

# **SOUTH DERBYSHIRE DISTRICT COUNCIL**

## **STATEMENT OF ACCOUNTS 2004/05**

### **TABLE OF CONTENTS**

	Page No
Explanatory Foreword & Introduction to the Accounts	3
Statement of Accounting Policies	14
Consolidated Revenue Account	18
Consolidated Balance Sheet	24
Statement of Total Movements in Reserves	36
Cash Flow Statement	38
Housing Revenue Account	41
Collection Fund Accounts	46
Statement on the System of Internal Control	48
Statement of Responsibilities for the Statement of Accounts	55
Independent Auditor's Report	56



# EXPLANATORY FOREWORD

## 1. INTRODUCING THE ACCOUNTS

### The Legal Basis

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

This document contains several statements, and these are shown in the summary below.

<ul style="list-style-type: none"> <li>• <b>An Explanatory Foreword (including this introduction)</b></li> </ul>	<p>This sets out an overview of the Council's financial position as at 31<sup>st</sup> March 2005, its financial performance during 2004/05 and provides a summary of where the Council spends its money and how it is financed.</p>
<ul style="list-style-type: none"> <li>• <b>The Statement of Accounting Policies</b></li> </ul>	<p>Sets out the basis on which figures have been compiled in the various accounts.</p>
<ul style="list-style-type: none"> <li>• <b>The Consolidated Revenue Account</b></li> </ul>	<p>Shows net expenditure on all services provided by the Council and how they were paid for.</p>
<ul style="list-style-type: none"> <li>• <b>The Consolidated Balance Sheet</b></li> </ul>	<p>Shows the Council's financial position as at 31<sup>st</sup> March 2005, its assets, liabilities, balances and reserves.</p>
<ul style="list-style-type: none"> <li>• <b>The Statement of Total Movement in Reserves</b></li> </ul>	<p>Shows the change in the Council's reserves during the year.</p>
<ul style="list-style-type: none"> <li>• <b>The Cash Flow Statement</b></li> </ul>	<p>This shows in summary form the total movement of cash to and out of the Council, or simply, where the money came from and how it was spent.</p>
<ul style="list-style-type: none"> <li>• <b>The Housing Revenue Account (HRA)</b></li> </ul>	<p>Details the major elements of repairing, maintaining and managing council homes, and how this is met from rents, subsidies and other income.</p>
<ul style="list-style-type: none"> <li>• <b>The Collection Fund</b></li> </ul>	<p>Shows the level of business rates and council taxes that is due in the year and how these funds have been distributed.</p>
<ul style="list-style-type: none"> <li>• <b>The Statement on the System of Internal Control</b></li> </ul>	<p>Identifies the systems that the Council has in place to ensure that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded.</p>
<ul style="list-style-type: none"> <li>• <b>The Statement of Responsibilities for the Statement of Accounts</b></li> </ul>	<p>Identifies the Council's responsibilities and the person appointed to ensure the proper administration of the Council's financial affairs.</p>

## 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. It is the official organisation responsible for providing professional guidance to councils to help them meet the legal requirements.

Various notes that aim to provide some background and explanation of the figures accompany the main financial statements.

By its nature, the document contains a lot of technical information in accordance with the legal regulations.

However, this explanatory foreword is intended to provide a more simplistic summary of the Council's financial performance during 2004/05 and its financial position as at 31<sup>st</sup> March 2005.

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.

### 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 **Consolidated Revenue 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.

### Main Capital Funding

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

### General Reserve Accounts

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

## **2. OVERVIEW**

This overview provides an introduction and a broad analysis of the Council's financial performance and position for 2004/05.

### **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 many financial challenges that it faces in the future.

Overall net revenue expenditure on Council services (excluding council housing) was around £900,000 below the approved budget for the year set in February 2004.

This was due to a combination of staffing vacancies and additional fee income from planning approvals and building regulations, the level of which continues to exceed all expectations. This is a reflection on the rising growth of the District.

In addition, savings on loan interest due to the Council becoming "free of Government debt" reduced overall costs, this decision being made after the approved budget for the year had been set.

Furthermore, over 1/3 of the overall reduction related to planned spending not being undertaken in the year. This money has been carried forward into 2005/06 and amounted to around £352,000.

### **Reserves**

As at 31<sup>st</sup> March 2005, the Council's General Fund Balances stood at just under £3m. This is approximately 35% of the Council's current net revenue expenditure although future-spending plans will begin to draw this balance down.

In addition, the Council has taken steps to plan its finances responsibly for the future,

and other funds have been set-aside within earmarked reserves.

These are to provide for known future spending commitments and totaled just over £2m as at 31<sup>st</sup> March 2005. Together, these reserves provide a sound basis to help address the financial challenges that still lie ahead for the Council.

### **Council Housing**

The HRA recorded a deficit of around £19,000 for 2004/2005. This compares to the original budgeted surplus of £310,000.

The difference was mainly due to a combination of reducing rent income as a result of council house sales together with additional spending being incurred on repairs and maintenance.

However, the HRA reserve balance is still relatively healthy as at 31<sup>st</sup> March 2005 at approximately £1.3m. This is well above the minimum level required of £1/2m.

The HRA is currently subject to on-going scrutiny of its position in the longer-term as part of a business planning process and the Council's decision to maintain direct management and maintenance of its houses into the foreseeable future.

### **Capital Resources**

The Council has built up a reasonable level of capital reserves for future capital investment. As at 31<sup>st</sup> March 2005, these stood at £5.76m, a proportion of which are set-aside under previous planning agreements.

These receipts will be used in the future, to continue to invest in the local community and help deliver the Council's priorities.

## Future Issues

The Council plans its finances over a 3-year rolling period for revenue and a 5-year period for capital investment. Although finances are fairly sound now, the Council is not ignoring future spending pressures.

Indeed, during the last year, the Council started to benefit from repaying all of its outstanding debt with the Government, from money it had effectively saved in the bank. This will generate savings on interest payments over many years. The Council is now free of Government debt.

As part of its financial plans, the Council identifies its key financial risks and details how it intends to address them. Some of the key issues the Council faces in the future are summarised below.

- **Insurance Costs** – now becoming a much lower risk although the market can change quickly. Current premiums are subject to a full re-tendering exercise in September 2005.
- **Legal Costs and the Local Plan** – earmarked reserves have been provided to meet possible commitments, although it is uncertain how sufficient they will be.
- **Pensions** – a national issue in both the public and private sectors with significant shortfalls on pension funds facing many organisations.
- **Planning Finance** – increased fee income but reducing Government Grant and additional costs being incurred in connection with the Local Plan and to implement a new national framework.
- **Government Grant** – increasing, but uncertainty around the future of the national system makes planning more difficult.
- **Job Evaluation** – a pay and grading review of Council staff is required by April 2007, which may increase overall costs.
- **Programmed Funding** – which is used by the Government to help specific services, may not be sustained beyond the current planning period. This may require associated costs to be met from the Council's mainstream budget
- **Service pressures** – for example, in refuse collection to meet a growing population locally and generally, to meet the demands and expectations of residents and the Government.

## Summary

These accounts continue to provide further reassurance that the Council can look forward to the future with a sound financial base. This is built upon prudent levels of reserves with systems in place to ensure that it manages finances responsibly.

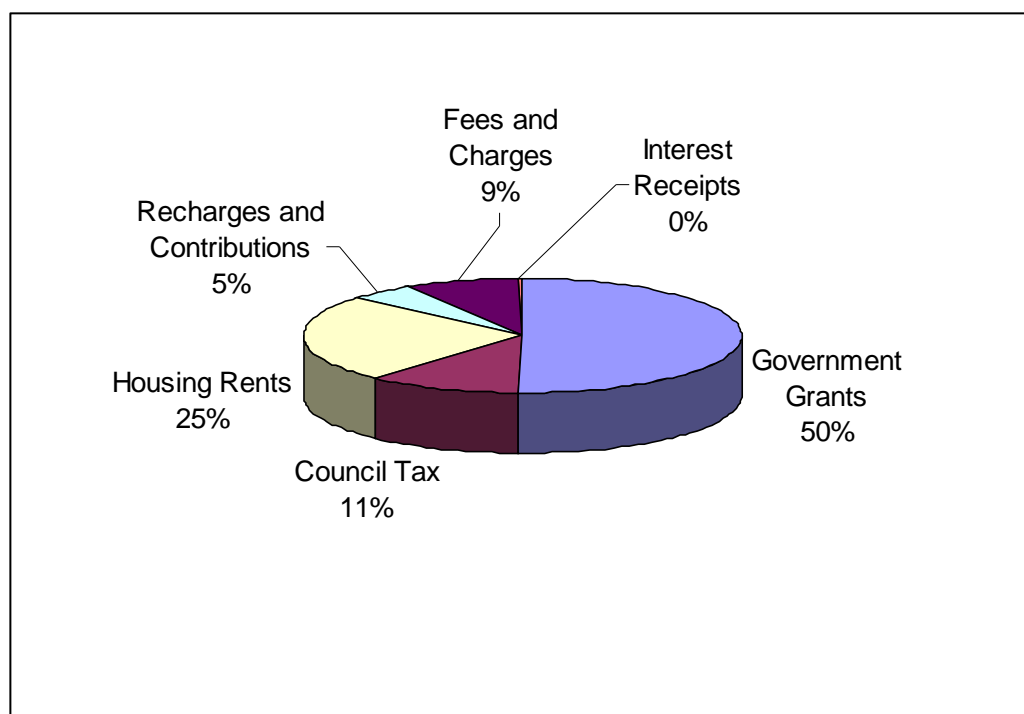
This does not mean that the Council can be complacent. Just like any other Council, South Derbyshire will continue to face the pressure of meeting the needs of local residents and new Government legislative requirements.

Finally, we realise the value of closing our accounts promptly to provide up to date information. At the same time, preparing these accounts becomes more complex every year. Staff involved in this process deserve credit in ensuring that these financial statements are produced in a timely and professional manner.

### 3. REVENUE INCOME and EXPENDITURE 2004/05

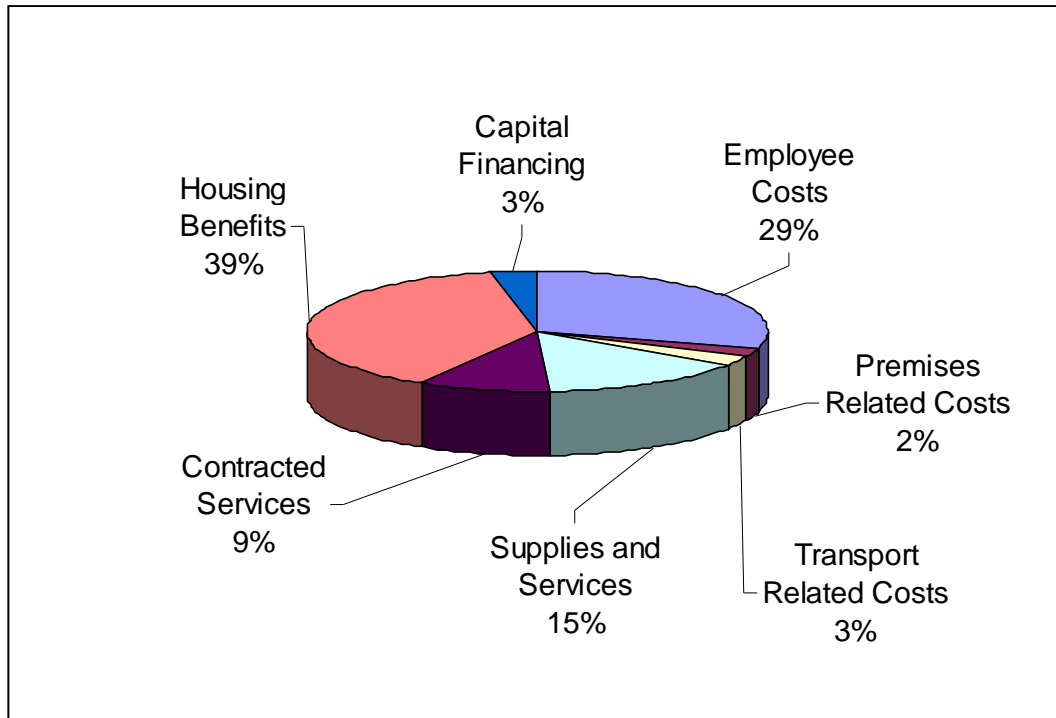
The Council's gross revenue expenditure in 2004/05 was £32.4m. The tables and graphs in this section show the money the Council receives and the costs it incurs in delivering the services that it provides.

