



North East Derbyshire District Council

STATEMENT OF ACCOUNTS

2018/19

NARRATIVE REPORT

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Introduction

North East Derbyshire District Council covers an area of 100 square miles, with a population of just over 100,000 people and operates alongside Derbyshire County Council in providing local authority services to our residents. The Council has 388 employees. This report sets out how the Council has served our community during the 2018/19 financial year outlining both our service delivery and financial performance. Whilst the main emphasis is on the previous financial year (2018/19), 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 2018/19, 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 life of the current Corporate Plan. 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 last year of the Corporate Plan 2015-19 and excellent progress has been made against this plan with most targets being achieved. Some of the targets will roll over into 2019/20 and this period will be used to develop our new corporate plan following local elections. A summary of progress against the Corporate Plan is provided below: Further details are provided in the quarterly performance reports available on the Council's website.

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Strategic Aim / Priorities	Progress Against Key Targets
<p>Unlocking Our Growth Potential</p> <ul style="list-style-type: none"> • Supporting enterprise • Unlocking development potential • Enabling housing growth 	<ul style="list-style-type: none"> • 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. • The Planning Development Management Team is exceeding national targets with processing planning applications. • A new timetable for adoption of the Local Plan was agreed with the Government and the Council is on target to achieve that. The Plan has been examined and the Council is working with the Inspector to progress to completion. • External funding continues to be sought to progress infrastructure, business support and return to work programmes. • Business growth (as measured by gross NNDR) has increased by 3.4% over the corporate plan period • Grants totalling £21,921 have been paid this year from the Council's Business Growth Fund, helping stimulate growth and create jobs in the local economy. • 68.82 FTE jobs have been created through BNED LEADER funding over the course of the corporate plan.
<p>Providing our Customers with Excellent Services</p> <ul style="list-style-type: none"> • Increasing customer confidence and satisfaction with our services • Improving customer contact and access to information • Championing equality and diversity • Supporting vulnerable and disadvantaged people • Working with partners to address 	<ul style="list-style-type: none"> • Customer satisfaction levels are good and the Council holds Customer Services Excellence accreditation. • The Council provides customer contact centres, supported by telephony and internet access to services. • The Council invests significant funding in the Voluntary and Community Services sector and

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<p>poverty</p> <ul style="list-style-type: none"> • Providing good quality social housing 	<p>in our Partnership Team to provide effective support to vulnerable /disadvantaged people.</p> <ul style="list-style-type: none"> • A new single equality scheme for the period 2019-2023 has been produced and an evaluation document published for the 2015-2019 scheme. The Council has produced Transgender guidance for its staff in leisure services and continue to promote reporting of hate incidents. • Processing times for new Housing Benefit and Council Tax Support claims were quicker than the target • 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.
<p>Supporting our Communities to be Healthier, Safer, Cleaner and Greener</p> <ul style="list-style-type: none"> • Contributing to improving health and well being • Increasing participation in sport and leisure activities • Working with partners to reduce crime and anti-social behaviour • Increasing recycling • Ensuring a high standard of environmental maintenance and cleanliness • Developing attractive neighbourhoods 	<ul style="list-style-type: none"> • Participation in sports/recreation remains high and has exceeded target due to improved facilities and leisure offer. • In conjunction with partners we have programmes in place to promote active and healthy lifestyles, to tackle childhood obesity and anti social behaviour. • Combined recycling/composting rates is predicted to reach 46.3% (Target 49% by March 2019) • The annual litter cleanliness target of 96% has been narrowly missed at 94.85% and the dog fouling cleanliness target of 98% has been exceeded (99.55%)
<p>Transforming Our Organisation</p> <ul style="list-style-type: none"> • Supporting and engaging with employees • Making the best use of assets • Demonstrating good governance • Ensuring financial sustainability and increasing revenue streams • Transforming services through 	<ul style="list-style-type: none"> • The Council has an effective modern, ICT infrastructure providing cost effective services to both residents and employees. • The Council continues to make transformation savings and has a new plan fit for the future. • The Council has appropriate

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<ul style="list-style-type: none">the use of technology• Actively engaging with partners to benefit the community• Maximising opportunities with Bolsover District Council through the Strategic Alliance	<p>Governance / Management arrangements in place to ensure accountability and value for money.</p> <ul style="list-style-type: none">• In 2018/19 a total of 2,741 online transactions were carried out with 1,653 residents now having online accounts. Webchat continues to be popular.
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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, it is consistent with the conclusion that during 2018/19 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 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 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 four year period, I am of the view that the Council can continue to successfully deliver against its Strategic Aims and Priorities over 2019/20 when a new plan will be developed and published.

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 retained accreditation for Customer Service Excellence. On the basis of the information collected by the Council our services including Customer Services and the Contact Centre, 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. 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

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partially within its direct influence. Key Strategic Risks recorded in the Councils risk register comprise:

- 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 and the impact of the financial environment or external circumstances having an adverse effect on staff morale.
- 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 uncertainty surrounding the implementation of Brexit will continue to create uncertainties concerning national economic conditions, legislative change and whether European Union funding streams will be replaced.
- The risk of operational service failure which has an impact on the local community and the Council's ability to secure its corporate objectives.
- Failure to have robust comprehensive and up to date policies and procedures for safeguarding children and vulnerable adults.
- The local plan isn't found sound at independent examination
- Impact of HS2 and the electrification of the Midland Main Line on the environment, heritage, communities and businesses.

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.

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 2018/19 was increased by 1.99%, with the Band D Council Tax charge increasing to £186.39 for the year.

During 2018/19, 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 2018 with a savings target of £0.434m to be met from areas including repayment of Invest to Save borrowing, Strategic Alliance secondments, transformation savings, property rationalisation and income generation.

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

- Efficiencies generated by the Council during the year through robust financial management have helped offset the impact of continued reductions in Government funding.
- The Derbyshire Business Rates Pool was awarded “pilot” status in 2018/19, allowing 100% business rates retention for that year. This has secured additional income from economic growth, although this income is subject to fluctuation so 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 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 savings have been achieved whilst minimising the impact upon service delivery. By the end of the year we had achieved our savings target of £0.434m, and made an additional contribution to the Invest to Save Reserve of £0.505m. 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 does put the Council in a position to invest in income generation or service reconfiguration to offset a cumulative savings target of £7.4m up to the period to March 2023.

As detailed below, the net cost of services outturn position of £9.829m was £0.569m lower than the budget forecast:

	Current Budget 2018/19 £000	Outturn 2018/19 £000	Variance £000
People Directorate	8,146	7,706	(440)
Place Directorate	2,252	2,123	(129)
Net Cost of Services	10,398	9,829	(569)

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.

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Effective financial management over the past few years has enabled the Council to gradually increase its level of General Fund balances to £2m which is considered 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. The Invest to Save balances 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 2018/19.

The management of the Council's housing is 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 2018/19 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.

The HRA net cost of services outturn position was £0.144m better than anticipated, as detailed below. The HRA reserves remain at £3m as at 31 March 2019. