority Energy Partnership        | 59           | 8                | 17               | 50            |
| Environmental Partnership                 | 7            | 0                | 0                | 7             |
| Building Control Service Partnership      | 19           | 7                | 25               | 1             |
| Get Active in the Forest Partnership      | 27           | 26               | 38               | 15            |
| Planning Agreements (Capital) – see below | 3,552        | 1,142            | 1,991            | 2,703         |
| Maurice Lea Park                          | 0            | 94               | 19               | 75            |
| Youth Service Grant                       | 0            | 13               | 0                | 13            |
| Electoral Registration Software           | 0            | 3                | 0                | 3             |
| Free Swim Programme                       | 0            | 27               | 0                | 27            |
| Dilapidation Deposit (Trellborg Site)     | 0            | 261              | 0                | 261           |
| Other                                     | 93           | 564              | 436              | 221           |
| <b>Total</b>                              | <b>5,431</b> | <b>2,978</b>     | <b>3,205</b>     | <b>5,204</b>  |

# Notes to the Core Financial Statements

|  | 1 April 2008 | Receipts in Year | Payments in Year | 31 March 2009 |
|--|--------------|------------------|------------------|---------------|
| Planning Agreements (Capital) are analysed as follows: |              |                  |                  |               |
| Mason Cash Woodville                                   | 118          | 145              | 95               | 168           |
| Land at Hilton Brook                                   | 0            | 101              | 0                | 101           |
| Former Magistrates Court, Swadlincote                  | 0            | 92               | 61               | 31            |
| Grove Hospital Shardlow                                | 0            | 127              | 127              | 0             |
| Land at Crown Inn, Mount Pleasant Road                 | 0            | 46               | 37               | 9             |
| Land at South Eggington Road, Hilton                   | 0            | 151              | 0                | 151           |
| Cappy Farm   | 54           | 0                | 40               | 14            |
| New Leisure Facilities at John Port School             | 2,757        | 137              | 1,250            | 1,644         |
| Education/Medical Facilities Swadlincote Woodlands     | 32           | 0                | 32               | 0             |
| Swadlincote Town Centre                                | 17           | 0                | 0                | 17            |
| The Hedgrows, Hilton                                   | 65           | 0                | 53               | 12            |
| Hilton S106 MOD - Road Improvement                     | 97           | 0                | 27               | 70            |
| Recreation and Maintenance, Modwen Dev, Hilton         | 81           | 0                | 81               | 0             |
| Other  | 331          | 343              | 188              | 486           |
|  | <b>3,552</b> | <b>1,142</b>     | <b>1,991</b>     | <b>2,703</b>  |



# Notes to the Core Financial Statements

## 38. Major Repairs Reserve

This reserve has been established since April 2001 as part of the implementation of Resource Accounting in the Housing Revenue Account. Sums are transferred to the reserve annually in accordance with the estimated long term average amount of capital spending required to maintain the authority's housing stock in its current condition. The reserve is available to meet capital expenditure on the land, houses and other property within the authority's Housing Revenue Account. The balance on the Account as at 31 March 2009 was nil, (£0.27m in 2007/08).

## 39. Fixed Asset Replacement Reserve

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

| <b>Total<br/>31 March 2008</b> |                                      | <b>Total<br/>31 March 2009</b> |
|--------------------------------|--------------------------------------|--------------------------------|
| <b>£'000</b>                   |                                      | <b>£'000</b>                   |
| 283                            | Balance at 1 April                   | 11                             |
| (589)                          | Grants applied to capital investment | (82)                           |
| 227                            | Contribution – Capital Receipts      | 229                            |
| 90                             | General Fund Reserve                 | 0                              |
| <b>11</b>                      | <b>Balance at 31 March</b>           | <b>158</b>                     |

## 40. Collection Fund

The Collection Fund is a statutory fund in which the transactions for Council tax and business rates are recorded. 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 81, note 3.

# Notes to the Core Financial Statements

## 41. Earmarked Reserves

| Reserve                               | Balance<br>1 April 2008<br>£'000 | Transfers<br>to<br>£'000 | Transfers<br>from<br>£'000 | Balance<br>31 March 2009<br>£'000 |
|---------------------------------------|----------------------------------|--------------------------|----------------------------|-----------------------------------|
| DSO                                   | 37                               | 0                        | 0                          | 37                                |
| New Technology                        | 129                              | 50                       | 0                          | 179                               |
| Repton Revenue Contributions          | 33                               | 0                        | 0                          | 33                                |
| Committed Expenditure                 | 115                              | 126                      | 115                        | 126                               |
| Corporate Services Partnering Project | 0                                | 100                      | 22                         | 78                                |
|                                       | <b>314</b>                       | <b>276</b>               | <b>137</b>                 | <b>453</b>                        |

The reserves have been set up for the following purposes:

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

# Notes to the Core Financial Statements

## 42. Provisions

The Council reviewed all of its Provisions and Reserves during 2008/09. Amounts recognised as provisions are the best estimate of the liability, taking into account risks and uncertainties surrounding the events.

| Provision               | Balance<br>1 April 2008<br>£'000 | Contributions<br>to<br>£'000 | Contributions<br>from<br>£'000 | Balance<br>31 March 2009<br>£'000 |
|-------------------------|----------------------------------|------------------------------|--------------------------------|-----------------------------------|
| Suspended Benefit Cases | 462                              | 0                            | 360                            | 102                               |
|                         | <b>462</b>                       | <b>0</b>                     | <b>360</b>                     | <b>102</b>                        |

A provision has been set up for the following purposes:

| Reserve                 | Purpose  |
|-------------------------|--|
| Suspended Benefit Cases | <p>Over the previous 2 years, the Council has made provision to repay housing benefit subsidy it had previously reclaimed from the Department for Works and Pensions. This was in respect of a review being carried out concerning the calculation of certain benefit cases, in particular where benefit had been temporarily suspended. The issue involved the Council's previous computer system and potentially, how the amount of reimbursement back to the Council from the Department was calculated.</p> <p>The review looked at the financial years 2005/06, 2006/07 and 2007/08. The Council has now been notified that the Department is content with the Council's claim for 2005/06 and 2006/07 and that no repayment is due for these years. Final figures for 2007/08 indicate no sums are due, although this is still to be formally approved.</p> <p>Therefore, the provision of £486,000 has been reduced down to approximately £100,000 as at 31st March 2009. Until the subsidy claim for 2007/08 is approved by the Department, it is considered prudent that some amount continues to be provided given the uncertainties and sums involved. This is based on estimated figures previously indicated from the review.</p> |

# Notes to the Core Financial Statements

## 43. 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 2008/2009 was £5,400 (£8,550 in 2007/2008).

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

## 44. Usable Capital Receipts Reserve

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

| <b>31 March 2008</b><br><b>£'000</b> |  | <b>31 March 2009</b><br><b>£'000</b> |
|--------------------------------------|--|--------------------------------------|
| 4,985                                | Balance at 1 April                                     | 3,955                                |
|                                      | Capital Receipts in Year from (net of disposal costs): |                                      |
| 3                                    | Deferred Capital Receipts                              | 5                                    |
| 1,762                                | Sale of Assets   | 372                                  |
| 173                                  | Repayments of Grants and Discounts                     | 52                                   |
| 10                                   | Other  | 1                                    |
| (1,544)                              | Capital Receipts Applied to Fund Capital Expenditure   | (1,296)                              |
| (1,434)                              | Capital Pooling (payment to Central Government)        | (332)                                |
| <b>3,955</b>                         | <b>Balance at 31 March</b>                             | <b>2,757</b>                         |

# Notes to the Core Financial Statements

## **45. Contingent Liabilities and Assets**

No contingent liabilities or assets have arisen during 2008/09.

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

The Director of Corporate Services, authorised this Statement of Accounts for issue on 22 June 2009.

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

These are events occurring between the Balance Sheet date of 31 March 2009 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.

## **48. 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.

# Notes to the Core Financial Statements

## Notes to the Cash Flow Statement

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

| Year ended<br>31 March 2008 | £'000   | Year ended<br>31 March 2009 |           |
|-----------------------------|---|-----------------------------|-----------|
|                             |   | £'000                       | £'000     |
| 585                         | Income and Expenditure Account (surplus) / deficit for the year |                             | 291       |
|                             | <i>Exclude non-cash transactions:</i>                           |                             |           |
| 197                         | Charged to capital  | 182                         |           |
| 216                         | Increase in provisions  | (726)                       |           |
| 0                           | Transfer from provisions  | 360                         |           |
| (2,954)                     | Capital charges included in Income and Expenditure Account      | (2,212)                     |           |
| 0                           | Contribution to capital expenditure                             | (118)                       |           |
| 1,434                       | Payments to Capital Receipts Pool                               | 331                         |           |
| (634)                       | Contribution to reserves  | (194)                       | (2,377)   |
|                             | <i>Adjust for items on an accruals basis:</i>                   |                             |           |
| 844                         | Creditors   | (135)                       |           |
| 621                         | Debtors   | 2,316                       |           |
| 4                           | Stocks  | (24)                        |           |
| 92                          | Adjustment for non revenue portion                              | (50)                        | 2,107     |
|                             | <i>Exclude items classified elsewhere:</i>                      |                             |           |
| 80                          | Servicing of finance shown later in the cash flow statement     |                             | 7         |
| <b>485</b>                  | <b>Revenue Activities Net Cash Flow</b>                         |                             | <b>28</b> |

### 50. Movement in Cash

|                                 | Balance as at<br>31 March 2008 | Balance as at<br>31 March 2009 | Movement<br>in the year |
|---------------------------------|--------------------------------|--------------------------------|-------------------------|
|                                 | £'000                          | £'000                          | £'000                   |
| Cash in bank and held as floats | 1                              | 6                              | 5                       |
| Bank overdraft                  | (441)                          | (695)                          | (254)                   |
| <b>Net Cash Outflow</b>         | <b>(440)</b>                   | <b>(689)</b>                   | <b>(249)</b>            |

# Notes to the Core Financial Statements

## 51. Movement in Financing

|                                       | Balance as at<br>1 April 2008 | Balance as at<br>31 March 2009 | Movement in<br>the year |
|---------------------------------------|-------------------------------|--------------------------------|-------------------------|
|                                       | £'000                         | £'000                          | £'000                   |
| Investments                           | 3,590                         | 0                              | (3,590)                 |
| Long term borrowing                   | (1,000)                       | (1,000)                        | 0                       |
| Temporary loans                       | (274)                         | (274)                          | 0                       |
| Loan to Parish Council                | 75                            | 0                              | (75)                    |
| <b>Net Cash Outlay from Financing</b> | <b>2,391</b>                  | <b>(1,274)</b>                 | <b>(3,665)</b>          |

## 52. Analysis of Government Grants

| Year ended<br>31 March 2008              |   | Year ended<br>31 March 2009 |
|--|---|-----------------------------|
| £'000                                    |   | £'000                       |
| <b>Grants Towards Revenue Activities</b> |   |                             |
| 15,030                                   | Department of Work and Pensions           | 16,683                      |
| 259                                      | Planning Development Grant                | 315                         |
| 42                                       | National Concessionary Travel Scheme      | 159                         |
| 205                                      | Other                                     | 60                          |
| <b>15,536</b>                            |   | <b>17,217</b>               |
| <b>Grants Towards Capital Activities</b> |   |                             |
| 430                                      | Private Sector Housing Improvement        | 910                         |
| 435                                      | Local Authority Business Growth Incentive | 395                         |
| <b>865</b>                               |   | <b>1,305</b>                |

# Supplementary Financial Statements

## Housing Revenue Account Income and Expenditure Account for the Year Ended 31 March 2009

| 2007/08<br>£'000 |  | Note | 2008/09<br>£'000 |
|------------------|--|------|------------------|
|                  | <b><u>Income</u></b>   |      |                  |
| 9,013            | Dwelling Rents   |      | 9,285            |
| 97               | Non dwelling Rents   |      | 100              |
| 72               | Charges for Services and Facilities  |      | 158              |
| 17               | Contributions towards expenditure  |      | 52               |
| 481              | Supporting People Grant  |      | 414              |
| <b>9,680</b>     | <b>Total Income</b>  |      | <b>10,009</b>    |
|                  | <b><u>Expenditure</u></b>  |      |                  |
| 2,898            | Repairs and Maintenance  |      | 3,028            |
| 1,545            | Supervision and Management   |      | 1,792            |
| 1                | Rents, Rates, Taxes and Other Charges  |      | 1                |
| 2,299            | Negative Subsidy – Payments to Secretary of State  | 7    | 2,961            |
| 0                | Provision for Bad and Doubtful Debts   |      | 19               |
| 3,254            | Depreciation and Impairment of Fixed Assets  |      | 2,234            |
| 27               | Debt Management Costs  |      | 25               |
| <b>10,024</b>    | <b>Total Expenditure</b>   |      | <b>10,060</b>    |
| <b>344</b>       | <b>Sub Total: Net Cost of HRA Services as included in whole authority Income &amp; Expenditure Account</b>         |      | <b>51</b>        |
| 128              | HRA services share of Corporate and Democratic Core  |      | 135              |
| 94               | HRA share of other amounts included in whole authority Net Cost of Services but not allocated to specific services |      | 29               |
| <b>566</b>       | <b>Sub Total: Net Cost of HRA Services</b>   |      | <b>215</b>       |
| 268              | Gain or (loss) on sale of HRA fixed assets   |      | 28               |
| 269              | Interest Payable and Similar Charges   |      | 216              |
| (144)            | Interest and Investment Income   |      | (157)            |
| 60               | Pensions interest cost and expected return on pensions assets  |      | 154              |
| <b>1,019</b>     | <b>(Surplus) or deficit for the year on HRA services</b>   |      | <b>456</b>       |



# Supplementary Financial Statements

## Statement of Movement on the HRA Balance for the Year Ended 31 March 2009

| 2007/08<br>£'000      |  | 2008/09<br>£'000      |
|-----------------------|--|-----------------------|
| 1,019                 | <b>(Surplus) or deficit for the year on the HRA Income and Expenditure Account</b>                     | 456                   |
|                       | <b>Additional amounts required by statute or non-statutory proper practices:</b>                       |                       |
| (268)                 | Gain / (loss) on sale of HRA fixed assets  | (28)                  |
| (1,288)               | Impairment of Fixed Assets and Reversal of Capital Expenditure not Adding Value Written off to Revenue | (290)                 |
| (57)                  | HRA share of contributions to / (from) Pensions Reserve  | (114)                 |
| 0                     | Capital Expenditure funded by HRA  | 50                    |
| (142)                 | Transfer to / (from) Major Repairs Reserve   | (75)                  |
| <b>(736)</b>          | <b>(Increase) / decrease in the Housing Revenue Account Balance</b>                                    | <b>(1)</b>            |
| (1,994)               | Balance on HRA brought forward   | (2,730)               |
| <b><u>(2,730)</u></b> | <b>Balance on HRA carried forward</b>  | <b><u>(2,731)</u></b> |

# Supplementary Financial Statements

## Notes to the Housing Revenue Account

### 1. Background

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

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

### 2. Tangible Fixed Assets

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

|  | Council Dwellings | Other Land and Buildings | Vehicles Plant and Equipment | Infra-structure | Investment Properties | Surplus Assets | Total          |
|--|-------------------|--------------------------|------------------------------|-----------------|-----------------------|----------------|----------------|
|  | £'000             | £'000                    | £'000                        | £'000           |                       |                | £'000          |
| <b>Cost or Valuation</b>                     |                   |                          |                              |                 |                       |                |                |
| At 1 April 2008                              | 128,963           | 2,292                    | 89                           | 35              | 120                   | 50             | 131,549        |
| Additions                                    | 2,621             | 0                        | 46                           | 0               | 0                     | 0              | 2,667          |
| Disposals                                    | (393)             | 0                        | 0                            | 0               | 0                     | 0              | (393)          |
| Reclassifications                            | 0                 | 0                        | 0                            | 0               | 0                     | 0              | 0              |
| Revaluations                                 | (3,249)           | 347                      | 0                            | 0               | 55                    | 0              | (2,847)        |
| At 31 March 2009                             | 127,942           | 2,639                    | 135                          | 35              | 175                   | 50             | 130,976        |
| <b>Depreciation and Impairments</b>          |                   |                          |                              |                 |                       |                |                |
| At 1 April 2008                              | 0                 | 0                        | 21                           | 0               | 0                     | 0              | 21             |
| Charge for 2008/09                           | 1,875             | 50                       | 17                           | 0               | 4                     | 0              | 1,946          |
| Disposals                                    | 0                 | 0                        | 0                            | 0               | 0                     | 0              | 0              |
| Reclassifications                            | 0                 | 0                        | 0                            | 0               | 0                     | 0              | 0              |
| Revaluations                                 | 0                 | (50)                     | 0                            | 0               | (4)                   | 0              | (54)           |
| At 31 March 2009                             | 1,875             | 0                        | 38                           | 0               | 0                     | 0              | 1,913          |
| <b>Balance Sheet amount at 31 March 2009</b> | <b>126,067</b>    | <b>2,639</b>             | <b>97</b>                    | <b>35</b>       | <b>175</b>            | <b>50</b>      | <b>129,063</b> |
| <b>Balance Sheet amount at 1 April 2008</b>  | <b>128,963</b>    | <b>2,292</b>             | <b>68</b>                    | <b>35</b>       | <b>120</b>            | <b>50</b>      | <b>131,528</b> |

