

**North East  
Derbyshire  
District Council**



# **STATEMENT OF ACCOUNTS**

**2016/17**

# NARRATIVE REPORT

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# NARRATIVE REPORT

## Introduction

North East Derbyshire District Council covers an area of 100 square miles, with a population approaching 100,000 people and operates alongside Derbyshire County Council in providing local authority services to our residents. The Council has 405 employees. This report sets out how the District Council has served our community during the 2016/17 financial year outlining both our service delivery and financial performance. Whilst the main emphasis is on the previous financial year (2016/17), the report also covers the ability of the Council to continue to provide sustainable services which meet local needs, and outlines how we work in partnership to enhance the prosperity of the communities we serve. With respect to service delivery a key partnership is the Strategic Alliance with Bolsover District Council which commenced in April 2011 leading to progressively greater integration of service delivery between the two authorities.

This report is intended to provide a short summary of the Council's activities. Further information is available via the Council's website, or in other formats by request.

## The Council's Performance and Outcomes for Local Residents

The emphasis of the Statement of Accounts which follows this narrative report is upon the financial performance of the Council. Our financial performance, however, needs to be considered in conjunction with our ability as a Council to provide a sustainable comprehensive range of value for money services that meet both our statutory obligations and the needs of our local area. This narrative outlines some of the services and projects which the Council has delivered during the course of 2016/17, while linking current performance to our strategic objectives and plans for the future.

The Council's vision is for the district to be a place that is clean and attractive, a place where people are proud to live and work, where they will prosper and are safe, happy and healthy.

The Council has four strategic aims designed to deliver this vision through priorities that cover the four year life of the Corporate Plan (2015-2019). In order to better understand how the Council has performed during the course of the current financial year, the table below sets out headline progress against the Council's agreed Strategic Aims and Priorities. This is the second year of the Corporate Plan 2015/19 and while good progress is being made, it remains at this stage work in progress with work continuing to secure completion over the period of the Corporate Plan. Further details are provided in the quarterly performance reports available on the Council's website. A summary of progress against the Corporate Plan is provided below:

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Strategic Aim / Priorities	Progress Against Key Targets
<p>Unlocking Our Growth Potential</p> <ul style="list-style-type: none"> <li>• Supporting enterprise</li> <li>• Unlocking development potential</li> <li>• Enabling housing growth</li> </ul>	<ul style="list-style-type: none"> <li>• The Council continues to work with partners to ensure the regeneration of the Avenue site, former Coalite site and former Biwater site to provide housing and commercial land / development opportunities.</li> <li>• The Planning Development Management Team is exceeding national targets for processing planning applications.</li> <li>• The Council is working to progress its Local Plan in the light of Government Guidance.</li> <li>• The latest figures for New Homes Bonus saw housing growth of 270 housing units in the year.</li> <li>• Secure external funding to progress infrastructure, business support and return to work programmes.</li> </ul>
<p>Providing our Customers with Excellent Services</p> <ul style="list-style-type: none"> <li>• Increasing customer confidence and satisfaction with our services</li> <li>• Improving customer contact and access to information</li> <li>• Championing equality and diversity</li> <li>• Supporting vulnerable/disadvantaged people</li> <li>• Working with partners to address poverty</li> <li>• Providing good quality social housing</li> </ul>	<ul style="list-style-type: none"> <li>• Customer satisfaction levels are good across the range of Council services.</li> <li>• The Council provides customer contact centres, supported by telephony and internet access to services.</li> <li>• The Council invests significant funding in the Voluntary and Community Services sector and in our Partnership Team to provide effective support to vulnerable /disadvantaged people.</li> <li>• The Council is investing £9m a year in upgrading Council housing which is part of our wider approach to facilitate good quality housing across all tenures.</li> </ul>
<p>Supporting our Communities to be Healthier, Safer, Cleaner and Greener</p> <ul style="list-style-type: none"> <li>• Contributing to improving health and well being</li> <li>• Increasing participation in sport and leisure activities</li> <li>• Working with partners to reduce</li> </ul>	<ul style="list-style-type: none"> <li>• Participation in sports/recreation remains high and is projected to grow further following the recent refurbishment of two leisure centres.</li> <li>• In conjunction with partners we have programmes in place to</li> </ul>

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<p>crime and anti social behaviour</p> <ul style="list-style-type: none"> <li>• Increasing recycling</li> <li>• Ensuring a high standard of environmental maintenance and cleanliness</li> <li>• Developing attractive neighbourhoods</li> </ul>	<p>promote active and healthy lifestyles, to tackle childhood obesity and anti social behaviour.</p> <ul style="list-style-type: none"> <li>• Combined recycling/composting rates have reached 46% this year, on track to meet the target of 49% by 2019.</li> <li>• The annual litter cleanliness target of 96% and the dog fouling cleanliness target of 98% are being met.</li> <li>• Work to regenerate two town centres by 2019 is underway with town teams being established to move this forward.</li> </ul>
<p>Transforming Our Organisation</p> <ul style="list-style-type: none"> <li>• Supporting and engaging with employees</li> <li>• Making the best use of assets</li> <li>• Demonstrating good governance</li> <li>• Ensuring financial sustainability and increasing revenue streams</li> <li>• Transforming services through the use of technology</li> <li>• Actively engaging with partners to benefit the community</li> <li>• Maximising opportunities with Bolsover District Council through the Strategic Alliance</li> </ul>	<ul style="list-style-type: none"> <li>• The Council has an effective modern, ICT infrastructure providing cost effective services to both residents and employees.</li> <li>• The Council has identified a total of £0.420m in transformation savings that have been built into budgets up to the end of the current corporate plan, against a target of £0.600m.</li> <li>• The Council has appropriate Governance / Management arrangements in place to ensure accountability and value for money.</li> </ul>

The successful achievement of the Council's agreed priorities and targets is key to both ensuring effective delivery of services to local residents, whilst providing a sustainable future for the Council itself as an organisation.

While the above table is invariably a 'snapshot' which cannot fully cover the range of Council activities and outcomes, I take the view that it is consistent with the conclusion that during 2016/17 the Council provided a wide range of value for money services to local residents. It is particularly pleasing to note that we have made continued progress in delivering both our Economic Growth and Transformation agendas and in progressing the aims of our Corporate Plan. These actions are key to growing income streams to fund Council services, to helping secure the wider economic prosperity of the District, to providing cost effective and efficient services and to offering residents a range of accessible customer focussed services. Alongside its responsibility for the direct provision of a range of services the Council recognises the role of a wide range of other organisations in promoting the well being of our community. Accordingly it works with a range of partners to ensure that residents benefit from good services from a wide range of public sector providers. Our performance management arrangements mean we are well placed

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to identify and address areas of concern before they escalate into matters which could undermine service delivery. On the basis of successful progress against the Corporate Plan during its second year, I am of the view that the Council can successfully deliver against its agreed Strategic Aims and Priorities over the current Plan period to 2019. It is particularly pleasing to note that the Council has over the past year continues to make good progress in working with a range of partners to progress the regeneration of key sites at the Avenue, at the former Coalite works, and at the Biwater site on the A61 corridor in Clay Cross.

As part of the Performance Management Framework we systematically collect details of complaints and compliments. This information allows us both to address any specific issues that have arisen and to better understand where services are in need of improvement. We have in place a formal Customer Service Code of Practice and Standards and during the year secured accreditation for Customer Service Excellence. On the basis of the information collected by the Council our services including Housing, the Contact Centres, Environmental Health and Leisure received good satisfaction ratings.

The longer term sustainability of both our service delivery and the Council's financial position are protected by Corporate, Service and Financial Plans which cover a four year period. These are supported by a Risk Management Framework which identifies and mitigates the strategic and operational risks which could hinder or prevent our plans being achieved. Although the Council takes steps to manage and mitigate the risks it faces it does need to be recognised that some of the major Strategic Risks are only partially within its direct influence. Key Strategic Risks include:

- The requirement to adapt to legislative change which may require additional or enhanced services, may reduce the financial resources available to the Council, or may impact on our ability to provide services which meet local needs.
- In common with the wider public sector we are required to manage the ongoing impact of the austerity agenda. These pressures need to be carefully managed to mitigate the impact on service provision, to ensure we balance the budget and to maintain effective governance and internal control arrangements.
- Our ability to attract and retain the staff required to operate an effective Council.
- The direct or indirect impact of wider factors such as economic recession upon local communities, the loss of a major employer, or an Emergency Plan / Business continuity / Cyber Crime issue.
- The implementation of Brexit will continue to create uncertainties concerning national economic conditions, legislative change and whether European Union funding streams will be replaced.

There is an embedded culture of risk management across the Council which will facilitate the effective identification and management of risk to help mitigate the danger that those risks which materialise may prevent the achievement of Strategic Aims / Priorities or Key Targets.

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## Financial Performance

### General Fund

The Council's main revenue account is known as the General Fund. The costs of all services (excluding Council Housing) are charged against it. The General Fund budget is supported by the council tax which for 2016/17 was increased by 1.95%, with the Band D Council Tax charge increasing to £177.77 for the year.

During 2016/17, the Council continued its established approach of robust financial management to help maintain high quality services for our residents. The original budget was set in February 2016 with an efficiency and savings target of £0.395m to be met from identified areas including repayment of Invest to Save borrowing, Strategic Alliance secondments, transformation savings, property rationalisation and income generation.

During the year the following major issues impacted upon the budget:

- The savings and efficiencies generated by the Council during the year through robust financial management have helped offset the impact of continued reductions in Government funding.
- The Business Rates retention scheme and membership of the Derbyshire Business Rates Pool has secured additional income from economic growth, although this income is subject to fluctuation and brings with it a higher level of risk.
- Across the Council, departments have continued to review services, re-engineered processes and procedures in order to generate efficiency savings.
- Opportunities for further joint working with Bolsover District Council our Strategic Alliance partner were agreed often in response to opportunities arising from the vacancy management process.
- A vacancy management process has been maintained throughout the year, accompanied by careful management of all non-employee costs.

As a result of the above actions, effective budget monitoring and a Cabinet led budget working group, the necessary efficiencies and savings have been identified and achieved whilst minimising the impact upon service delivery. By the end of the year we had achieved our savings target of £0.395m, and increased the contribution to the Invest to Save Reserve to £1.553m. Although this represents a significant financial gain it does need to be recognised that much of this benefit arose from 'one off' savings, rather than from a reduction in the underlying level of expenditure. However, this enhancement in the level of balances is a major achievement putting the Council in a position to invest in income generation or service reconfiguration to offset a savings target in excess of £1.7m up to the period to March 2021.

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As detailed below, the net cost of services outturn position of £10.795m was £1.195m lower than the budget forecast:

	<b>Current Budget 2016/17 £000</b>	<b>Outturn 2016/17 £000</b>	<b>Variance £000</b>
Growth	3,028	2,851	(177)
Operations	5,316	4,612	(704)
Transformation	3,646	3,332	(314)
<b>Net Cost of Services</b>	<b>11,990</b>	<b>10,795</b>	<b>(1,195)</b>

The actual net cost of services shown above links to the net expenditure chargeable against the General Fund in the Expenditure and Funding Analysis which forms part of the core financial statements. The Expenditure and Funding Analysis provides a link between the funding basis that is reported for management decision making and the statutory accounting basis as reported in the Comprehensive Income and Expenditure Statement.

Effective financial management over the past few years has enabled the Council to gradually increase its level of General Fund balances to one of £2m which is a realistic level. Against the background of ongoing reductions in the level of Government funding it is crucial that the Council continues to maintain robust budgetary control and secure its ongoing savings targets. While the level of General Reserves is supplemented by a further £2.978m of Invest to Save balances these will be required to provide the initial investment to generate income growth and fund reconfiguration of services necessary for us to meet our savings targets over the coming years.

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

The Housing Revenue Account is a legally separate account which ring fences the income from council house rents. This income is required to meet the costs of managing and maintaining the Council's housing stock. The Council continues to operate in accordance with the Government rent restructuring criteria which required a decrease in rents of 1% for our tenants in 2016/17.

The financial year 2016/17 is the tenth year in which the management of the Council's housing has been undertaken by Rykneld Homes Limited an Arms Length Management Organisation (ALMO). Rykneld Homes Limited is funded by the Council's Housing Revenue Account through the payment of a Management Fee which for 2016/17 was agreed at £9.902m.

Alongside the housing investment programme being delivered by Rykneld Homes, the Council has continued to support the drive to improve the council stock with a strong commitment to both new build, together with an appropriate level of investment in existing properties.

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The HRA net cost of services outturn position was £0.021m better than anticipated, as detailed below. The HRA reserves have been increased to £3m at 31 March 2017. Strong financial performance during the year enables an additional contribution of £1.787m to the HRA Capital Investment reserve which will be reinvested in the stock. Again these are considered to be adequate rather than a generous level of financial reserves in the light of the risks facing the Council's HRA.

	<b>Current Budget 2016/17</b>	<b>Outturn 2016/17</b>	<b>Variance</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Housing Revenue Account	(88,371)	(88,350)	21
<b>Net Cost of Services</b>	<b>(88,371)</b>	<b>(88,350)</b>	<b>21</b>

## Capital expenditure and resources

The Council has invested £13.563m on capital schemes in the year. This is split between the Housing Revenue Account (£10.619m), private sector housing improvement works (£0.362m) and General Fund capital expenditure (£2.582m).

The main capital schemes delivered in 2016/17 by the Council were:

- Council housing stock investment programme of £8.948m;
- The demolition and rebuilding of properties at Alma Road, North Wingfield of £1.278m;
- Other HRA capital schemes of £0.393m;
- Private Sector Disabled Facilities Grants of £0.362m;
- The refurbishment of the leisure centres at Dronfield and Eckington of £1.774m.
- Vehicle Replacement £0.322m;
- Other General Fund capital schemes of £0.486m

The capital programme was fully financed in the year utilising grants (£0.800m), prudential borrowing (£0.322m), major repairs and development reserves (£9.948m), revenue contributions (£1.156m) and usable capital receipts from asset sales (£1.337m).

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## Treasury Management

At 31 March 2017, the Council has a total capital financing requirement (Council debt) of £165.485m. This shows a net decrease in the year of £5.660m. The net decrease reflects prudential borrowing of £1.154m offset by debt repayments of £5.982m. The prudential borrowing relates to the purchase of vehicles (£0.322m) and a loan to Rykneld Homes Limited as a registered provider (£0.832m), which has enabled the continuation of new build social housing. The level of debt repayment reflects the Council's commitment to repay the HRA self financing loan over the 30 year period of the business plan (£4.300m) alongside the approved scheduled debt repayments in the year (£1.682m).

To meet the capital financing requirement the Council has external borrowing from the Public Works Loans Board (£155.451m). The remainder is effectively financed from utilising the Council's own reserves and balances (£10.034m). During the year the Council repaid £1.302m to the PWLB as loans matured.

The Council has a general policy of not utilising leasing arrangements to finance capital acquisitions, as other means of finance are considered to be more cost effective. No new leasing arrangements were entered into 2016/17, with the overall leasing liability reducing to an amount of £0.121m.

## Assets

During 2016/17 the Council concluded the sale of Ridgeway Craft Centre. There was one major acquisition of Council assets during 2016/17, being the purchase of land at Alma Road, North Wingfield. The Council sold 63 council dwellings under the Right to Buy Legislation, offset by the addition of 5 dwellings to the HRA stock.

While Assets have been revalued during the year the changes to asset values detailed in the accounts have no impact on the Council Tax Payer or Housing Tenants but show as an increase or reduction in the net worth on the Council's Balance Sheet.

## Reserves and Balances

The Council holds usable reserves and balances totalling £19.495m. These include general reserves of £5.000m (General Fund and Housing Revenue Account general reserves discussed earlier). Additionally, the Council has £1.689m that relates to unapplied capital grants, earmarked general fund revenue reserves of £7.411m and earmarked HRA reserves of £2.848m. The Council also has £2.547m of usable capital receipts at 31 March 2017. Many of these resources are committed to fund future service delivery, while in overall terms these reserves are necessary to enable sound financial management and to safeguard service delivery at a time when our revenues streams and expenditure commitments are increasingly volatile.

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## Collection Fund

### Business Rates

As part of the Business Rates Retention Scheme, all local authorities were given the opportunity to work with neighbouring authorities to establish a business rates pool. Being part of a pool allows member authorities to be treated as a single authority for the purpose of certain calculations under the scheme. With effect from 1 April 2015, the Council became a member of the Derbyshire Pool which is administered by Derby City Council. The advantage of the pool is the opportunity to generate additional business growth through collaborative working and to smooth out the impact of volatility in business rates income across a wider economic area. Under the accounting arrangements for the Derbyshire Pool, the Council pays a levy to the pool and receives a redistribution of growth back from the pool at the end of each financial year. The levy paid in 2016/17 was £0.722m and the redistributed growth received was £0.400m

In 2016/17, £17.845m of Business Rates income was raised. An anticipated deficit of £0.466m was forecast in the previous year. After taking account of appropriate charges to the collection fund the balance (£16.932m) is shared between the Government (50%), NEDDC (40%), Derbyshire County Council (9%) and Derbyshire Fire Authority (1%). During the year £16.362m was paid on account to the above parties with the in year surplus balance of £0.570m and opening deficit balance of £2.476m due to be redistributed in 2017/18 and 2018/19. The Council's share of the deficit is £0.762m.

### Council Tax

In 2016/17 £51.524m of Council Tax Income was raised. After taking account of appropriate charges to the Collection Fund the balance (£51.137m) is shared between the precepting authorities. In 2016/17, £50.467m was precepted on the Collection Fund account and a further £0.631m was paid out in relation to previous years surpluses. This leaves a surplus in year of £0.039m which when added to the opening balance on the fund (£1.771m) leaves a surplus on the fund of £1.810m at 31 March 2017. The surplus will be distributed to the precept authorities during 2017/18 and 2018/19. The Council's share of the surplus is £0.291m.

## Pension Fund Reserve

The Council's position with regard to the pension fund administered on its behalf by Derbyshire County Council has seen an increase in the liabilities of £21.683m and an increase in the fair value of assets of £15.483m. The fund shows a net increase in the pension liability of the Council by £6.200m to £49.785m at 31 March 2017.

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## Financial Planning

In line with good practice the Council plans its finances over the medium term (four years). The Council regularly reviews its spending plans in light of changing priorities, external factors and projected financial forecasts to ensure that they remain robust and sustainable over the longer term. The Council is mindful that both the continued austerity programme together with legislative changes may have a significant impact both upon its financial position and service delivery in 2017/18 and future years. While the Council faces significant financial challenges over the next four years, we have a good track record of delivering efficiencies, an experienced and well qualified management team, robust governance arrangements and a workforce committed to delivering good quality services. These key assets together with a combination of economic growth, service transformation, supported by a reasonable level of financial reserves to fund investment in service reconfiguration mean that the Council is well placed to meet these challenges. These are key factors that support my view that the Council can continue to perform effectively, whilst ensuring that it maintains a balanced budget.

### General Fund

When setting its budget in February 2017, the Council had a shortfall of £0.513m in respect of 2017/18, which increases to an estimated cumulative annual shortfall of £1.8m by 2020/21 at the end of the current planning period. As a first step in balancing its budget the Council agreed a Council Tax increase of 2.8%, generating an additional £0.150m of revenue. A range of other potential savings have been identified and officers are currently in the process of developing these options. Officers are of the view that the budget shortfall in respect of the current financial year can be addressed, however, it is crucial that the savings target is met by underlying reductions in the level of expenditure. The current plans include the following:

- The Council has a well established Transformation Agenda and further secondments and joint working arrangements through the Strategic Alliance will continue to be explored to secure further savings.
- Continued participation in the Derbyshire Business Rates Pool that will see all Derbyshire authorities benefit from growth without having to passport part of this increase in income to the Government. This will enable the Council to retain a higher proportion of its Business Rates.
- Seek to secure the income growth associated with increases in the number of homes and business premises operating in the District.
- Continue to identify asset refurbishment schemes as part of the wider strategy of optimising the use of Council assets.
- Utilise capital receipts to reduce borrowing costs in order to generate savings on interest and principal repayments.
- Continue with vacancy management arrangements with continued careful management of non employee costs to ensure that appropriate use is made of 'natural wastage' as a means to ensure the necessary level of financial savings.

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## Housing Revenue Account (HRA)

The Council continues to operate its HRA within the context of a 30 year Business Plan which shows the Council's housing operation to be sustainable over that period. The Council is working with Rykneld Homes – our Housing Management Arms Length Management Organisation (ALMO) – to ensure that properties continue to be maintained to a decent standard and provide affordable accommodation with a secure tenure which meets the housing needs of local residents. As part of this programme the Council is seeking both to maintain a high standard of housing services, whilst investing in maintaining and refurbishing existing stock. The Council anticipates that it will continue to fund investment into the existing stock at a level of £9m a year over the period of the current Medium Term Financial Plan (MTFP). In addition to routine refurbishment as homes age the Council has improved investment of £4.902m through the HRA to fund the building of new homes at North Wingfield, whilst outside of the HRA the Council is providing funding to enable the construction of a further properties as social housing to be operated by Rykneld Homes Ltd in their capacity as a Registered Provider.

## **Management Arrangements**

On Wednesday 10 May 2017, the Council's Executive approved a restructure of the Strategic Alliance Management Team. As a result of the initial phase of the review the Council's two Executive Directors left the Council with effect from 30<sup>th</sup> June 2017. One of the Executive Directors was the Executive Director of Operations who undertook the role of the Council's Chief Financial Officer. At a Council meeting held on Wednesday 21<sup>st</sup> June it was agreed that the Assistant Director Finance and Revenues and Benefits be designated as the Council's Chief Financial Officer with effect from 1<sup>st</sup> July 2017. The Council has now commenced the process of recruiting to two new posts of Strategic Director. Following on from the appointment to these two posts the Council will undertake a review of the next tier of management, that of Assistant Director. It is currently anticipated that the review will be undertaken and completed during the course of the 2017/18 financial year.

With respect to the role of Chief Financial Officer the revised arrangements remain fully compliant with good practice as set out in CIPFA's Statement on the Role of the Chief Financial Officer in Local Government (2016). The Council's Assistant Director Finance and Revenues and Benefits is professionally qualified, reports directly to the Chief Executive, is a full member of the Senior Management Team and is supported by appropriately qualified and experienced staff.

## **Summary**

The past year has been another challenging period in financial terms for the Council but there is a clear awareness throughout the Council of the challenges that the authority is facing. A strong and effective culture of financial management across the authority has enabled us to deliver both a balanced financial outturn together with a range of measures which have reduced the underlying level of expenditure whilst maintaining standards of service. We will continue to work to ensure that this progress is maintained in 2017/18 and future years against the background of a more challenging financial environment for local government. As a Council we are

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determined to continue to work with and to meet the needs and expectations of local residents, our tenants and our key partners.

Finally, we realise the value of closing our accounts promptly to provide up to date financial information on which to base our future plans. It needs, however, to be recognised that preparing these accounts becomes increasingly complex every year as the requirements of good accounting practice continue to grow more stringent. The staff involved in this process, deserve credit for ensuring that these financial statements have been produced in a timely and professional manner. The Council has successfully prepared its accounts for audit by 31 May 2017 which will help ensure that we are in a good position to meet the revised statutory deadline for closing the accounts which will apply from the 2017/18 financial year. It also provides the finance team with the opportunity to move the focus earlier in the year from accounts closure to addressing the requirement to maintain service levels, promote economic growth and manage transformation to ensure our future financial sustainability.

**Dawn Clarke CPFA,**

**Joint Assistant Director – Finance & Revenues and Benefits**

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## Introducing the Accounts of North East Derbyshire District Council

### The Legal Basis

The maintenance, preparation and format of the Council's accounts are governed by statute and recognised good practice. They follow the requirements for the publication of financial information governing local authorities. The Accounts 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.

The document has several statements; these are explained in the summary below:

### A Narrative Report (Pages 1 -15)

This sets out an overview of the Council's financial position as at 31 March 2017 and its financial performance during the year.

### Introductory Statements and Notes (Pages 16-51)

This section includes:

*Statement of Responsibilities for the Statement of Accounts (Page 17)*  
*Annual Governance Statement (Pages 18-27)*

This statement 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.

*Accounting Policies (Pages 28-48)*

The Accounting Policies sets out the basis on which the figures have been compiled into the various accounts which comprise this document.

*General Notes (Pages 49-51)*

This section identifies any issues that may be useful to the reader prior to reading the Financial Statements.

### Expenditure and Funding Analysis Statement (Page 53)

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources by local authorities in comparison with those resources consumed or earned in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's directorates.

### Movement in Reserves Statement (Pages 54-55)

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This statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves.

## **Comprehensive Income and Expenditure Statement (Pages 56)**

The Comprehensive Income and Expenditure Statement shows the Council's actual financial performance for the year, measured in terms of resources consumed and generated over the past twelve months.

## **The Balance Sheet (Page 57)**

This statement details the financial position of the Council as at 31st March 2017; its assets, liabilities, balances and reserves.

## **The Cash Flow Statement (Page 58)**

This consolidated statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes. Cash is defined for the purpose of this statement, as cash in hand and deposits repayable on demand less overdrafts repayable on demand.

## **Notes to the Core Single Entity Financial Statements (Pages 60-119)**

The notes provide explanations of the figures in the main financial statements. Where figures shown in the financial statements are expanded in detail, a cross reference is made to the statement in which the explanatory note is provided.

*Expenditure and Funding Analysis Statement Notes (Pages 60-62)*

*Movement in Reserves Statement Notes (Pages 63-64)*

*Comprehensive Income and Expenditure Statement Notes (Pages 65-69)*

*Balance Sheet Notes (Pages 70-97)*

*Cash Flow Statement Notes (Pages 98-99)*

*Other Notes (Pages 100-119)*

## **Supplementary Single Entity Financial Statements (Pages 120-130)**

These consist of the Housing Revenue Account and the Collection Fund.

## **The Housing Revenue Account (HRA) (Pages 121-126)**

This account reflects the statutory obligation to maintain a revenue account for local authority housing provision. It includes the debit and credit items required to be taken into account in determining the surplus or deficit on the HRA for the year. The HRA is incorporated into the Comprehensive Income and Expenditure Statement.

## **HRA Income and Expenditure Statement (Page 121)**

This account shows in detail the income and expenditure on HRA services included in the whole authority Comprehensive Income and Expenditure Statement.

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## **Movement on Housing Revenue Account Statement (Page 122)**

This statement shows how the HRA Income and Expenditure Statement surplus or deficit for the year reconciles to the movement on the Housing Revenue Account balance for the year.

## **The Collection Fund (Pages 127-130)**

This statement details income received by the fund from council taxpayers and business ratepayers.

Council Tax Precept payments are made from the fund to North East Derbyshire District Council, Derbyshire County Council, Derbyshire Police Authority and the Derbyshire Fire Authority.

NNDR payments are made to the Government, North East Derbyshire District Council, Derbyshire County Council and Derbyshire Fire Authority.

## **Group Accounts (Pages 131-141)**

The Council established an Arms Length Management Organisation (ALMO) Rykneld Homes Limited from 1 April 2007 to manage the Council's housing dwellings and associated capital programme. The ALMO is a wholly owned subsidiary of the Council. Local authorities with a subsidiary are required to prepare group accounts in addition to the single entity financial statements (Accounts and Audit Regulations 2015). The group accounts reflect the transactions of both organisations in one set of statements. These comprise of the following key financial statements:-

- **Group Movement in Reserves Statement**
- **Group Comprehensive Income and Expenditure Statement**
- **Group Balance Sheet**
- **Group Cash Flow Statement**
- **Notes to the Group Accounts**

## **Glossary (Pages 142-148)**

This provides an explanation of some of the terms used within the Statement of Accounts.

# INTRODUCTORY STATEMENTS

# INTRODUCTORY STATEMENTS

# STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

## **The Council's Responsibilities**

Section 151 of the Local Government Act 1972 requires the Council to make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Executive Director - Operations.

The Council is required to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

The Council is required to approve the Statement of Accounts.

## **The Executive Director - Operations' Responsibilities**

The Executive Director - Operations is responsible for the preparation of the authority's Statement of Accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in United Kingdom ("the Code"), is required to present a true and fair view of the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March 2017.

In preparing this Statement of Accounts, I have:

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

I have also:

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

I can confirm that I certify these accounts to give a true and fair view of the financial position of the authority at the reporting date and of its expenditure and income for the year ended 31 March 2017.

Signed by:

Dawn Clarke , CPFA  
Joint Assistant Director – Finance & Revenues and Benefits

Date

# ANNUAL GOVERNANCE STATEMENT

## **Scope of Responsibility**

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

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

North East Derbyshire District Council has approved and adopted a code of corporate governance, which is consistent with the principles of the Chartered Institute of Public Finance and Accountancy / Society of Local Authority Chief Executives (CIPFA/SOLACE) publication "Delivering Good Governance in Local Government : Framework" 2016.

A copy of the code is available on our website at [www.ne-derbyshire.gov.uk](http://www.ne-derbyshire.gov.uk). This statement explains how North East Derbyshire District Council has complied with the code and also meets the requirements of the Accounts and Audit Regulations 2016, regulation 4(3), which requires all authorities to prepare an Annual Governance Statement.

## **The Purpose of the Governance Framework**

The governance framework comprises the systems and processes, culture and values, by which the authority is directed and controlled, together with those activities through which it accounts to, engages with and leads the local community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate cost effective services.

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

The governance framework has been in place at North East Derbyshire throughout the year ended 31 March 2017 and up to the date of the approval of the Statement of Accounts.

# ANNUAL GOVERNANCE STATEMENT

## The Governance Framework

The key components of the systems and processes that comprise the authority's governance arrangements include the following:

North East Derbyshire District Council sets out its objectives within its Corporate Plan which is linked to both the Community Strategy, and to a range of other supporting Strategies and Plans. The Council has a formal constitution in place which sets out the roles and responsibilities of both Members and Senior Managers. The Constitution is available on the Council's website and is reviewed on an on-going basis. Policy and decision making is by means of a Cabinet Structure with Cabinet Member Portfolio holders. There are 4 Scrutiny Committees one of which is the Audit and Corporate Governance Scrutiny Committee operating in line with CIPFA guidance which provides independent challenge and assurance regarding financial governance and risk management. The Council also has a Standards Committee which has responsibility for overseeing the operation of the Members Code of Conduct.

North East Derbyshire takes a number of steps to help ensure compliance with established policies, procedures, laws and regulations. There is a corporate induction process, with a range of awareness raising and training events being provided for both employees and Members. All staff have access to the key policies and procedures which are readily accessible on the intranet site. Formal Codes of Conduct are in operation for both Members and Officers. The Council has adopted a formal Anti Fraud and Corruption Policy characterised by zero tolerance, with this approach informing the Council's governance and internal control arrangements. To support these high standards of openness and probity the Council has in place an effective complaints policy and procedures, an anti-fraud strategy, and a whistle blowing policy. It complies with the Transparency agenda and Freedom of Information obligations. There is an appropriately qualified and experienced Data Protection Officer in post.

The District Council has a Risk Management Strategy and associated framework in place, which is reviewed on a regular basis. The Portfolio Member for Economy and Finance is the Member Champion, with independent assurance provided on an ongoing basis by the Audit and Corporate Governance Committee. The Council has embedded Risk Management by ensuring the provision of appropriate training, by regular reviews of the Strategic Risk Register, by incorporating the Service Risk Registers within the Service Planning process, and by requiring that all Committee Reports include a Risk assessment with all projects having a Project Risk Register. The Risk Management Framework includes quarterly reporting which is integrated with our Performance and Financial management arrangements.

North East Derbyshire District Council has a number of mechanisms in place for ensuring the economical, effective and efficient use of resources, and to ensure that we secure continuous improvement in the manner in which our functions are exercised in order to comply with the requirement to provide best value. Effective use of resources is ensured by a robust range of mechanisms including consultation with local residents and other stakeholders, a well developed corporate and service planning process, by the careful consideration of service performance

# ANNUAL GOVERNANCE STATEMENT

and development in order to ensure that our services are targeted at addressing priority requirements. Economy and Efficiency are ensured by the adoption of good procurement practice, and by services which are responsive to customer requirements and operated in line with good practice.

A Scheme of Delegation sets out the powers of Senior Officers and Members, including that of the Council's statutory officers while the Financial Regulations and Contract Procedure Rules form an integral part of the Constitution. The performance against budget is monitored on an ongoing basis with cost centre managers having access to the financial ledger, and the accountancy team providing monitoring reports on a monthly basis. This is intended to ensure that any significant budget variances are identified at the earliest opportunity. Formal monitoring reports are taken to Cabinet and to the Audit and Corporate Governance Committee on a quarterly basis.

With effect from 30th June 2017 the Executive Director: Operations who undertook the role of Chief Financial Officer left the employment of the Council as a result of a restructuring of the senior management team. Council has designated the Assistant Director Finance and Revenues and Benefits as the Chief Financial Officer with effect from 1st July 2017. While the role of Chief Financial Officer has been moved to a lower tier in the management hierarchy under these arrangements the Council remains fully compliant with the requirements of the CIPFA Statement on the Role of the Chief Financial Officer as set out above.

Performance Management is at the core of our managerial arrangements with quarterly reports being provided to Cabinet. The Council monitors progress against a range of performance targets which incorporate both national and local priorities. The quality of the data which underpins the Council's performance management framework is independently assured by Internal Audit. Performance Targets together with key operational priorities are set out within the Corporate Performance Management Framework and supporting Service Plans. These in turn are linked to the Council's Corporate Plan and supporting Plans and Strategies in order to help ensure that our resources are utilised for the achievement of agreed priorities.

The District Council contributes to the delivery of the Community Strategy for our residents through the Corporate Plan and the range of associated Plans and Strategies. The Council updates its Strategic Service Planning Framework on a regular basis and reports publicly to ensure our residents are kept informed regarding the progress on those issues which they view to be critical to the wellbeing of our community. Reports which are available to residents include Cabinet and Scrutiny Papers which are available on the website, articles in the Council's newsletter 'The News' which is distributed three times a year, briefings to the local press, public consultation meetings and through the Citizens Panel. Progress against the Council's key priorities is reported to Cabinet on a quarterly basis as part of the suite of Performance reports.

The District Council, working with our local community and key partners has agreed a vision and core values which are supported by a range of 4 corporate priorities which were set out within the Council's Corporate Plan for 2015 to 2019 as follows:

- Unlocking our **Growth** Potential;  
*North East Derbyshire District Council Statement of Accounts 2016/17*

# ANNUAL GOVERNANCE STATEMENT

- Supporting our **Communities** to be Healthier, Safer, Cleaner and Greener;
- Providing our **Customers** with Excellent Services ;
- **Transforming** our Organisation

These priorities provide a focus for the development of partnership working, delivery of our services, and for planned improvements and rationalisation of the services which are currently provided. The emphasis on progressing these priorities is illustrated by the fact that all reports to Committee set out which of the Corporate Priorities they are seeking to promote, while the Council undertakes an ongoing review of its services through the service planning process and by the review processes which include Performance Management by Cabinet and the work of the Scrutiny function.

## Review of Effectiveness

North East Derbyshire District Council has responsibility for conducting on at least an annual basis a review of the effectiveness of its governance framework including the system of internal control which is achieved primarily by way of the preparation of this Annual Governance Statement. This helps validate that our Governance Framework has ensured compliance with the law, identifies that policies and procedures are effective and expenditure is lawful. The review of effectiveness is informed by the work of the Directors and Senior Managers within the authority who have responsibility for the development and maintenance of the governance environment, the annual report of the Head of the Internal Audit Consortium, and also by the conclusions and recommendations made by the external auditors, and other review agencies and inspectorates.

The Chief Financial Officer is responsible for ensuring that there is an adequate and effective system of internal control of both the Council's accounting and its other systems of internal control as required by the Accounts and Audit Regulations 2016. As required by the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016) the Chief Financial Officer is professionally qualified, reports directly to the Chief Executive, is a full member of the Corporate Management Team and is supported by appropriately qualified and experienced staff.

The arrangements for the provision of internal audit are set out within the Council's Financial Regulations which are part of the Council's Constitution. The internal audit provision has from the 1st April 2007 been independently managed by the Internal Audit Consortium Manager. This is an arrangement for the provision of Internal Audit on a consortium basis by Bolsover, Chesterfield and North East Derbyshire, with the service being hosted by Chesterfield Borough Council on behalf of the three authorities. The work to be undertaken is formally agreed within the Audit Plan. This Audit Plan is prepared by the Internal Audit Consortium Manager and is prioritised in order to reflect the key internal controls, assessment and review on the basis of risk and the Council's corporate governance arrangements, including risk management. The Council's Internal Audit function has been internally assessed as being compliant with the Public Sector Internal Audit Standards (PSIAS) which came into effect on 1st April 2013. The Council operates its internal audit arrangements in line with the requirements set out within the CIPFA Statement on the Role of the Head of Internal Audit. The Internal Audit Consortium Manager is [North East Derbyshire District Council Statement of Accounts 2016/17](#)

# ANNUAL GOVERNANCE STATEMENT

professionally qualified, suitably experienced, reports on a regular basis to the Audit Committee, with unrestricted access to elected members and management. Audit work involves reviews of the main financial systems, scheduled visits to Council establishments and fraud investigations. The resulting work plan is discussed and agreed with the Council's Section 151 officer, and with the Audit Committee. It is also shared with KPMG the Council's external auditor. This is part of a process of liaison intended to ensure that the work of internal and external audit is complementary and that duplication is avoided. The Internal Audit reports which arise out of the process include an assessment of the adequacy of internal control, and set out recommendations which are aimed to address those areas where potential improvements have been identified. These are submitted to the relevant officers within the Council who are required to implement any accepted recommendations. The outcome of the process is reviewed by the Chief Financial Officer, by the Council's Corporate Management Team and by the Audit and Corporate Governance Committee.

The Council's review of the effectiveness of the system of internal control is informed by:

- There is a Constitution in place which provides a formal Governance framework, with decisions taken in an open and accountable fashion. Internally, those decisions are subject to Scrutiny, and the Council has an active Standards Committee;
- The Council has suitably qualified, trained and experienced officers undertaking the statutory roles of Head of Paid service (Chief Executive), Monitoring Officer and Section 151 Officer.
- Assurances from the responsible Executive Directors based on management and performance information, officer assurance statements, Scrutiny reports and the outcome of internal reviews including those looking at joint services.
- The work undertaken by the Internal Audit Consortium during the course of the year;
- The work undertaken by the External Auditor as reported in their Annual Audit Letter and in the Report to those charged with Governance (ISA 260);
- This Annual Governance Statement has reviewed the operation of our Governance arrangements during the course of the 2016/17 financial year. In developing this Statement Officers have assessed the Council's arrangements against good practice.
- The Council's Audit Committee has undertaken a structured self assessment to ensure it operates in line with CIPFA / SOLACE guidance.
- In addition to assessing its own internal control mechanisms the Council has needed to assess the extent to which reliance can be placed upon the systems of Internal Control established and maintained by Rykneld Homes, its Arms Length Management Organisation for its housing stock. On the



## ANNUAL GOVERNANCE STATEMENT

basis of the company's formal commitment to good governance, reports of external and internal audit, IIP accreditation and the on-going partnership between the Council and Rykneld Homes to manage performance and outcomes on behalf of tenants, the Council has come to the view that there are no significant governance issues in respect of Rykneld Homes. Rykneld Homes secured the full allocation of Decent Homes funding (ending in 2014/15) from the Homes and Communities Agency, with this funding having been secured on the basis of its effective performance as a Housing Management organisation. Further capital funding has continued to be received by Rykneld Homes from the Homes and Communities Agency during both 2015/16 and 2016/17 which is an indication they are viewed as an organisation which is performing well. In relation to Fire Safety Checks, the housing owned by the Council and managed by Rykneld Homes Ltd does not contain any stock of 18 meters high or above.

- While Rykneld Homes constitutes the Council's most significant partnership we actively participate in both D2N2 and the Sheffield City Region. The Council continues to play an active role within the D2N2 Local Economic Partnership (LEP) and remains a non constituent member of the Sheffield City Region Combined Authority. The Council's managerial and service delivery arrangements are dependent upon effective partnership working with Bolsover District Council (the Council's Strategic Alliance Partner), while the Council works with Chesterfield Borough Council, Derbyshire Dales District Council and the Chesterfield Royal Hospital in the delivery of shared services. There are also a number of other arrangements with local organisations including a Derbyshire County Council and local Health bodies which support the Community Safety Team, Supporting People and Active and Healthy lifestyles where partnership working supports the delivery of services to local residents. Where the Council has entered into partnership arrangements it seeks to ensure that these promote the Council's vision and core values and that they are subject to appropriate governance and performance management arrangements. This assurance is provided by ensuring that the Council's involvement within partnership is formally agreed by Council and that the outcomes of partnership working are detailed in the Council's Performance, Finance and Risk Management Framework.
- With effect from April 2011 the Council has operated within a Strategic Alliance with a neighbouring authority Bolsover District Council. Joint working arrangements have made significant progress and the two Councils now operate with a joint Management team down to third tier level. Joint working is now operational within most services, although only Environmental Health is operating on the basis of a fully shared service. While one of the key reasons for entering into this partnership is to achieve the efficiency savings that both Councils need to secure, the Strategic Alliance is also viewed as a key mechanism for managing risk including the maintenance of robust Internal Control arrangements.

# ANNUAL GOVERNANCE STATEMENT

The Council's External Auditors KPMG restricts their comments to the Published Accounts and as to whether the Council has made proper arrangements to secure Value for Money. The most recent review of the Council by external audit was provided by KPMG in its Annual Audit Letter relating to the 2015/16 Accounts. This letter which was reported to the Council meeting on 3rd January 2017 gave an unqualified opinion in respect of both Value for Money and in respect of the published accounts. With respect to the outcomes of the independent scrutiny undertaken by Internal Audit of the 27 audits undertaken during 2016/17, five resulting in an arrangement being assessed as marginal (a number of areas identified for improvement). Appropriate steps are being taken to address all of the weaknesses identified by Internal Audit.

## **Significant Governance Issues**

In the light of the above evidence it would seem reasonable to conclude that the Council has a robust system of governance and internal control in place that has operated throughout the 2016/17 financial year. As part of the Annual Governance Statement, however, the Council is required to review its internal controls in order to identify those significant areas where it needs to improve its arrangements in respect of governance, performance and the management of services. A consideration of the reports raised by External Inspections, Peer Reviews and the Council's own self assessment of its current position in respect of those areas requiring improvement has identified the following:

At a Strategic Level the key issue for the Council is that over the last decade the underlying financial pressures have increased significantly as the level of Central Government funding has been reduced. In response the Council has been required to identify and achieve significant ongoing efficiency savings. Given that the Council operates with a level of financial reserves just above minimum levels it is critical that the Council takes effective action to address any in year financial shortfalls. While the budget in respect of 2017/18 requires savings of £0.5m to be achieved measures have been agreed and the Council is actively working to secure these savings. The Council needs, however, to identify further cumulative savings in the order of £1.8m over the following three financial years in order to continue operating within the level of underlying financial resources. The requirement to lower staffing numbers together with the potential loss of expertise, and the requirement to reorganise processes and procedures does have the potential to impact significantly on the internal control environment. While staffing numbers and the availability of financial resources have already reduced the Council continues to be required to implement and manage significant changes including measures to achieve cost saving, to promote growth and to ensure effective partnership working. In addition there are a range of issues external to the Council including legislative change together with the impact of the referendum vote to leave the European Union which create uncertainties and may impact at some further stage upon the Council. The Council is aware of these risks and is seeking to manage them appropriately. Given the scale of the efficiencies that have been necessary the internal control environment, levels of performance and service delivery more generally will continue to require careful monitoring during the course of the current financial year. While the Council's management team is in the process of a restructure during the 2017/18 financial year it retains a core of experienced and

## ANNUAL GOVERNANCE STATEMENT

appropriately qualified officers which puts it in a good place to secure an appropriate balance between securing financial savings whilst protecting both our governance arrangements and the level of service to local residents.

In addition to the above strategic internal control issues there are a limited number of areas where the Council is currently marginal or at risk of not meeting the requirements of best practice. These issues are outlined below, and all of the areas identified for improvement are currently the subject of a Corporate Action Plan (including target dates), with progress against that Action Plan being reported as a standing item to the Council's Audit and Corporate Governance Committee. These arrangements for addressing identified issues operate alongside the Council's Performance Management system and will remain in place during the 2017/18 financial year. With regard to the issues identified in the previous Annual Governance (2015/16) the Council has continued to manage its budget position effectively. Concerns identified by Internal Audit in respect of S106 Planning agreements, Recruitment and Selection and Management of Industrial Estates have been successfully resolved. A further Audit Review of Health and Safety arrangements following on from a critical report in 2015/16 have concluded that whilst arrangements remain 'marginal' that significant improvement has been achieved since the previous audit reports. On the basis of the progress made in addressing the issues identified in the previous Annual Governance Statement it seems reasonable to conclude that the Council's current arrangements are effective in addressing governance and performance issues.

	<b>Issue Identified</b>	<b>Action to Address</b>
1.	Although the Council's budget is balanced over the period of the Medium Term Financial Plan that is on the basis of securing significant efficiency savings, amounting to £1.8m over the period to March 2021. Many of these efficiencies require the active management of significant levels of change against a background of reducing staffing levels. If these efficiencies are not secured then the Council will be forced to reduce expenditure in a relatively uncontrolled fashion which will impact upon both the quality of services to local residents, and on the internal control environment.	In setting its Medium Term Financial Plan the Council set out a range of options to deliver the efficiency gains necessary to operate within the underlying level of resources. Achievement of these measures is monitored on a regular basis by Cabinet and the Audit and Corporate Governance Scrutiny Committee as part of the Council's Performance Management framework. While appropriate mechanisms are in place and have proved effective during previous financial years it needs to be recognized that the efficiency targets continue to be challenging and will require pro active management action. The Council has refreshed its Efficiency Plan and is working to deliver the options that are available to manage the ongoing reductions in the level of financial support. The Council has a realistic level of financial balances (General Fund £2m, HRA £3m) to assist in managing the position.
2	With respect to the work undertaken by both External and Internal Audit there	In respect of our management and governance arrangements all identified issues are reported to the Audit and

## ANNUAL GOVERNANCE STATEMENT

	<p>continues to be a limited number of areas identified where the Council's internal control arrangements require improvement. These relate to particular areas and are not representative of the quality of the overall control environment. In particular it should be noted that none of the critical reports relate to the Council's Key Financial Systems. However, while in 2014/15 the Council received only 2 critical internal audit reports, which increased to four in 2015/16 with a further increase to five in 2016/17. The more serious of those in respect of 2016/17 concerned Licensing arrangements, although further work is necessary to consolidate the progress in respect of Health and Safety which while improving was again assessed as marginal in 2016/17.</p>	<p>Corporate Governance Committee through the Key Issues of Financial Governance Action Plan which is a standing item on the agenda. Internal audit reports specify a time period for the implementation of agreed recommendations and progress against these recommendations is monitored as part of the Council's Performance Management Framework. This review and monitoring process will continue to address areas of identified weakness to ensure that they do not significantly impact upon the overall internal control environment. Progress in addressing these issues and in embedding improvement will be reported to the Audit and Corporate Governance Scrutiny Committee on a regular basis in order to ensure that the improved arrangements are continuing to operate effectively. With regard to 2016/17 the most critical Internal Audit reports concerned Licensing arrangements. Management actions conducted during 2016/17 have begun to address the concerns, and ongoing monitoring will be maintained to ensure that improvement is fully embedded.</p>
3	<p>Reports in respect of the administration of both Licensing and a Health and Safety concluded that arrangements were marginal.</p>	<p>In both areas a comprehensive management review has been undertaken leading to the development of an Action Plan which is currently in the process of being implemented. Although it is a concern that Health and Safety – which was identified as a weakness in 2015/16 – remains marginal, significant improvement has been evidenced, although further work remains necessary. The Action Plan includes external support in order to secure improvement in a timely fashion. With respect to licensing a reinstallation of the current software to facilitate improved access to management information is taking place.</p>
4	<p>The other three marginal Internal Audit reports concerned Transport Administration, Social Media and Procurement.</p>	<p>In all three areas management is in the process of implementing the Internal Audit recommendations. The implementation of the actions required will be monitored through the Council's Performance Management framework.</p>

# ANNUAL GOVERNANCE STATEMENT

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

Signed:

Graham Baxter  
Leader of the Council

Daniel Swaine  
Chief Executive

# ACCOUNTING POLICIES

## Accounting Policies and General Notes

This section explains the accounting policies applied in producing the Statement of Accounts and identifies any notes that may be useful to the reader prior to reading the Financial Statements.

### 1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2016/17 financial year and its position at the year-end of 31<sup>st</sup> March 2017. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015 which require them to be prepared in accordance with proper accounting practices. These practices primarily consist of the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted is historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

The Council has followed the requirements of International Accounting Standard (IAS) 1 in preparing the Statement of Accounts. Its objectives are to ensure that for all material items the Council:

- Adopts accounting policies most appropriate to its particular circumstances for the purpose of giving a true and fair view;
- Reviews the accounting policies regularly to ensure that they remain appropriate, and changes them when a new policy becomes more appropriate;
- Ensures that sufficient information is disclosed in the financial statements to enable users to understand the accounting policies adopted and how they have been implemented.

The general principles adopted in compiling the accounts are those set out by CIPFA in the Code of Practice on Local Authority Accounting in the United Kingdom, which is recognised by statute as representing proper accounting practice. In addition the Local Authority Accounting Panel Standards Committee periodically issue bulletins on accounting practice. These accounting policies conform with those principles, which are applicable to Local Authorities.

### 2 Accounting Concepts

The concepts used in selecting and applying the most appropriate policies and estimation techniques are as follows:

- The qualitative characteristics of financial information – relevance, reliability, comparability, and understanding;

# ACCOUNTING POLICIES

- Materiality (all major transactions and events are included);
- The accounting concepts of accruals, going concern and primacy of legislative requirements.

## 3 Accruals of Income and Expenditure

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

- Revenue from fees, charges and rents due from customers are recognised when the Authority transfers the risk and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet;
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for in the year to which it relates and are based on an effective interest rate for the relevant financial instrument rather than the cash flow fixed or determined by the contract;
- Where income and expenditure has been recognised but cash has not been received or paid a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

An exception to this principle relates to electricity and other similar periodic payments which are charged at the date of meter reading 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.

Income and expenditure are credited and debited to the relevant service revenue account, unless they properly represent capital receipts or capital expenditure.