Where the Money Comes From	£'000
Government Grants	16,236
Council Tax	3,709
Housing Rents	8,002
Recharges and Contributions	1,532
Fees and Charges	2,790
Interest Receipts	103
<b>TOTAL INCOME</b>	<b>32,372</b>



- Government Grants include revenue support grant together with specific grants, mainly for housing benefit payments and administration.
- The main fees and charges are those associated with planning and building regulation fees, land searches, property rents and license fees.
- Interest receipts are generated from accumulated capital receipts on bank deposit.

<b>The Cost of Providing Services</b>	£'000
Employee Costs	9,526
Premises Related Costs	786
Transport Related Costs	835
Supplies and Services	4,758
Contracted Services	3,003
Housing Benefits	12,349
Capital Financing	1,115
<b>TOTAL EXPENDITURE</b>	<b>32,372</b>

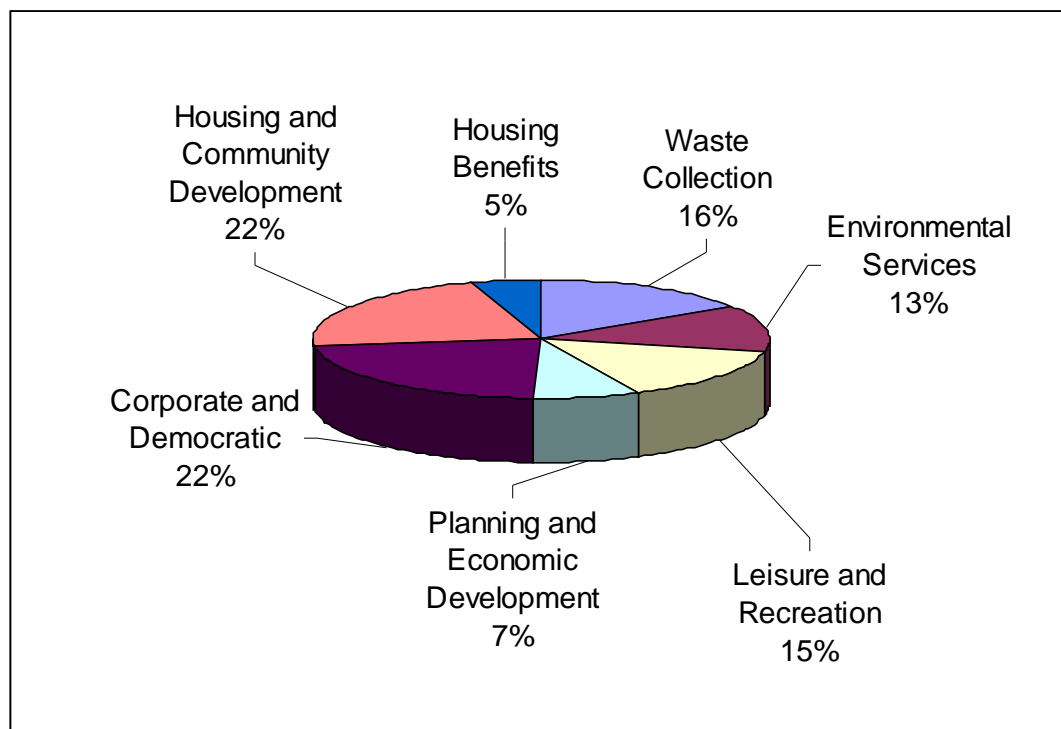


- Employee costs include wages and salaries, statutory pension and National Insurance contributions.
- Housing benefit payments include council tax benefit, rent allowances for private sector tenants and rent rebates for council house tenants.
- Capital financing costs relate to on short-term borrowings,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

## Net Cost of Services

The chart below shows an analysis of the net cost of providing the Council’s major services. This includes charges for depreciation and other capital costs charged to services for utilising council assets.

<b>Analysis of Net Cost across Services</b>	<b>£'000</b>
Waste Collection	1,613
Environmental Services	1,351
Leisure and Recreation	1,514
Planning and Economic Development	767
Corporate & Democratic Services	2,351
Housing & Community Development	2,265
Housing Benefits	526
<b>TOTAL NET SPENDING</b>	<b>10,387</b>



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

#### 4. COMPARISON TO BUDGET 2004/05

##### General Fund Services

The net revenue (cash) expenditure of the Council for the year was originally estimated at £8,995,780 and was subsequently revised to a probable out-turn of £8,884,380. The actual net expenditure for the year was £8,354,475, a reduction of approximately £529,000. This reduction is analysed below.

<b>Variance compared to Revised Budget 2004/05</b>	<b>£'000</b>
<b>Additional Income</b>	
• Planning Fees	36
• Building Regulations	60
• Subsidy for transitional protection on Housing Benefits	102
• Council Tax and Rent Allowance Subsidy	106
<b>Total – Increased Income</b>	<b>304</b>
<b>Committed Budgets from 04/05 to be carried forward</b>	<b>352</b>
<b>Main Underspendings</b>	
• Best Value/Improvement Planning provision (being used in 2005/06 to fund Head of Business Improvement)	62
• Vacant Posts and Departmental Expenses	24
• Lower Contribution required from Earmarked Reserves	34
<b>Total – Underspendings</b>	<b>120</b>
<b>Total Gross Reductions</b>	<b>776</b>
<b>Offset by:</b>	
• Transfer of capital charges to HRA lower than estimated	(112)
• Increase in Bad Debts provision (following rent rebates transferred from HRA)	(34)
• Reductions in Bank Deposit Interest	(35)
• Lower reimbursement for Refuse Collection (tipping away charges)	(30)
• Additional costs associated with Local Plan	(36)
<b>Total Amount Offset</b>	<b>(247)</b>
<b>Overall Reduction in Net Revenue Expenditure 2004/05</b>	<b>529</b>

##### Housing Revenue Account (HRA)

The net surplus on the HRA for the year was originally estimated at £310,170. This was subsequently revised to a probable deficit of £116,760. The actual deficit for the year was £19,000, a reduction of approximately £97,000.

Spending on housing repairs was some £140,000 over that estimated. This was offset by lower management costs, capital costs and increased rental income, as void properties were much lower than predicted.

## 5. COUNCIL RESERVES

### General Fund Reserves

The Council began the year with General Reserve Balances of £2,627,901. These were projected to increase by the end of the year to £2,831,600. However, these reserves actually increased to £2,974,660 as at 31<sup>st</sup> March 2005, an increase of approximately £143,000. This reflects the reduction in revenue spending and approved adjustments for contributions to and from earmarked reserves.

### HRA General Reserve

These reserves reduced by £19,000 during the year to finance the deficit on the HRA. They stood at approximately £1.35m as at 31<sup>st</sup> March 2005.

### Other Earmarked Reserves

Besides 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.

<b>Analysis of Earmarked Reserves And Fixed Asset Replacement Reserve</b>	<b>Balance 1-4-04 £</b>	<b>Less Used in Year £</b>	<b>Add Income in Year £</b>	<b>Balance 31-03-05 £</b>
DSO	37,164	0	0	37,164
Commutation Adjustment	960,190	550,000	0	410,190
HRA – IT System	96,540	0	0	96,540
IT/IEG	123,860	57,853	31,390	97,397
Woodlands Section 106	339,906	46,272	0	293,634
Commitments	494,960	290,160	352,031	556,831
Repton Parish Contributions	33,049	0	0	33,049
Fixed Asset Replacement Reserve	0	76,777	553,644	476,867
Local Strategic Partnership	0	0	16,350	16,350
<b>TOTAL</b>	<b>2,085,669</b>	<b>1,021,062</b>	<b>953,415</b>	<b>2,018,022</b>

### Commutation Adjustment and Renewals Fund

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

The Council approved that £550,000 of this balance be transferred to set up a Renewals Fund for the future replacement of vehicles, plant and equipment. In addition, £180,000 has been earmarked as a future transfer to the General Fund Reserve. This would effectively leave a balance of £230,000.

## 6. CAPITAL INVESTMENT and FINANCING

### Capital Spending

Total capital spending for 2004/05 was £5.24m, which was approximately £1.2m less than the approved estimate. However, a substantial part of this has been carried forward to complete schemes and meet commitments in 2005/06. An overall analysis of capital expenditure for the year is summarised in the following table.

<b>Analysis of Capital Spending 04/05</b>	<b>Approved Estimate £'000</b>	<b>Actual £'000</b>	<b>Variance In Year £'000</b>	<b>Carry Forward £'000</b>	<b>Final Variation £'000</b>
Council House Improvements	2,193	2,034	-159	-158	<b>-1</b>
Disabled Facility Grants	222	288	66	0	<b>+66</b>
Other Housing (HIP)	973	882	-91	-26	<b>-65</b>
Community Services	1,765	1,259	-506	-429	<b>-77</b>
Environmental and Development	412	133	-279	-286	<b>+7</b>
I.T., Property and other Assets	858	643	-215	-219	<b>+4</b>
<b>Total Expenditure</b>	<b>6,423</b>	<b>5,239</b>	<b>-1,184</b>	<b>-1,118</b>	<b>-66</b>

After allowing for carry forwards, the projected variation on current capital schemes is a reduction of around £66,000.

### Capital Financing

The following table shows how capital expenditure was financed in 2004/05.

<b>Analysis of Capital Financing 04/05</b>	<b>Approved Estimate £'000</b>	<b>Actual £'000</b>	<b>Variance In Year £'000</b>	<b>Carry Forward £'000</b>	<b>Final Variation £'000</b>
Borrowing Approvals	618	618	0	0	<b>0</b>
Major Repairs Allowance	2,035	2,034	-1	-1	<b>0</b>
Other Government Grants	139	139	0	0	<b>0</b>
IEG Funding/IT Reserve	392	308	-84	-84	<b>0</b>
Grants and Contributions	1,276	823	-453	-424	<b>-29</b>
Section 106 Planning Receipts	180	96	-84	-61	<b>-23</b>
Planning Gain Funding	144	144	0	0	<b>0</b>
General Capital Receipts	913	534	-379	-363	<b>-16</b>
Debt Free Capital Receipts	726	543	-183	-185	<b>+2</b>
<b>Total Financing</b>	<b>6,423</b>	<b>5,239</b>	<b>-1,184</b>	<b>-1,118</b>	<b>-66</b>

In line with actual spending, resources will need to be carried forward into 2005/06 to meet outstanding commitments.