# Supplementary Financial Statements

The dwellings in the Housing Revenue Account were valued as at £252,134,500. After taking account of houses sold in 2008/09 and the social housing discount factor, the vacant possession value of the remaining dwellings at 31 March 2009 was £126,067,250. From 1 April 2005 the vacant possession discount factor has reduced to 50% (1 April 2004 62%). The lower figure of £126,067,250 shown in the accounts represents the cost to the Government of providing housing at less than open market rents. The revaluation was in accordance with the Government's resource accounting policy, at Existing Use Value Social Housing.

The Housing Revenue Account assets were valued as at 31 March 2009; the balance sheet value reflects sales of dwellings and depreciation in the year.

Depreciation of £1.9m has been charged. This figure is made up of £1,8m for Council dwellings; the other £0.1m is in respect of garages, shops and other assets, which has been credited back to the HRA below the net operating expenditure as a transfer from the Major Repairs Reserve (note 5 below).

### 3. Capital Expenditure and Financing

The Housing Revenue Account capital expenditure in 2008/2009, and the methods of financing, are detailed below:

| 2007/08<br>£000 |   | 2008/09<br>£000 |
|-----------------|---|-----------------|
| <b>5,531</b>    | <b>Opening Capital Financing Requirement</b>                            | <b>5,513</b>    |
|                 | <i>Capital Investment</i>   |                 |
| 1,900           | Operational Assets  | 2,667           |
| 0               | Non-operational Assets  | 0               |
| 764             | Revenue Expenditure Funded from Capital Under Statute                   | 290             |
|                 | <i>Sources of Finance</i>   |                 |
| (1,817)         | Major Repairs Reserve   | (2,147)         |
| (754)           | Capital Receipts  | (747)           |
| (93)            | Government Grants and Other Contributions                               | (14)            |
| (18)            | Sums Set Aside from Revenue (includes direct revenue financing and MRP) | (67)            |
| <b>5,513</b>    | <b>Closing Capital Financing Requirement</b>                            | <b>5,495</b>    |
|                 | <i>Explanation of Movements in Year</i>                                 |                 |
| (18)            | Sums Set Aside from Revenue – Transferred Debt                          | (18)            |
| <b>(18)</b>     | <b>Increase/(Decrease) in Capital Financing Requirement</b>             | <b>(18)</b>     |

# Supplementary Financial Statements

## 4. Capital Receipts

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

| <b>2007/2008</b> |                           | <b>2008/2009</b> |
|------------------|---------------------------|------------------|
| <b>£'000</b>     |                           | <b>£'000</b>     |
| 268              | Sale of land              | 3                |
| 1,791            | Sale of Council houses    | 393              |
| 3                | Deferred capital receipts | 4                |
| 109              | Other capital receipts    | 52               |
| <b>2,171</b>     |                           | <b>452</b>       |

Prior to 2004/2005, the Local Government and Housing Act 1989 required a proportion of these capital receipts to be set aside for debt redemption and the remainder to be held in the Usable Capital Receipts Reserve until such time as they are used to finance capital expenditure. From 2004/2005 a pooling arrangement was introduced under which a proportion of the capital receipts are paid over to the government. In 2008/2009 the sum paid was £331,829 (£1,433,567 in 2007/08) and is excluded from the above amount.

# Supplementary Financial Statements

## 5. Major Repairs Reserve

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

| Year ended<br>31 March 2008 |                                     | Year ended<br>31 March 2009 |
|-----------------------------|-------------------------------------|-----------------------------|
| £'000                       |                                     | £'000                       |
| 261                         | Balance at beginning of year        | 273                         |
|                             | Depreciation:                       |                             |
| 1,828                       | Dwellings                           | 1,875                       |
| 143                         | Other HRA asset                     | 75                          |
| 2,232                       |                                     | 2,223                       |
| (1,817)                     | Financing of capital expenditure    | (2,148)                     |
| (142)                       | Transfer to Housing Revenue Account | (75)                        |
| <b>273</b>                  | <b>Balance at end of year</b>       | <b>0</b>                    |

# Supplementary Financial Statements

## 6. Housing Stock

The Council was responsible for managing an average of dwellings in 2008/2009. The composition of the stock at 31 March 2009 is as follows:

| <b>Year ended<br/>31 March 2008</b> |              | <b>Year ended<br/>31 March 2009</b> |
|-------------------------------------|--------------|-------------------------------------|
| 1,640                               | Houses       | 1,634                               |
| 822                                 | Flats        | 822                                 |
| 637                                 | Bungalows    | 637                                 |
| <b>3,099</b>                        | <b>Total</b> | <b>3,093</b>                        |

The change in stock during the year is as follows:

| <b>Year ended<br/>31 March 2008</b> |                             | <b>Year ended<br/>31 March 2009</b> |
|-------------------------------------|-----------------------------|-------------------------------------|
| 3,124                               | Stock as at 1 April         | 3,099                               |
| 25                                  | Less: Sales                 | 6                                   |
| <b>3,099</b>                        | <b>Stock as at 31 March</b> | <b>3,093</b>                        |

# Supplementary Financial Statements

## 7. Housing Subsidy

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

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

From 2004/05 the cost of Housing Rent Rebates is required to be charged to the General Fund. This has resulted in a negative entitlement to Housing Subsidy and the Council making a contribution to the Exchequer of £2,960,995 (£2,298,537 in 2007/2008).

| 2007/08        | Subsidy Element                                     | 2008/09      |
|----------------|---|--------------|
| £'000          |   | £'000        |
| 1,257          | Allowance for Management                            | 1,272        |
| 2,676          | Allowance for Maintenance                           | 2,706        |
| 1,824          | Allowance for Major Repairs                         | 1,875        |
| 611            | Charges for Capital                                 | 471          |
| 72             | Other Items of Reckonable Expenditure               | 69           |
| 247            | Rental Constraint Allowance                         | 0            |
| 6,687          |   | 6,393        |
| (8,985)        | Rent  | (9,353)      |
| (1)            | Interest on Receipts                                | (1)          |
| <b>(2,299)</b> | <b>Amount Receivable (Payable) by the Authority</b> | <b>2,961</b> |

## 8. Gross Rent Income

This is the total rent income due for the year after allowance is made for voids etc. During the year void properties equated to 0.85% of the gross rent debit. Average rents were £58.11 (exclusive of other charges) a week in 2008/09, an average increase of £3.22 or 5.9% over the previous year.

# Supplementary Financial Statements

## 9. Provision for Bad Debts

The provision is assessed in accordance with the Local Government and Housing Act 1989. This specifies percentages to be applied according to the value of individual arrears. The total provided as at 31 March 2009 was £180,005 (31 March 2008 £186,264).

## 10. Rent Arrears

The totals for all arrears are as follows:

| Year ended<br>31 March 2008 |                             | Year ended<br>31 March 2009 |
|-----------------------------|-----------------------------|-----------------------------|
| £'000                       |                             | £'000                       |
| 352                         | Arrears at 31 March         | 294                         |
| 44                          | Written off during the year | 25                          |

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

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



# Supplementary Financial Statements

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

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

# Supplementary Financial Statements

| Year ended<br>31 March 2008 | Note   | Year ended<br>31 March 2009 |               |
|-----------------------------|--|-----------------------------|---------------|
| £'000                       |  | £'000                       | £'000         |
| <b>Income</b>               |  |                             |               |
| 37,217                      | Council Tax payers   | 38,989                      |               |
| 3,898                       | Council Tax benefit  | 4,198                       | 43,187        |
| 18,265                      | Non Domestic Ratepayers  |                             | 19,582        |
| <b>59,380</b>               | <b>Total Income</b>  |                             | <b>62,769</b> |
| <b>Expenditure</b>          |  |                             |               |
| Precepts and demands        |  |                             |               |
| 29,935                      | Derbyshire County Council  | 31,308                      |               |
| 4,647                       | South Derbyshire District Council                                      | 4,867                       |               |
| 4,264                       | Police Authority   | 4,508                       |               |
| 1,819                       | Fire Authority   | 1,912                       | 42,595        |
| Non Domestic Rates          |  |                             |               |
| 18,116                      | Payment to NNDR Pool   | 19,493                      |               |
| 88                          | Collection allowances  | 89                          | 19,582        |
| 330                         | Council Tax/NNDR increase in provision for bad and doubtful debts      |                             | 125           |
| 313                         | Fund surplus (Council tax) paid over to billing/precepting authorities |                             | 0             |
| <b>59,512</b>               | <b>Total Expenditure</b>   |                             | <b>62,302</b> |
| <b>132</b>                  | <b>Deficit / (surplus) for year</b>                                    |                             | <b>(467)</b>  |
| (138)                       | Balance at beginning of year   |                             | (6)           |
| 132                         | Deficit/(surplus) for year   |                             | (467)         |
| <b>(6)</b>                  | <b>Balance at 31 March</b>   | <b>3</b>                    | <b>(473)</b>  |

# Supplementary Financial Statements

## Notes to the Collection Fund Account

### 1. Council Tax

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into 8 valuation bands using estimated 1 April 1991 values for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by the District Council, Derbyshire County Council, the Police Authority and the Fire Authority for the forthcoming year and dividing this by the Council Tax base (the total number of properties in each band adjusted by a proportion to convert the number to a band D equivalent and adjusted for discounts, i.e. for 30,367.5 for 2008/2009 compared with 30,051.4 for 2007/2008). This basic amount of Council Tax for a band D property (an average of £1,402.67 for 2008/2009 compared with £1,352.79 for 2007/2008) is multiplied by the proportion specified for the particular band to give an individual amount due.

The Council tax base for 2008/2009 was calculated as follows:

| Band                                 | Estimated number of taxable properties after effects of discounts | Proportion of Band D charge | Band D equivalent dwellings |
|--------------------------------------|---|-----------------------------|-----------------------------|
| A                                    | 25.25   | 5/9                         | 14.0                        |
| A                                    | 9,028.50  | 6/9                         | 6,019.0                     |
| B                                    | 7,795.75  | 7/9                         | 6,063.4                     |
| C                                    | 5,891.75  | 8/9                         | 5,237.1                     |
| D                                    | 5,559.00  | 9/9                         | 5,559.0                     |
| E                                    | 3,171.00  | 11/9                        | 3,875.7                     |
| F                                    | 1,676.75  | 13/9                        | 2,422.0                     |
| G                                    | 823.00  | 15/9                        | 1,371.7                     |
| H                                    | 56.25   | 18/9                        | 112.5                       |
|                                      | 34,027.25   |                             | 30,674.4                    |
| Less adjustment for collection rates |   |                             | 306.9                       |
| Council Tax base 2008/2009           |   |                             | 30,367.5                    |

# Supplementary Financial Statements

## 2. Non-Domestic Rates

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

The total non-domestic rateable value at 31 March 2009 was £47,734,723 (£46,173,933 at 31 March 2008). The national non-domestic multiplier for 2008/2009 was 46.2p (44.4p for 2007/2008).