Grant claims are submitted on an actual basis wherever possible, however if the information to do this is not available then a best estimate basis is adopted.

# ACCOUNTING POLICIES

## 4 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are short-term, highly liquid investments that mature within three months and are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

## 5 Charge to revenue for Non Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year.

- depreciation – attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which losses can be written off.
- amortisation of intangible assets attributable to the service.

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

The Council's policy for the calculation of the statutory provision for the repayment of debt is determined each year by the Council. The Council has decided that for 2016/17 the outstanding general fund debt prior to 1 April 2007 will be repaid at a rate of £200,000 per year until the debt is extinguished. Any prudential borrowing for the General Fund is repaid based on the life of the asset.

## 6 Collection Fund

The transactions of the Collection Fund are wholly prescribed by legislation. Billing authorities have no discretion to determine which receipts and payments are accounted for within the fund and which outside.



# ACCOUNTING POLICIES

## NNDR - Impairment of Appeals

Under the Business Rates Retention Scheme which came into effect on 1 April 2013, local authorities are required to provide for the potential loss of business rates as a result of businesses successfully appealing against the rateable valuation of property occupied.

The Council has commissioned an independent assessment at 31 March 2017 of the outstanding appeals lodged with the Valuation Office. The assessment looks at every individual appeal and estimates of the likelihood of the appeal succeeding based on the category of appeal and previous appeal determinations. The results are reviewed by the Council for reasonableness and challenged as required.

The rateable value and the period covered by the appeal has been used to establish a prudent provision to meet the estimated costs of successful appeals. The provision is met from the Collection Fund then the costs are shared between the members of the Derbyshire Business Rates Pool.

## **7 Contingent Assets**

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority. Contingent assets are not recognised in the accounting statements; they are disclosed by way of notes where it is probable that there will be an inflow of economic benefit or service potential.

## **8 Contingent Liabilities**

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

## **9 Doubtful Debts**

Provisions for doubtful debts are made to ensure that the Council can finance any sums due to the Council which are subsequently deemed to be irrecoverable after all recovery measures have been exhausted. This sum is reduced annually by sums written off and increased by any contributions from the revenue account. The provision is netted off against debtors in the Balance Sheet and not included in the provisions total.

The provision for doubtful debts in respect of overdue council tax, housing benefit overpayments, rents and NNDR is calculated by category on a percentage basis based upon previous experience of the recovery of debts of that type.

# ACCOUNTING POLICIES

The provision for other sundry debts is calculated by reference to the age of the debt involved, and the Council's previous experience of recovering such debt.

## **10 Employee Benefits**

### Benefits Payable during Employment

Short term employee benefits are those due to be settled within 12 months of the year end. They include such benefits as salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements earned by employees but not taken before the year-end but which can be carried forward into the next financial year. The accrual is made at the salary rates applicable in the following accounting year, as this is the period in which the employee takes the benefit. The accrual is charged to the relevant service area of the Comprehensive Income and Expenditure Statement, but then is reversed out through the Movement in Reserves Statement so that the annual leave is charged to revenue in the financial year in which the annual leave occurs.

### Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date, or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the appropriate service or, where applicable, to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

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

### Post Employment Benefits

Employees of the Council are members of the Local Government Pension Scheme administered on behalf of the Council by Derbyshire County Council. The scheme provides defined benefits to members (lump sums and pensions) earned as employees working for the Council.

# ACCOUNTING POLICIES

## The Local Government Pension Scheme

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

- The liabilities of the Derbyshire County Council Pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the
- projected unit method – i.e. an assessment of future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projected earnings for current employees.
- Liabilities are discounted to their value at current prices using a discount rate.
- The assets of the Derbyshire County Council Pension fund attributable to the Council are included in the Balance Sheet at their fair value:
  - quoted securities – current bid price;
  - unquoted securities – professional estimate;
  - unitised securities – average of the bid and offer rates;
  - property – market value.

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

- Current Service Cost - the increase in liabilities as result of years of service earned this year. This is allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
- Past Service Cost - the increase in liabilities arising as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years. These costs are debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement, as part of Non Distributed Costs.
- Interest Costs - the expected increase in the present value of liabilities during the year as they move one year closer to being paid. The cost is debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Remeasurements – comprising:

- The Return on Plan Assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pension Reserve as Other Comprehensive Income and Expenditure.
- Actuarial Gains and Losses – change in the net pension liability that arise because events have not coincided with assumptions made at the last

# ACCOUNTING POLICIES

actuarial valuation or because the actuaries have updated their assumptions - debited to the Pensions Reserve as Other Comprehensive Income and Expenditure.

- Contributions paid to the County Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end. The negative balance that arises on the Pension Reserve therefore measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows, rather than as benefits are earned by employees.

## Discretionary Benefits

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

## **11 Events after the Reporting Period**

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

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

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

# ACCOUNTING POLICIES

## 12 Exceptional Items

Exceptional items are included in the cost of the service to which they relate or on the face of the Comprehensive Income and Expenditure Statement if that degree of prominence is necessary in order to give a fair presentation of the accounts. An adequate description of each exceptional item is given within the notes to the accounts.

## 13 Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

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

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

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

## 14 Financial Instruments

The Council is required to recognise, measure, present and disclose information about any financial instruments. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability of another. Typical financial assets include bank deposits, trade receivables and other receivables, loans receivable and advances. Typical financial liabilities include trade payables and other payables, borrowings and financial guarantees.

### Financial Liabilities

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

# ACCOUNTING POLICIES

Financial Liabilities held by the Council

- Borrowings (PWLB loans, temporary borrowing, cash overdrawn);
- Trade and Other Payables (creditors and receipts in advance).

## Financial Assets

Financial Assets are classified into two types:

Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market.

Available for Sale Assets – assets that have a quoted market price and have/or do not have fixed or determinable payments.

## Loans and receivables

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

The Council has made a small number of loans at less than market rates (soft loans). The interest cost of these soft loans is deemed to be immaterial and therefore no adjustments have been made.

Where Financial Assets are identified as impaired because the likelihood arising from past event that payments due under the contract will not be made, the financial asset is written down and a charge made to the relevant service or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the financial assets original effective interest rate.

Any gains and losses that arise on the de-recognition of a financial asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Financial Assets held by the Council – Loans and receivables

- Bank deposits (cash balances);
- Trade receivables (debtors);
- Loans receivable (council house mortgages, car loans to employees);
- Investments (overnight investments, temporary investments);

# ACCOUNTING POLICIES

## Available for Sale Assets

The Council does not hold any Available for Sale assets

## **15 Government Grants and Contributions**

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

- The Council will comply with the conditions attached to the payments, and
- The grants or contributions will be received.

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

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

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

## **16 Heritage Assets**

Heritage assets are a distinct class of asset which are reported separately from property, plant and equipment and intangible assets.

### Recognition

Heritage assets are classed as “a tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge or culture” or “an intangible asset with cultural, environmental or historical significance”. A general de-minimis limit of £10,000 is applied to all fixed assets.

# ACCOUNTING POLICIES

## Measurement

Only heritage assets that have a cost or value available are required to be entered into the Balance Sheet. Where information on the cost or value is not available and the cost of obtaining the information outweighs the benefits to the user of the statements, the code does not require that the asset is recognised in the Balance Sheet, although appropriate disclosure is needed where heritage assets are not recognised in the Balance Sheet.

Unlike other assets, a full valuation every five years is not required. Valuations can be done whenever the Council requires. The valuations may be made by any method that is appropriate and relevant, this may include insurance valuations.

However, the code does require that authorities review the carrying amounts of heritage assets with sufficient regularity to ensure they remain current. Because of this the Council has determined that a five year review will be carried out.

## Impairment

Impairment reviews are only required in limited circumstances. However, the Council has determined that a five year review will be carried out. An immediate review will need to be carried out where an asset has suffered physical deterioration or breakage of a heritage asset; or where new doubts arise as to the authenticity of a heritage asset.

Where impairment is identified as part of this review and it is deemed material, or as a result of a valuation exercise, this is accounted for by:

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

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

## Depreciation

Depreciation is provided for on some heritage assets, ones with a definite life, by the systematic allocation of their depreciable amounts over their useful lives.

- Depreciation is calculated on a straight-line allocation over the useful life of the asset.



## ACCOUNTING POLICIES

For any heritage assets with indefinite lives no depreciation is required.

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

### Disposals

When it becomes probable that an asset is to be sold it is reclassified as an Asset Held for Sale. The asset is revalued before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to the fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

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

Assets that are abandoned or scrapped are not classified as Assets Held for Sale.

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

Amounts received from disposal proceeds in excess of £10,000 are categorised as capital receipts. The balance of receipts is credited to the Capital Receipts Reserve and can only be used either to finance new capital investment or set aside to reduce the Council's underlying need to borrow. Receipts are appropriated to the Reserve from the Movement on Reserves Statement.

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

# ACCOUNTING POLICIES

## 17 Intangible Fixed Assets

Expenditure on assets that do not have a physical substance but are identifiable and controlled by the Council (for example computer software) are capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Intangible Assets are initially measured at cost. Amounts are only re-valued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice no intangible asset, held by the Council, meets this criterion and they are therefore carried at amortised cost.

The depreciable amount of an intangible asset is amortised over its useful life to the relevant service lines in the Comprehensive Income and Expenditure Statement.

Each intangible asset is tested for impairment each year to see if there is an indication that the asset might be impaired; any losses recognised are posted to the relevant service lines in the Comprehensive Income and Expenditure Statement. Any gain or loss arising from the disposal of an intangible fixed asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains or losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for sale proceeds above £10,000) the Capital Receipts Reserve.

## 18 Interests in Companies and Other Entities

The Council has a material interest in Rykneld Homes Limited, a company limited by guarantee, which is an Arms Length Management Organisation (ALMO).

The ALMO is a wholly owned subsidiary, which was formed on 1 April 2007 and as a result the Council are required to prepare Group Accounts. In the Council's own single-entity accounts, the interests in companies and other entities are recorded as investments, i.e. at cost, less any provision for losses.

## 19 Inventories

Inventories are included in the Balance Sheet at the lower of cost and net realisable value.

## 20 Investment Property

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

# ACCOUNTING POLICIES

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are re-valued according to market conditions at the year end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

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

## **21 Jointly Controlled Operations and Jointly Controlled Assets**

Jointly controlled operations are activities undertaken by the Council in conjunction with other ventures' that involve the use of assets and resources of the ventures' rather than the establishment of a separate entity. The Council recognises on its Balance Sheet the assets that it controls and the liabilities it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the share of expenditure it incurs and the share of income it earns from the operation.

Jointly controlled assets are items of property, plant and equipment that are jointly controlled by the Authority and other ventures', with the assets being used to obtain benefits for the ventures'. The joint venture does not involve the establishment of a separate entity. The Authority accounts for only its share of the jointly controlled assets, the liabilities and expenses it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

The Council has the following jointly controlled operations:

Building Control - with Bolsover District Council and Chesterfield Borough Council

Internal Audit Services - with Bolsover District Council and Chesterfield Borough Council, and Derbyshire Dales District Council

Procurement Services - with Bolsover District Council, Chesterfield Borough Council, Derbyshire Dales District Council and Chesterfield Royal Hospital

ICT Services – with Bolsover District Council and Derbyshire Dales District Council

Environmental Health Services – with Bolsover District Council

The Council does have jointly controlled assets with Chesterfield Borough Council and Bolsover District Council regarding the operation of a crematorium. The Council's share of the crematorium's assets and income and expenditure for

[\*North East Derbyshire District Council Statement of Accounts 2016/17\*](#)

# ACCOUNTING POLICIES

2016/17 is 30%, (2015/16 30%). On the basis of materiality, the Council does not include any figures for the joint crematorium within the Statement of Accounts.

## 22 Leases

The Council accounts for leases as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee (the Council). All other leases are classified as operating leases.

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

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

### The Council as Lessee

#### Finance Leases

Property, plant and equipment held under finance leases are recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease inception. The asset recognised is matched by a liability for the obligation to pay the lessor.

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment and applied to write down the lease liability;
- A finance charge (debited to the Finance and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Property, plant and equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the assets estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

The Council is not required to raise Council Tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

# ACCOUNTING POLICIES

## Operating Leases

The Council also has operating leases where the risk and rewards relating to the leased property remains with the lessor. Rentals payable are charged to the relevant service revenue account on a straight line basis over the term of the lease, generally meaning that rentals are charged when they become payable.

## The Council as Lessor

### Finance Leases

Where the Council grants a finance lease over a property the relevant asset is written out of the Balance Sheet as a disposal. It is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of a gain or loss on disposal.

Lease rentals receivable are apportioned between:

- A charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received); and
- Finance income credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund balance and is required to be treated as a capital receipt.

The Council currently has no finance leases for property where this policy applies.

### Operating Leases

Where the Council grants an operating lease over a property the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Income and Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight line basis over the life of the lease, even if this does not match the pattern of payments e.g. there is a premium paid at the start of the lease. Initial and direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the asset and charged as an expense over the lease term.

## **23 Overheads and Support Services**

The costs of overheads and support services are charged to directorates in the Comprehensive Income and Expenditure Statement in accordance with the Council's internal reporting arrangements.

## **24 Property, Plant and Equipment**

Property, Plant and Equipment are non-current assets that have physical substance are held for use in the provision of services, for rental to others, or for administrative purposes and are expected to be used during more than one financial year.

*North East Derbyshire District Council Statement of Accounts 2016/17*

# ACCOUNTING POLICIES

## Recognition

Expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised on an accruals basis, provided that it yields benefits to the Council and the services that it provides is for more than one financial year. Expenditure that secures but does not extend the previously assessed standards of performance of the asset (e.g. repairs and maintenance) is charged to revenue as it is incurred. A general de-minimis limit of £10,000 is applied to non-current assets.

## Measurement

Assets are initially measured at cost, comprising the purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

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

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

Donated assets are measured at current value. The difference between current value and the consideration paid is credited to the Taxation and Non Specific Grant income line of the Comprehensive Income and Expenditure Statement, unless the donated asset has been made conditionally. Until all conditions are met the gain is held in the Donated Assets Account. Gains that are credited to the Comprehensive Income and Expenditure Statement are reversed out of the General Fund balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

- Infrastructure, community assets and assets under construction – depreciated historical cost;
- Dwellings – current value, determined using the basis of existing use for social housing;
- Surplus Assets – fair value, estimated at the highest and best use from a market participant's perspective;
- All other assets – fair value, determined as the amount that would be paid for the asset in its existing use.

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

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

# ACCOUNTING POLICIES

Assets included in the Balance Sheet at current value are re-valued where there have been material changes in the value, but as a minimum every five years. Valuations are undertaken by a professionally qualified valuer. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

Where decreases in value are identified, they are accounted for as follows:

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

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

## Impairment

At the end of each reporting period an assessment is made of whether there is any indication that an asset may be impaired. If there is an indication of impairment, and it is deemed material. The recoverable amount of the asset is estimated to determine the impairment loss.

Where impairment losses are identified they are accounted for as follows:

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

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

## Depreciation

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

*North East Derbyshire District Council Statement of Accounts 2016/17*

# ACCOUNTING POLICIES

Depreciation is calculated on the following bases: -

- Land – Not depreciated
- Dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer.
- Infrastructure Assets - Straight-line allocation over life of asset
  
- Vehicles, plant furniture and equipment – straight-line allocation over the useful life of the asset.
- Community assets – are not depreciated.
- Council Dwellings – Straight Line allocation over the life of the property (also, subject to componentisation)

Items of property, plant and equipment are not depreciated until they become available for use (i.e. when the asset is in the location and condition necessary for it to be capable of operating in the manner intended by management). Depreciation ceases at the earlier of the date that items of property, plant and equipment are classified as held for sale and the date they are derecognised.

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

Where an item of Property, Plant and Equipment exceed £1m in value and has major components whose costs are significant in relation to the total cost of the item, the components are depreciated separately. The Council deems “significant” to be 25% or more of the total cost of the asset. The Council also applies the following de minimis levels with regard to component accounting.

Components are not separately identified where:

- The useful life of the asset is less than 10 years
- The depreciation charge based on the life of the component would differ from that for the total asset by less than £10,000.
- The component life must be materially different to the main asset to be treated as a component.

For grouped assets such as Council Dwellings a practical level of componentisation has been applied which links to the work programmes carried out within capital programme. An appropriate life has been assigned to each of these components.

## Disposals

When it becomes probable that an asset is to be sold it is reclassified as an Asset Held for Sale. The asset is re-valued before reclassification at its existing use value then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to the fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and



## ACCOUNTING POLICIES

Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

To be classified as an asset held for sale an asset must meet the following criteria:

- The asset must be available for immediate sale in its present condition subject to terms that are usual and customary for sales of such assets;
- The sale must be highly probable, the appropriate level of management must be committed to a plan to sell the asset and an active programme to locate a buyer and complete the plan must have been initiated;
- The asset must be actively marketed for sale at a price that is reasonable in relation to its current value;
- The sale should be expected to qualify for recognition as a completed sale within one year of the date of classification and action required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

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

Assets that are abandoned or scrapped are not classified as Assets Held for Sale.

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

Amounts received from disposal proceeds in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is credited to the Capital Receipts Reserve and can only be used either to finance new capital investment or set aside to reduce the Council's underlying need to borrow.

The gain or loss on the sale of assets is not a charge against council tax. Amounts are appropriated to the Capital Adjustment Account in the Movement in Reserves Statement

### **25 Provisions**

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of

## ACCOUNTING POLICIES

economic benefits or service potential and a reliable estimate can be made of the amount of the obligation.

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

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

### **26 Reserves**

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

Certain reserves are kept to manage accounting processes for non-current assets, financial instruments, and retirement and employee benefits and do not represent usable resources for the Council.

### **27 Revenue Expenditure Funded from Capital under Statute**

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

### **28 Trust Funds**

Details of the nature and amount of trust funds where the Authority acts as the sole trustee are disclosed as a note to the Balance Sheet.

### **29 Value Added Tax (VAT)**

The Council is normally able to recover all VAT. Where this is the case VAT is not included in the income and expenditure statements. Where the Council is unable to recover VAT it is charged to the appropriate account.

# GENERAL NOTES

## 1 Changes in Accounting Policies

As recommended in the Code of Practice guidance notes, there have been a limited number of minor changes to the Accounting Policies which are seeking to clarify the policies adopted in respect of 2016/17 and one more significant amendment; costs for overheads and support services are now charged to directorates in the Comprehensive Income and Expenditure Statement in accordance with the Council's internal reporting arrangements

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

The Code of Practice on Local Authority Accounting (the Code) requires the Council to disclose the expected impact of new standards that have been issued but not yet adopted by the Code for the financial year. This applies to the following new or amended standards within the 2016/17 code:

- Amendments to the reporting of pension fund scheme transaction costs.
- Amendment to the reporting of investment concentration.

The Council does not anticipate that any of the above will have a material impact on the financial statements.

## 3 Critical Judgements in Applying Accounting Policies

In applying the accounting policies, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.
- A review is undertaken to assess whether capital spend restores or enhances an asset. A further judgement is then made as to whether there is a consequent requirement to derecognise any existing value of any component of the asset. The Council derecognises a component when the expenditure exceeds 75% of the carrying value of the component. Expenditure on components below this value is impaired through the Comprehensive Income and Expenditure Statement.

## 4 Assumptions made about the future and other major sources of estimation uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experiences, current trends and other relevant factors. However, because balances cannot be determined with

# GENERAL NOTES

certainty, actual results could be materially different from the assumptions and estimates.

The items in the Authority's Balance Sheet at 31 March 2017 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

## Arrears

At 31 March 2017, the Authority had total outstanding arrears of £4.843m. This was made up of a sundry debtor balance of £0.540m, rents of £1.669m, over paid housing benefits of £1.629m, NNDR payers of £0.319m and council tax payers of £0.686m. A review of bad debt provision has been undertaken based on the age of the debt, and a total doubtful debt provision of £2.693m has been made in the Accounts.

If collection rates were to change, either positively or negatively, this would be reflected in the current year's budgets as an increase or decrease in provision requirements. Any change in the budgeted provision would impact on reserve balances. If collection rates were to deteriorate, 10% of the amount of the impairment of bad debts would require an additional provision of £0.269m.

## Earmarked Reserves

A sum of £0.549m has been set aside to cover potential legal claims against the Council. If the reserve is not required, any remaining balance will be transferred into general fund balances. The reserve will be reviewed annually and adjusted accordingly. If the reserve is not sufficient then General Fund balances will be utilised.

A sum has also been set aside for Business Rates (£1.258m). The amount of income retained from business rates each year is based on an estimate as at 31 January, the surplus or deficit is based on the outturn position and further adjustments are made for the levy and redistributions in and out of the pool. Due to the complexity of these estimates an earmarked reserve has been created to mitigate against any future impact to the General Fund.

## Property, Plant and Equipment

The Council's assets are reviewed for impairment on an annual basis by the Council's Senior Estates and Valuation Officer. The impairment review considers the overall market conditions as well as any impairment relating to loss of economic benefit.

Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets.

If the level of impairment is changed, this will impact on the net worth of the Council. Impairment charges are reflected in the Accounts but are reversed through the

[\*North East Derbyshire District Council Statement of Accounts 2016/17\*](#)

# GENERAL NOTES

Movement in Reserves Statement so that there is no impact on the council tax or rent payer.

It is estimated that the annual depreciation charge for buildings, including council dwellings, would increase by £0.945m for every year that useful lives had to be reduced.

## Pensions Liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.

During 2016/17 the Council's actuaries advised that the net pension liability had increased by £6.200m. This is made up of:

- £4.924m actuarial loss
- £1.276m loss arising from employer contributions of £2.702m being less than the pension obligations of £3.978m

The effect of changes in the individual assumptions can be measured. For instance a 0.5% decrease in the discount rate assumption would result in a decrease in the pension liability of £13.571m. A 0.5% increase in the assumed salary increase rate would result in a £1.887m increase in the pension liability and an increase of 0.5% in the assumed pension rate would increase the pension liability by £11.488m. A one year increase in member life expectancy would increase the defined benefit obligation by around 3-5%.

## Business Rates Appeals Provision

Since the introduction of the Business Rates Retention Scheme effective from 1st April 2013, Local Authorities are liable for their proportionate share of successful appeals against business rates charged to businesses in 2015-16 and earlier financial years. Therefore, a provision has been recognised for the best estimate of the amount that businesses have overpaid up to 31st March 2017. The estimate has been calculated using the latest Valuation Office (VAO) ratings list of appeals and the analysis of successful appeals to date when providing the estimate of total provision up to and including 31st March 2017. The Council's share of the balance of business rate appeals provisions held at this date amounted to £1.030m compared to £1.376m in 2015/16.

## **5 Prior Period Adjustments**

There have been no prior period adjustments to the published financial statements for 2015/16

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**2016/17**

# EXPENDITURE & FUNDING ANALYSIS

The Expenditure and Funding Analysis shows the adjustment between the funding basis, which is that reported for management decision making and the accounting basis in the year.

<b>2016/17</b>			
	<b>Net expenditure chargeable to the GF/HRA £'000</b>	<b>Adjustments between Funding and accounting basis £'000</b>	<b>Net expenditure in CIES £'000</b>
Growth Directorate	2,851	(1,803)	1,048
Operations Directorate	4,612	(913)	3,699
Transformation Directorate	3,332	90	3,422
Housing Revenue Account	(7,877)	(80,473)	(88,350)
<b>Net Cost of Services</b>	<b>2,918</b>	<b>(83,099)</b>	<b>(80,181)</b>
Other Income and Expenditure	(4,961)	2,481	(2,480)
<b>(Surplus) or Deficit on Provision of Services</b>	<b>(2,043)</b>	<b>(80,618)</b>	<b>(82,661)</b>

<b>2015/16 Restated</b>			
	<b>Net expenditure chargeable to the GF/HRA £'000</b>	<b>Adjustments between Funding and accounting basis £'000</b>	<b>Net expenditure in CIES £'000</b>
Growth Directorate	2,809	2,327	5,136
Operations Directorate	5,171	90	5,261
Transformation Directorate	2,405	(169)	2,236
Housing Revenue Account	(1,089)	(792)	(1,881)
<b>Net Cost of Services</b>	<b>9,296</b>	<b>1,456</b>	<b>10,752</b>
Other Income and Expenditure	(10,742)	10,312	(430)
<b>(Surplus) or Deficit on Provision of Services</b>	<b>(1,446)</b>	<b>11,768</b>	<b>10,322</b>

<b>General Fund and HRA Balances</b>	<b>2016/17</b>	2015/16
Opening GF and HRA Balances @ 1 April	<b>11,693</b>	10,247
Net surplus /(deficit) on GF in year	<b>2,043</b>	1,446
Closing GF and HRA balance at 31 March	<b>13,736</b>	11,693

## MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Cost of All Services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The increase/decrease line shows the net increase or decrease to reserves in year.

2016/17	General Fund Balances £'000	HRA Balances	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
<b>Balance at 31 March 2016</b>	<b>8,209</b>	<b>3,484</b>	<b>1,800</b>	<b>1,207</b>	<b>393</b>	<b>15,093</b>	<b>84,442</b>	<b>99,535</b>
Movement in Reserves during 2016/17:								
Total Comprehensive Income and Expenditure	1,347	81,314	0	0	0	<b>82,661</b>	8,713	<b>91,374</b>
Adjustments from I&E charged under the accounting basis to the funding basis under regulation	(145)	(80,473)	747	316	1,296	<b>(78,259)</b>	78,259	<b>0</b>
Increase or (decrease) in 2016/17	1,202	841	747	316	1,296	<b>4,402</b>	86,972	<b>91,374</b>
<b>Balance at 31 March 2017</b>	<b>9,411</b>	<b>4,325</b>	<b>2,547</b>	<b>1,523</b>	<b>1,689</b>	<b>19,495</b>	<b>171,414</b>	<b>190,909</b>



## MOVEMENT IN RESERVES STATEMENT

<b>2015/16 Restated</b>	General Fund Balances £'000	HRA Balances	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	<b>Total Usable Reserves £'000</b>	<b>Unusable Reserves £'000</b>	<b>Total Authority Reserves £'000</b>
<b>Balance at 31 March 2015</b>	<b>5,997</b>	<b>4,250</b>	<b>1,195</b>	<b>7,288</b>	<b>54</b>	<b>18,784</b>	<b>76,164</b>	<b>94,948</b>
Movement in Reserves during 2015/16:								
Total Comprehensive Income and Expenditure	(3,581)	(6,740)	0	0	0	<b>(10,321)</b>	14,908	<b>4,587</b>
Adjustments from I&E charged under the accounting basis to the funding basis under regulation	5,793	5,974	605	(6,081)	339	<b>6,630</b>	(6,630)	<b>0</b>
Increase or (decrease) in 2015/16	2,212	(766)	605	(6,081)	339	<b>(3,691)</b>	8,278	<b>4,587</b>
<b>Balance at 31 March 2016</b>	<b>8,209</b>	<b>3,484</b>	<b>1,800</b>	<b>1,207</b>	<b>393</b>	<b>15,093</b>	<b>84,442</b>	<b>99,535</b>

# COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

2015/16 Restated			2016/17			
Expenditure	Income	Net Expenditure	Expenditure	Income	Net Expenditure	
£'000	£'000	£'000	£'000	£'000	£'000	
9,849	(4,713)	<b>5,136</b>	Growth Directorate	6,837	(5,789)	<b>1,048</b>
40,925	(35,664)	<b>5,261</b>	Operations Directorate	33,661	(29,962)	<b>3,699</b>
8,869	(6,633)	<b>2,236</b>	Transformation Directorate	7,292	(3,870)	<b>3,422</b>
<b>Cost Of General Fund</b>						
59,643	(47,010)	<b>12,633</b>	<b>Services</b>	47,790	(39,621)	<b>8,169</b>
31,734	(33,615)	<b>(1,881)</b>	Housing Revenue Account	7,670	(33,262)	<b>(25,592)</b>
0	0	<b>0</b>	HRA Exceptional Item (note 3)	(62,758)	0	<b>(62,758)</b>
91,377	(80,625)	<b>10,752</b>	<b>Cost of All Services</b>	(7,298)	(72,883)	<b>(80,181)</b>
		7,564	Other Operating Expenditure (note 4)			5,388
		7,139	Financing and Investment Income and Expenditure (note 5)			6,759
		(15,133)	Taxation and Non-Specific Grant Income (note 6)			(14,627)
		<b>10,322</b>	<b>(Surplus) or Deficit on Provision of Services</b>			<b>(82,661)</b>
		(3,520)	(Surplus) or Deficit on Revaluation of Fixed Assets (note 23)			(13,637)
		(11,388)	Actuarial (Gains)/Losses on Pension Assets/Liabilities (note 23 & 38)			4,924
		<b>(14,908)</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(8,713)</b>
		<b>(4,586)</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(91,374)</b>

## BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

31 March 2016 £'000	Note	31 March 2017 £'000	
284,662	Property, Plant & Equipment	Note 10	<b>371,488</b>
68	Heritage Assets	Note 10 & 11	<b>58</b>
12,294	Investment Property	Note 12	<b>12,024</b>
32	Intangible Assets	Note 13	<b>120</b>
2,950	Long Term Debtors	Note 14	<b>3,693</b>
<b>300,006</b>	<b>Long Term Assets</b>		<b>387,383</b>
0	Assets Held for Sale	Note 15	<b>0</b>
96	Inventories	Note 16	<b>96</b>
5,983	Short Term Debtors	Note 17	<b>5,185</b>
3,562	Cash and Cash Equivalents	Note 18	<b>11,109</b>
<b>9,641</b>	<b>Current Assets</b>		<b>16,390</b>
(1,357)	Short Term Borrowing	Note 19	<b>(1,352)</b>
(8,298)	Short Term Creditors	Note 20	<b>(6,506)</b>
(1,412)	Provisions (short term)	Note 21	<b>(1,066)</b>
<b>(11,067)</b>	<b>Current Liabilities</b>		<b>(8,924)</b>
(155,451)	Long Term Borrowing	Note 19	<b>(154,149)</b>
(43,594)	Other Long Term Liabilities	Note 19 & 38	<b>(49,791)</b>
<b>(199,045)</b>	<b>Long Term Liabilities</b>		<b>(203,940)</b>
<b>99,535</b>	<b>Net Assets</b>		<b>190,909</b>
(15,093)	<b>Usable Reserves</b>	MIRS & 22	(19,495)
(84,442)	<b>Unusable Reserves</b>	MIRS & 23	(171,414)
<b>(99,535)</b>	<b>Total Reserves</b>		<b>(190,909)</b>

## CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing or financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

2015/16 £'000	2016/17 £'000
10,322 Net (surplus) or deficit on the provision of services	(82,661)
Adjustment to surplus or deficit on the provision of services for noncash (33,953) movements	58,230
Adjust for items included in the net surplus or deficit on the provision of 5,966 services that are investing and financing activities	6,404
<b>(17,665) Net Cash flows from operating activities (note 24)</b>	<b>(18,027)</b>
17,032 Investing Activities (note 25)	9,177
2,422 Financing Activities (note 26)	1,302
<b>1,789 Net (increase) or decrease in cash and cash equivalents</b>	<b>(7,548)</b>
(5,350) Cash and cash equivalents at the beginning of the reporting period	(3,561)
<b><u>(3,561) Cash and cash equivalents at the end of the reporting period (note 18)</u></b>	<b><u>(11,109)</u></b>

NOTES TO THE CORE SINGLE ENTITY  
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**NOTES TO THE CORE  
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**2016/17**

# EXPENDITURE & FUNDING ANALYSIS NOTES

## 1 Note to the Expenditure and Funding Analysis: Adjustments between Accounting Basis and Funding Basis

The note below shows the difference between the accounting basis and funding basis.

1a 2016/17				
Note to the Expenditure and Funding Analysis: Adjustments between funding and accounting basis				
Adjustments from GF to arrive at the CIES amounts	Adjustments for capital purposes £'000	Net changes for pension adjustments £'000	Other differences £'000	Total Adjustments £'000
Growth Directorate	(2,209)	401	5	(1,803)
Operations Directorate	85	(995)	(3)	(913)
Transformation Directorate	(272)	350	12	90
Housing Revenue Account	(80,473)	0	0	(80,473)
<b>Net Cost of Services</b>	<b>(82,869)</b>	<b>(244)</b>	<b>14</b>	<b>(83,099)</b>
<i>Other operating expenditure and income</i>	1,193	1,520	(232)	2,481
<b>Difference between GF (surplus) / deficit and CIES (surplus) / deficit</b>	<b>(81,676)</b>	<b>1,276</b>	<b>(218)</b>	<b>(80,618)</b>

1a 2015/16 restated				
Note to the Expenditure and Funding Analysis: Adjustments between funding and accounting basis				
Adjustments from GF to arrive at the CIES amounts	Adjustments for capital purposes £'000	Net changes for pension adjustments £'000	Other differences £'000	Total Adjustments £'000
Growth Directorate	1,791	528	8	2,327
Operations Directorate	897	(814)	7	90
Transformation Directorate	(609)	446	(6)	(169)
Housing Revenue Account	0	0	(792)	(792)
<b>Net Cost of Services</b>	<b>2,079</b>	<b>160</b>	<b>(783)</b>	<b>1,456</b>
<i>Other operating expenditure and income</i>	10,022	1,702	(1,412)	10,312
<b>Difference between GF (surplus) / deficit and CIES (surplus) / deficit</b>	<b>12,101</b>	<b>1,862</b>	<b>(2,195)</b>	<b>11,768</b>

# EXPENDITURE & FUNDING ANALYSIS NOTES

## Adjustments for Capital Purposes

1. Adjustments for capital purposes – this column adds in depreciation and impairment and revaluation gains and losses in the service line, and for:
  - **Other operating expenditure** – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
  - **Financing and investment income and expenditure** – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
  - **Taxation and non-specific grant income and expenditure** – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

## Net Change for the Pensions Adjustments

2. Net change for the removal of pension contributions and the addition of IAS 19 *Employee Benefits* pension related expenditure and income:
  - **For services** this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.
  - For **Financing and investment income and expenditure** - the net interest on the defined benefit liability is charged to the CIES.

## Other Differences

3. Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amount payable/receivable to be recognised under statute:
  - For **Financing and investment income and expenditure** the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.

## EXPENDITURE & FUNDING ANALYSIS NOTES

- The charge under **Taxation and non-specific grant income and expenditure** represents the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

The table below shows the amount of income received from external sources given on a segmental basis.

	<b>2016/17</b>	2015/16
	<b>Income</b>	Income
	<b>from</b>	from
<b>Services</b>	<b>Services</b>	Services
	<b>£'000</b>	£'000
Growth Directorate	<b>(5,790)</b>	(2,642)
Operations Directorate	<b>(6,089)</b>	(4,406)
Transformation Directorate	<b>(3,869)</b>	(3,096)
Housing Revenue Account	<b>(33,262)</b>	(33,565)
Other operating income	<b>0</b>	(538)
<b>Total income analysed on a segmental basis</b>	<b><u>(49,010)</u></b>	<u>(44,247)</u>



# MOVEMENT IN RESERVES NOTES

## 2 Adjustments between Accounting Basis and Funding Basis under Regulations

This note details adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

2016/17	General Fund Balances £'000	HRA Balances	Usable Reserves Usable Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000
<b>Adjustments to the Revenue Resources</b>					
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:					
· Pension costs (transfers to or from the Pensions Reserve)	1,276	0	0	0	0
· Council Tax and NNDR (transfers to or from the Collection Fund)	(232)	0	0	0	0
· Holiday Pay (transfers to or from the Accumulated Absences Reserve)	14	0	0	0	0
· Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	477	(68,205)	0	0	0
<b>Total Adjustments to Revenue Resources</b>	<b>1,535</b>	<b>(68,205)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Adjustments between Revenue and Capital Resources</b>					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(702)	(3,365)	4,067	0	0
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	658		(658)	0	0
Posting of HRA resources from revenue to the Major Repairs Reserve	0	(9,239)	0	9,239	0
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	0	0	(1,329)	0	0
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	0	0	0	0	0
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>(44)</b>	<b>(12,604)</b>	<b>2,080</b>	<b>9,239</b>	<b>0</b>
<b>Adjustments to Capital Resources</b>					
Use of Capital Receipts Reserve to finance capital expenditure	0	0	(1,336)	0	0
Use of the Major Repairs Reserve to finance capital expenditure	0	0	0	(8,923)	0
Application of capital grants to finance capital expenditure	(1,636)	339	0	0	1,296
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	(3)	3	0	0
<b>Total Adjustments to Capital Resources</b>	<b>(1,636)</b>	<b>336</b>	<b>(1,333)</b>	<b>(8,923)</b>	<b>1,296</b>
<b>Total Adjustments</b>	<b>(145)</b>	<b>(80,473)</b>	<b>747</b>	<b>316</b>	<b>1,296</b>

# MOVEMENT IN RESERVES NOTES

2015/16 Restated	General Fund Balances £'000	HRA Balances	Usable Reserves Usable Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000
<b>Adjustments to the Revenue Resources</b>					
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:					
· Pension costs (transfers to or from the Pensions Reserve)	1,862	0	0	0	0
· Council Tax and NNDR (transfers to or from the Collection Fund)	1,347	0	0	0	0
· Holiday Pay (transfers to or from the Accumulated Absences Reserve)	9	0	0	0	0
· Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	3,177	18,191	0	0	0
<b>Total Adjustments to Revenue Resources</b>	<b>6,395</b>	<b>18,191</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Adjustments between Revenue and Capital Resources</b>					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(1,270)	(2,953)	4,223	0	0
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	667		(667)	0	0
Posting of HRA resources from revenue to the Major Repairs Reserve	0	(8,909)	0	8,909	0
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	0	0	(2,575)	0	0
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	0	0	0	0	0
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>(603)</b>	<b>(11,862)</b>	<b>981</b>	<b>8,909</b>	<b>0</b>
<b>Adjustments to Capital Resources</b>					
Use of Capital Receipts Reserve to finance capital expenditure	0	0	(391)	0	0
Use of the Major Repairs Reserve to finance capital expenditure	0	0	0	(14,990)	0
Application of capital grants to finance capital expenditure	1	(340)	0	0	339
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	(15)	15	0	0
<b>Total Adjustments to Capital Resources</b>	<b>1</b>	<b>(355)</b>	<b>(376)</b>	<b>(14,990)</b>	<b>339</b>
<b>Total Adjustments</b>	<b>5,793</b>	<b>5,974</b>	<b>605</b>	<b>(6,081)</b>	<b>339</b>

# COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT NOTES

## 3 Material Items of Income and Expense

### 2016/17

There was one item disclosed separately during 2016/17. This related to the revaluation of the regional reduction for social housing. Council Housing stock is valued on the basis of market value with vacant possession less a regional reduction. For 2016/17 this has been revised to 42% from a 2015/16 factor of 34%. This adjustment has resulted in an increase in value of the Council's housing stock of £62.758m.

### 2015/16

There were no material items to be disclosed separately during 2015/16.

## 4 Other Operating Expenditure

2015/16 £'000	2016/17 £'000
3,145 Parish Council Precepts and Council Tax Reduction Contribution	3,175
666 Payments to the Government Housing Capital Receipts Pool	658
3,753 (Gains)/Losses on the disposal of non-current assets	1,555
<b>7,564 Total</b>	<b>5,388</b>

## 5 Financing and Investment Income & Expenditure

2015/16 £'000	2016/17 £'000
5,701 Interest payable and similar charges	5,587
1,702 Net interest on the net defined benefit liability	1,520
(197) Interest receivable and similar income	(166)
Income and expenditure in relation to investment properties and	
(67) changes in their fair value	(182)
0 Other investment income	0
<b>7,139</b>	<b>6,759</b>

# COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT NOTES

## 6 Taxation and Non Specific Grant Income

2015/16 £'000	2016/17 £'000
(1,971) Revenue Support Grant	(1,295)
(698) New Homes Bonus Grant	(1,226)
(1,355) Capital Grants and Contributions	0
(58) Council Tax Freeze Grant	0
(4,082)	(2,521)
(2,966) Business Rates Retention	(3,559)
(8,085) Council Tax Income (includes parish precepts)	(8,547)
<b>(15,133) Total Grants</b>	<b>(14,627)</b>

# COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT NOTES

## 7 Grant Income

The Authority credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2016/17.

	2016/17 £'000	2015/16 £'000
<b>Credited to Taxation and Non Specific Grant Income</b>		
<b>See note 6</b>	<b>(2,521)</b>	<b>(4,082)</b>
<u>Credited to Services</u>		
Council Tax Admin Grant	(129)	(113)
Disabled Facilities Grant	(581)	(373)
European Elections Grant	(161)	(13)
Health Authority Contributions	(19)	(25)
Housing Benefits Admin Grant	(323)	(381)
Housing Benefits New Burdens Grant	(79)	(53)
IER Funding Grant	0	0
Parish Council Contributions	0	(3)
Police & Crime Commission Elections Grant	(144)	0
Police Authority Contributions	(29)	(29)
Rent Allowances Grant	(7,737)	(7,484)
Rent Rebates Grant	(15,808)	(16,466)
Section 106 Grants	(2,139)	0
Other Grants	(230)	(376)
Other Contributions	(90)	(66)
Total	<b>(27,469)</b>	<b>(25,382)</b>
<b>Overall Grants Total</b>	<b>(29,990)</b>	<b>(29,464)</b>

# COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT NOTES

## 8 Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2016/17.

	Balance at 31st March 2015 £'000	Transfers Out 2015/16 £'000	Transfers In 2015/16 £'000	Balance at 31st March 2016 £'000	Transfers Out 2016/17 £'000	Transfers In 2016/17 £'000	Balance at 31st March 2017 £'000
<b>General Fund:</b>							
Revenue Grant Reserve	(612)	42	(483)	(1,053)	492	(1,242)	(1,803)
Legal Reserve	(687)	101	0	(586)	122	(85)	(549)
Car Park Enforcement	(4)	0	0	(4)	0	0	(4)
Planning Policy	(170)	0	(10)	(180)	10	0	(170)
Invest to Save	(2,274)	429	(937)	(2,782)	1,358	(1,554)	(2,978)
Revenue Projects	(98)	19	(5)	(84)	60	0	(24)
Insurance Reserve	(60)	0	(10)	(70)	0	(10)	(80)
Business Rates	0	0	(1,000)	(1,000)	0	(258)	(1,258)
Investment Properties R & M	(105)	0	(25)	(130)	0	(25)	(155)
Other Reserves	(187)	11	(144)	(320)	9	(79)	(390)
<b>Total</b>	<b>(4,197)</b>	<b>602</b>	<b>(2,614)</b>	<b>(6,209)</b>	<b>2,051</b>	<b>(3,253)</b>	<b>(7,411)</b>
<b>HRA:</b>							
Insurance Reserve	(295)	0	(50)	(345)	0	(50)	(395)
New Build Reserve	(1,157)	2,759	(1,770)	(168)	1,025	(1,787)	(930)
ALMO Deficit Reserve	0	0	0	0	0	0	0
<b>Total</b>	<b>(1,452)</b>	<b>2,759</b>	<b>(1,820)</b>	<b>(513)</b>	<b>1,025</b>	<b>(1,837)</b>	<b>(1,325)</b>
<b>Total</b>	<b>(5,649)</b>	<b>3,361</b>	<b>(4,434)</b>	<b>(6,722)</b>	<b>3,076</b>	<b>(5,090)</b>	<b>(8,736)</b>

# COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT NOTES

## 9 Expenditure and Income by nature

	2016/17	2015/16
	£'000	£'000
<b>Expenditure</b>		
Employee Expenses	10,810	15,679
Premised Related Expenditure	1,386	1,592
Transport Costs	762	691
Supplies and Services	28,529	18,428
Support Services	2,165	12,260
Transfer Payments	23,873	38,176
Capital Financing Costs	(64,264)	11,292
Interest Payments	5,587	5,577
Precepts and Levies	3,175	3,145
Payments to Housing Capital Receipts Pool	658	667
<b>Total Expenditure</b>	<b>12,681</b>	<b>107,507</b>
<b>Income</b>		
Fees, Charges and Other Service Income	(44,687)	(44,247)
Interest and Investment Income	(35)	(258)
Government Grants	(35,979)	(29,342)
Business Rate Retention	(3,559)	(2,966)
Income From Council Tax	(8,547)	(7,919)
Recharges and Other Income	(2,535)	(12,453)
<b>Total Income</b>	<b>(95,342)</b>	<b>(97,185)</b>
<b>Surplus or Deficit on the Provision of Services</b>	<b>(82,661)</b>	<b>10,322</b>

# BALANCE SHEET NOTES

## 10 Property, Plant and Equipment

Movements in 2016/17											
	Council Dwellings	Other Land and Buildings	Vehicles, Plant and Equipment	Infrastructure Assets	Heritage Assets	Community Assets	Surplus Assets	Assets under Construction	Total Property, Plant & Equipment (Asset Register)	Leased Assets	Total Property, Plant & Equipment
Cost or Valuation & Impairment	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1st April 2016	266,713	14,264	5,347	390	68	1	333	302	287,418	222	287,640
<b>Movement in cost or valuation</b>											
Reclassification	298	4	0	0	0	0	200	(302)	200	0	200
Assets reclassified (to)/from Held for Sale	0	0	0	0	0	0	0	0	0	0	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve - 1 April	3,690	0	0	0	0	0	0	0	3,690	0	3,690
Revaluation increases/(decreases) recognised in the surplus/deficit on the provision of service - 1 April	59,068	0	0	0	0	0	0	0	59,068	0	59,068
Additions	9,462	1,907	361	0	0	0	0	343	12,073	0	12,073
Impairment of Additions - Revaluation Reserve	(625)	(20)	0	0	0	0	0	0	(645)	0	(645)
Impairment of Additions - CIES	(5,957)	(1,891)	0	0	0	0	0	0	(7,848)	0	(7,848)
Disposals	(4,941)	(40)	(159)	0	0	0	(175)	0	(5,315)	(222)	(5,537)
Revaluation increases/(decreases) recognised in the Revaluation Reserve - 31 March	6,034	224	0	0	(10)	0	0	0	6,248	0	6,248
Revaluation increases/(decreases) recognised in surplus/deficit on the provision of service - 31 March	19,028	616	0	0	0	0	0	0	19,644	0	19,644
<b>As at 31st March 2017</b>	<b>352,770</b>	<b>15,064</b>	<b>5,549</b>	<b>390</b>	<b>58</b>	<b>1</b>	<b>358</b>	<b>343</b>	<b>374,533</b>	<b>0</b>	<b>374,533</b>



# BALANCE SHEET NOTES

<b>Movements in 2016/17</b>											
	<b>Council Dwellings</b>	<b>Other Land and Buildings</b>	<b>Vehicles, Plant and Equipment</b>	<b>Infrastructure Assets</b>	<b>Heritage Assets</b>	<b>Community Assets</b>	<b>Surplus Assets</b>	<b>Assets under Construction</b>	<b>Total Property, Plant &amp; Equipment (Asset Register)</b>	<b>Leased Assets</b>	<b>Total Property, Plant &amp; Equipment</b>
<b>Accumulated Depreciation</b>											
At 1st April 2016	0	(1,027)	(1,634)	(32)	0	0	0	0	(2,693)	(217)	(2,910)
Movement in depreciation reclassification	0	0	0	0	0	0	0	0	0	0	0
Depreciation Charge	(7,303)	(269)	(824)	(7)	0	0	0	0	(8,403)	(5)	(8,408)
Assets reclassified (to)/from Held for Sale	0	0	0	0	0	0	0	0	0	0	0
Depreciation written out to the Revaluation Reserve	3,948	228	0	0	0	0	0	0	4,176	0	4,176
Depreciation written out to the surplus/deficit on provision of services	3,188	421	0	0	0	0	0	0	3,609	0	3,609
Disposals	167	0	157	0	0	0	0	0	324	222	546
Depreciation reversed due to impairment review	0	0	0	0	0	0	0	0	0	0	0
<b>As at 31st March 2017</b>	<b>0</b>	<b>(647)</b>	<b>(2,301)</b>	<b>(39)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(2,987)</b>	<b>0</b>	<b>(2,987)</b>
<b>Net Book Value</b>											
Balance Sheet Net Amount at 31st March 2017	352,770	14,417	3,248	351	58	1	358	343	371,546	0	371,546
Balance Sheet Net Amount at 31st March 2016	266,713	13,237	3,713	358	68	1	333	302	284,725	5	284,730

## BALANCE SHEET NOTES

# BALANCE SHEET NOTES

<b>Movements in 2015/16</b>											
	<b>Council Dwellings</b>	<b>Other Land and Buildings</b>	<b>Vehicles, Plant and Equipment</b>	<b>Infrastructure Assets</b>	<b>Heritage Assets</b>	<b>Community Assets</b>	<b>Surplus Assets</b>	<b>Assets under Construction</b>	<b>Total Property, Plant &amp; Equipment (Asset Register)</b>	<b>Leased Assets</b>	<b>Total Property, Plant &amp; Equipment</b>
<b>Cost or Valuation &amp; Impairment</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
At 1st April 2015	263,921	15,394	3,544	390	93	1	333	4,966	<b>288,642</b>	1,374	<b>290,016</b>
<b>Movement in cost or valuation</b>											
Reclassification	4,955	0	11	0	0	0	0	(4,966)	<b>0</b>	0	<b>0</b>
Assets reclassified (to)/from Held for Sale	0	0	0	0	0	0	0	0	<b>0</b>	0	<b>0</b>
Revaluation increases/(decreases) recognised in the Revaluation Reserve - 1 April	0	228	0	0	0	0	0	0	<b>228</b>	0	<b>228</b>
Revaluation increases/(decreases) recognised in the surplus/deficit on the provision of service - 1 April	0	(152)	0	0	0	0	0	0	<b>(152)</b>	0	<b>(152)</b>
Additions	19,955	346	1,905	0	0	0	0	302	<b>22,508</b>	0	<b>22,508</b>
Impairment of Additions - Revaluation Reserve	(302)	0	0	0	0	0	0	0	<b>(302)</b>	0	<b>(302)</b>
Impairment of Additions - CIES	(11,636)	(346)	0	0	0	0	0	0	<b>(11,982)</b>	0	<b>(11,982)</b>
Disposals	(6,310)	(1,206)	(113)	0	(25)	0	0	0	<b>(7,654)</b>	(1,152)	<b>(8,806)</b>
Revaluation increases/(decreases) recognised in the Revaluation Reserve - 31 March	365	0	0	0	0	0	0	0	<b>365</b>	0	<b>365</b>
Revaluation increases/(decreases) recognised in surplus/deficit on the provision of service - 31 March	(4,235)	0	0	0	0	0	0	0	<b>(4,235)</b>	0	<b>(4,235)</b>
<b>As at 31st March 2016</b>	<b>266,713</b>	<b>14,264</b>	<b>5,347</b>	<b>390</b>	<b>68</b>	<b>1</b>	<b>333</b>	<b>302</b>	<b>287,418</b>	<b>222</b>	<b>287,640</b>

# BALANCE SHEET NOTES

<b>Movements in 2015/16</b>											
	<b>Council Dwellings</b>	<b>Other Land and Buildings</b>	<b>Vehicles, Plant and Equipment</b>	<b>Infrastructure Assets</b>	<b>Heritage Assets</b>	<b>Community Assets</b>	<b>Surplus Assets</b>	<b>Assets under Construction</b>	<b>Total Property, Plant &amp; Equipment (Asset Register)</b>	<b>Leased Assets</b>	<b>Total Property, Plant &amp; Equipment</b>
<b>Accumulated Depreciation</b>											
At 1st April 2015	0	(784)	(1,180)	(26)	0	0	0	0	(1,990)	(1,262)	(3,252)
Movement in depreciation reclassification	0	0	0	0	0	0	0	0	0	0	0
Depreciation Charge	(6,617)	(290)	(542)	(6)	0	0	0	0	(7,455)	(107)	(7,562)
Assets reclassified (to)/from Held for Sale	0	0	0	0	0	0	0	0	0	0	0
Depreciation written out to the Revaluation Reserve	3,229	0	0	0	0	0	0	0	3,229	0	3,229
Depreciation written out to the surplus/deficit on provision of services	3,140	27	0	0	0	0	0	0	3,167	0	3,167
Disposals	248	20	88	0	0	0	0	0	356	1,152	1,508
Depreciation reversed due to impairment review	0	0	0	0	0	0	0	0	0	0	0
<b>As at 31st March 2016</b>	<b>0</b>	<b>(1,027)</b>	<b>(1,634)</b>	<b>(32)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(2,693)</b>	<b>(217)</b>	<b>(2,910)</b>
<b>Net Book Value</b>											
Balance Sheet Net Amount at 31st March 2016	266,713	13,237	3,713	358	68	1	333	302	<b>284,725</b>	5	<b>284,730</b>
Balance Sheet Net Amount at 31st March 2015	263,921	14,610	2,364	364	93	1	333	4,966	<b>286,652</b>	112	<b>286,764</b>

# BALANCE SHEET NOTES

## Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:

Council Dwellings –

Component	Useful Life
Land	Infinite Life
Building	20 - 80 years (see note below)
Roof	50 years
Windows & Doors	30 years
Bathroom	20 years
Heating	20 years
Kitchen	15 years

During 2016/17 the building component of council dwellings has been depreciated over the following number of years: -

Defective Houses – 20 years

Pre 1945 – 50 years

1945 – 1974 – 60 years

Post 1974 – 80 years

Post 2010 – 80 years

Other assets are depreciated over the following lives: -

Other Land and Buildings – 10 – 50 years

Vehicles, Plant, Furniture and Equipment – 1 – 25 years

There is no requirement to depreciate land assets. In calculating depreciation, the straight line method has been adopted using a prudent estimate for the useful economic life and residual value for individual assets within each category. The fixed asset register contains the detailed information used in the depreciation calculation.

Leased vehicles are depreciated on a straight line basis from the month of acquisition.

## Assets under Construction

The majority of the Assets under Construction figure (£0.343m) is for work on the North Wingfield New Build scheme.

# BALANCE SHEET NOTES

## Impairment Losses

The Council has impaired £6.581m of capital works undertaken during 2016/17 (£12.284m, 2015/16) of which £5.956m (£11.982m, 2015/16) has been put through the Comprehensive Income and Expenditure Statement and £0.625m (£0.625m, 2015/16) through the Revaluation Reserve. It is recognised that this expenditure is not reflected in the overall value of the property.

The 31 March 2017 impairment gains of £25.062m (£3.870m losses, 2015/16) arise as values are adjusted to reflect current market values within the asset categories shown, of which £19.028m gain (£4.235m loss, 2015/16) has been put through the Comprehensive Income and Expenditure Statement and a gain of £6.034m (£0.365m gain, 2015/16) through the Revaluation Reserve.

## Capital Commitments

The following table identifies the capital commitments at the end of the financial year.

	31 March 2017 £'000	31 March 2016 £'000
Disabled Facilities Grants	213	181
TARRAN Scheme	0	943
North Wingfield New Build Scheme	1,980	0
<b>Total Commitments</b>	<b>2,193</b>	<b>1,124</b>

## Revaluations

A certified Valuation Report has been prepared by the Council's qualified Senior Estates and Valuation Officer for Council Dwellings, Operational and Non-Operational assets. The valuations are assessed on the basis of open market value (for existing use where appropriate) or depreciated replacement cost (where there is no market for the property) in accordance with the Statements of Asset Valuation Practice and Guidance Notes of the Royal Institution of Chartered Surveyors.

Valuations are assessed at maximum five year periods with additional annual desk-top reviews. The date of the last full valuation of assets was 1 April 2014. Council Housing stock is valued on the basis of market value with vacant possession less a regional reduction. For 2016/17 this has been revised to 42% (2015/16 34%). This adjustment has resulted in an increase in value of the Council's housing stock of £62.758m, of which £59,068m has been put through the Comprehensive Income and Expenditure Statement and £3.690m through the Revaluation Reserve.

Vehicles, Plant and Equipment, Infrastructure and Community Assets are shown in the Balance Sheet at historic cost.

## BALANCE SHEET NOTES

Assets are reviewed for any significant increases or decreases (impairment) in value every year. Impairment of assets is assessed in accordance with the guidance below. The Council has considered the following in respect of the valuations placed upon its assets in the Balance Sheet at 31 March 2017:

- any significant increase or decline in a fixed asset's market value during the period;
- evidence of obsolescence or physical damage to the fixed asset;
- a significant adverse change in the statutory or other regulatory environment in which the Authority operates;
- a commitment by the Authority to undertake a significant reorganisation.

## BALANCE SHEET NOTES

The following table shows the in year valuation changes for each category of non-current assets compared with the current historic cost:

	<b>Council Dwellings</b>	<b>Other Land and Buildings</b>	<b>Vehicles, Plant and Equipment</b>	<b>Infrastructure Assets</b>	<b>Heritage Assets</b>	<b>Community Assets</b>	<b>Surplus Assets</b>	<b>Assets under Construction</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Carried at Historic Cost	0	0	5,549	390	0	1	0	0	<b>5,940</b>
Valued at current value:									
31st March 2017	352,770	7,515	0	0	58	0	200	343	<b>360,886</b>
31st March 2016	0	4,530	0	0	0	0	0	0	<b>4,530</b>
31st March 2015	0	0	0	0	0	0	0	0	<b>0</b>
31st March 2014	0	825	0	0	0	0	0	0	<b>825</b>
31st March 2013	0	2,194	0	0	0	0	158	0	<b>2,352</b>
<b>Total cost or valuation</b>	<b>352,770</b>	<b>15,064</b>	<b>5,549</b>	<b>390</b>	<b>58</b>	<b>1</b>	<b>358</b>	<b>343</b>	<b>374,533</b>



# BALANCE SHEET NOTES

## 11 Heritage Assets

Reconciliation of the carrying value of Heritage Assets held by the Authority: -

	Civic Regalia	Sculpture	Total Assets
Cost or Valuation	£'000	£'000	£'000
1 April 2015	68	25	93
In Year Disposals	0	(25)	(25)
31 March 2016	68	0	68
<b>1 April 2016</b>	<b>68</b>	<b>0</b>	<b>68</b>
<b>Revaluations</b>	<b>(10)</b>	<b>0</b>	<b>(10)</b>
<b>31 March 2017</b>	<b>58</b>	<b>0</b>	<b>58</b>

### Civic Regalia

The Authority's collection of civic regalia is reported in the Balance Sheet at a jeweller's valuation which is based on market values. The most recent valuation has taken place during the 2016/17 financial year.

### Heritage Assets: Five year summary of transactions

	2016/17	2015/16	2014/15	2013/14	2012/13
	£'000	£'000	£'000	£'000	£'000
<b>Balance B/fwd</b>	<b>68</b>	93	93	93	93
<b>Revaluation of Assets</b>					
Civic Regalia	(10)	0	0	0	0
<b>Disposal of Assets</b>					
Sculpture	0	(25)	0	0	0
<b>Balance C/fwd</b>	<b>58</b>	68	93	93	93

# BALANCE SHEET NOTES

## 12 Investment Properties

The following items of income and expenditure have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

	2016/17 £'000	2015/16 £'000
Rental Income from investment property	(568)	(538)
Direct operating expenses arising from investment property	126	451
Capital Transactions	259	20
Net (gain)/loss	<u>(183)</u>	<u>(67)</u>

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

### Fair Value Hierarchy

Details of the Council's investment properties and information about the fair value hierarchy as at 31 March 2017 with comparators for 2015/16 are as follows:

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Fair value as at 31 March 2017 £'000
<b>Industrial Units</b>	0	4,417	0	4,417
<b>Commercial Properties</b>	0	6,467	0	6,467
<b>Land</b>	0	1,140	0	1,140
<b>Craft Centre</b>	0	0	0	0
<b>Total</b>	<u>0</u>	<u>12,024</u>	<u>0</u>	<u>12,024</u>

## BALANCE SHEET NOTES

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Fair value as at 31 March 2016 £'000
Industrial Units	0	4,625	0	4,625
Commercial Properties	0	1,140	0	1,140
Land	0	6,109	0	6,109
Craft Centre	0	420	0	420
<b>Total</b>	<b>0</b>	<b>12,294</b>	<b>0</b>	<b>12,294</b>

- Level 1 valuation uses quoted prices in active markets for identical assets.
- Level 2 valuation uses other observable inputs.
- Level 3 valuation uses significant unobservable inputs.

### **Valuation Techniques used to determine Level 2 (Significant Observable Inputs) Fair Values for Investment Properties**

The fair value for the £12.024m has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the Council's area. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised at Level 2 in the fair value hierarchy.

### **Highest and Best Use of Investment Properties**

In estimating the fair value of the Council's investment properties, the highest and best use of the properties is their current use.

### **Valuation Techniques**

There has been no change in the valuation techniques used during the year for investment properties.

## BALANCE SHEET NOTES

The following table summarises the movement in the fair value of investment properties over the year:

	2016/17 £'000	2015/16 £'000
<b>Balance B/fwd</b>	<b>12,294</b>	13,996
Reclassifications - Asset moved from OLB	<b>(200)</b>	0
<i>Additions:</i>		
Purchases	<b>570</b>	<b>0</b>
Enhancements	<b>92</b>	<b>0</b>
Disposals	<b>(632)</b>	(692)
Net gains/losses from fair value adjustments	<b>(100)</b>	(1,010)
<b>Balance C/fwd</b>	<b>12,024</b>	12,294

### 13 Intangible Assets

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include only purchased licences as the Council has no internally generated software. All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. The useful lives assigned to the major software suites used by the Council are:

Useful Life	Software Package
3 Years	Uniform - Planning GIS UPS Software Paye.net Windows 7 ISM Web Joint Domain User Device Replacement Programme

# BALANCE SHEET NOTES

The movement on intangible asset balances during the year is as follows:

	2016/17 £'000	2015/16 £'000
<b>Balance B/fwd</b>		
Gross carrying amount	672	661
Accumulated Amortisation	(640)	(552)
Reclassification - Asset	0	0
Reclassification - Accumulated Amortisation	0	0
Net Carrying Amount 1 April	32	109
<b>Additions:</b>		
Purchases	102	11
Amortisation	(14)	(88)
<b>Disposals:</b>		
Assets at GBV	0	0
Amortisation	0	0
<b>Balance C/fwd</b>	120	32
<b>Comprising:</b>		
Gross carrying amounts	774	672
Accumulated amortisation	(654)	(640)
	120	32

The intangible assets relate to computer software. This includes amortisation costs of £0.014m (£0.088m, 2015/16) which have been charged to services in the Comprehensive Income and Expenditure Statement. The assets are being amortised over a period of 3 years using a straight line method. An impairment review of these assets was undertaken as at 31 March 2017 which has not impacted on the asset values.

## 14 Long Term Debtors

	31st March 2017 £'000	31st March 2016 £'000
Housing Act Advances and Outstanding Mortgages	4	8
Rykneld Homes Loan	3,593	2,914
Transferred Debt	14	28
Works in Default	82	0
	3,693	2,950

# BALANCE SHEET NOTES

## 15 Assets Held For Sale

The Council has no Assets held for Sale at 31 March 2017.

## 16 Inventories

	<b>Balance at 31st March 2017 £'000</b>	<b>Balance at 31st March 2016 £'000</b>
Street Scene	74	75
Swimming Pools/Leisure Centres	18	17
Other	4	4
<b>Total</b>	<b>96</b>	<b>96</b>

## 17 Short Term Debtors

	<b>31st March 2017 £'000</b>	<b>31st March 2016 £'000</b>
Central Government Bodies	<b>1,133</b>	1,729
Other Local Authorities	<b>1,278</b>	374
Bodies external to Central Government	<b>2,774</b>	3,880
<b>Total</b>	<b>5,185</b>	<b>5,983</b>

## 18 Cash and Cash Equivalents

The balance of cash and cash equivalents is made up of the following elements:

	<b>31st March 2017 £'000</b>	<b>31st March 2016 £'000</b>
Cash held by Authority	6	6
Bank Current Accounts	1,060	16
Short Term Deposits	10,043	3,540
<b>Total Cash and Cash Equivalents</b>	<b>11,109</b>	<b>3,562</b>

# BALANCE SHEET NOTES

## 19 Financial Instruments

The aim of this note is to disclose the nature and extent of risks arising from financial instruments to which the Authority is exposed and to report how the Authority manages those risks.

Good practice for the main financial instruments held by the Council is covered within the CIPFA Treasury Management in the Public Services: Code of Practice. The Council has adopted this code of practice and agrees an annual Treasury Management Strategy. The Treasury Management Strategy (approved by Council) has set treasury management indicators and policies to mitigate key financial instrument risks in accordance with CIPFA's Prudential Code.

### Categories of Financial Instruments

The following categories of financial instruments are carried in the Balance Sheet.

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

(a)	Long Term		Short Term	
	31st March 2017 £'000	31st March 2016 £'000	31st March 2017 £'000	31st March 2016 £'000
<b>Investments</b>				
Loans and Receivables	0	0	10,043	3,540
<b>Total Investments</b>	<b>0</b>	<b>0</b>	<b>10,043</b>	<b>3,540</b>
<b>Debtors</b>				
Loans and Receivables	3,693	2,950	0	0
Financial assets carried at contract amounts	0	0	4,633	4,399
<b>Total Debtors</b>	<b>3,693</b>	<b>2,950</b>	<b>4,633</b>	<b>4,399</b>
<b>Borrowings</b>				
Financial liabilities carried at contract amounts	(154,149)	(155,451)	(1,352)	(1,357)
<b>Total Borrowings</b>	<b>(154,149)</b>	<b>(155,451)</b>	<b>(1,352)</b>	<b>(1,357)</b>
<b>Other Long Term Liabilities</b>				
Council House Mortgages Liability	(6)	(9)		
<b>Total Other Long Term Liabilities</b>	<b>(6)</b>	<b>(9)</b>		
<b>Creditors</b>				
Financial liabilities carried at contract amount	0	0	(6,294)	(8,130)
<b>Total Creditors</b>	<b>0</b>	<b>0</b>	<b>(6,294)</b>	<b>(8,130)</b>

# BALANCE SHEET NOTES

## Investments

The Council has the following investments as at 31 March 2016.

(b)	<b>Total Investment 31st March 2017 £'000</b>	<b>Total Investment 31st March 2016 £'000</b>
Natwest Bank	21	19
Santander	22	21
Standard Life	5,000	0
Federated	5,000	3,500
<b>Total Investment</b>	<b>10,043</b>	<b>3,540</b>

The following tables reconcile Debtors and Creditors included in financial instruments to the Balance Sheet:-

(c)	<b>2016/17 £'000</b>	<b>2015/16 £'000</b>
Debtors in Balance Sheet	5,185	5,983
Cash and Cash Equivalents in Balance Sheet	11,109	3,562
<i>Adjustments</i>		
Government Debtors	(1,459)	(1,704)
Council Tax Debtors	(686)	(681)
Overpaid Housing Benefit Debtors	(1,629)	(1,479)
Preceptors Debtors	(217)	(202)
NNDR Ratepayer Debtors	(319)	(257)
Doubtful Debt Provision	2,693	2,717
Investments	(10,043)	(3,540)
<b>Total Current Debtors</b>	<b>4,634</b>	<b>4,399</b>

External debt held by the Council is detailed below:

(d)	<b>Current Borrowing</b>		<b>Long Term Borrowing</b>	
	<b>31st March 2017 £'000</b>	<b>31st March 2016 £'000</b>	<b>31st March 2017 £'000</b>	<b>31st March 2016 £'000</b>
Public Works Loans Board	(1,302)	(1,301)	(154,149)	(155,451)
Accrued Interest	(50)	(51)	0	0
Temporary Borrowing	0	0	0	0
Leasing Liability	0	(5)	0	0
<b>Total Borrowing</b>	<b>(1,352)</b>	<b>(1,357)</b>	<b>(154,149)</b>	<b>(155,451)</b>



## BALANCE SHEET NOTES

Creditor amounts owed by the Council are detailed below:

(e)	2016/17 £'000	2015/16 £'000
Creditors in Balance Sheet	<b>(6,506)</b>	<b>(8,298)</b>
<i>Adjustments</i>		
NNDR Ratepayer Creditors	<b>79</b>	<b>42</b>
Council Tax Creditors	<b>133</b>	<b>126</b>
<b>Total Current Creditors</b>	<b>(6,294)</b>	<b>(8,130)</b>

### Analysis of Debt Maturity

(f)	Average Rate 31 March 2017 %	Total Outstanding 31 March 2017 £'000	Total Outstanding 31 March 2016 £'000
Less than one year - PWLB	<b>4.985</b>	<b>(1,302)</b>	(1,301)
PWLB Accrued Interest		<b>(50)</b>	(51)
Leasing Liability		<b>0</b>	(5)
Temporary Borrowing		<b>0</b>	0
<b>Total Short Term Borrowing</b>		<b>(1,352)</b>	(1,357)
Leasing Liability - 1-2 Years		<b>0</b>	0
<u>PWLB Loans</u>			
1 - 2 years	<b>4.371</b>	<b>(3,303)</b>	(1,302)
2 - 5 years	<b>4.018</b>	<b>(3,813)</b>	(4,911)
5 - 10 years	<b>3.954</b>	<b>(21,429)</b>	(21,538)
10 - 15 years	<b>3.208</b>	<b>(20,467)</b>	(18,470)
15 - 20 years	<b>3.380</b>	<b>(40,047)</b>	(36,140)
20 - 25 years	<b>3.522</b>	<b>(42,000)</b>	(42,000)
25 - 30 years	<b>3.516</b>	<b>(19,090)</b>	(23,272)
30 - 35 years	<b>0.000</b>	<b>0</b>	(3,818)
35 - 40 years	<b>4.550</b>	<b>(4,000)</b>	(4,000)
40 - 45 years	<b>0.000</b>	<b>0</b>	0
<b>Total Long Term Borrowing</b>		<b>(154,149)</b>	(155,451)
<b>Total Borrowing</b>	<b>3.572</b>	<b>(155,501)</b>	(156,808)

Fair Value of assets and liabilities carried at amortised cost in the balance sheet.

Financial liabilities and financial assets represented by loans and receivables are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

## BALANCE SHEET NOTES

- PWLB Debt - The PWLB Premature Repayment set of rates in force on 31 March 2017, the 2016 figure by reference to the set of interest rates in force on 31 March 2016;
- Long Term Debtors – the relevant term PWLB interest rates at 31 March 2017 have been applied to the effective interest rate calculation. Where the effective interest rate calculation has been made and the difference between the carrying amount and fair value is deemed immaterial (i.e. less than £10,000) the fair value and carrying amount are shown as the same value;
- Financial instruments that will mature within 12 months - The carrying amount is assumed to approximate to fair value;
- Trade and other receivables - The fair value is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

(g)	31 March 2017		31 March 2016	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
<b>Financial Liabilities</b>				
PWLB Debt	(155,451)	(188,889)	(156,752)	(193,597)
PWLB Accrued Interest	(50)	(50)	(51)	(51)
Leasing Liability	0	0	(5)	(5)
Other Long Term Liabilities	(6)	(6)	(9)	(9)
Long Term Creditors	0	0	0	0
Creditors/Cash Overdrawn	(6,294)	(6,294)	(8,130)	(8,130)
<b>Total</b>	<b>(161,801)</b>	<b>(195,239)</b>	<b>(164,947)</b>	<b>(201,792)</b>

The fair value is greater than the carrying amount because the Authority's portfolio of loans includes a number of loans where the interest rate payable is above the rates available for similar loans at the Balance Sheet date. This commitment increases the amount that the Authority would have to pay if the lender (PWLB) requested or agreed to the early repayment of the loans.

The fair value of Public Works Loan Board (PWLB) loans of £188.889m measures the economic effects of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date, which has been assumed as the PWLB redemption interest rates. The difference between the carrying amount and the fair value measures the additional interest that the authority will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

## BALANCE SHEET NOTES

(h)	31 March 2017		31 March 2016	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
<b>Loans and Receivables</b>				
Long Term Debtors	3,693	3,693	2,950	2,950
Debtors/Cash in Hand	4,633	4,633	4,399	4,399
<b>Total</b>	<b>8,326</b>	<b>8,326</b>	<b>7,349</b>	<b>7,349</b>

The effective interest rate calculation of the Long Term Debtors (Transferred Debt, Housing Act Advances, Right to Buy mortgages and other loans) did not produce a material difference between the carrying value and the fair value and as such no adjustments are made to the carrying amounts.

### The nature and extent of risks arising from Financial Instruments and how the Council manages those risks

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

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council;
- Liquidity risk – the possibility that the Council might not have enough funds available to meet its commitments to make payments;
- Market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

Within the Council's Treasury Management function of the Chief Financial Officer, the risk management of financial instruments is of paramount importance as it focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Under policies approved by the Council (Annual Treasury Management Strategy), the Council agrees written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash. The main principles set out in the Treasury Management Strategy are that security and liquidity, rather than return are the prime considerations.

### **Credit Risk**

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. Deposits are not made with banks or financial institutions unless they are rated independently with a minimum score of A-. The limit on deposits with our own bank and money market funds is £5m and no more than £5m will be lent to any other institution at any one time.

## BALANCE SHEET NOTES

The Council mainly invests surplus cash flow funds with a financial institution with appropriate status as set out in the Treasury Management Strategy. There is no historical experience of default. At 31 March 2017 there was no overnight borrowing.

The Council's Long Term Debtors are listed below:

(i)	Number of Advances		Balance Outstanding £'000		Max Loan Period Outstanding Years	
	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16
Housing Act Advances and RTB Mortgages	3	3	4	8	4	5
Transferred Debt	1	1	14	28	2	3
Rykneld Homes Loan	7	5	3,593	2,914	40	24
<b>Total</b>	<b>11</b>	<b>9</b>	<b>3,611</b>	<b>2,950</b>		

- HAA and RTB mortgages are collected via the cash office or direct debit and managed on behalf of the Council by an independent company that complies with all the requirements of the Financial Services Authority;
- Transferred debt. Rykneld Homes Loans are managed internally with annual invoices and statements sent to the two Councils, Rykneld Homes Limited, the Housing Association and Credit Union.

Debtor's covers general year end trade debtors and rent arrears. The Council does not generally allow credit for customers, such that some of the debtor balances are past the date due for payment. The Council has set aside doubtful debt provisions of £2.316m to meet any of these debts that are deemed to be non-collectible (2015/16, £2.408m).

Age debt profile of debt past its due date for payment:

### 2016/17

(i)	Rents £'000	General Debtors £'000	Year End Debtors £'000	Cash & Cash Equivalents £'000	Total £'000
0 to 3 months	0	327	1,359	11,109	12,795
3 months and over	1,669	60	0	0	1,729
Over 1 year	0	153	3,693	0	3,846
<b>Total</b>	<b>1,669</b>	<b>540</b>	<b>5,052</b>	<b>11,109</b>	<b>18,370</b>

# BALANCE SHEET NOTES

2015/16

(k)	Rents £'000	General Debtors £'000	Year End Debtors £'000	Cash & Cash Equivalents £'000	Total £'000
0 to 3 months	0	934	1,270	3,562	5,766
3 months and over	1,756	212	0	0	1,968
Over 1 year	0	206	2,950	0	3,156
<b>Total</b>	<b>1,756</b>	<b>1,352</b>	<b>4,220</b>	<b>3,562</b>	<b>10,890</b>

## Liquidity Risk

As the Authority has ready access to borrowings from the Public Works Loans Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. The Council employs appropriately trained staff to assist in making decisions regarding the Council's long term borrowing strategy.

All trade and other payables are due to be paid in less than one year.