## Capital Resources Remaining

The main resources available to the Council are those generated from asset sales (mainly housing land and council houses) - capital receipts.

The table below summarises general capital receipts available, taking into account the position from 2004/05. These are split between General Receipts and contributions received via Section 106 Planning Agreements.

<b>Analysis of Capital Receipts as at 31<sup>st</sup> March 2005</b>	<b>Total £'000</b>	<b>General Receipts £'000</b>	<b>Section 106 £'000</b>
Balance B/F 1 <sup>st</sup> April 2004	3,802	2,618	1,184
<ul style="list-style-type: none"><li>• Received in year 2004/05</li><li>• Legal and Other Fees</li><li>• Pooling Payts to Government 04/05</li><li>• Applied to fund schemes 2004/05</li></ul>	+3,978 -99 -587 -1,331	+3,376 -99 -587 -1,076	+602 0 0 -255
<b>Balance as at 31<sup>st</sup> March 2005</b>	<b>5,763</b>	<b>4,232</b>	<b>1,531</b>

The Section 106 receipts are “ring-fenced” and can only be spent on specific projects in specific areas in accordance with the Planning Agreement.

## **STATEMENT OF ACCOUNTING POLICIES**

### **1. GENERAL**

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

- (a) Accruals concept - In accordance with normal Local Authority practice the accruals concept has not been applied with regard to certain debtors and creditors (see Note 9).
- (b) Valuation of stock - Instead of valuing stock at the lower of cost or net realisable value it has been treated as detailed in Note 10.
- (c) Pensions - Contributions in respect of Local Government pensions are determined by Government issued Superannuation Fund regulations. The effect that this has on compliance with FRS17 is explained in Note 14.
- (d) Gains on sales of fixed assets – In accordance with statute these are not taken to revenue but transferred to a specific reserve (capital receipts).
- (e) Valuation of assets – There is no option to carry assets at historical cost - all assets other than infrastructure assets and community assets are shown at current value.
- (f) Capital charges – In accordance with statute, the capital charges in service revenue accounts are replaced with the statutory requirement for the repayment of debt prior to establishing the amount to be raised from rents or local taxation.

### **2. FIXED ASSETS**

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

### **3. DEPRECIATION**

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

- depreciation is calculated using the straight-line method
- assets in the course of construction are not depreciated until they are brought into use
- newly acquired assets and disposals are not depreciated in the year of acquisition/disposal

#### **4. CHARGES TO REVENUE**

All revenue accounts of the Council are charged with a capital charge for all fixed assets used in the provision of services, where applicable. The capital charge covers the annual provision for depreciation plus a capital financing charge determined by applying a specified notional rate of interest to net asset values. The aggregate charge to individual services is determined on the basis of the capital employed in each service. DSOs are also charged a notional interest charge on their average stock balances held.

External interest payable and the provision for depreciation are charged to the asset management revenue account, which is credited with capital charges made to services. In the case of the Housing Revenue Account, the capital financing element of the charge is then replaced in the Account by the statutorily calculated contribution to interest payable. This ensures that the new capital charges under Resource Accounting have a neutral impact on rents, in the same way that the existing capital charges have a neutral impact on the amounts required to be raised from local taxation.

Amounts set aside from revenue for the repayment of external loans, to finance capital expenditure or as transfers to other earmarked reserves are disclosed separately as appropriations, on the face of the consolidated revenue account, below net operating expenditure.

#### **5. DEFERRED CHARGES**

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

#### **6. LEASES**

Rental payments under finance leases are apportioned between the finance charge and the principal element i.e. the reduction of the liability to pay future rentals. The finance element of rentals is charged to the asset management revenue account.

Rentals payable under operating leases are charged to revenue on an accruals basis.

#### **7. GOVERNMENT GRANTS AND CONTRIBUTIONS**

Where the acquisition of a fixed asset is financed either wholly or in part by a government grant or other contribution, the amount of the grant or contribution is credited initially to the government grants-deferred account. Amounts are released to the asset management revenue account over the useful life of the asset to match the depreciation charged on the asset to which it relates.

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

## 8. CAPITAL RECEIPTS

Following the implementation of the Local Government and Housing Act 1989 a proportion of capital receipts must be set aside for debt redemption in the Capital Financing Account. Capital receipts from the disposal of assets are thus held either in this account or in the Usable Capital Receipts Reserve until such time as they are used to finance other capital expenditure or to repay debt.

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

## 9. DEBTORS AND CREDITORS

The accounts of the Council are maintained on an accruals basis in accordance with the Code of Accounting Practice and SSAP2. Sums due to or from the Council during the year are included whether or not the cash has actually been received or paid in the year. An exception to this principle relates to gas, electricity, telephone and other periodic payments which are charged on the due date rather than being apportioned between financial years. This policy is consistently applied each year and therefore does not have a material effect on the year's accounts.

## 10. STOCKS AND WORK IN PROGRESS

Stock held at the year end has been valued at either replacement cost or average cost, whilst work in progress has been included in the accounts at cost.

## 11. COSTS OF SUPPORT SERVICES

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

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

In accordance with the Best Value Accounting Code of Practice 2003, the costs of the corporate and democratic core have been included with unapportionable central overheads in a separate objective head in the Council's General Fund and not allocated further.

## **12. PROVISIONS**

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

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

## **13. RESERVES**

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

In addition to the General Reserves held for the General Fund and Housing Revenue Accounts, together with Usable capital Receipts, the Council also has earmarked reserves held for specific purposes. They are provided to meet future and known commitments and, in some cases, to spread expenditure over a number of years.

Details of all capital and revenue reserves are shown in the Statement of Total Movements in Reserves.

## **14. PENSIONS**

The 2003 Accounting Code Of Practice required full recognition of FRS 17 – Retirement Benefits from 1 April 2003 which replaced SSAP 24. These accounting policies represented a change to those applied in previous years. The current policies better reflect our commitment in the long-term to increase contributions to make up any shortfall in attributable net assets in the pension fund. The effect of the change is detailed in Note 10 to the Consolidated Revenue Account and Note 24 to the Consolidated Balance Sheet.

## **15. INVESTMENTS**

Investments are recorded in the accounts at cost.

## CONSOLIDATED REVENUE ACCOUNT

Net Expenditure 2003/2004		Gross Expenditure 2004/2005	Income 2004/2005	Net Expenditure 2004/2005
£'000		£'000	£'000	£'000
912	Central services to the public	4,838	4,160	678
1,430	Cultural and related services	3,408	1,429	1,979
2,829	Environmental services	6,124	3,184	2,940
956	Planning and development	1,811	1,024	787
5,442	Housing services	22,796	17,683	5,113
511	Highways and transport	1,095	271	824
1,819	Corporate and democratic core	2,001	127	1,874
7	Non-Distributed Costs	1,861	1,258	603
13,906	<b>Net Cost Of Services</b>	43,934	29,136	14,798
265	Precepts paid to parish councils			276
81	Net deficit / (surplus) on trading services			(46)
(4,202)	Transfer from Asset Management Revenue Account			(4,544)
-	Housing Capital Receipts Contribution to Government Pool			581
2,419	Losses on Repurchase of Borrowing			-
(344)	Interest income			(97)
620	Pension Interest less Expected return on Assets			688
12,745	<b>Net Operating Expenditure</b>			11,656
	<b>Appropriations</b>			
(45)	Surplus/(deficit) transferred to/(from) HRA balances			(19)
(238)	Movement on Pensions Reserve			(446)
	Contributions to/(from) earmarked reserves			
(150)	- New Technology reserve			-
(102)	- DSO (earmarked) reserve			-
(40)	- Rates Reserve			-
283	- Grants/Committed expenditure reserve			(10)
(18)	- S. 106 Swadlincote Woodlands			(44)
-	Transfer from Usable Capital Receipts equal to Contribution to Housing Pool			(581)
	Contributions to/(from) Capital Financing Account			
(265)	- Commutation adjustment			(176)
(2,419)	- financing of Repurchase of Borrowing			-
(961)	- deferred charges			(1,702)
18	- transferred debt principal repayments			19
	Contribution from major repairs reserve			
(71)	- depreciation in excess of major repairs allowance			(47)
8,737	<b>Amount To Be Met From Government Grant And Local Taxpayers</b>			8,650

Net Expenditure 2003/2004 £'000		Net Expenditure 2003/2004 £'000
<b>8,737</b>	<b>Amount To Be Met From Government Grant And Local Taxpayers</b>	<b>8,650</b>
(3,654)	Precept demanded from the Collection Fund	(3,904)
(43)	Collection Fund transfer for the previous year's estimated surplus	(82)
(2,347)	Revenue Support Grant	(2,727)
(2,852)	Redistributed NNDR	(2,284)
—		—
<b>(159)</b>	<b>(Surplus)/Deficit For The Year</b>	<b>(347)</b>
—		—
(2,469)	Balance at 1st April	(2,628)
(159)	(Surplus)/deficit for the year	(347)
<u>(2,628)</u>	<b>Balance at 31st March</b>	<u>(2,975)</u>

## NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

### 1. ASSET MANAGEMENT REVENUE ACCOUNT

The movements on the Asset Management Revenue Account are detailed below.

	2004/2005		2003/2004	
	£'000	£'000	£'000	£'000
<b>INCOME</b>				
Capital charges				
General Fund				
- depreciation	(487)		(557)	
- notional interest	(568)	(1,055)	(633)	(1,190)
Housing Revenue				
- depreciation	(1,918)		(1,975)	
- notional interest	(4,361)	(6,279)	(4,559)	(6,534)
		(7,334)		(7,724)
<b>EXPENDITURE</b>				
External interest charges	384		990	
Provision for depreciation	<u>2,406</u>	2,790	<u>2,532</u>	3,522
Surplus to Consolidated Revenue Account		<u>(4,544)</u>		<u>(4,202)</u>

## 2. MINIMUM REVENUE PROVISION

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

For 2004/05 the amount is Nil, since the depreciation charge exceeds the required minimum revenue provision:

	2004/2005	2003/2004
	£'000	£'000
Minimum Revenue Provision calculated for the year	338	430
Less Commutation adjustment	<u>(176)</u>	<u>(266)</u>
	<u>162</u>	<u>164</u>
Charged as Depreciation (General Fund)	<u>487</u>	<u>557</u>

## 3. TRADING SERVICES

These are activities of the Council of a commercial nature which are financed substantially by charges made to recipients of the service. The financial results for 2004/2005 are summarised below:

	Industrial Estates 2004/2005	Markets 2004/2005	Total Trading Services 2004/2005	Total Trading Services 2003/2004
£'000	£'000	£'000	£'000	£'000
Gross Income	(321)	(10)	(331)	(976)
Gross Expenditure	257	28	285	1,057
(Surplus)/deficit on trading services	<u>(64)</u>	<u>18</u>	<u>(46)</u>	<u>81</u>

The gross expenditure includes £148,352 of capital charges in 2004/2005 (£147,104 in 2003/2004).