## 3. Collection Fund Surpluses and Deficits

The balance of the surplus of £473,000 on the Collection Fund at 31 March 2009 will be distributed in subsequent financial years to the District Council, Derbyshire County Council, the Police Authority and the Fire Authority in proportion to the value of the respective demands and precepts made on the Collection Fund.

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

|                                   |   | £     |
|-----------------------------------|---|-------|
| Derbyshire County Council         | * | 350   |
| South Derbyshire District Council |   | 57    |
| Derbyshire Police Authority       | * | 47    |
| Derbyshire Fire Authority         | * | 19    |
|                                   |   | <hr/> |
|                                   |   | 473   |
|                                   |   | <hr/> |

\* Treated as creditors in the Balance Sheet

# Annual Governance Statement

## A Scope of Responsibility

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

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

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

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

## B The Purpose of the Governance Framework

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

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

**The Governance Framework has been in place at South Derbyshire District Council for the year ended 31st March 2009 up to the date of approval of the Annual Report and Statement of Accounts.**

# Annual Governance Statement

## C The Governance Framework

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

### Decision Making

The Council operates under a Constitution. This sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people.

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

### Policy Making

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

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

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

The Overview and Scrutiny Committee have 'call-in' powers to consider the appropriateness of Policy Committee decisions. It also shadows the policy committees, supports policy development and review and it carries out external reviews on issues that affect South Derbyshire.

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

### Governance and Accountability

The Council has designated the Head of Legal and Democratic Services as its Monitoring Officer. It is the function of this officer to ensure compliance with established policies, procedures, laws and regulations.

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

# Annual Governance Statement

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

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

The Standards Committee assists in setting and promoting the ethics agenda for the Council and monitors training in relevant areas.

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

## **Code of Corporate Governance**

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

## **Standards of Financial Conduct**

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

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

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

The financial management system includes:

- A medium term Financial Plan linked to Service Plans
- An annual budget cycle incorporating Council approval for revenue and capital budgets, as well as treasury management strategies
- Financial Procedure Rules that are reviewed as required
- Process and procedure guidance manuals
- Annual Accounts supporting stewardship responsibilities, which are subjected to external audit and which follow Statements of Recommended Practice, Accounting Codes of Practice and Financial Reporting Standards

# Annual Governance Statement

- Regular budget monitoring by budget holders through monthly financial monitoring reports
- Identification of financial risks regularly challenged, both internally and externally

## **Standards of Overall Conduct**

Elected Councillors and employees of the Council operate under codes of conduct. These codes provide a set of standards of conduct expected of employees at work and for Councillors in performing their public duties.

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).

From May 2008, the responsibility for considering written complaints against elected or co-opted Members of both the District Council and the Parishes of South Derbyshire moved from the Standards Board for England to South Derbyshire District Council's Standards Committee.

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

## **Establishing Council Objectives**

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

The South Derbyshire District's Community Strategy is produced by the Local Strategic Partnership. This sets out the district wide priorities across a range of public service providers that include the District Council, County Council, Police, PCT and the Voluntary Sector. This plan aims to improve the overall economic, social and environmental wellbeing of South Derbyshire by tackling those issues that are important to the local community, business and service providers.

## **Complaints**

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

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



# Annual Governance Statement

## Service Delivery

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

CAA will be based on two assessments

## Organisational Assessment

### 1. Managing performance

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

### 2. Use of Resources

We are assessed by our external auditors External Auditor, Grant Thornton, on an annual basis, on how we use our resources. External Auditor, Grant Thornton Auditors, will produce a judgement for each of the following three themes:

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

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

## Business Improvement

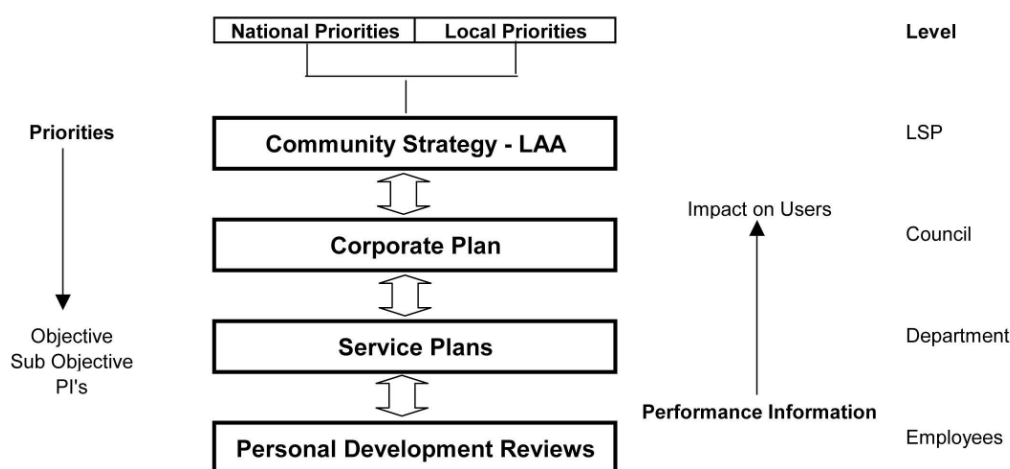
To support service delivery, the Council has a dedicated Business Improvement unit, including procurement. This is intended to co-ordinate greater efficiency and effectiveness in the use of Council resources.

# Annual Governance Statement

## Managing Performance

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

Figure 1 – South Derbyshire District Council's performance framework



## Components

**Our Community Strategy** sets the long-term vision and community goals for all partners in South Derbyshire. This feeds into the countywide LAA published in June 2008.