## Market Risk

### Interest Rate Risk

The Authority is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in rates have a complex impact on the Authority. For instance a rise in interest rates would have the following effects:

- Borrowing for short term cash flow – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise;
- Borrowings at fixed rates – the fair value of the liabilities would fall;
- Investment of short term cash flow funds – the interest earned and credited to the Comprehensive Income and Expenditure Statement will rise.

Borrowings are not carried at fair value in the Balance Sheet so nominal gains or losses on fixed rate borrowings would not impact on the Comprehensive Income & Expenditure Statement.

The Council has no long term PWLB debt at variable interest rates. The Council does not invest in any shares.

# BALANCE SHEET NOTES

## Price Risk and Foreign Risks

The Council does not have any financial instruments that are subject to price variations. The Council also does not hold any foreign investments or borrowings.

## 20 Short Term Creditors

	31st March 2017 £'000	31st March 2016 £'000
Central Government Bodies	(1,592)	(880)
Other Local Authorities	(797)	(805)
NHS Bodies	0	(8)
Bodies external to Central Government	(4,117)	(6,605)
<b>Total</b>	<b>(6,506)</b>	<b>(8,298)</b>

## 21 Provisions

Provisions have been made for known liabilities uncertain as to the amount or timing in compliance with IAS37.

	31 March 2016 £'000	Use of Provision in Year £'000	Provision in Year £'000	31 March 2017 £'000
Rykneld Homes Loss Provision	(36)	0	0	(36)
NNDR Appeals Provision	(1,376)	3,024	(2,678)	(1,030)
<b>Total</b>	<b>(1,412)</b>	<b>3,024</b>	<b>(2,678)</b>	<b>(1,066)</b>

### Rykneld Homes Loss

This is a provision set aside to meet the costs where Rykneld Homes Limited has recorded a trading loss. It is envisaged that the provision will be offset in future years when Rykneld Homes Limited make trading profits.

### NNDR Appeals

The Collection Fund (NNDR) has a number of outstanding appeals regarding the Rateable Value applied to the premises within the District. These appeals are being heard by the District Valuer at the Valuation Office and are independent of the Council. The outstanding appeals at 31 March 2017, when assessed, may result in a reduction in the rateable value and as a result reduce the NNDR liability which will reduce NNDR income in the Collection Fund and therefore to the Council (40%). Some of these outstanding appeals go back over a number of years. The Council

## BALANCE SHEET NOTES

has employed an independent company to assess the appeals and assist in the calculation of an appropriate provision. The figures above relate only to the Council's proportion of outstanding appeals as at 31 March 2017.

### 22 Usable Reserves

Movements in the Council's usable reserves are summarised below:

	31 March 2016 £'000	Transfers to in year £'000	Transfers from in year £'000	31 March 2017 £'000
<b>Earmarked Reserves</b>				
General Fund (note 8)	(6,209)	(3,253)	2,051	<b>(7,411)</b>
Housing Revenue Account (note 8)	(513)	(1,837)	1,025	<b>(1,325)</b>
Major Repairs Reserve	(1,207)	(9,239)	8,923	<b>(1,523)</b>
Capital Receipts Reserve	(1,800)	(4,070)	3,323	<b>(2,547)</b>
Capital Grants Reserve	(393)	(1,753)	457	<b>(1,689)</b>
	<b>(10,122)</b>	<b>(20,152)</b>	<b>15,779</b>	<b>(14,495)</b>
<b>Balances</b>				
General Fund	(2,000)	0	0	<b>(2,000)</b>
Housing Revenue Account	(2,971)	(756)	727	<b>(3,000)</b>
	<b>(4,971)</b>	<b>(756)</b>	<b>727</b>	<b>(5,000)</b>
<b>Total</b>	<b>(15,093)</b>	<b>(20,908)</b>	<b>16,506</b>	<b>(19,495)</b>

### 23 Unusable Reserves

	31 March 2017 £'000	31 March 2016 £'000
(a) Revaluation Reserve	<b>(29,698)</b>	(17,617)
(b) Capital Adjustment Account	<b>(192,118)</b>	(111,244)
(c) Pensions Reserve	<b>49,785</b>	43,585
(d) Collection Fund Adjustment Account	<b>471</b>	702
(e) Accumulated Absences Account	<b>146</b>	132
<b>Total Unusable Reserves</b>	<b>(171,414)</b>	<b>(84,442)</b>

#### (a) Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment, including Intangible Assets. The balance is reduced when assets with accumulated gains are:

- Revalued downwards or impaired and the gains are lost;
- Used in the provision of services and the gains are consumed through depreciation;
- Disposed of and the gains are realised.

## BALANCE SHEET NOTES

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

<b>31 March 2016 £'000</b>	<b>31 March 2017 £'000</b>
(15,673) <b>Balance 1 April</b>	<b>(17,617)</b>
0 Upward revaluation of assets (Upward)/downward revaluation of assets and impairment losses not charged to	<b>0</b>
(3,520) surplus/deficit on provision of services	<b>(13,637)</b>
Surplus or Deficit on revaluation of non-current assets not posted to the surplus or deficit on	
(3,520) the provision of service	<b>(13,637)</b>
0 Write out - Investment Property	<b>0</b>
755 Difference between fair value depreciation and historic cost depreciation	<b>902</b>
821 Accumulated gains on assets sold or scrapped	<b>654</b>
1,576	<b>1,556</b>
<b>(17,617) Balance 31 March</b>	<b>(29,698)</b>

### (b) Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses in Investment Properties.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the revaluation Reserve was created to hold such gains.

The revaluation gains shown in the Account reflects the values from the exceptional item that have been debited or credited to the Comprehensive Income and Expenditure Statement.



# BALANCE SHEET NOTES

31 March 2016 £'000		31 March 2017 £'000	£'000
(113,082)	<b>Balance 1 April</b>		<b>(111,244)</b>
	<u>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</u>		
20,639	Charges for depreciation and impairment of non current assets	(6,737)	
125	Revaluation losses on Property Plant and Equipment	(59,068)	
88	Amortisation of Intangible Assets	14	
1,120	Revenue Expenditure Funded from Capital under Statute	755	
	Amounts of investment properties written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	692	632
	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	7,299	4,992
29,963			(59,412)
(1,576)	Adjusting amounts written out of Revaluation Reserve		(1,557)
(84,695)	Net written out amount of the cost of non-current assets consumed in the year		(172,213)
	<u>Capital financing applied in the year:</u>		
(2,575)	Use of Capital Receipts Reserve to repay allowable debt	(1,329)	
(391)	Use of Capital Receipts Reserve to finance new capital expenditure	(1,337)	
(14,990)	Use of the Major Repair Reserve to finance new capital expenditure	(8,923)	
(1,389)	Capital grants and contributions credited to the Comprehensive Income & Expenditure Statement that have been applied to capital financing	(800)	
	Application of grants to capital financing from the Capital Grants Unapplied Account	0	0
(5,309)	Statutory Provision for the financing of capital investment charged against the General Fund and HRA balances/reserves	(5,313)	
(2,905)	Capital Expenditure charged against the General Fund and HRA balances	(2,181)	
(27,559)			(19,883)
1,010	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income & Expenditure Statement		(22)
0	Movements in the Donated Assets Account credited to the Comprehensive Income & Expenditure Statement		0
<b>(111,244)</b>	<b>Balance 31 March</b>		<b>(192,118)</b>

# BALANCE SHEET NOTES

## (c) Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by the past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	2016/17 £'000	2015/16 £'000
<b>Balance at 1 April</b>	43,585	53,111
Actuarial (gains) or losses on pension assets and liabilities	4,924	(11,388)
Reversal of items relating to retirement benefits debited or credited to the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement	3,978	4,571
Employer's pension contributions and direct payments to pensioners payable in the year	(2,702)	(2,709)
<b>Balance at 31 March</b>	<b>49,785</b>	<b>43,585</b>

# BALANCE SHEET NOTES

## (d) Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and business rates income in the Comprehensive Income and Expenditure Statement as it falls due compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

	<b>2016/17</b>	2015/16
	<b>£'000</b>	£'000
<b>Balance at 1 April</b>		
Opening Balance	702	(644)
Amount by which council tax/business rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(231)	1,346
<b>Balance at 31 March</b>	<b>471</b>	<b>702</b>

## (e) Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

	<b>2016/17</b>	<b>2015/16</b>
	<b>£'000</b>	<b>£'000</b>
Balance at 1 April	132	124
Settlement or cancellation of accrual made at the end of the preceeding year	(132)	(124)
Amounts accrued at the end of current year	<u>146</u>	<u>132</u>
Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	14	8
Closing Balance	<u><u>146</u></u>	<u><u>132</u></u>

# CASH FLOW STATEMENT NOTES

## 24 Cash Flow Statement – Operating Activities

	2016/17 £'000	2015/16 £'000
Net (surplus) or deficit on provision of services	<b>(82,661)</b>	10,321
Adjustments for non-cash movements	<b>58,230</b>	(33,953)
Adjustments for investing and financing activities	<b>6,404</b>	5,966
<b>Net cash flows from operating activities</b>	<b><u>(18,027)</u></b>	<b><u>(17,666)</u></b>

The cash flows from operating activities include the following items:

	2016/17 £'000	2015/16 £'000
Interest Received	<b>(166)</b>	(197)
Interest Paid	<b>5,588</b>	5,756
<b>Total</b>	<b><u>5,422</u></b>	<b><u>5,559</u></b>

## 25 Cash Flow Statement – Investing Activities

	2016/17 £'000	2015/16 £'000
Purchase of property, plant and equipment, investment property and intangible assets	<b>14,814</b>	22,374
Purchase of short-term and long-term investments	<b>0</b>	0
Other payments for investing activities	<b>914</b>	761
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	<b>(4,070)</b>	(4,238)
Proceeds from short-term and long-term investments	<b>0</b>	0
Other receipts from investing activities	<b>(2,481)</b>	(1,865)
<b>Net cash flows from investing activities</b>	<b><u>9,177</u></b>	<b><u>17,032</u></b>

# CASH FLOW STATEMENT NOTES

## 26 Cash Flow Statement – Financing Activities

	2016/17 £'000	2015/16 £'000
Cash receipts for short and long-term borrowing	0	0
Other movements from financing activities	0	0
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	0	118
Repayments of short and long-term borrowing	1,302	2,304
Other payments for financing activities	0	0
<b>Net cash flows from operating activities</b>	<b>1,302</b>	<b>2,422</b>

# OTHER NOTES TO THE ACCOUNTS

## 27 Acquired and Discontinued Operations

### Acquired Services

The Council has not acquired any new services during the year.

### Discontinued Services

The Council has not discontinued any of its services during the year.

## 28 Construction Contracts

At 31 March 2017 the Council had no construction contracts in place.

## 29 Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Chief Financial Officer on 26 May 2017. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2017, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

### Non-adjusting event after the reporting period – Strategic Alliance Management Team Restructure

On Wednesday 10 May 2017, the Council's Cabinet approved a restructure of the Strategic Alliance Management Team. As a result of the initial phase of the review the Council's two Executive Directors left the Council with effect from 30th June 2017. One of the Executive Directors was the Executive Director of Operations who undertook the role of the Council's Chief Financial Officer. At a Council meeting held on Wednesday 21st June it was agreed that the Assistant Director Finance and Revenues and Benefits be designated as the Council's Chief Financial Officer with effect from 1st July 2017. The Council has now commenced the process of recruiting to two new posts of Strategic Director. Following on from the appointment to these two posts the Council will undertake a review of the next tier of management, that of Assistant Director. It is currently anticipated that the review will be undertaken and completed during the course of the 2017/18 financial year.

## 30 Agency and Contractual Agreements

The Council has a contractual agreement with Derbyshire County Council whereby the Council undertakes mowing, weeding and tree pruning on land adjoining highways within the district. The Council is reimbursed for expenditure incurred on these activities including a contribution towards administrative costs. A summary of expenditure incurred in respect of the contract is shown below and this is included within the Operations Directorate line of the Comprehensive Income & Expenditure Statement.

## OTHER NOTES TO THE ACCOUNTS

	2016/17 £'000	2015/16 £'000
Amenity Maintenance	263	286
<b>Total</b>	<b>263</b>	<b>286</b>

### 31 Members' Allowances

The Council paid the following amounts to elected members during the year. These costs are included within the Growth Directorate line of the Comprehensive Income & Expenditure Statement.

	2016/17 £'000	2015/16 £'000
Allowances	388	383
Expenses	8	7
<b>Total</b>	<b>396</b>	<b>390</b>

### 32 Officer Emoluments

In addition to those employees covered within this note who are directly employed by the Council, part of the Management Team including the Chief Executive and three assistant directors are employed by Bolsover District Council. The costs associated with these arrangements are included within the Comprehensive Income and Expenditure Statement.

The number of employees (excluding senior officers) whose remuneration, **excluding employer's pension contributions**, was £50,000 or more in bands of £5,000 were:-

Remuneration Band	Number of Employees 2016/17	Number of Employees 2015/16
£50,000 - £54,999	1	0
£55,000 - £59,999	0	0
£60,000 - £64,999	0	0
£65,000 - £69,999	0	0
£70,000 - £74,999	0	0
£75,000 - £79,999	0	0
£80,000 - £84,999	0	0
£85,000 - £89,999	0	0
£90,000 - £94,999	0	0
£95,000 - £99,999	0	0
£100,000 - £104,999	0	0

# OTHER NOTES TO THE ACCOUNTS

## Senior Officers

The Council is required to disclose all posts where the total remuneration exceeds £50,000 but does not exceed £150,000. Those posts identified as Senior Officers are within this remuneration range or report directly to the head of paid service.



# OTHER NOTES TO THE ACCOUNTS

Senior Officers emoluments - Salary is between £50,000 and £150,000 for 2016/17:

2016/17	Salary (including fees and allowances)	Benefits in Kind	Termination Payments & Pension Shortfall	Total Remuneration (excluding Pension Contributions)	Pension Contributions	Total Remuneration (including Pension Contributions)	Net Charge to BDC	Net Charge to NEDDC
	£	£	£	£	£	£	£	£
<b>Employed by N.E.D.D.C.</b>								
Assistant Director Revs & Bens, Finance	53,302	0	0	53,302	6,662	59,964	29,982	29,982
Assistant Director Street Scene	55,651	0	0	55,651	6,850	62,500	31,250	31,250
Assistant Director Economic Growth	56,686	470	0	57,156	7,037	64,193	32,096	32,097
Strategic Partnership Co-Ordinator	43,997	0	0	43,997	5,510	49,507	0	49,507
Executive Director - Operations	80,004	310	0	80,314	10,053	90,368	45,184	45,184
Executive Director - Transformation	80,610	0	0	80,610	10,053	90,663	45,331	45,332
<b>Total</b>	<b>370,249</b>	<b>780</b>	<b>0</b>	<b>371,029</b>	<b>46,165</b>	<b>417,194</b>	<b>183,843</b>	<b>233,351</b>
<b>Employed by Bolsover D.C.</b>								
Assistant Director HR & Payroll	52,406	0	0	52,406	6,894	59,300	29,650	29,650
Assistant Director Governance	55,411	322	0	55,733	7,148	62,881	31,440	31,441
Assistant Director Planning/Env. Health	55,411	0	0	55,411	7,148	62,559	31,280	31,279
Chief Executive	110,771	0	0	110,771	14,202	124,973	62,486	62,487
<b>Total</b>	<b>273,999</b>	<b>322</b>	<b>0</b>	<b>274,321</b>	<b>35,392</b>	<b>309,713</b>	<b>154,856</b>	<b>154,857</b>
<b>Overall Total</b>	<b>644,248</b>	<b>1,102</b>	<b>0</b>	<b>645,350</b>	<b>81,557</b>	<b>726,907</b>	<b>338,699</b>	<b>388,208</b>

# OTHER NOTES TO THE ACCOUNTS

Senior Officers emoluments - Salary is between £50,000 and £150,000 for 2015/16:

2015/16	Salary (including fees and allowances)	Benefits in Kind	Termination Payments & Pension Shortfall	Total Remuneration (excluding Pension Contributions)	Pension Contributions	Total Remuneration (including Pension Contributions)	Net Charge to BDC	Net Charge to NEDDC
	£	£	£	£	£	£	£	£
<b>Employed by N.E.D.D.C.</b>								
Assistant Director Revs & Bens, Finance	50,473	846	0	51,319	6,410	57,729	28,442	29,287
Assistant Director Street Scene	53,028	649	0	53,677	6,596	60,273	29,812	30,461
Assistant Director HR & Payroll	21,032	194	90,100	111,326	3,268	114,594	57,200	57,394
Assistant Director Economic Growth	55,518	1,209	0	56,727	6,968	63,695	31,243	32,452
Strategic Partnership Co-Ordinator	43,645	0	0	43,645	5,467	49,112	0	49,112
Executive Director - Operations	78,530	1,144	0	79,674	9,954	89,628	44,242	45,386
Executive Director - Transformation	79,327	681	0	80,008	9,954	89,962	44,641	45,321
<b>Total</b>	<b>381,553</b>	<b>4,723</b>	<b>90,100</b>	<b>476,376</b>	<b>48,617</b>	<b>524,993</b>	<b>235,580</b>	<b>289,413</b>
<b>Employed by Bolsover D.C.</b>								
Assistant Director HR & Payroll	8,656	0	0	8,656	1,117	9,773	4,887	4,886
Assistant Director Governance	58,510	352	0	58,862	7,078	65,940	33,759	32,181
Assistant Director Planning/Env. Health	53,399	275	0	53,674	6,888	60,562	30,144	30,418
Chief Executive	107,876	371	89,026	197,273	13,894	211,167	104,724	106,443
<b>Total</b>	<b>228,441</b>	<b>998</b>	<b>89,026</b>	<b>318,465</b>	<b>28,977</b>	<b>347,442</b>	<b>173,514</b>	<b>173,928</b>
<b>Overall Total</b>	<b>609,994</b>	<b>5,721</b>	<b>179,126</b>	<b>794,841</b>	<b>77,594</b>	<b>872,435</b>	<b>409,094</b>	<b>463,341</b>

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## OTHER NOTES TO THE ACCOUNTS

The numbers of exit packages, excluding the senior officer emoluments set out in the above tables, with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:-

Exit package cost band (including special payments)	Number of Compulsory Redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16 £	2016/17 £
£0 - £20,000	2	0	3	2	5	2	36,165	31,621
£20,001 - £40,000	0	0	2	2	2	2	59,436	73,101
£40,001 - £60,000	1	0	1	0	2	0	103,556	0
£60,001 - £80,000	0	0	0	0	0	0	0	0
£80,001 - £100,000	0	0	1	0	1	0	97,673	0
£100,001 - £150,000	0	0	0	0	0	0	0	0
<b>Total</b>	<b>3</b>	<b>0</b>	<b>7</b>	<b>4</b>	<b>10</b>	<b>4</b>	<b>296,830</b>	<b>104,722</b>

## OTHER NOTES TO THE ACCOUNTS

### 33 Termination Benefits

The Council terminated the contracts of a number of employees during 2016/17, incurring liabilities of £0.101m (£0.297m in 2015/16), excluding senior officer emoluments, presented separately above. The Council has received a contribution of £0.005m towards their costs from Bolsover District Council. In addition to this, as part of the Strategic Alliance with Bolsover District Council, further contracts were terminated by Bolsover District Council where North East Derbyshire District Council was liable to pay a contribution towards these costs. These amounted to £0.018m.

### 34 Audit Fees

During 2016/17 North East Derbyshire District Council incurred the following fees relating to external audit and inspection:

	2016/17 £'000	2015/16 £'000
Fees payable to the auditors with regard to external audit services carried out by the appointed auditor	57	57
Fees payable to the auditors in respect of statutory inspection	0	0
Fees payable to the auditors for the certification of grant claims and returns	7	9
Fees payable in respect of any other services provided by the appointed auditor	3	5
Refund of overpaid auditors fee from Audit Commission	0	0
<b>Total</b>	<b>67</b>	<b>71</b>

### 35 Related Parties

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently, or might have secured the ability to limit another party's ability to bargain freely with the Council.

#### Central Government

Central Government has effective control over the general operations of the Council; it is responsible for providing the statutory framework, within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other

## OTHER NOTES TO THE ACCOUNTS

parties (e.g. housing benefits). Grants received from government departments are set out in note 6.

### Members

Members of the Council have direct control over the Council's financial and operating policies. Council Members make disclosures of relevant interests to the Council's Monitoring Officer, and also have to make declarations on individual committee decisions. The Council also nominates Members to sit on outside bodies. A number of Council Members are also Members of Derbyshire County Council, local parish councils, or various local voluntary organisations, which the Council supports financially. Four Members of the Council sit on the board of Rykneld Homes Limited as Council nominees. Where necessary, Members declared such interests when relevant to their duties and thus no further disclosure is considered necessary.

### Officers

In addition to the Register of Interests, key management personnel were required to complete a Declaration of Related Party Transactions Pro-Forma for the year 2016/17.

### Other Significant Transactions

Other significant transactions with related parties, not included above, are as follows:

	Receipts £'000	Payments £'000
<b>Revenue</b>		
Bolsover District Council	(2,051)	943
Chesterfield Borough Council	(448)	264
Citizens Advice Bureau	0	75
Derbyshire County Council (excluding precepts)	(1,676)	732
Derbyshire Dales District Council	(269)	0
Parish Councils (excluding precepts)	(532)	63
Rykneld Homes Limited	(1,791)	10,220
Chesterfield Royal Hospital	0	34
<b>Capital</b>		
Rykneld Homes Limited	0	9,672
<b>Loan</b>		
Rykneld Homes Limited	0	832

During 2016/17 the Council had partnership agreements with Bolsover District Council (BDC), Chesterfield Borough Council (CBC), Chesterfield Royal Hospital and Derbyshire Dales District Council (DDDC) in the following areas:

- Internal Audit
- Building Control

## OTHER NOTES TO THE ACCOUNTS

- Procurement
- ICT Service
- Environmental Health
- Crematorium

The Internal Audit and Building Control Consortiums are hosted by CBC. The accounts reflect the payments made to CBC towards the costs of running the service and our share of the income received for the Building Control Consortium.

During 2016/17 the procurement arrangements for NEDDC have been provided by Chesterfield Royal Hospital and the contributions towards this are shown in the accounts.

The Council hosts Joint ICT Service which covers BDC, Derbyshire Dales District Council and ourselves for the provision of the Council's ICT. We also host the Joint Environmental Health Service which covers BDC and ourselves. The accounts reflect the total cost of these services less contributions from BDC and Derbyshire Dales District Council.

During 2016/17 the Council agreed to lend Rykneld Homes Limited £0.832m. The first part of the loan consists of £0.159m to support the building of 30 new properties in Eckington and Killamarsh. This is the final payment of the loan taken out in 2013/14. The second part of the loan consists of £0.673m to support the building of 23 new properties in North Wingfield. These properties will be owned by Rykneld Homes Limited as a Registered Provider.

The details of the loans made to Rykneld Homes Limited are shown below: -

Loans by Scheme	Loan Start Date £'000	Loan Period £'000	Initial Amount £'000	Amount Repaid £'000	Remaining Amount £'000
Eckington & Killamarsh	31/3/14	25 years	1,792	(116)	1,676
Dronfield	31/3/15	25 years	453	(36)	417
Grassmoor	31/3/15	25 years	1,066	(85)	981
North Wingfield	31/3/16	40 years	673	0	673
<b>Total</b>			<b>3,984</b>	<b>(237)</b>	<b>3,747</b>

### 36 Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed.

## OTHER NOTES TO THE ACCOUNTS

	2016/17 £'000	2015/16 £'000
<b>Opening Capital Financing Requirement</b>	<b>171,145</b>	174,459
Movement in debtors - Borrowing	<b>832</b>	764
Movement in debtors - Repayment	<b>(171)</b>	(157)
<b>Capital Investment</b>		
Property, Plant & Equipment	<b>13,070</b>	22,508
Intangible Assets	<b>102</b>	11
Revenue Expenditure Funded from Capital under Statute: - Other REFCUS items	<b>391</b>	1,120
<b>Sources of Finance</b>		
Capital Receipts	<b>(1,337)</b>	(391)
Major Repairs Reserve	<b>(8,923)</b>	(14,990)
Government Grants and Other Contributions	<b>(800)</b>	(1,389)
<b>Amounts set aside from Revenue:</b>		
Repayment of Allowable Debt	<b>(1,329)</b>	(2,575)
Direct Revenue Contributions	<b>(2,181)</b>	(2,905)
Minimum Revenue Provision & Debt repayment from MRA	<b>(5,314)</b>	(5,310)
<b>Closing Capital Financing Requirement</b>	<b>165,485</b>	171,145
<b>Movement on Capital Financing Requirement in year</b>	<b>(5,660)</b>	(3,314)
<b>Explanation of Movement in the Year</b>		
Increase in underlying need to borrow (supported) - Decent Homes Programme	<b>0</b>	1,843
Increase in underlying need to borrow (prudential)	<b>322</b>	2,123
Repayment of debt	<b>(5,982)</b>	(7,280)
<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>(5,660)</b>	(3,314)

### 37 Leases

#### Council as Lessee

##### *Finance Leases*

The Council makes use of leased vehicles for providing its services. This method of finance is used as an alternative to the Council using its own capital resources. A review of all leases held by the Council has concluded that the majority of vehicles leased are finance leases and they now appear on the Balance Sheet. Vehicle finance leases beyond their contracted period are classed as spot hire and as such appear in the operating leases figures.

## OTHER NOTES TO THE ACCOUNTS

The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

	<b>31 March 2017 £'000</b>	31 March 2016 £'000
Vehicles, Plant, Furniture and Equipment	0	5
<b>Total</b>	<b>0</b>	<b>5</b>

The Council is committed to making minimum payments under these leases comprising settlement of the long term liability for the interest in the assets acquired by the Council and finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

	<b>31 March 2017 £'000</b>	31 March 2016 £'000
Finance lease liabilities (NPV of minimum lease payments):		
Current	<b>0</b>	0
Non-Current	<b>5</b>	112
Disposal of leases	<b>(5)</b>	0
Finance cost payable in future years	<b>0</b>	(5)
<b>Minimum lease payments</b>	<b>0</b>	<b>107</b>



## OTHER NOTES TO THE ACCOUNTS

The minimum lease payments (including interest) will be payable over the following periods:

	Minimum Lease Payments (including interest)		Finance Lease Liabilities	
	31 March 2017 £'000	31 March 2016 £'000	31 March 2017 £'000	31 March 2016 £'000
	Not later than one year	0	4	0
later than one year and not later than five years	0	0	0	0
later than five years	0	0	0	0
	<b>0</b>	<b>4</b>	<b>0</b>	<b>5</b>

### *Operating Leases*

Operating leases held by the Council comprise of photocopiers and gym equipment. The total payment in 2016/17 was £0.059m (2015/16, £0.113m for vehicles, photocopiers and gym equipment).

The following table identifies the Council's operating lease liability:

During 2016/17 the increases in liability are due to the rental of new photocopiers.

	31 March 2017 £'000	31 March 2016 £'000
Not later than one year	59	54
later than one year and not later than five years	62	114
later than five years	0	0
	<b>121</b>	<b>168</b>

### Authority as Lessor

#### *Finance Leases*

The Council have no finance leases where it is the Lessor.

#### *Operating Leases*

The Council owns Investment Properties to the value of £12.024m (£12.294m 2015/16). These properties include industrial units, shops and other miscellaneous properties. The Council leases these properties out and generated rental income of £0.568m during 2016/17, (2015/16, £0.538m) No depreciation is charged on investment properties.

## OTHER NOTES TO THE ACCOUNTS

The table below shows the projected income from operating leases as at 31 March 2017:

	31 March 2017 £'000	31 March 2016 £'000
Not later than one year	831	934
later than one year and not later than five years	982	1,492
later than five years	132	148
	<b>1,945</b>	<b>2,574</b>

Business Centres with a gross book value of £1.581m (£1.581m, 2015/16), accumulated depreciation of £0.093m (£0.060m, 2015/16) and net book value of £1.488m (£1.521m, 2015/16) are also owned by the Council. During 2016/17 lease income of £0.301m (£0.288m, 2015/16) was received from these units.

### 38 Defined Benefit Pension Schemes

The Council, in line with all other Local Authority employers and as part of the terms and conditions of employment of its officers, makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until the employees retire, the Council has a commitment to make the payments (for those benefits) and to disclose them at the time that employees earn their future entitlement.

Employees of North East Derbyshire District 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 final salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

The following notes on Pension Contributions do not include detailed figures for the Joint Crematorium (with the exception of the scheme history table).

#### Transactions relating to Post-employment Benefits.

The cost of retirement benefits is recognised in the Net Cost of Services within the Comprehensive Income & Expenditure Statement, when they are earned by the employees rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the Statement of Movement in the General Fund Balance in the year:

## OTHER NOTES TO THE ACCOUNTS

	2016/17 £'000	2015/16 £'000
<b><u>Comprehensive Income and Expenditure Statement</u></b>		
<i>Cost of Service</i>		
Current Service cost	2,395	2,743
Past Service Cost	63	126
(Gain)/loss from settlements	0	0
<i>Financing and Investment Income and Expenditure</i>		
Net Interest Expense	1,520	1,702
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Service</b>	<b>3,978</b>	<b>4,571</b>
<i>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>		
Re-measurement of the net defined benefit liability comprising: -		
Return on Plan Assets (excluding the amount included in the net interest expense)	(13,455)	2,490
Actuarial gains and losses arising on changes in demographic assumptions	(1,598)	0
Actuarial gains and losses arising on changes in financial assumptions	26,060	(11,975)
Other (if applicable)	(6,083)	(1,903)
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>4,924</b>	<b>(11,388)</b>
<b><u>Movement in Reserves Statement</u></b>		
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the code	1,276	1,862
<i>Actual amount charged against the General Fund Balance for pensions in the year:</i>		
Employers Contributions Payable to Scheme	2,702	2,709

### Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the authority's obligation in respect of its defined benefits plan is as follows:

## OTHER NOTES TO THE ACCOUNTS

	2016/17 £'000	2015/16 £'000
Present value of the defined benefit obligation	(43,585)	(53,111)
Fair value of plan assets	15,483	(377)
<b>Sub-total</b>	<b>(28,102)</b>	<b>(53,488)</b>
Other movement in the liability (asset)	(21,683)	9,903
<b>Net Total</b>	<b>(49,785)</b>	<b>(43,585)</b>

The following tables analyse the movement in the values of the schemes assets and liabilities.

### Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets

	2016/17 £'000	2015/16 £'000
<b>Opening fair value of scheme assets</b>	79,951	80,328
Interest Income	2,783	2,563
<i>Re-measurement gain/(loss):</i>		
The return on plan assets, excluding the amount included in the net interest expense	13,455	(2,490)
The effects of changes in foreign exchange rates	0	0
Employer contributions	2,702	2,709
Contributions from employees into the scheme	543	535
Benefits paid	(4,000)	(3,694)
<b>Closing fair value of scheme assets</b>	<b>95,434</b>	<b>79,951</b>

## OTHER NOTES TO THE ACCOUNTS

### Reconciliation of the Present Value of the Scheme Liabilities (Defined Benefit Obligation)

	2016/17 £'000	2015/16 £'000
<b>Opening balance at 1 April</b>	(123,536)	(133,439)
Current service cost	(2,395)	(2,743)
Interest cost	(4,303)	(4,265)
Contributions from scheme participants	(543)	(535)
Contributions in respect of unfunded benefits	0	0
<i>Re-measurement gain/(loss):</i>		
Actuarial gains/losses arising from changes in demographic assumptions	1,598	0
Actuarial gains/losses arising from changes in financial assumptions	(26,060)	11,975
Other	6,083	1,903
Past service cost	(63)	(126)
Liabilities assumed on entity combinations	0	0
Benefits Paid	4,000	3,694
Return on assets excluding amounts included in net interest	0	0
Liabilities extinguished in settlements	0	0
<b>Closing Defined Benefit Obligation</b>	<u>(145,219)</u>	<u>(123,536)</u>

### Scheme History

	2016/17 £'000	2015/16 £'000	2014/15 £'000	2013/14 £'000	2012/13 £'000
Present value of liabilities	(145,219)	(123,536)	(133,439)	(113,921)	(111,155)
Fair value of assets	95,434	79,951	80,328	72,680	66,820
<b>Scheme Surplus/(deficit)</b>	<u>(49,785)</u>	<u>(43,585)</u>	<u>(53,111)</u>	<u>(41,241)</u>	<u>(44,335)</u>
Crematorium Deficit	0	0	0	(177)	(162)
<b>Scheme Surplus/(deficit)</b>	<u><b>(49,785)</b></u>	<u><b>(43,585)</b></u>	<u><b>(53,111)</b></u>	<u><b>(41,418)</b></u>	<u><b>(44,497)</b></u>

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £49.785m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet.

## OTHER NOTES TO THE ACCOUNTS

The local government pension scheme's assets comprised of the following:

	2016/17 £'000	2015/16 £'000
Cash and cash equivalents	4,399	3,278
<i>Equity instruments by industry type:</i>		
Consumer	7,275	6,574
Manufacturing	8,546	7,457
Energy and utilities	5,763	4,557
Financial institutions	6,839	6,269
Health and care	3,796	3,469
Information technology	2,427	2,233
Other	10,501	8,179
Sub-total - Equity	45,147	38,738
<i>Bonds by sector:</i>		
Corporate	5,781	4,426
Government	10,035	8,956
Other	1,747	1,596
Sub-total - Bonds	17,563	14,978
<i>Real estate:</i>		
UK	6,108	4,767
Overseas	0	0
Sub-total - Real Estate	6,108	4,767
<i>Private equity:</i>		
All	1,629	1,412
Sub-total - Private equity	1,629	1,412
<i>Other investment funds:</i>		
Equities	18,909	15,405
Bonds	0	0
Infrastructure	1,679	1,373
Sub-total - Other investment funds	20,588	16,778
Total Assets	95,434	79,951

# OTHER NOTES TO THE ACCOUNTS

## Basis for estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependant on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and discretionary benefits liabilities have been estimated by Hymans Robertson LLP, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 31 March 2016.

The significant assumptions used by the actuary have been:

	2016/17	2015/16
<b><i>Long term expected rate of return on assets in the scheme:</i></b>		
Overall expected return	<b>20.80%</b>	0.10%
<b><u>Mortality assumptions:</u></b>		
<i>Longevity at 65 for current pensioners:</i>		
Men	<b>21.9 Yrs</b>	22.0 yrs
Women	<b>24.4 yrs</b>	24.2 yrs
<i>Longevity at 65 for future pensioners:</i>		
Men	<b>23.9 yrs</b>	24.1 yrs
Women	<b>26.5 yrs</b>	26.6 yrs
<b><u>Financial Assumptions:</u></b>		
Rates of CPI inflation	<b>2.40%</b>	2.20%
Rate of increase in salaries	<b>2.90%</b>	3.20%
Rate of increase in pensions	<b>2.40%</b>	2.20%
Rate for discounting scheme liabilities	<b>2.50%</b>	3.50%

The estimation of the defined benefit obligation is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

# OTHER NOTES TO THE ACCOUNTS

## Impact on the defined benefit obligation in the scheme

	Increase in Assumption £'000	Decrease in Assumption £'000
Longevity (increase or decrease in 1 year)	0	0
Rate of increase in salaries (increase or decrease by 0.5%)	1,887	0
Rate of increase in pensions (increase or decrease by 0.5%)	11,488	0
Rate for discounting scheme liabilities (increase or decrease by 0.5%)	0	13,571

Within the IAS19 disclosures there is an element of unfunded benefits in respect of early retirement pension costs which amount to £1.841m at 31 March 2017, (2015/16, £1.764m). The Council makes annual payments to the local government pension scheme to cover this amount. In 2016/17 the Council paid £0.109m (2015/16, £0.113m).

The Council's contribution rate for 2016/17 was 12.7% (2015/16 12.7%).

## Impact on the Authority's Cash Flows

The objectives of the scheme are to keep employer's contributions at as constant a rate as possible. The County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 18 years. Funding levels are monitored on an annual basis. A triennial valuation was completed as at 31 March 2016.

The scheme will need to take account of the national changes to the scheme under the Public Pension Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to the service after 31 March 2014. The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The authority is anticipated to pay £2.652m expected contributions to the scheme in 2017/18.

The weighted average duration of the defined benefit obligation for scheme members is 17.0 years in 2016/17 (17.6 years 2015/16).



# OTHER NOTES TO THE ACCOUNTS

## **39 Contingent Liabilities and Assets**

### Municipal Mutual Limited (MMI)

The Council's former insurers Municipal Mutual Limited (MMI) ceased its underwriting operations in September 1992 and entered into a Scheme of Arrangement in 1993. The Scheme of Arrangement means that the Council is potentially liable to pay for claims settled by MMI. The Scheme of Arrangement was triggered in 2012/13 with an initial levy set at 15%. The Council paid £0.125m levy in 2012/13. The Council was subsequently notified of a further levy of 10% (£0.084m) which has been paid during 2016/17.

The Council has set aside a reserve of £0.195m to cover potential future liabilities as the possibility remains that the Scheme of Arrangement will be triggered again and the Council may be required to meet its liability in full

### Liabilities for Water Charges

As a result of a recent High Court decision regards water charges to tenants, the Council may potentially be subject to claims from tenants for recovery of overpaid water charges. The nature of the arrangement is that Councils collect water rates on behalf of the water company in consideration for a fee. The recent decision challenges the relationship between local authorities and their respective water company. A number of local authorities are affected and the Local Government Association has engaged legal support on behalf of a collective of Councils including ourselves. Severn Trent Water has now served notice on the Council so the existing arrangement will end on 31 March 2018.

At this stage, the Council has not received any claims and has not set aside balances from the HRA to cover potential liabilities due to the ongoing legal work surrounding this matter. However, the Council has an earmarked reserve for legal matters and the position regards water charges will be subject to regular review throughout 2017/18.

## **40 Interests in Companies**

The Council has 100% interest in Rykneld Homes Limited, through the issue of a single £1 investment share, which does not impact on the Balance Sheet. The Balance Sheet includes inter-company balances of £1.630m owed to Rykneld Homes Limited and £0.115m owed by Rykneld Homes Limited.

**SUPPLEMENTARY SINGLE ENTITY FINANCIAL  
STATEMENTS**

**SUPPLEMENTARY  
SINGLE ENTITY  
FINANCIAL  
STATEMENTS**

**2016/17**

# HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT

The Housing Revenue Account (HRA) Income and Expenditure Statement details the major sources of income and expenditure relating to the Council's Housing Stock during the year.

2015/16 £'000		2016/17 £'000
<b>Expenditure</b>		
5,222	Repairs and maintenance	5,180
6,958	Supervision and management	7,159
263	Rents, rates, taxes and other charges	107
19,150	Depreciation and impairments of non-current assets	(5,110)
12	Debt management costs	12
134	Movement in the allowance for bad debt	137
0	Exceptional Item (note 14)	(62,758)
<b>31,739</b>		<b>(55,273)</b>
<b>Income</b>		
(32,361)	Dwelling rents	(32,125)
(253)	Garage rents	(258)
(87)	Non-dwelling rents	(100)
(477)	Charges for services and facilities	(465)
(441)	Contribution towards expenditure	(314)
<b>(33,619)</b>		<b>(33,262)</b>
<b>Net Cost of HRA Services as included in the whole authority Comprehensive Income &amp; Expenditure Account</b>		
<b>(1,880)</b>		<b>(88,535)</b>
185	HRA share of Corporate and Democratic Core	185
	HRA share of other amounts included in the whole authority	
606	Cost of Services but not allocated to specific services	0
<b>(1,089)</b>	<b>Net Cost of HRA Services</b>	<b>(88,350)</b>
<b>HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement</b>		
3,793	Gain or loss on sale of HRA non current assets	1,416
5,484	Interest payable and similar charges	5,365
(93)	Interest receivable and similar income	(14)
0	Income and expenditure in relation to investment properties and changes in their fair value	269
(1,355)	Capital Grants	0
<b>6,740</b>	<b>(Surplus) or deficit for the year on HRA services</b>	<b>(81,314)</b>

# MOVEMENT ON THE HRA STATEMENT

## Movement on the HRA Statement

2015/16 £'000		2016/17 £'000
6,740	(Surplus) or deficit for the year on the HRA Income and Expenditure Statement	(81,314)
(8,733)	Adjustments between accounting basis and funding basis under statute	79,448
<b>(1,993)</b>	<b>Net (Increase) or decrease in the HRA Balance before transfers to or from reserves:</b>	<b>(1,866)</b>
1,820	Transfer to or from reserves	1,837
<b>(173)</b>	<b>Increase or Decrease in the year on the HRA</b>	<b>(29)</b>
<b>(2,798)</b>	<b>Balance on the HRA at the end of the previous year</b>	<b>(2,971)</b>
<b>(2,971)</b>	<b>Balance on the HRA at the end of the current year</b>	<b>(3,000)</b>

## Analysis of the adjustments between accounting and funding basis

2015/16 £'000		2016/17 £'000
4,300	Debt Repayment	4,300
(12,486)	Impairment and Revaluation of Assets	12,459
0	Change in the fair value of Investment Properties	(269)
0	Capital Expenditure funded by the HRA	0
(354)	REFCUS	(274)
(3,793)	Gain or loss on sale of HRA non-current assets	(1,416)
1,015	Capital Grants Utilised	0
339	Capital Grants Transfer to Capital Grant Reserve	0
2,246	Transfer to/from the Major Repairs Reserve	1,890
	Exceptional Item	62,758
<b>(8,733)</b>		<b>79,448</b>

# NOTES TO THE HOUSING REVENUE ACCOUNT

## 1 Ring Fenced Housing Revenue Account

Every housing authority is required to keep a Housing Revenue Account in which is recorded the revenue income and expenditure related to the provision of council housing, including land and other buildings, as defined in Schedule 4 of the Local Government and Housing Act 1989.

The provisions of the Local Government and Housing Act 1989 effectively "ring fenced" the Housing Revenue Account as from 1st April 1990. This means that the Housing Revenue Account and General Fund - except in certain specified circumstances – are not allowed to cross subsidise each other.

## 2 Rent Income

The Council calculates its dwelling rents in accordance with Government guidelines and has fully complied with the requirements and practises of the national rent restructuring arrangements. The Council operates a policy of four "free" rent weeks spread throughout the year and in 2016/17 collected rent for 48 weeks. The rent free weeks fell in the Christmas and New Year period and the last week in March and the first week in April 2017. A 2.51% voids allowance is built into our rental budgets. Outturn against this was 2.53%.

## 3 Rent Arrears and Provision for Doubtful Debts

	31 March 2017	31 March 2016
Current tenant arrears	1,006	1,077
Former tenant arrears	663	679
Total HRA rent arrears	1,669	1,756
Provision for doubtful debts	(1,003)	(1,045)
Net HRA rent arrears	666	711

# NOTES TO THE HOUSING REVENUE ACCOUNT

## 4 Non-current Assets

	31 March 2017	31 March 2016
Houses	4,887	4,946
Flats	1,176	1,175
Bungalows	1,861	1,861
<b>Total Housing Dwelling Stock</b>	<b>7,924</b>	<b>7,982</b>
	<b>£'000</b>	<b>£'000</b>
<b>Balance Sheet Value</b>	<b>352,770</b>	<b>266,713</b>

During the year, the Council sold 63 and bought 5 council dwellings. Reserved receipts are payable to the Government for houses sold. Usable receipts are available for the Council to finance capital expenditure or repay debt. The outstanding debt on the council houses sold was repaid from the receipts received by the Council (£1.329m).

	31 March 2017	31 March 2016
Operational assets	544	755
Other land and buildings	1,471	1,654
HRA land	4,367	3,829
Surplus assets	200	0
<b>Total other HRA assets</b>	<b>6,582</b>	<b>6,238</b>

## 5 Vacant Possession Value

The Council's housing stock is valued in the Balance Sheet based on the existing use value (social housing). The vacant possession value of the Council's housing stock as at 31 March 2017 was £839.930m (£784.450m at 31 March 2016). This compares against a value shown in the Balance Sheet as at 31 March 2017 of £352.770m (£266.713m as at 31 March 2016). The difference between the two values takes account of dwellings being occupied by secure tenants, in 2016/17 this is 42% (34%, 2015/16).

## 6 Revaluation/Impairment of HRA Assets

Revaluations and impairment of expenditure charged to HRA Income and Expenditure Statement on Council Dwellings in the year amounted to £75.217m (2015/16, £12.487m). Revaluation losses on HRA Investment Properties was

# NOTES TO THE HOUSING REVENUE ACCOUNT

£0.269m in 2016/17 (2015/16, £0.000m). All impairment charges relate to council dwellings.

## 7 Major Repairs Reserve

	2016/17 £'000	2015/16 £'000
Balance 1 April	1,207	7,288
HRA Depreciation	7,349	6,663
Transfer (to)/from HRA (difference between depreciation and MRA)	1,890	2,246
Amount used to finance capital expenditure	(8,923)	(14,990)
<b>Balance Carried Forward</b>	<b>1,523</b>	<b>1,207</b>

## 8 Financing of Capital Expenditure

Capital expenditure associated with the improvement of the Council's housing stock amounted to £10.619m. This expenditure has been financed as follows:

	31 March 2017 £'000	31 March 2016 £'000
Grants received	339	1,015
Major repairs reserve	8,923	14,990
Usable capital receipts	332	0
Prudential borrowing	0	1,843
Revenue contributions	0	0
Section 106 contributions	0	0
HRA capital investment reserve	1,025	2,759
Government grants	0	0
<b>Total HRA assets</b>	<b>10,619</b>	<b>20,607</b>

## 9 Capital Receipts

	2016/17 Total £'000	2016/17 Pooled £'000	2016/17 Usable £'000	2015/16 Usable £'000
Sale of council houses	3,344	656	2,688	2,223
Sale of other assets	20	0	20	75
Mortgage receipts	3	2	1	3
<b>Total</b>	<b>3,367</b>	<b>658</b>	<b>2,709</b>	<b>2,301</b>

# NOTES TO THE HOUSING REVENUE ACCOUNT

## 10 Depreciation Charges

	31 March 2017 £'000	31 March 2016 £'000
Housing Dwellings	7,303	6,617
Other Operational Assets	46	46
<b>Total Depreciation</b>	<b>7,349</b>	<b>6,663</b>

Details of how depreciation is calculated can be found within note 8 to the Balance Sheet.

## 11 Revenue expenditure funded from capital under statute

The Council's Net Cost of HRA Services includes expenditure of £0.274m that is associated with capital projects which did not result in an asset owned by the Council or could be allocated to a specific non-current asset. Of this figure there is £0.111m for work on communal flats and £0.163m for other expenditure.

## 12 Pension Transfer to Rykneld Homes Limited

The Council has agreed to meet the past service deficit attributable to those scheme members that transferred to Rykneld Homes on 1 April 2007. The cost is being paid over a 22 year period commencing in 2008/09. The cost is charged to the HRA on an annual basis. The cost in 2016/17 is £0.613m (2015/16, £0.586m) and the total liability outstanding is £11.069m. This is included within the pension deficit figure shown on the Balance Sheet.

## 13 Rent Rebates

Assistance with rents is available under the Housing Benefits Scheme. Approximately 56% of the Council's tenants received some help towards the cost of rent charges in 2016/17 (58% for 2015/16).

## 14 Exceptional Item

There was one exceptional item disclosed during 2016/17. This related to the revaluation of the regional reduction for social housing. Council Housing stock is valued on the basis of market value with vacant possession less a regional reduction. For 2016/17 this has been revised to 42% from a 2015/16 factor of 34%. This adjustment has resulted in an increase in value of the Council's housing stock of £62.758m.



# COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT

2015/16			2016/17		
Business Rates £'000	Council Tax £'000	Total £'000	Business Rates £'000	Council Tax £'000	Total £'000
<b>INCOME</b>					
-	(49,172)	(49,172)	-	(51,524)	(51,524)
(16,469)	-	(16,469)	(17,501)	-	(17,501)
(68)	-	(68)	122	-	122
<i>Apportionment of Previous Year Deficit</i>					
0	0	0	(233)	0	(233)
0	0	0	(186)	0	(186)
0	0	0	(42)	0	(42)
0	0	0	(5)	0	(5)
(16,537)	(49,172)	(65,709)	(17,845)	(51,524)	(69,369)
<b>EXPENDITURE</b>					
<i>Apportionment of Previous Year Surplus</i>					
367	-	367	0	-	0
293	166	459	0	107	107
66	670	736	0	430	430
7	42	49	0	27	27
-	104	104	-	67	67
733	982	1,715	0	631	631
<b>Precepts, Demands and Shares</b>					
8,022	-	8,022	8,181	-	8,181
6,418	7,957	14,375	6,545	8,209	14,754
1,444	32,934	34,378	1,473	34,836	36,309
161	2,051	2,212	163	2,128	2,291
-	5,103	5,103	-	5,294	5,294
16,045	48,045	64,090	16,362	50,467	66,829
<b>Charges to Collection Fund</b>					
110	233	343	124	416	540
42	104	146	77	(29)	48
2,781	-	2,781	614	-	614
98	-	98	98	-	98
3,031	337	3,368	913	387	1,300
3,272	192	3,464	(570)	(39)	(609)
(796)	(1,963)	(2,759)	2,476	(1,771)	705
2,476	(1,771)	705	1,906	(1,810)	96

The District Council precept and Council Tax contribution includes Parish Councils' requirements of £2.894m (2015/16 £2.832m).

# NOTES TO THE COLLECTION FUND

## 1 General

The Collection Fund is a statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of Council Tax and non-domestic rates.

The Council has a statutory requirement to operate a Collection Fund as a separate account. The purpose of the Collection Fund therefore, is to ring fence the income and expenditure relating to Council Tax and National Non-Domestic Business Rates. The administrative costs associated with the collection process are charged to the General Fund.

The national code of practice followed by Local Authorities in England stipulates that a Collection Fund Income and Expenditure account is shown as a separate statement in the Council's Statement of Accounts. The Collection Fund balance sheet meanwhile is incorporated into the Council's consolidated balance sheet.

### Council Tax

Collection Fund surpluses declared by the billing authority in relation to Council Tax are apportioned to the relevant precepting bodies in the subsequent financial year. Deficits likewise are proportionately charged to the relevant precepting bodies in the following year. For NEDDC, the Council Tax precepting bodies are Derbyshire County Council, the Police and Crime Commissioner for Derbyshire and the Derbyshire Fire Authority.