## 4. OPERATING LEASES

Operating leases are used to finance a wide range of equipment, vehicles and plant. The amount paid under such leases in 2004/2005 was £287,079 (2003/2004 £301,210). The future cash payments required under these leases are estimated at £965,211 as shown in the following table.

	£000's
Due within 1 year	16
Due in 2 – 5 years	726
Due in more than 5 years	<u>223</u>
Total Due	<u>965</u>

## 5. PUBLICITY

Section 5 of the Local Government Act 1986 requires expenditure on certain publicity to be disclosed. The Council's spending for 2004/2005 is as follows:

	2004/05 £'000	2003/04 £'000
Recruitment advertising	147	59
Promotional expenses	<u>113</u>	<u>122</u>
	<u>260</u>	<u>181</u>

## 6. 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.

Building Regulations Charging Account 2004/05:

	Chargeable £	Non Chargeable £	Total Building Control £
<b>EXPENDITURE</b>			
Employee expenses	130,265	102,839	233,104
Premises	5,482	4,328	9,810
Transport	5,544	4,377	9,921
Supplies and Services	50,240	27,045	77,285
Central and Support Service charges	24,448	13,086	37,534
<b>TOTAL EXPENDITURE</b>	<u>215,979</u>	<u>151,675</u>	<u>367,654</u>
<b>INCOME</b>			
Building Regulations charges	348,130	118	348,248
Miscellaneous income	-	4,868	4,868
<b>TOTAL INCOME</b>	<u>348,130</u>	<u>4,986</u>	<u>353,116</u>
<b>(SURPLUS)/DEFICIT FOR YEAR</b>	<u>(132,151)</u>	<u>146,689</u>	<u>14,538</u>

## 7. AGENCY SERVICES

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

Principal	Activity	Expenditure	
		2004/05 £'000	2003/04 £'000
Derbyshire County Council	Highways – Amenity maintenance and gully cleansing	234	225

## 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. This requirement is fulfilled by the placement of an advertisement in a local newspaper. 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, traveling expenses, conference expenses and subsistence allowances. Attendance Allowance is no longer paid.

The total of payments made to Members in 2004/05 amounted to £300,822 (2003/04 was £241,244), detailed as follows: -

	2004/05	2003/04
Basic Allowance	173,841	137,961
Special Responsibility Allowance	99,818	79,416
Travelling Expenses	19,015	17,888
Subsistence	3,598	2,908
Conferences	<u>4,550</u>	<u>3,071</u>
	<u>300,822</u>	<u>241,244</u>

## 9. OFFICERS' EMOLUMENTS

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

Remuneration Band	Number of Employees	
	2004/05	2003/04
£50,000 - £59,999	1	2
£60,000 - £69,999	1	1
£70,000 - £79,999	-	1
£80,000 - £89,999	1	-

## 10. PENSION COSTS : FRS17 ACCOUNTING TREATMENT FOR SUPERANNUATION

From 2003/2004 FRS17 changed the way in which organizations accounted for the cost of pensions by requiring the accounts to show the current and future cost of pensions instead of the contributions paid in the year. To neutralize the impact of this directive so that its impact on the cost to the General Fund and the Council Tax is acceptable an accounting adjustment is made “below the line” by transferring the impact of the changes to a reserve account.

The result as shown in these accounts is that the cost of each service shows the effect of compliance with FRS 17.

## 11. RELATED PARTY TRANSACTIONS

FRS8 requires the Council to disclose any material transactions with related parties. This is to highlight the possibility of the Council’s financial position being affected by the existence of these related parties or by any material transactions with them.

The Council receives Revenue Support Grant and National Non-Domestic Rates from Central Government and the amounts involved are disclosed in the Consolidated Revenue Account on page 18. Details of other grants for specific projects or services are shown in the Cash Flow Statement on page 38.

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 46. The Derbyshire County Council is the administering authority for the Pension Fund and a note to the Consolidated Revenue Account on page 23 and to the Consolidated Balance Sheet on page 34 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 the notes to the Balance Sheet on pages 30 and 31.

Council members make disclosures of their interests to the Council’s monitoring officer, and also have to make declarations on individual committee agenda items. No material related party transactions have been identified for 2004/05. In addition, the Council formally nominates members to sit on outside bodies.

## 12. AUDIT COSTS

From 2003/04, 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.

	2004/05	2003/04
Audit services carried out by the appointed auditor	88,319	124,000
Statutory Inspections	13,908	15,800
Fee Grant Certification	<u>12,317</u>	<u>26,425</u>
Total	<u>114,544</u>	<u>166,225</u>

## 13. NON-DISTRIBUTED COSTS

These costs relate to Deferred Charges associated with capital expenditure incurred on new computer systems and are an accounting adjustment that is reversed out in the appropriations section.

# CONSOLIDATED BALANCE SHEET

	Note	31 March 2005			31 March 2004		
		£'000	£'000	£'000	£'000	£'000	£'000
<b>Fixed Assets</b>	[1-6]						
<b>Tangible Fixed Assets</b>							
Operational Assets							
Council dwellings		145,990			123,644		
Other land and buildings		13,028			12,755		
Vehicles, plant and equipment		48			77		
Infrastructure assets		612			633		
Community assets		<u>3,954</u>	163,632		<u>3,680</u>	140,789	
Non operational Assets							
Assets under construction			<u>784</u>		-		
<b>Total Fixed Assets</b>				<b>164,416</b>			<b>140,789</b>
Investments	[7]		27		27		
Long term debtors	[8]		<u>100</u>		<u>138</u>		
				<u>127</u>			<u>165</u>
<b>Total Long Term Assets</b>				<b>164,543</b>			<b>140,954</b>
<b>Current Assets</b>							
Stocks and works in progress	[9]	54			36		
Debtors	[10]	5,835			5,762		
Investments	[7]	<u>5</u>	5,894		-	5,798	
<b>Current Liabilities</b>							
Creditors	[11]	(3,098)			(3,354)		
Short Term Borrowing		(2,051)			(3,787)		
Cash Overdrawn		<u>(271)</u>	<u>(5,420)</u>		<u>(49)</u>	<u>(7,190)</u>	
<b>Net Current Liabilities</b>				<b>474</b>			<b>(1,392)</b>
<b>Total Assets Less Current Liabilities</b>				<b>165,017</b>			<b>139,562</b>
Long term borrowing	[12]		(1,000)		(1,000)		
Deferred liabilities	[13-14]		(3,558)		(4,047)		
Deferred capital receipts	[15]		(53)		(73)		
Capital grants unapplied	[18]		(1,802)		(1,382)		
Pensions Liability	[24]		<u>(18,174)</u>	<u>(24,587)</u>	<u>(12,577)</u>	<u>(19,079)</u>	
<b>Total Assets Less Liabilities</b>				<b>140,430</b>			<b>120,483</b>
<b>Financed by</b>							
Fixed Asset Restatement Account	[16]			126,649			103,178
Usable Capital Receipts Reserve				4,236			2,618
Capital Financing Account	[17]			20,306			19,970
Fixed Asset Replacement Reserve	[20]			477			-
Major Repairs Reserve	[19]			-			163
General Fund				2,975			2,628
Collection Fund	[21]			1,069			1,047
Housing Revenue Account				1,351			1,370
Earmarked Reserves	[22]			1,541			2,086
Pensions Reserve	[24]			<u>(18,174)</u>			<u>(12,577)</u>
				<b>140,430</b>			<b>120,483</b>

## NOTES TO THE CONSOLIDATED BALANCE SHEET

### 1. FIXED ASSETS

Movements in fixed assets during the year were as follows:

	Council Dwellings	Other Land and Buildings	Infra- structure Assets	Com- munity Assets	Vehicles Plant and Equipment	Assets under Con- struction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Gross book value at 31.03.2004	129,463	13,957	918	3,792	449		148,579
Accumulated depreciation	(5,820)	(1,177)	(287)	(132)	(372)	-	(7,788)
Net book value at 31.03.2004	123,643	12,780	631	3,660	77	-	140,791
Additions	2,158	42	9	125	4	784	3,122
Disposals	(3,162)	(30)	-	-	-	-	(3,192)
Revaluations	25,222	678	-	204	-	-	26,104
Depreciation	(1,871)	(442)	(28)	(35)	(33)	-	(2,409)
Net book value as at 31.03.2005	145,990	13,028	612	3,954	48	784	164,416

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

## 2. FIXED ASSET VALUATION

The fixed assets shown in the balance sheet have been valued on the basis recommended by CIPFA and in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors.

The value at which each category of asset is included in the balance sheet should be reviewed annually and can be valued on a five year rolling basis. The Council had its council housing assets carried out as at the 31<sup>st</sup> March 2005 by an external independent valuer – the District Valuer.

### Operational Assets

#### i) Council Dwellings

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

The District Valuer's valuation of council dwellings at 31<sup>st</sup> March 2005 was £145,990,160.

#### ii) Other Land & Buildings

Non-specialised assets have been valued at existing use value.

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

This classification of assets includes Housing Revenue Account assets which the District Valuer valued at £1,081,000 as at the 31<sup>st</sup> March 2005, and the Council's Corporate Asset Manager reported on other assets now valued at £3,642,000.

#### iii) Infrastructure and Community Assets

These are generally shown at historical costs net of depreciation. Community assets valued at £995,000 by the District Valuer as at 31<sup>st</sup> March 2005 relate to Housing Revenue Account assets.

#### iv) Non-Operational Assets (Assets under construction)

These are shown at cost incurred.

The revaluation exercise detailed above resulted in significant changes in the value of the authority's fixed assets. However, the overall effect of these changes on the Consolidated Balance Sheet is neutral, since the variations in values have been offset by changes in the Fixed Asset Restatement Account (which is not available to meet the authority's current expenditure).

### Impairment

An impairment review of the councils housing stock as at 31<sup>st</sup> March 2005 was carried out by District Valuer and no impairment was reported. The remainder of the Council's assets were reviewed for impairment by the Council's Corporate Asset Manager who reported that there was impairment on two properties but this is not considered significant.

### 3. DEPRECIATION

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

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

### 4. CAPITAL EXPENDITURE AND FINANCING

The capital expenditure in 2004/2005, and the methods of financing, are detailed below:

<b>Expenditure</b>	<b>£'000</b>	<b>Financing</b>	<b>£'000</b>
Parks & Recreation Grounds	219	Usable Capital Receipts	
Improvements to Council Dwellings	2,034	- Housing	1,077
Improvements to Sheltered Housing	123	- General Fund	0
Rosliston Forest Centre	613		
Improvements to Offices	55	Major Repairs Reserve	2,035
Renovation of Cemeteries	19	Grants/Contributions	1,211
Environmental Improvements	34	Credit Approvals	618
Other	25	Section 106	239
Capital expenditure not adding value to fixed asset values:		Reserves	46
- Deferred Charges	1,703	R.C.C.O.	68
- Deferred purchase repayments	469		
	<u>5,294</u>		<u>5,294</u>

#### Commitments under capital contracts

There are commitments under capital contracts totaling in excess of £1million, which includes £477,000 for the Hatton Flood Alleviation Scheme and £613,000 for Housing Maintenance Contracts.

## 5. INFORMATION ON ASSETS HELD

Fixed assets owned by the Council include the following:

	31 March 2005 (Nos)	1 April 2004 (Nos)
Council Dwellings	3,235	3,305
Operational Buildings		
Town Hall	1	1
Civic Offices	1	1
Depot and Workshops	1	1
Leisure Centre and Pool	1	1
Leisure Centre	1	1
Forestry Centre	1	1
Off-Street Car Parks	20	20
Public Conveniences	10	10
Garage Sites and Plots	604	604
Pavilions and Changing Rooms	15	15
Community Assets		
Parks and Open Spaces	370 acres	370 acres
Cemeteries	7	7
Allotments	9	9
Community Rooms (sheltered housing schemes)	13	13
Non-Operational Properties		
Land awaiting development	13 acres	13 acres
Industrial Estates	1	1
Factory	1	1
Shops	19	19
Bus Station	1	1
Market	1	1
Craft Workshops	7	7
Other Properties	9	9

## 6. DEFERRED CHARGES

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

Movements on deferred charges during 2004/2005 are detailed below:-

	Improvement Grants	Partnerships and E-Government	Other	Total
	£'000	£'000	£'000	£'000
Balance b/f 1st April 2004	-	-	-	-
Expenditure 2004/2005	563	541	599	1,703
Amounts written off 2004/2005				
- to Consolidated Revenue Account	(563)	(541)	(599)	(1,703)
Balance at 31st March 2005	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

## 7. INVESTMENTS

The balance sheet figure of long term Investments largely comprises of an investment of £20,000 in a debenture raised by the Association of District Councils for new office accommodation. No interest is receivable, but the Council will be entitled to a share of the appreciation in value of the property over a number of years.

## 8. LONG TERM DEBTORS

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

	31 March	
	2005 £'000	2004 £'000
Mortgages	64	97
Loans to voluntary organisations	2	3
Transferred services		
- Derbyshire County Council	10	11
- Derby City Council	<u>24</u>	<u>27</u>
	<u>100</u>	<u>138</u>

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

	2004/2005				2003/2004			
	Non Council Houses		Council Houses		Non Council Houses		Council Houses	
	No.	£'000	No.	£'000	No.	£'000	No.	£'000
Opening Balance	1	1	22	97	1	1	28	123
Less:								
Repayments	-	-	<u>6</u>	<u>33</u>	-	-	<u>6</u>	<u>26</u>
Balance outstanding at year end	<u>1</u>	<u>1</u>	<u>16</u>	<u>64</u>	<u>1</u>	<u>1</u>	<u>22</u>	<u>97</u>

## 9. STOCK AND WORK IN PROGRESS

	31 March	
	2005 £'000	2004 £'000
Stock		
Depot		
- Fuel	6	6
- Plastic Sacks	2	4
- Housing	28	24
Piper Lifeline	<u>2</u>	<u>2</u>
	38	36
Work in Progress		
Rechargeable Work	<u>16</u>	-
	<u>54</u>	<u>36</u>

## 10. DEBTORS

	31 March	
	2005 £'000	2004 £'000
Amounts falling due within one year		
Government Departments	2,675	3,056
Other local authorities	15	22
Council Tax payers	1,725	1,523
NNDR payers	697	735
Tenants	286	350
Sundry Debtors	<u>1,972</u>	<u>1,569</u>
	7,370	7,255
Provision for doubtful debts		
General Debtors	369	230
Tenants	180	386
Council Tax Payers	903	928
NNDR Payers	<u>154</u>	<u>95</u>
	(1,606)	(1,639)
	5,764	5,616
Amounts falling due after one year		
Car loans to employees	<u>71</u>	<u>146</u>
	<u>5,835</u>	<u>5,762</u>

## 11. CREDITORS

	31 March	
	2005 £'000	2004 £'000
Government Departments	13	33
Other Local Authorities	8	5
Council Tax payers	779	895
NNDR payers	218	433
Tenants	103	69
Sundry Creditors	1,976	1,918
Deposits	<u>1</u>	<u>1</u>
	<u>3,098</u>	<u>3,354</u>

## 12. LONG TERM BORROWING

TYPE OF LOAN	Total Outstanding 31 March	
	2005 £'000	2004 £'000
Money Market Loan	<u>1,000</u>	<u>1,000</u>
	<u>1,000</u>	<u>1,000</u>
MATURING WITHIN		
1 - 2 years	-	-
2 - 5 years	-	-
5 - 10 years	-	-
more than 10 years	<u>1,000</u>	<u>1,000</u>
	<u>1,000</u>	<u>1,000</u>

## 13. 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 14 below for further details).

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

	Transferred Assets £000's	Deferred Covenants £000's	Total £000's
Within 1 year	21	385	406
Due in 2 – 5 years	76	1,886	1,962
Due in more than 5 years	<u>318</u>	<u>872</u>	<u>1,190</u>
Total Due	<u>415</u>	<u>3,143</u>	<u>3,558</u>

#### **14. DEFERRED PURCHASE (COVENANTS)**

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

**March 1985** - An agreement valued at £1.5m was entered into for the refurbishment of Swadlincote Town Hall, a rear service road to the south of Swadlincote High Street, the reconstruction of the omnibus station, the provision of public conveniences and the construction of the Delph shops and offices. As at 31st March 2005 all schemes had been completed and the final payment of £103,955 was made during the year thus finalising this covenant.

**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 31st March 2005 all schemes had been completed. After allowing for principal repayments, there was an outstanding balance of £2,482,144.

The agreement has been extended to September 2011 with a repayment profile which 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 31st March 2005 this had been completed. After allowing for principal repayments, there was an outstanding balance of £660,442.

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

#### **15. DEFERRED CAPITAL RECEIPTS**

Deferred capital receipts are 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 and form the main part of mortgages which appear within the grouping of fixed/long term assets.

#### **16. FIXED ASSET RESTATEMENT ACCOUNT**

This largely represents the difference between the valuation of assets under the previous system of capital accounting and the revaluation as at 1st April 1995 required under the new system. The reserve is written down by the net book value of assets as they are disposed of and the amount of capital expenditure which does not increase the value of fixed assets held by the Council. The reserve is debited or credited with the deficits or surpluses arising on subsequent revaluations. Details of the 2004/2005 transactions are shown in the Statement of Total Movements in Reserves.

#### **17. CAPITAL FINANCING ACCOUNT**

This contains the amounts which are required by statute to be set aside from capital receipts for the repayment of external loans and the amount of capital expenditure financed from revenue, capital receipts, grants and contributions. It also contains the difference between amounts provided for depreciation and that required to be charged to revenue to repay the principal element of external loans. The balance on the reserve is reduced as loan debt is repaid. Details of the transactions during 2004/2005 are shown in the Statement of Total Movements in Reserves.

## 18. CAPITAL GRANTS UNAPPLIED

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

	2004/2005 £000's	2003/2004 £000's
Balance Brought Forward	1,383	1,487
Grants Received	967	774
Grants Applied	(547)	(878)
Balance Carried Forward	1,802	1,383

Grants received during the year are detailed below.

### Section 106 Planning Agreements

Edgecote Drive, Newhall	113	Peverill Homes, Overseal	47
Eaton Close, Hatton	16	St Modwen Dev, Hilton	457
Redrow Homes Open Space	20	Bloors, Stenson	103
The Hedgerows, Hatton	75	Woodyard Lane, Foston	10
St Modwens, Recreation & Maintenance	378		
Community Compensation, Hilton	<u>15</u>		
	617		<u>617</u>

### Other Grants

Implementing E-Government	350		-
		Housing Specified Grant	141
		Improvement Grant	
		Recoupment	13
		Tree Planting	3
<b>Total Grants Received</b>	<u>967</u>		<u>774</u>

## 19. 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. Details of the transactions during 2004/2005 are shown in the Statement of Total Movements in Reserves.

## 20. FIXED ASSET REPLACEMENT RESERVE

The Council approved the creation of a Fixed Asset Replacement Reserve with a transfer of £550,000 from the Commutation Adjustment Reserve. This reserve has been set up for the replacement of vehicles, plant and equipment. Approximately £73,000 has been utilized in 2004/05.

## 21. COLLECTION FUND

The Collection Fund is a statutory fund in which are recorded the transactions for council tax and business rates. The balance on the Fund is available for distribution to South Derbyshire District Council, Derbyshire County Council and the Police and Fire authorities in future years in proportion to their past precepts on the Fund. Details of the Collection Fund transactions can be found on page 46.

## 22. EARMARKED RESERVES

Details are given in the Statement of Total Movements in Reserves.

## 23. 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 2004/2005 was £14,000 (£22,000 in 2003/2004).

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

## 24. PENSION FUND ASSETS AND LIABILITIES

In accordance with the requirements of Financial Reporting Standard 17 (FRS 17), the Council has to disclose its share of assets and liabilities relating to the Pension Fund of the Council's Employees, as at 31st March 2004. Employees of the Council are admitted to the Derbyshire County Council Pension Fund ("the Fund"), which is administered by Derbyshire County Council under the Regulations governing the Local Government Pension Scheme (LGPS) a defined benefit scheme.

The market values of assets held by the fund relating to the Council are set out below:

	31 <sup>st</sup> March 2005		31 <sup>st</sup> March 2004	
	£000's		£000's	
Equities	20,645	70.2%	18,510	68.9%
Government Bonds	4,647	15.8%	4,406	16.4%
Other Bonds	647	2.2%	645	2.4%
Property	1,470	5.0%	1,209	4.5%
Cash/liquidity	2,000	6.8%	2,096	7.7%
Actuarial adjustment	—		(13)	
Total Assets	29,409		26,866	
Fund Liabilities	(47,583)		(39,456)	
Surplus/(Deficit)	(18,174)		(12,590)	

The movement in Surplus/(Deficit) during the year was

Surplus/Deficit Brought Forward	(12,590)	(15,600)
Current Service Costs	(981)	(773)
Employer Contributions	1,223	1,232
Net Interest/Return on Assets	(688)	(697)
Actuarial Gain (Loss)*	(5,138)	3,261
Actuarial adjustment	—	(13)
Surplus/(Deficit) Carried Forward	(18,174)	(12,590)

\* The turnaround from the actuarial gain to a loss is mainly a result of the change in the discount rate.

## **25. CONTINGENT LIABILITIES 2004/05**

### **WITHDRAWAL OF THE SOUTH DERBYSHIRE DRAFT LOCAL PLAN**

In January 2002 South Derbyshire District Council published, and consulted upon, a Draft Local Plan containing proposals for the development and use of land within its District for the period up to 2011. A Revised Deposit Draft Local Plan (RDDLP) was placed on deposit for further consultation in January 2003.

Mr. Chris West LLB. MCI Arb. MIMgt. FCIS Solicitor between 3 June 2003 and 13 February 2004 held an Inquiry into objections to the RDDLP. Due to the onset of ill health following the formal closure of the Inquiry, however, Mr. West was, and remains, unable to complete his report into the objections heard at the Inquiry. As a result, Mr. David Brier BA MA MRTPI was appointed as Joint Inspector and a report into objections, combining the work of Mr. West and Mr. Brier (the Report) was submitted to the Council on 17 September 2004 and was made public on 1 November 2004.

After considering the Report, the Council resolved, on 2 December 2004, to modify the RDDLP and formal modifications were published on 7 January 2005. A claim, seeking judicial review of the resolution has been filed in the High Court on behalf of RWE Npower PLC and Hallam Land Management Limited. That claim is opposed by the Council and is ongoing. The Council however, mindful that it is likely to lead to significant delay, whatever the outcome, and will inevitably give rise to uncertainty.

The Council are also mindful that under the provisions of the Planning and Compulsory Purchase Act 2004 the adoption of a new Local Development Framework is desirable as soon as possible and in any event required by 2007.

In the circumstances and having regard to all of these considerations and to avoid the uncertainty that now surrounds the RDDLP, the Council resolved on 19 May 2005 to withdraw the South Derbyshire Draft Local Plan.

The Council will now proceed towards the publication of a draft Local Development Framework (LDF) in accordance with the provisions contained within the 2004 Act. In the meantime it is intended that a position statement setting out relevant policies and other material considerations for the determination of applications for planning permission relating to the development and use of land within the District will be published by the Council as soon as possible.

It is not practical in the above circumstances to place a financial estimate on any possible liability.

## **26. POST BALANCE SHEET EVENTS**

These are events occurring between the balance sheet date and the date the accounts are signed by the Director of Corporate Services which have a bearing on the financial results. There are no such events which require disclosure.

## **27. INTANGIBLE ASSETS**

The definition and treatment of intangible assets is covered by FRS10. In its application to this Council the intangibles identified are software licences. The Council's policy is that expenditure of this nature is treated as a deferred charge and written off in the financial year in which it is incurred. The result is that there are no intangible assets shown in the Balance Sheet.

## STATEMENT OF TOTAL MOVEMENTS IN RESERVES

	Capital Reserves				Revenue Reserves				Total
	Fixed Asset Restate- ment Account £000's	Capital Financ- ing Account £000's	Usable Capital Receipts £000's	Major Repairs Reserve £000's	Fixed Asset Replacem't Reserve £000's	Fund Balances (Note 1) £000's	Ear- marked Reserves (Note 1) £000's	Pensions Reserve £000's	
Balance as at 1 <sup>st</sup> April 2004	(103,178)	(19,974)	(2,618)	(163)	-	(5,046)	(2,086)	12,577	(120,488)
Revalt'ns and Restate- ments	(26,663)	-	-	-	-	-	-	-	(26,663)
Net (Surplus) / Deficit for Year	-	(2,187) (Note 2)	-	609	(477)	(349)	545	5,597 (Note 3)	3,738
Unrealised Losses from revaluation of Fixed Assets	-	-	-	-	-	-	-	-	-
Disposal of Assets	3,192	-	(2,694)	-	-	-	-	-	498
Financing of Assets									
Usable Cap Receipts	-	-	1,076	-	-	-	-	-	1,076
Capital Grants/ Co	-	(625)	-	-	-	-	-	-	(625)
Major Rep Reserve	-	-	-	2,034	-	-	-	-	2,034
Transfer HRA Deprec'n	-	2,480	-	(2,480)	-	-	-	-	-
Balance as at 31 <sup>st</sup> March 2005	(126,649)	(20,306)	(4,236)	-	(477)	(5,395)	(1,541)	18,174	(140,430)

## 1. REVENUE RESERVES

	Balance 1 April 2004 £'000	Net (surplus)/ deficit for year £'000	Balance 31 March 2005 £'000
Fund Balances			
- General Fund	(2,628)	(347)	(2,975)
- Housing Revenue Account	(1,371)	20	(1,351)
- Collection Fund	(1,047)	(22)	(1,069)
	<u>(5,046)</u>	<u>(349)</u>	<u>(5,395)</u>
Earmarked Reserves			
- DSO Reserve	(38)	-	(38)
- Commutation Adjustment Reserve	(960)	550	(410)
- Covenant Repayment/Housing IT Reserve	(96)	-	(96)
- New Technology Reserve	(124)	27	(97)
- Repton Revenue Contributions Reserve	(33)	-	(33)
- Grants/Committed Expenditure Reserve	(495)	(62)	(557)
- S. 106 Swadlincote Woodlands	(340)	46	(294)
- LSP Reserve	-	(16)	(16)
	<u>(2,086)</u>	<u>545</u>	<u>(1,541)</u>

## 2. CAPITAL FINANCING ACCOUNT

	£'000
Appropriations (from)/to General Fund	
- financing of capital expenditure	(4,675)
- provision for repayment of external loans	-
- deferred charges	1,702
- transferred debt principal repayments	(19)
- commutation adjustment	176
Sums written off/back against Capital Financing Account	
- deferred charges	-
- transfers from government grants deferred	625
- long term debtors:	
- loans to voluntary organisations	1
- transferred debt	3
Net (Surplus)/Deficit for 2004/2005	<u>(2,187)</u>

## 3. PENSIONS RESERVE

Movements during the year	
Current Service Costs	981
Employer Contributions	(1,223)
Net Interest/Return on Assets	688
Actuarial Gain	<u>5,151</u>
Net Deficit	<u>5,597</u>

# CASH FLOW STATEMENT

	Note	£'000	2004/2005 £'000	£'000	£'000	2003/2004 £'000	£'000
<b>REVENUE ACTIVITIES</b>							
Cash outflows							
- Employees			9,166			8,479	
- Housing Benefit payments			3,455			4,035	
- Derbyshire CC precept			26,297			25,998	
- Police Authority precept			3,595			3,177	
- Fire Authority			1,501			-	
- Payment to NNDR Pool			12,566			13,388	
- Other operating costs			<u>8,477</u>	65,057		<u>9,095</u>	64,172
Cash inflows							
- Housing Rents (net of rebates)			(3,478)			(3,696)	
- Council Tax income			(31,974)			(30,488)	
- Non-Domestic Rate income			(12,712)			(17,711)	
- Receipts from NNDR Pool			(2,284)			(2,852)	
- Revenue Support Grant			(2,727)			(2,347)	
- Government grants	[4]		(11,827)			(9,464)	
- Fees and Charges			(2,664)			(2,502)	
- Other income			<u>(1,169)</u>	(68,835)		<u>(336)</u>	(69,396)
<b>REVENUE ACTIVITIES</b>							
NET CASH FLOW	[1]			(3,778)			(5,224)
<b>SERVICING OF FINANCE</b>							
Cash outflows							
- Interest paid				377		1,113	
Cash inflows							
- Interest received			<u>(92)</u>	285		<u>(336)</u>	777
<b>CAPITAL ACTIVITIES</b>							
Cash outflows							
- Fixed assets		5,294				3,997	
- Other capital payments		<u>776</u>	6,070			<u>3,063</u>	7,060
Cash inflows							
- Sale of fixed assets		(3,437)				(4,598)	
- Capital grants	[4]	(123)				(141)	
- Other capital income		<u>(531)</u>	(4,091)	1,979		<u>(788)</u>	1,533
<b>NET CASH (INFLOW)/OUTFLOW</b>							
BEFORE FINANCING				(1,514)			(2,914)
<b>FINANCING</b>							
Cash outflows							
- Repayment of amounts borrowed		17,226				11,036	
- Temporary investments		<u>26,094</u>	43,320			<u>82,580</u>	93,616
Cash inflows							
- Temp Investments Repaid			(26,094)			(85,280)	
- Temp Loans			(15,490)			(6,195)	2,141
<b>NET INCREASE/(DECREASE) IN</b>							
CASH	[2]			1,736			(773)
				<u>222</u>			<u>(773)</u>

## NOTES TO THE CASH FLOW STATEMENT

### 1. RECONCILIATION OF DEFICIT TO NET CASHFLOW

	2004/2005		2003/2004	
	£'000	£'000	£'000	£'000
Consolidated Revenue (surplus) / deficit for the year		(347)		(159)
Exclude non-cash transactions				
Add				
- design salaries on capital projects		-		90
- decrease in provisions		(33)		(970)
Deduct				
- depreciation		(2968)		(2,532)
- contribution to reserves		<u>(230)</u>		<u>(76)</u>
		(3,231)		(3,488)
Adjust for items on an accruals basis				
creditors		(114)		(283)
debtors		181		(501)
stocks		<u>(18)</u>	85	<u>(16)</u>
				(800)
Exclude items classified elsewhere				
Deduct				
- servicing of finance shown later in the cash flow statement			(285)	(777)
REVENUE ACTIVITIES NET CASH FLOW			<u>(3,778)</u>	<u>(5,224)</u>

### 2. MOVEMENT IN CASH

	Balance 01.04.04 £'000	Balance 31.03.05 £'000	Movement In year £'000
Cash overdrawn	(51)	(271)	(222)
NET CASH OUTFLOW			<u>(222)</u>

### 3. MOVEMENT IN FINANCING

	Balance 01.04.04 £'000	Balance 31.03.05 £'000	Movement In year £'000
Long term borrowing	(1,000)	(1,000)	-
Temporary loans	(3,787)	(2,051)	1,736
<b>NET CASH OUTFLOW FROM FINANCING</b>	<u>(4,787)</u>	<u>(3,051)</u>	<u>1,736</u>

### 4. ANALYSIS OF GOVERNMENT GRANTS

	2004/2005 £'000	2003/2004 £'000
Grants towards Revenue Activities		
Housing Subsidy	-	2,138
Planning	367	75
Homelessness	42	26
Dept of Works & Pensions	11,418	7,025
I.E.G	-	200
	<u>11,827</u>	<u>9,464</u>
Grants towards Capital Activities		
Private Sector Improvement	123	141

# HOUSING REVENUE ACCOUNT

This account brings together expenditure and income relating to the maintenance and management of the Council's housing stock. The Council is not allowed by law to budget for a deficit on the account.

	Note	2004/2005 £'000	2003/2004 £'000
<b>Income</b>			
- Dwelling rents (gross)		8,002	8,281
- Non-dwelling rents (gross)		83	92
- Charges for services and facilities		60	56
- Contributions towards expenditure		-	23
- HRA subsidy	[7]	1,871	2,635
- Housing Benefit transfers		-	22
- Supporting People Grant		<u>323</u>	<u>375</u>
		<b><u>10,339</u></b>	<b><u>11,484</u></b>
<b>Expenditure</b>			
- Repairs and maintenance		2,782	2,681
- Supervision and management		1,510	1,559
- Rents, rates, taxes and other charges		43	28
- Rent rebates		103	4,751
- Negative subsidy payable	[7]	3,725	-
- Increased provision for bad debts	[8]	3	-
- Cost of capital charge	[6]	4,362	4,559
- Depreciation and impairment of fixed assets		1,918	1,975
- Debt management costs		<u>25</u>	<u>27</u>
		<b><u>14,471</u></b>	<b><u>15,580</u></b>
<b>Net Cost Of Services</b>		<b>4,132</b>	<b>4,096</b>
Capital asset charges accounting adjustment	[6]	(4,076)	(4,054)
Transfers from other funds		(3)	20
HRA investment income		(63)	(58)
Pension Costs		<u>120</u>	<u>-</u>
<b>Net Operating Expenditure</b>		<b>110</b>	<b>4</b>
<b>Appropriations</b>			
Transfer to Pension Reserve		(79)	-
HRA set aside (incl transferred debt principal)		35	112
Transfer from Major Repairs Reserve		(47)	(71)
		<u>-</u>	<u>-</u>
<b>(Surplus)/Deficit For Year</b>		<b><u>19</u></b>	<b><u>45</u></b>
<b>Housing Revenue Account Balance</b>			
Balance at beginning of year		(1,370)	(1,415)
(Surplus)/deficit for the year		<u>19</u>	<u>45</u>
<b>Balance at 31<sup>st</sup> March</b>		<b><u>(1,351)</u></b>	<b><u>(1,370)</u></b>

## NOTES

### 1. FIXED ASSETS

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

	Council Dwellings	Other Land and Buildings	Com- munity	Invest- ment Properties	Total
	£'000	£'000	£'000	£'000	£'000
Gross book value at 31.03.2004	129,463	834	859	746	131,902
Accumulated Depreciation	(5,820)	(103)	(8)	(5)	(5,936)
Net book value at 01.04.2004	123,643	731	851	741	125,966
Additions	2,158	-	-	-	2,158
Disposals	(3,162)	-	-	(30)	(3,192)
Revaluations	25,222	313	205	-	25,740
Depreciation	(1,871)	(33)	(14)	-	(1,918)
Net book value as at 31.03.2005	145,990	1,011	1,042	711	148,754

The vacant possession value of the council dwellings within the Housing Revenue Account as at 1st April 2004 was £212,533,420. The difference between this value and the restated balance sheet value of £123,642,902 reflects the economic cost to the Government of providing council housing at less than market rents.

### 2. CAPITAL EXPENDITURE AND FINANCING

The Housing Revenue Account capital expenditure in 2004/2005, and the methods of financing, are detailed below:

	£'000		£'000
<b>Expenditure</b>		<b>Financing</b>	
Capital expenditure			
Improvements to Sheltered Housing	123	Major Repairs Reserve	2,034
Capital expenditure not adding to fixed asset values		Credit Approvals	283
- Improvements to Council Dwellings	2,034	Capital Receipts	52
- Deferred purchase repayments	211		
- Deferred charges	1		
	<u>2,369</u>		<u>2,369</u>

### 3. CAPITAL RECEIPTS

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

	2004/2005 £'000	2003/2004 £'000
Sale of land	45	299
Sale of council houses	3,162	4,209
Deferred capital receipts	20	23
Other capital receipts	84	55
	<u>3,311</u>	<u>4,586</u>

Prior to 2004/2005 the Local Government and Housing Act 1989 required a proportion of these capital receipts to be set aside for debt redemption and the remainder to be held in the Usable Capital Receipts Reserve until such time as they are used to finance capital expenditure. From 2004/2005 a pooling arrangement was introduced under which a proportion of the capital receipts are paid over to the government. In 2004/2005 the sum paid was £586,347, and is excluded from the above amount.

### 4. MAJOR REPAIRS RESERVE

This reserve has been established since 1<sup>st</sup> 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:

	2004/2005 £'000	2003/2004 £'000
Balance at beginning of year	(163)	(146)
Depreciation provision transferred from Capital Financing Account		
- dwellings	(1,871)	(1,904)
- other HRA property	(47)	(71)
	<u>(2,081)</u>	<u>(2,121)</u>
Financing of capital expenditure	2,034	1,887
Transfer to Housing Revenue Account	47	71
	<u>-</u>	<u>(163)</u>
Balance at end of year		

## 5. HOUSING STOCK

The Council was responsible for managing an average of 3,270 dwellings in 2004/2005. The composition of the stock at 31<sup>st</sup> March 2005 is as follows:

Houses	1,766
Flats	832
Bungalows	<u>637</u>
Total	<u>3,235</u>

The change in stock during the year is as follows:

	2004/2005	2003/2004
Stock at 1st April	3,305	3,480
Less: Sales	70	125
Decommissioned	<u>0</u>	<u>50</u>
	<u>3,235</u>	<u>3,305</u>

## 6. COST OF CAPITAL CHARGE / CAPITAL ACCOUNTING ADJUSTMENT

Following the implementation of the Local Government and Housing Act 1989, the interest charges payable by the Housing Revenue Account have been assessed according to a statutory formula (the Item 8 debit determination). From 1st April 2001 however, Resource Accounting for Housing has introduced a new cost of capital charge, calculated as 3.5% of the value of Housing Revenue Account assets carried at current value and 4.8% of the value of Housing Revenue Account assets carried at historical cost. In order to ensure that the impact of this charge on rents is neutral, the rules governing the Housing Revenue Account have been extended to include a capital asset charges accounting adjustment. This reverses out the cost of capital charge and replaces it with interest calculated as previously in accordance with the Item 8 Debit determination. The effect of this is shown below:

	2004/2005	2003/2004
	£'000	£'000
Cost of capital charge	4,362	4,559
Capital asset charges accounting adjustment	(4,076)	(4,054)
Statutory Item 8 Debit interest	<u>286</u>	<u>505</u>

## **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 which 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 which has resulted in the Council making a net contribution to the Exchequer of £1,854,139.

## **8. 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 31st March 2005 was £180,029 (£385,800 as at 31st March 2004).

## **9. RENT ARREARS**

Current tenants rent arrears, as a proportion of gross rent income, have reduced from 1.7% to 1.4% during 2004/2005. The totals for all arrears are as follows:-

	2004/2005 £'000	2003/2004 £'000
Arrears at 31st March	276	344
Written Off	101	-

# COLLECTION FUND ACCOUNTS

## 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 Collection Fund is consolidated with the other accounts of the District Council.

	Note	£'000	2004/2005 £'000	£'000	£'000	2003/2004 £'000	£'000
<b>Income</b>							
Council Tax payers	[1]		31,973			30,255	
Council Tax benefit			<u>3,402</u>	35,375		<u>3,082</u>	33,337
Non Domestic Ratepayers	[2]			12,712			13,476
<b>Total Income</b>				<b><u>48,087</u></b>			<b><u>46,813</u></b>
<b>Expenditure</b>							
Precepts and demands							
- Derbyshire CC		25,718			25,708		
- South Derbyshire DC		3,904			3,654		
- Police Authority		3,524			3,145		
- Fire Authority		<u>1,501</u>	34,647		<u>0</u>	32,507	
Non Domestic Rates	[2]						
- Payment to NNDR Pool		12,566			13,388		
- Collection allowances		<u>86</u>	12,652		<u>89</u>	13,477	
Council Tax/NNDR increase in provision for bad and doubtful debts			34			169	
Fund surplus (council tax) paid over to billing/precepting authorities	[3]		732			365	
<b>Total Expenditure</b>				<b><u>48,065</u></b>			<b><u>46,518</u></b>
Deficit / (surplus) for year	[3]			(22)			(295)
Balance at beginning of year				<u>(1,047)</u>			<u>(752)</u>
<b>Balance at 31<sup>st</sup> March</b>	[3]			<b><u>(1,069)</u></b>			<b><u>(1,047)</u></b>

## NOTES

### 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 1st 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. 28,675.5 for 2004/2005 compared with 28,136.9 for 2003/2004). This basic amount of council tax for a band D property (an average of £1,208.12 for 2004/2005 compared with £1,155.21 for 2003/2004) is multiplied by the proportion specified for the particular band to give an individual amount due.

The council tax base for 2004/2005 was calculated as follows:

Band	Estimated number of taxable properties after effects of discounts	Proportion of Band D charge	Band D equivalent dwellings
A	19.75	5/9	11.0
A	8,751.00	6/9	5,834.0
B	7,518.75	7/9	5,847.8
C	5,362.00	8/9	4,766.2
D	5,197.25	9/9	5,197.3
E	2,919.75	11/9	3,568.6
F	1,593.25	13/9	2,301.4
G	796.75	15/9	1,327.9
H	<u>55.50</u>	18/9	<u>111.0</u>
	<u>32,214.00</u>		<u>28,965.2</u>
			<u>289.7-</u>
Less adjustment for collection rates			<u>28,675.5</u>
Council Tax base 2004/2005			

### 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 reliefs 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 31st March 2005 was £34,641,298 (£35,261,700 at 31st March 2004). The national non-domestic multiplier for 2004/2005 was 0.456 (0.444 for 2003/2004).

### 3. CONTRIBUTIONS TO COLLECTION FUND SURPLUSES AND DEFICITS

The balance of the surplus of £1,069,168 on the Collection Fund at 31st March 2005 will be distributed in subsequent financial years to the District Council, Derbyshire County Council, Police Authority in proportion to the value of the respective demands and precepts made on the Collection Fund.

# **STATEMENT ON INTERNAL CONTROL**

## **1. SCOPE OF RESPONSIBILITY**

- 1.1 The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.
- 1.2 The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.3 In discharging this overall responsibility, the Council is also responsible for ensuring that there is a sound system of internal control, which facilitates the effective exercise of the Council's functions including arrangements for the management of risk.

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

- 2.1 The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve the Council's policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.
- 2.2 The system of internal control is based on an ongoing process designed to:
  - **Identify** and prioritise the risks to the achievement of the Council's policies, aims and objectives,
  - **evaluate** the likelihood of those risks being realised and the impact should they be realised, and
  - **manage** them efficiently, effectively and economically.
- 2.3 The system of internal control detailed below has been in place at the Council for the year ended 31<sup>st</sup> March 2005. Up to the date of approval of the annual report and accounts and, except for the details of significant internal control issues at Section 5, accords with proper practice.

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

- 3.1 The key elements of the Council's internal control framework are set out below.

### **Decision Making**

- 3.2 The Council operates under a Constitution. This sets out how the Council operates, how decisions are made, and the procedures, which are followed to ensure that these are efficient, transparent and accountable to local people.
- 3.3 The Full Council makes decisions on key policies and sets the budget and levels of local taxation for the District's services.

## **Policy Making**

- 3.4 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 Corporate Management
- 3.5 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 of an exempt nature are being disclosed.
- 3.6 An Overview and 2 scrutiny committees shadow the policy committees.
- 3.7 Six area meetings are well established and these meet throughout the year. They are designed to improve community involvement in decision-making and provide a continuous link with local residents, parish councils, the voluntary sector and other public bodies.

## **Governance and Accountability**

- 3.8 The Council has designated the Head of Legal and Democratic Services as its Monitoring Officer. It is the function of this officer to ensure compliance with established policies, procedures, laws and regulations.
- 3.9 After consulting with the Head of the Council's paid service (the Chief Executive) and Chief Finance Officer, the Monitoring Officer will report to Full Council if they consider that any proposal, decision or omission would give rise to unlawfulness or maladministration.
- 3.10 Such a report will have the effect of stopping the proposal or decision being implemented until the report has been considered.
- 3.11 In addition, the Council operates 2 regulatory committees focusing on Development Control (local planning) and a Licensing and Appeals Committee. Furthermore, a Standards Committee consisting of independent members oversees the conduct of elected councillors.

## **Standards of Financial Conduct**

- 3.12 Financial management is conducted in accordance with financial regulations and procedural rules as set out in Part 4 of the Constitution. The Council has designated the Director of Corporate Services in accordance with Section 151 of the Local Government Act 1972.
- 3.13 This officer is responsible for making arrangements for the proper administration of financial affairs in accordance with best professional practice.
- 3.14 In addition, under the Code of Audit Practice, the Council has a responsibility to ensure that its affairs are managed in accordance with proper standards and to prevent and detect fraud and corruption. The Council has adopted a Fraud and Corruption Strategy.

## **Standards of Overall Conduct**

- 3.15 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).

## **Establishing Corporate Objectives**

- 3.16 These are set out in a Corporate Plan. This is effectively the Council's business/forward plan, set for 3 years and updated annually. Amongst other things, it reflects the Council's statutory duties and responsibilities, together with Government and local aspirations.
- 3.17 It is informed by consultation undertaken through a Citizens Panel, together with periodic satisfaction surveys and direct contact with service users.

## **Service Delivery**

- 3.18 The Council has an established service-planning framework, which sets out the key tasks and targets for all of the Council's services.
- 3.19 As part of testing service delivery against best value principles, the Audit Commission regularly reviews individual services, crosscutting activities and the overall performance of the Council via a national Comprehensive Performance Assessment.
- 3.20 Action plans stemming from these reviews help to ensure that the Council is constantly seeking ways of ensuring economical, effective and efficient use of its resources and for securing continuous improvements in service delivery.

## **Managing Performance**

- 3.21 The Corporate Plan drives the system. This sets out the plans and priorities for providing and improving local services. Targets and milestones are cascaded down into departmental service plans and then into personal development plans for individual employees.
- 3.22 The Council's policy committees monitor progress against targets and performance as part of the service-planning framework. In addition, an Improvement Panel scrutinises key performance targets and considers corrective action where necessary.
- 3.23 All services are delivered by suitably trained and experienced staff. Within individual service plans, managers identify actions to address any risks or changes to the service that have an impact on employees. This is used to develop a corporate approach to learning and development alongside events undertaken within each service area.

## **Risk Management**

- 3.24 The Council operates under a Risk Management Policy Statement (approved in February 2003), which sets out the principles, responsibilities and commitment to dealing with risk. It is effectively the framework for the management of risk throughout the Council.
- 3.25 The Council, through its service planning process, has a system for identifying and evaluating significant risks. Each divisional service plan contains a risk register and this is developed and maintained by officers involved in planning and delivering services.
- 3.26 In addition, the Council's corporate plan and financial strategy identify and evaluate risk at a more strategic level. Furthermore, evaluation of proposals for new spending and capital investment includes a risk assessment score.
- 3.27 A cross-departmental Risk Management Group has defined terms of reference to review and develop principles and to help embed risk management in the Council.

## **Internal Audit**

- 3.28 Under the Account and Audit Regulations 2003, the Council maintains an Internal Audit function, which operates to the standards set out in the Code of Practice for Internal Audit in Local Government in the UK (CIPFA).
- 3.29 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 is the main means by which the Council obtains assurances that systems are operating effectively.

## **External Scrutiny**

- 3.30 The Audit Commission has been appointed as the Council's external auditor. Besides auditing the accounts and financial statements of the Council, they also focus on more strategic performance and financial management arrangements. This includes reviewing arrangements in place for securing economy, efficiency and effectiveness in the use of resources.
- 3.31 The Commission undertakes regular reviews each year and issue reports with action plans to aid improvement in specific areas. The annual Audit and Inspection Letter that is reported to Council, summarises the conclusions and significant issues arising out of audit and other inspections undertaken.

## **4. REVIEW OF EFFECTIVENESS**

- 4.1 The Council has responsibility for conducting, at least annually, a review of the system of internal control. Many aspects of the current framework are indeed subject to on-going review.
- 4.2 Its effectiveness is informed from work undertaken by Internal Audit and from senior managers, who have responsibility for the development and maintenance of the framework. In addition, recommendations from the Council's external auditors and other review agencies also inform this framework.

4.3 The processes and indicators that have been applied in maintaining and reviewing the effectiveness of internal control includes the following:

- 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.
- A review of each Policy Committee's terms of reference was reviewed and updated in the year. A formal work programme is in the process of being finalised to help direct the role of policy committees in the future.
- The local scheme for member's allowances has also been reviewed. No significant issues were raised although the framework will need to be publicised and updated guidance provided for members.
- The Overview and 2 Scrutiny Committees have 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. In addition, these committees scrutinise key policy issues, recommending and reporting back actions to the main policy committees.
- Internal Audit is responsible for monitoring the quality and effectiveness of internal control. They review all fundamental financial and other management systems each year and all other activities over a 4-yearly cyclical period. This is based on a risk assessment of each area
- Internal Audit reports to the Council's Finance and Management Committee. 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.
- Internal Audit is subject to regular inspection by the Council's external auditors. As part of this process, 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.
- The Council's Improvement Panel meets on a monthly basis to scrutinise progress against key performance targets and improvement milestones. A "traffic light" monitoring system is used to highlight areas at risk of being achieved/not achieved. Minutes of meetings are referred to the Finance and Management Committee.
- During the year, the Audit Commission undertook a review of risk management, procurement and partnership working in the Council and made recommendations for developing these areas further. These are detailed in Section 5.
- Regular liaison takes place with Heads of Service who help assess the adequacy of internal control and who help identify areas for improvement.
- The Council's Annual Audit and Inspection Letter reports any significant weaknesses in the overall control framework, in arrangements to prevent and detect fraud and corruption, and in its framework for ensuring the legality of financial transactions.

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

- 5.1 The Council operates within a fast changing environment. Consequently, issues need to be subject to constant review and there may be room to strengthen and increase the effectiveness of internal control.
- 5.2 Areas for improvement that would have an impact on developing internal control were highlighted from the Council's Comprehensive Performance Assessment in June 2004. In addition, work undertaken by the Audit Commission during the last year has also pointed to developmental areas.
- 5.3 Areas identified for strengthening include:
- The need to embed risk management into the culture of the Council
  - The need to make performance management part of day to day business
  - The need to implement actions in the procurement strategy
  - The need to involve the local community more in decision making
  - The need to maintain and strengthen current partnership arrangements
  - The need to develop a People Strategy
- 5.4 In addition, the Council has previously (in 2002 and 2004) undertaken a self-assessment of overall governance policies and procedures in accordance with a best practice framework. The Council intends during 2005/06, to review this framework and effectively adopt a code of corporate governance in accordance with this model.
- 5.5 Given this, an action plan is set out in the following table to address identified issues and consequently enhance the current internal control framework.

	Issue	Timescale	Responsible Officer
1	<p><b>Need to review overall governance policies and procedures in accordance with recommended practice.</b></p> <ul style="list-style-type: none"> <li>Adopt a local code of corporate governance in accordance with the best practice framework (CIPFA/SOLACE model).</li> </ul>	Code has been drafted. Aim is to gain formal approval by October 05	Chief Executive
2	<p><b>Need to embed risk management further into the culture of the Council.</b></p> <ul style="list-style-type: none"> <li>Produce a corporate strategy for identifying and dealing with risk to aid a consistent approach</li> <li>Identify key business risks, co-ordinate approach and scrutinise service risk registers.</li> <li>Report key business risks to Members</li> <li>Provide training to members and staff</li> </ul>	Council's insurers are providing support for this. Plan has been drawn up to meet actions, and they should be delivered by October 05.	Director of Corporate Services
3	<p><b>Need to make performance management part of day to day business</b></p> <ul style="list-style-type: none"> <li>Establish clear service standards in all service areas</li> <li>Develop a Performance Management Strategy, which is consistent across the Council and engages Members</li> </ul>	On a phased basis to April 2006 and beyond December 2005	Director of Corporate Services Deputy Chief Executive
4	<p><b>Need to develop procurement practices for goods and services</b></p> <ul style="list-style-type: none"> <li>Refresh the current procurement strategy</li> <li>Implement the revised action plan contained in strategy</li> <li>Set up Member/Officer procurement action group to deliver the action plan</li> </ul>	November 2005 Year 1 actions – March 2006 November 2005	Deputy Chief Executive
5	<p><b>Need to involve the local community more in decision making</b></p> <ul style="list-style-type: none"> <li>Complete a review of the existing consultation strategy</li> <li>Develop mechanisms for communicating with local residents and other stakeholders, including "hard to reach groups"</li> </ul>	November 2005 Year 1 actions – March 2006	Deputy Chief Executive
6	<p><b>Need to maintain and strengthen current partnership arrangements</b> - develop a good practice protocol to support effective partnership working</p>	April 2006	Director of Community Services
7	<p><b>Develop a People Strategy</b> to build capacity and skills of employees alongside corporate objectives</p>	By October 05 – Draft strategy being finalised for consultation.	Director of Corporate Services

.....*B. Wynne*..... Leader of the Council ..... 01.08.05 ..... Date

.....*[Signature]*..... Chief Executive ..... 29/07/05 ..... Date

# STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

## The Authority's responsibilities

The Authority is required:

- i) 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.
- ii) to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets
- iii) 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 Great Britain ('the Code of Practice').

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

- i) selected suitable accounting policies and then applied them consistently
- ii) made judgements and estimates that were reasonable and prudent
- iii) complied with the Code of Practice.

The Director of Corporate Services has also:

- i) kept proper accounting records which were up to date
- ii) 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 31st March 2005 and its income and expenditure for the year ended 31st March 2005.

R. Jones ..... 19th July 2005  
Director of Corporate Services Date

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

I certify that the Statement of Accounts relating to the year ended 31<sup>st</sup> March 2005 was considered and approved by the Finance & Management Committee of South Derbyshire District Council on 28<sup>th</sup> July 2005

habinda S. M. S. S. ..... 28.7.05.  
Chair, Finance & Management Committee Date

# **INDEPENDENT AUDITORS' REPORT TO SOUTH DERBYSHIRE DISTRICT COUNCIL**

## **AUDIT CERTIFICATE AND OPINION**

I have audited the statement of accounts on pages 3 to 55, which have been prepared in accordance with the accounting policies applicable to local authorities as set out on pages 14 to 17.

This report is made solely to South Derbyshire District Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 54 of the Statement of Responsibilities of Auditors and of Audited Bodies, prepared by the Audit Commission.

### **RESPECTIVE RESPONSIBILITIES OF THE HEAD OF FINANCE AND AUDITOR**

As described on page 55 the Director of Corporate Services is responsible for the preparation of the statement of accounts in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2004. My responsibilities, as independent auditor, are established by statute, the Code of Audit Practice issued by the Audit Commission and my profession's ethical guidance.

I report to you my opinion as to whether the statement of accounts present fairly the financial position of the Council and its income and expenditure for the year.

I review whether the statement on internal control on pages 48 to 54 reflects compliance with CIPFA's guidance 'The Statement on Internal Control in Local Government: Meeting the Requirements of the Accounts and Audit Regulations 2003' published on 2 April 2004. I report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider whether the statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of the Council's corporate governance procedures or its risk and control procedures. My review was not performed for any purpose connected with any specific transaction and should not be relied upon for any such purpose.

I read the other information published with the statement of accounts and consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the statement of accounts.

### **BASIS OF AUDIT OPINION**

I conducted my audit in accordance with the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission, which requires compliance with relevant auditing standards issued by the Auditing Practices Board.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Council in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Council's circumstances, consistently applied and adequately disclosed.

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

### **OPINION**

In my opinion the statement of accounts presents fairly the financial position of South Derbyshire District Council as at 31 March 2005 and its income and expenditure for the year then ended.

### **CERTIFICATE**

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

Signature:

Date:

A Blackburn (District Auditor)  
Audit Commission  
Littlemoor House  
Eckington  
Sheffield S21 4EF