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

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

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

## Partnership Working

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.

# Annual Governance Statement

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.

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

## **Risk Management**

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

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

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

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.

Half yearly consolidated monitoring reports are provided to the Finance and Management Committee.

## **Internal Audit**

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

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

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

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

# Annual Governance Statement

## **Health and Safety**

The Council has a Health and Safety Policy document that sets out the Council's commitment to health and safety and identifies positions with responsibilities under the policy. There is also a quarterly Employee Health and Safety Committee, chaired by the Director of Community Services, with representatives from the trade unions and managers, which monitors policies and work practices.

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

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

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

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

## **External Scrutiny**

External Auditor, Grant Thornton UK, has been appointed as the Council's external auditor. Besides auditing the accounts and financial statements of the Council, they also focus on more strategic performance and financial management arrangements.

This includes reviewing arrangements in place for securing economy, efficiency and effectiveness in the use of resources.

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

The Audit 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 the Finance and Management Committee, summarises the conclusions and significant issues arising out of audit and other inspections undertaken.

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

# Annual Governance Statement

## D Review of Effectiveness

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

The processes and indicators that have been applied in maintaining and reviewing the effectiveness of internal control during the year 2008/09 are set out below.

### Overall Corporate Governance

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

### The system of Internal Audit

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

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

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

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

Internal Audit is subject to an annual assessment by the Council's external auditors. A more detailed review is undertaken once every three years and this was completed during 2007/08 and is next due in 2010/11.

This review concluded that overall they were satisfied (apart from some points addressed in an action plan approved by Audit Sub-Committee) that the Council has appropriate constitutional and management arrangements in place for its internal audit service.

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.

# Annual Governance Statement

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

Internal Audit has been subject to an independent external review by PricewaterhouseCoopers during 2008/09 and the Audit Sub-Committee concluded that during that period, the system of internal audit was effective. Internal Audit's annual Assurance Statement that sets out an assessment of the internal control system is attached at **Annexe A**.

## Communication and Consultation

### Communication

We have recently undertaken a review of corporate communications within South Derbyshire and have restructured this function into a centralised team in the Organisational Development Unit. Corporate communications covers the full range of media management, publications and external and internal communications. Through targeting our communications activities the Council can continue to enhance its reputation and profile at a local and national level. Good corporate communications can encourage people to feel positively about the Council because they are better informed, have higher levels of satisfaction and know they are getting value for money. We have reviewed and updated the Council's Corporate Communications Strategy and Action Plan.

### Consultation

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

The Consultation Strategy was first developed in July 2007 with the aim of improving the coordination of consultation activities between the services within the Council and with key partners and to ensure that citizens' views were used effectively to inform Council decision-making. A key priority was establishing a corporate 'infrastructure' that was needed to support and facilitate effective consultation, along with providing support and advice to service areas to undertake effective consultation.

We have undertaken the new Place Survey with the first survey being carried out in 2008. We have also undertaken a comprehensive consultation exercise as part of the development of the Corporate Plan and Community Strategy.

### The Constitution

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

# Annual Governance Statement

In addition, the Overview and Scrutiny Committee has to 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 2008/09.

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

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

For the 2008/09 reporting period, South Derbyshire District Council has not been the subject of a finding of maladministration by the Ombudsman.

No elected member of South Derbyshire District Council was found to be in breach of the Code of Conduct during 2008/09.

There were 7 major reportable accidents under Health & Safety Regulations during 2008/09. Following investigation of each accident, risk assessments were reviewed and updated as appropriate.

## **Monitoring Performance**

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

During 2007/08, the Audit Commission undertook a review of the Council’s Direction of Travel and concluded that we are “making good progress in relation to customer focus and in developing safer and healthier communities” and in relation to value for money, “access to services has improved and there is a greater emphasis on the rural areas and older people”.

## **Partnerships**

The partnerships that the Council is a principle partner of – the South Derbyshire Local Strategic Partnership (LSP) and the Safer South Derbyshire Partnership (SSDP) – have annual action plans which are monitored and reported quarterly to the relevant Strategic Boards. The Council receives an End of Year Report on the performance of the LSP and from 2008, all important partnerships will produce an End of Year Report, which will be reported to Council. The reports identify the outcomes of partnership work and the financial implications of work undertaken.

## **Use of Resources**

External Auditor, Grant Thornton, also judged the Council’s performance in how it uses its resources and manages its finances, including how well it achieves value for money. The Council achieved a 3 in all 5 categories assessed, scoring an overall 3 (out of 4). This shows that the Council is performing consistently well in this area.



# Annual Governance Statement

## Other Indicators

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

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

## E Significant Governance Issues

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

Indeed, issues identified in the corresponding statement for 2007/08 identified several areas to be developed. Many of these were acted upon during 2008/09, such as:

- introduced a locally based system for the assessment, referral, investigation and hearing of complaints of alleged Member misconduct
- reviewed the Officer Scheme of Delegation
- adopted a revised local Code of Corporate Governance in accordance with the CIPFA/SOLACE framework, which is reviewed six monthly
- reviewed and updated the Regulation of Investigatory Powers Act policy, procedure, guidance and training, in line with best practice
- reviewed and updated the Protocol for the Use of Information Technology by Members of South Derbyshire District Council, in line with changes introduced by Government Connect
- adopted Member role profiles and personal development plans
- approved a Monitoring Officer Protocol
- developed a robust Action Plan to take us to Level 3 of the Equality Standard that included undertaking Equality Impact Risk Assessments
- published an Annual Report
- reviewed the Corporate Communications function
- introduction of a new Performance Management system
- creation and adoption of a new Corporate Plan 2009/14

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.