### NNDR

In 2013/14, the local government finance regime was revised with the introduction of the retained business rates scheme. The main aim of the scheme is to give Councils a greater incentive to grow businesses in the District. It does, however, also increase the financial risk due to non-collection and the volatility of the NNDR tax base.

The scheme allows the Council to retain a proportion of the total NNDR received. The NEDDC share is 40% with the remainder paid to precepting bodies; Central Government (50% share), Derbyshire County Council (9% share) and Derbyshire Fire Authority (1% share).

As part of the above scheme, all local authorities were given the opportunity to form a business rates pool. With effect from 1 April 2015, the Council became a member of the Derbyshire Business Rates Pool.

NNDR surpluses or deficits declared by the billing authority in relation to the Collection Fund are apportioned to the relevant precepting bodies in the subsequent financial year in their respective proportions.

# NOTES TO THE COLLECTION FUND

## 2 Council Tax Yield

The Council Tax Base is calculated each year as the estimated Band D equivalent number of dwellings in the Council's area for the year after taking into account any discounts. For 2016/17 the calculation was as follows:

Council Tax Band	2016/17 Number of Band D Equivalents (adjusted for discounts)	2015/16 Number of Band D Equivalents (adjusted for discounts)
A	7,845.35	7,695.30
B	5,670.56	5,567.32
C	5,671.43	5,592.70
D	4,214.84	4,136.29
E	3,195.98	3,136.61
F	1,922.18	1,895.69
G	1,274.00	1,266.87
H	103.60	102.13
	<b>29,897.94</b>	<b>29,392.91</b>

## 3 Business Rates

The Council collects National Non-Domestic Rates (NNDR) for its area based on local rateable values provided by the Valuation Office Agency multiplied by a uniform business rate set nationally by Central Government. Prior to March 2013 the total amount due, less certain allowances, was paid to a central pool (the NNDR pool) administered by Central Government, which, in turn, paid to Local Authorities their share of the pool, such shares being based on a standard amount per head of the local adult population.

In 2013/14, the administration of NNDR changed following the introduction of a business rates retention scheme which aims to give Councils a greater incentive to grow businesses but also increases the financial risk due to volatility and non-collection of rates. Instead of paying NNDR to the central pool, local authorities retain a proportion of the total collectable rates due. In the case of NEDDC the local share is 40%. The remainder is distributed to preceptors and in the case of NEDDC these are Central Government (50%), Derbyshire County Council (9%) and 1% to the Derbyshire Fire Authority.

When the scheme was introduced, Central Government set a baseline level for each authority identifying the expected level of retained business rates and a top up or tariff amount to ensure that all authorities receive their baseline amount. Tariffs due from authorities payable to Central Government are used to finance the top ups to those authorities who do not achieve their targeted baseline funding. In this respect, NEDDC pays a tariff from the General Fund in 2016/17.

From 1 April 2015, the Council became a member of the Derbyshire Pool. Under its accounting arrangements, the Council pays a levy to the pool and receives a redistribution of growth back from the pool at the end of each financial year. The [North East Derbyshire District Council Statement of Accounts 2016/17](#)

## NOTES TO THE COLLECTION FUND

levy paid in 2016/17 was £0.722m and the redistributed growth received was £0.400m

In addition to the local management of business rates, authorities are expected to meet their share of the cost of appeals made in respect of rateable values as defined by the Valuation Office. As such, authorities are required to make a provision for these amounts. Appeals are charged and provided for in proportion of the precepting shares.

### 4 Breakdown of Collection Fund (Surplus) /Deficit

At 31st March 2017 there was a deficit on the Collection Fund amounting to £0.096m (2015/16 deficit £0.705m). The breakdown of this figure between the preceptors and NEDDC is:

Council Tax	Business Rates		Council Tax	Business Rates
31 March 2016	31 March 2016		31 March 2017	31 March 2017
£'000	£'000		£'000	£'000
(288)	990	North East Derbyshire District Council	(291)	762
(1,223)	223	Derbyshire County Council	(1,256)	172
(186)	-	Derbyshire Police & Crime Commissioner	(187)	-
(74)	25	Fire Authority	(76)	19
-	1,238	Central Government	-	953
<u>(1,771)</u>	<u>2,476</u>		<u>(1,810)</u>	<u>1,906</u>

These amounts are included in the Balance Sheet and will be paid to the named authorities in 2017/18 and future years.

GROUP ACCOUNTS

# GROUP ACCOUNTS

**2016/17**

## GROUP MOVEMENT IN RESERVES STATEMENT

2016/17	NEDDC Usable Reserves £'000	NEDDC Unusable Reserves £'000	Total NEDDC Reserves £'000	RHL Reserves £'000	Total Group Reserves £'000
<b>Balance at 31 March 2016</b>	15,093	84,442	<b>99,535</b>	(6,367)	<b>93,168</b>
Movement in Reserves during 2016/17:					
Total Comprehensive Income and Expenditure	82,661	8,713	<b>91,374</b>	(1,076)	<b>90,298</b>
Adjustments from I&E charged under the accounting basis to the funding basis under regulation	(78,259)	78,259	<b>0</b>	(1,445)	<b>(1,445)</b>
Increase or (decrease) in 2016/17	4,402	86,972	<b>91,374</b>	(2,521)	<b>88,853</b>
<b>Balance at 31 March 2017</b>	<b>19,495</b>	<b>171,414</b>	<b>190,909</b>	<b>(8,888)</b>	<b>182,021</b>

## GROUP MOVEMENT IN RESERVES STATEMENT

2015/16	NEDDC Usable Reserves £'000	NEDDC Unusable Reserves £'000	Total NEDDC Reserves £'000	RHL Reserves £'000	Total Group Reserves £'000
<b>Balance at 31 March 2015</b>	18,784	76,164	<b>94,948</b>	(9,413)	<b>85,535</b>
<b>Adjustment to Opening Balance</b>	0	0	<b>0</b>	11	<b>11</b>
Movement in Reserves during 2015/16:					
Total Comprehensive Income and Expenditure	(10,321)	14,908	<b>4,587</b>	(943)	<b>3,644</b>
Adjustments from I&E charged under the accounting basis to the funding basis under regulation	6,630	(6,630)	<b>0</b>	3,978	<b>3,978</b>
Increase or (decrease) in 2015/16	(3,691)	8,278	<b>4,587</b>	3,046	<b>7,633</b>
<b>Balance at 31 March 2016</b>	<b>15,093</b>	<b>84,442</b>	<b>99,535</b>	<b>(6,367)</b>	<b>93,168</b>

# GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Gross Expenditure £'000	2015/16			Gross Expenditure £'000	2016/17 Gross Income £'000	Net Expenditure £'000
	Gross Income £'000	Net Expenditure £'000				
9,656	(3,363)	6,293	Growth Directorate	5,135	(4,081)	1,054
40,925	(35,664)	5,261	Operations Directorate	33,661	(29,962)	3,699
8,869	(6,633)	2,236	Transformation Directorate	7,292	(3,869)	3,423
<b>59,450</b>	<b>(45,660)</b>	<b>13,790</b>	<b>Cost Of General Fund Services</b>	<b>46,088</b>	<b>(37,912)</b>	<b>8,176</b>
31,734	(33,615)	(1,881)	Housing Revenue Account	(2,411)	(33,249)	(35,660)
0	0	0	HRA Exceptional Item	(62,758)	0	(62,758)
(259)	(338)	(597)	Operating Costs of Rykneld Homes	9,663	1,091	10,754
<b>90,925</b>	<b>(79,613)</b>	<b>11,312</b>	<b>Cost of All Services</b>	<b>(9,418)</b>	<b>(70,070)</b>	<b>(79,488)</b>
		7,564	Other Operating Expenditure			5,388
		7,521	Financing and Investment Income and Expenditure			7,141
		0	Surplus or Deficit of Discontinued Operations			0
		(15,133)	Taxation and Non-Specific Grant Income			(14,626)
		<b>11,264</b>	<b>(Surplus) or Deficit on Provision of Services</b>			<b>(81,585)</b>
		(3,520)	(Surplus) or Deficit on Revaluation of Fixed Assets			(13,637)
			(Surplus) or Deficit on Revaluation of Available for Sale Financial Assets			0
		(15,366)	Actuarial (Gains)/Losses on Pension Assets/Liabilities			6,369
		<b>(18,886)</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(7,268)</b>
		<b>(7,622)</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(88,853)</b>



# GROUP BALANCE SHEET

31 March 2016 £'000	Note	31 March 2017 £'000
288,827	Property, Plant & Equipment	376,299
68	Heritage Assets	58
12,294	Investment Property	12,024
170	Intangible Assets	188
2,950	Long Term Debtors	3,693
<b>304,309</b>	<b>Long Term Assets</b>	<b>392,262</b>
0	Assets Held for Sale	0
214	Inventories	329
6,036	Short Term Debtors	5,406
3,310	Cash and Cash Equivalents	11,465
<b>9,560</b>	<b>Current Assets</b>	<b>17,200</b>
0	Cash and Cash Equivalents	0
(1,487)	Short Term Borrowing	(1,506)
(8,068)	Short Term Creditors	(7,034)
(1,412)	Provisions (short term)	(1,067)
<b>(10,967)</b>	<b>Current Liabilities</b>	<b>(9,607)</b>
0	Long Term Creditors	0
0	Provisions	0
(158,366)	Long Term Borrowing	(157,741)
(51,368)	Other Long Term Liabilities	(60,093)
<b>(209,734)</b>	<b>Long Term Liabilities</b>	<b>(217,834)</b>
<b>93,168</b>	<b>Net Assets</b>	<b>182,021</b>
(15,549)	Usable Reserves	(19,967)
(77,619)	Unusable Reserves	(162,054)
<b>(93,168)</b>	<b>Total Reserves</b>	<b>(182,021)</b>

# GROUP CASH FLOW STATEMENT

2015/16 £'000		2016/17 £'000
(11,265)	Net (surplus) or deficit on the provision of services	81,585
35,267	Adjustment to surplus or deficit on the provision of services for noncash movements	(56,783)
10,662	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	6,029
34,664	Net Cash flows from operating activities	30,831
(34,110)	Investing Activities	(22,077)
(1,757)	Financing Activities	(599)
(1,203)	Net (increase) or decrease in cash and cash equivalents	8,155
4,513	Cash and cash equivalents at the beginning of the reporting period	3,310
3,310	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>11,465</b>

# NOTES TO THE GROUP ACCOUNTS

## **1 Rykneld Homes Limited**

North East Derbyshire District Council (NEDDC) set up a wholly owned subsidiary company, Rykneld Homes Limited (RHL), on 1 April 2007 to manage its housing stock. The Company was established as an Arms Length Management Organisation (ALMO) in accordance with a Government policy initiative for local authority housing management.

NEDDC pay Rykneld Homes Limited an agreed management fee to undertake the management and maintenance of 7,924 Council owned homes in North East Derbyshire. NEDDC is the only shareholder but it allows Rykneld Homes Limited to operate independently on day to day matters. Four representatives of the Council sit on the Board of Rykneld Homes Limited as Council nominees.

Within the group accounts the setting up of a subsidiary is treated as an acquisition (IAS 27). As NEDDC set up Rykneld Homes Limited as a subsidiary there was no consideration paid for the company. All set up costs have been paid for by NEDDC and there were no assets acquired or transferred between the two organisations.

## **2 Accounting Policies**

The Accounting Policies of the two organisations have been examined for any fundamental differences that may impact on the treatment of the group accounts. The accounting policies used to produce the financial statements of Rykneld Homes Limited do not differ materially from those utilised by NEDDC and as such have no impact upon the Group Accounts produced above.

## **3 Retained Surplus / Deficit**

In 2016/17 Rykneld Homes Limited made a loss of £1.076m (2015/16 loss of £0.943m).

## **4 Post Consolidation Adjustment**

There are no post consolidation adjustments during the current financial year.

# NOTES TO THE GROUP ACCOUNTS

## 5 Pensions

Employees of North East Derbyshire District Council and Rykneld Homes Limited are admitted to the Derbyshire County Council pension fund which is administered under the regulations governing Local Government Pension Schemes.

The following transactions have been made in the group Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement in the year.

	2016/17 £'000	2015/16 £'000
<b><u>Comprehensive Income and Expenditure Statement</u></b>		
<i>Cost of Service</i>		
Current Service cost	4,179	4,827
Past Service Cost	67	317
(Gain)/loss from settlements	0	0
<i>Financing and Investment Income and Expenditure</i>		
Net Interest Expense	1,773	2,020
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Service</b>	<b>6,019</b>	<b>7,164</b>
<i>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>		
Re-measurement of the net defined benefit liability comprising: -		
Return on Plan Assets (excluding the amount included in the net interest expense)	(18,060)	3,706
Actuarial gains and losses arising on changes in demographic assumptions	(2,210)	0
Actuarial gains and losses arising on changes in financial assumptions	36,175	(9,213)
Other (if applicable)	(9,536)	(1,903)
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>6,369</b>	<b>(7,410)</b>

# NOTES TO THE GROUP ACCOUNTS

## Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets

	2016/17 £'000	2015/16 £'000
<b>Opening fair value of scheme assets</b>	<b>119,353</b>	119,179
Interest Income	4,168	3,814
<i>Re-measurement gain/(loss):</i>		
The return on plan assets, excluding the amount included in the net interest expense	18,060	(3,706)
The effects of changes in foreign exchange rates	0	0
Employer contributions	3,650	3,887
Contributions from employees into the scheme	945	943
Benefits paid	(4,974)	(4,764)
Other	0	0
<b>Closing fair value of scheme assets</b>	<b>141,202</b>	119,353

## Reconciliation of the Present Value of the Scheme Liabilities (Defined Benefit Obligation)

	2016/17 £'000	2015/16 £'000
<b>Opening balance at 1 April</b>	<b>(169,760)</b>	(181,675)
Current service cost	(4,179)	(4,827)
Interest cost	(5,941)	(5,834)
Contributions from scheme participants	(945)	(943)
Contributions in respect of unfunded benefits	0	0
<i>Re-measurement gain/(loss):</i>		
Actuarial gains/losses arising from changes in demographic assumptions	1,598	0
Actuarial gains/losses arising from changes in financial assumptions	(32,110)	17,169
Other	6,083	1,903
Past service cost	(67)	(317)
Losses/(gains) on curtailment	0	0
Liabilities assumed on entity combinations	0	0
Benefits Paid	4,974	4,764
Return on assets excluding amounts included in net interest	0	0
Liabilities extinguished in settlements	0	0
<b>Closing Defined Benefit Obligation</b>	<b>(200,347)</b>	(169,760)

# NOTES TO THE GROUP ACCOUNTS

## Scheme History

	2016/17	2015/16	2014/15	2013/14	2012/13
	£'000	£'000	£'000	£'000	£'000
Present value of liabilities	(200,347)	(169,760)	(181,675)	(148,475)	(142,546)
Fair value of assets	141,202	119,353	119,179	102,822	91,449
<b>Scheme Surplus(deficit)</b>	<b>(59,145)</b>	<b>(50,407)</b>	<b>(62,496)</b>	<b>(45,653)</b>	<b>(51,097)</b>
Crematorium Deficit	0	0	0	(177)	(162)
<b>Scheme Surplus(deficit)</b>	<b>(59,145)</b>	<b>(50,407)</b>	<b>(62,496)</b>	<b>(45,830)</b>	<b>(51,259)</b>

The basis for estimating assets and liabilities for the group is the same as for North East Derbyshire District Council, as detailed in note 39 to the single entity financial statements.

## 6 Related Party Transactions

North East Derbyshire District Council paid Rykneld Homes Limited a total amount of £20.724m made up of net management fee of £9.902m (2015/16, £10.402m) to undertake the management and maintenance function of the Council's housing stock, Council Loan of £0.832m (2015/16, £0.761m), other transactions amounting to £0.318m (2015/16, £0.370m) and £9.672m (2015/16, £17.342m) for capital works to the Council's housing stock.

Rykneld Homes Limited purchased goods and services from the Council to the value of £1.791m (2015/16 £1.364m).

## 7 Inter-organisation Balances

The Group Accounts require that inter-organisation balances be removed. The table below shows the reconciliation of inter organisation debtors and creditors for 2016/17.

	NEDDC Balance Sheet £'000	RHL Balance Sheet £'000	NEDDC IOB £'000	RHL IOB £'000	Total £'000
Short Term Debtors	5,185	2,017	(115)	(1,630)	5,457
Short Term Creditors	(6,506)	(2,273)	1,630	115	(7,034)
	(1,321)	(256)	1,515	(1,515)	(1,577)

At 31 March 2017, Rykneld Homes Limited owed the Council £0.115m for goods and services received while the Council owed Rykneld Homes Limited £1.630m for

## NOTES TO THE GROUP ACCOUNTS

goods and services received. The majority of this is in relation to the capital programme.

The Council has agreed with Rykneld Homes to retain the surplus generated in 2016/17. This will be carried forward in an earmarked reserve to cover the cost of expected future liabilities.

**8** The Statement of Accounts for Rykneld Homes Limited can be obtained from

Rykneld Homes Limited  
Pioneer House  
Mill Lane  
Wingerworth  
Chesterfield  
Derbyshire  
S42 6NT

# GLOSSARY

## **ACCRUAL**

A sum included in the Final Accounts attributable to the year but for which payment has yet to be made or income received. Accruals are made for revenue and capital expenditure and income.

## **ASSET**

An asset is an item having value measurable in monetary terms. Assets can be defined as fixed or current. A fixed asset has a value for more than one year (for example a building or a long-term investment). A current asset can be readily converted into cash (for example stocks or a short-term debtor).

## **AUDIT OF ACCOUNTS**

An independent examination of the Authority's financial affairs.

## **BILLING AUTHORITY**

A local authority that has the power to set and collect council tax.

## **BUDGET**

The spending plans of the Authority over a specific period of time - generally the financial year, 1st April to 31 March.

## **CAPITAL CHARGES**

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

## **CAPITAL EXPENDITURE**

Expenditure to acquire or enhance fixed assets that will be used to provide services beyond the current financial year.

## **CAPITAL FINANCING**

The raising of money to pay for capital expenditure. There are various methods of financing capital expenditure, including borrowing, leasing, using capital receipts, grants or contributions from third parties, or direct from revenue budgets.

## **CAPITAL PROGRAMME**

The capital schemes the Authority intends to carry out over a specified period of time.



# GLOSSARY

## **CAPITAL RECEIPT**

The proceeds from the disposal of land or other fixed assets. A proportion of capital receipts can be used to finance new capital expenditure, within rules set down by the Government, but they cannot be used for revenue purposes.

## **CODE**

The Code refers to the Code of Practice on Local Authority Accounting. The way in which the statement of accounts is produced is outlined within the Code.

## **COLLECTION FUND**

A separate fund to record the expenditure and income relating to council tax, non-domestic rates and residual community charges.

## **COMMUNITY ASSETS**

Assets that the Authority intends to hold in perpetuity, or that have no determinable useful life, and that may have restrictions on their disposal. Examples of community assets are paintings and civic regalia.

## **CONSISTENCY**

The concept that the accounting treatment of like items within an accounting period and from one period to the next one is the same.

## **CONTINGENT LIABILITY**

Potential losses from a future event where a liability may exist.

## **COUNCIL TAX**

The local tax that pays for a proportion of council services.

## **COUNCIL TAX BENEFIT**

Help provided to people on low incomes to assist them to pay their council tax bills.

## **CREDITOR**

Amounts owed by the Council for works done, goods received or services rendered before the end of the accounting period but for which payments had not been made by the end of that period.

# GLOSSARY

## **CURRENT EXPENDITURE**

This is the general term for “running costs” including employee costs and running expenses but not debt charges.

## **DEBTOR**

Amounts due to the Council for works done, goods received or services rendered before the end of the accounting period but for which payments had not been received by the end of that period.

## **DEFINED BENEFIT SCHEME**

A pension or other retirement benefit scheme other than a defined contribution scheme. The scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme.

(A defined contribution scheme is a pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or as a percentage of pay and will have no legal obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits)

## **DEPRECIATION**

The loss in value of an asset due to age, wear and tear, deterioration or obsolescence.

## **FINANCIAL REPORTING STANDARD (FRS) AND STATEMENTS OF STANDARD ACCOUNTING PRACTICES (SSAP)**

These cover particular aspects of accounting practice, and set out the correct accounting treatment – for example, of depreciation. FRS’s are issued by, and SSAP’s have been adopted by, the Accounting Standards Board.

## **GENERAL FUND**

This is the main revenue account from which revenue payments are made to meet the costs of providing services.

## **GOVERNMENT GRANTS**

Grants made by the Government towards either revenue or capital expenditure to support the cost of the provision of local authority services. These grants may be specifically towards the cost of particular schemes or to support the general revenue spending of the Authority (Revenue Support Grant).

# GLOSSARY

## HOUSING ADVANCES

Loans made by an authority to individuals or Housing Associations towards the cost of acquiring, constructing or improving dwellings. Loans made to individuals are termed mortgages.

## HOUSING BENEFITS

A system of financial assistance to individuals towards certain housing costs administered by local authorities and subsidised by Central Government.

## HOUSING REVENUE ACCOUNT (HRA)

A separate account, that includes all the expenditure and income arising from the provision of council housing by the Authority.

## IFRS

IFRS refers to the International Financial Reporting Standards by which the Council must comply with when producing the statement of accounts.

## IMPAIRMENT

In accordance with FRS11, Impairment of Fixed Assets and Goodwill, impairment is a permanent decrease in the recoverable amount of a fixed asset below its carrying amount. The 'recoverable amount' is the higher of:

- net realisable value [disposal proceeds less direct selling costs];
- value in use — the present value of the future cash flows obtainable as a result of the continued use of the asset, including its ultimate disposal.

## INCOME

Amounts which the Council receives or expects to receive from any source, including rents, fees, charges, sales and grants.

## INFRASTRUCTURE ASSETS

Fixed assets belonging to the Council, which are not readily sold, do not necessarily have a resale value, and for which a useful life span cannot be readily assessed.

## LIABILITY

An amount owed by the Authority, which will be paid at some time in the future.

## MAJOR REPAIRS ALLOWANCE (MRA)

The major repairs allowance forms part of the housing subsidy calculation. It is an allowance given to the Council based on the number of dwellings to finance capital expenditure on council dwellings.

*North East Derbyshire District Council Statement of Accounts 2016/17*

# GLOSSARY

## **MAJOR REPAIRS RESERVE (MRR)**

The major repairs reserve is where the major repairs allowances transactions are processed and any balance carried forward.

## **MINIMUM REVENUE PROVISION (MRP)**

The minimum revenue provision is the amount of debt repayment made based on the life of the asset.

## **NON-DOMESTIC RATE (NDR)**

The Non-Domestic Rate is a standard rate in the pound set by the Government on the assessed rateable value of business properties.

## **NON-OPERATIONAL ASSETS**

Fixed assets held by the Authority, but not directly occupied or used in the delivery of services. Examples are investment properties, or assets that are surplus to requirements, pending sale or redevelopment.

## **OPERATING LEASE**

A type of lease, where the ownership of the asset remains with the lessor.

## **OPERATIONAL ASSETS**

Fixed assets held by the Authority and directly occupied or used in the delivery of its services.

## **PRECEPT**

The levy made by precepting authorities on billing authorities. Derbyshire County Council, Derbyshire Fire Authority and Derbyshire Police Authority levy a precept on the District Council.

## **PROVISION**

Provisions are required for any liabilities of uncertain timing or amount that have been incurred. Provisions are required to be recognised when:

- the Authority has a present obligation (legal or constructive) as a result of a past event
- it is probable that a transfer of economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision should be the best estimate taking into account the risks and uncertainties surrounding the events and should be regularly reviewed.

# GLOSSARY

## **PRUDENCE**

The concept that revenue is not anticipated but recognised only when realised or reasonably certain to be realised.

## **PUBLIC WORKS LOAN BOARD (PWLB)**

A Central Government agency, which provides loans for one year and above to local authorities at interest rates only slightly higher than those at which the Government itself can borrow.

## **RATEABLE VALUE**

The annual assumed rental value of a property, which is used for business rate purposes.

## **REFFCUS (Revenue expenditure funded from capital under statute)**

Capital expenditure which is of benefit beyond the current accounting period, but which does not result in a tangible fixed asset to the Authority. An example of a deferred charge would be capital expenditure on improvement grants.

## **RESERVES**

Surpluses and deficits which have been accumulated over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Authority. Some capital reserves such as the Fixed Asset Restatement Reserve cannot be used to meet current expenditure.

## **REVENUE ACCOUNT**

The main account of the Authority into which grants and other income is paid and from which the cost of providing services is met.

## **REVENUE EXPENDITURE**

The day to day expenses of providing services.

## **REVENUE SUPPORT GRANT (RSG)**

A grant paid by Central Government to authorities, contributing towards the cost of services.

## **STATEMENT OF RECOMMENDED PRACTICE (SORP)**

The SORP, issued by CIPFA in accordance with the Accounting Standards Board, governs the way local authorities must produce their financial statements and report their spending and income.

# GLOSSARY

## **STOCKS**

Comprise the following categories: goods and other assets purchased for resale; consumable stores; long term contract balances and finished goods.

## **TEMPORARY LOAN**

Money borrowed for a period of less than one year.

## **TRUST FUNDS**

Funds administered by the Council for such purposes as charities and specific projects.

# AUDITOR'S REPORT