# Annual Governance Statement

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

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

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

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

| <b>Issue and Actions</b>   | <b>Timescale</b> | <b>Responsible Officer</b>   |
|--|------------------|--|
| Continue to review the Local Code of Corporate Governance in accordance with updated guidance and to undertake any outstanding work during the year  | ½ yearly review  | Head of Legal & Democratic Services                                    |
| Implement actions from the Audit Commission's review of the Local Area Agreement (as they affect the Council) – in particular, on risk and financial management arrangements   | by March 2010    | Director of Corporate Services   |
| Implement actions from the external review of internal audit to strengthen the effectiveness of this function  | by March 2010    | Head of Finance and Property Services                                  |
| Ensure that performance is systematically measured and monitored relative to other Councils and that action is taken as appropriate – Implementation of new Performance Management system  | by March 2010    | Director of Corporate Services   |
| Ensure that the Council recognises more clearly its duty to promote equality and opportunity – Implement our robust Action Plan to take us to Level 3 of the Equality Standard that includes Equality Impact Risk Assessments (note that a new framework is to be introduced from 1 <sup>st</sup> April 2009 and the Council will work towards a comparable level within this revised framework) | by March 2010    | Director of Corporate Services   |
| Members' training and development programme to be reviewed and Action Plan implemented   | by March 2010    | Director of Corporate Services/<br>Head of Legal & Democratic Services |
| Maintain and strengthen current partnership arrangements – Develop a Good Practice Protocol for partnership working  | by March 2010    | Director of Corporate Services   |



# Annual Governance Statement

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

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

**Signed:** .....  
(Leader of the Council)

**Dated:** .....

**Signed:** .....  
(Chief Executive)

**Dated:** .....



# Annual Governance Statement

## INTERNAL AUDIT ASSURANCE STATEMENT – 2008/2009

### Statutory Requirement

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

### System of Internal Control

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

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

### The role of Internal Audit

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

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

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

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

# Annual Governance Statement

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

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

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

Internal Audit examined systems operating in a range of Council functions and Services during 2008/09 in accordance with the annual plan. Internal Audit's observations and recommendations were discussed with relevant managers as part of the operation of the internal audit service.

In relation to work carried out by Internal Audit for this period and during April and May 2009, I consider, that based on this work, reliance can be placed upon the Council's internal control system. The Council implemented a number of new revenue computer systems during the latter part of 2007/08. The controls in these systems have been reviewed during 2008/09 to ensure the level of internal control is maintained. The majority of problems encountered related to conversion issues and these have all been satisfactorily resolved.

**A.J.Stamper**

**Audit Manager  
June 2009**

# Glossary of Terms

## 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.
- 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 liability is to be recognised; the basis on which it is to be measured; and where in the revenue account or balance sheet it is to be presented.

### Accruals Basis

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

### Administrative Buildings

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

### Balance Sheet

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

### Balances

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

### Billing Authorities

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

# Glossary of Terms

## **Capital Charge**

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

## **Capital Expenditure**

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

## **Capital Expenditure Reserve**

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

## **Capital Programme**

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

## **Capital Receipts**

The proceeds from the disposal of land and other assets. Capital receipts can be used to finance new capital expenditure within rules set down by the government, but they cannot be used to finance revenue expenditure.

## **Collection Fund**

The fund administered by a billing authority into which Council taxes are paid, and from which payments are made 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.



# Glossary of Terms

## **Council Tax Base**

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

## **Current Expenditure**

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

# Glossary of Terms

## **Fees and Charges**

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

## **Financial Year**

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

## **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.

# Glossary of Terms

## **Internal Audit**

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

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

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

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

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

## **Net Expenditure**

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

## **Non-operational Assets**

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

## **Precept**

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

## **Precepting Authorities**

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

## **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.

# Glossary of Terms

## 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 there 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.

# Glossary of Terms

## **Statement of Accounts**

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

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

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

## **Total Cost**

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

## **Trading Services**

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

## **Usable Capital Receipts**

Amounts available to finance capital expenditure in future years.

# Independent Auditor's Report

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

### Opinion on the financial statements

We have audited the Authority financial statements and related notes of South Derbyshire District Council for the year ended 31 March 2009 under the Audit Commission Act 1998. The Authority financial statements comprise the Income and Expenditure Account, the Statement of 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 Statement of Movement on the Housing Revenue Account, the Collection Fund and the related notes. These financial statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of 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 49 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of South Derbyshire District Council, for our audit work, for this report, or for the opinions we have formed.

### ***Respective responsibilities of the Director of Corporate Services and auditor***

The Director of Corporate Services responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities for the Statement of Accounts.

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

We report to you our opinion as to whether the financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 the financial position of the Authority and its income and expenditure for the year.

We review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. We report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider, nor have we considered, whether the governance statement covers all risks and controls. Neither are we required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

# Independent Auditor's Report

We read other information published with the financial statements, and consider whether it is consistent with the audited financial statements. This other information comprises the Explanatory Foreword. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

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

We conducted our 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 and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the financial statements and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

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

## ***Opinion***

In our opinion the Authority financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Authority as at 31 March 2009 and its income and expenditure for the year then ended.

## **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 regularly to review the adequacy and effectiveness of these arrangements.

# Independent Auditor's Report

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

We are 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 us to report to you our conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. We report if significant matters have come to our attention which prevent us from concluding that the Authority has made such proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

## ***Conclusion***

We have undertaken our 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 May 2008 and updated in February 2009, and the supporting guidance, we are 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 2009.

## ***Certificate***

We certify that we 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.

**JD Roberts**, Senior Statutory Auditor

For and on behalf of Grant Thornton UK LLP, Registered Auditor, Chartered Accountants,  
Enterprise House, 115 Edmund Street, Birmingham, B3 2HJ.

Date:



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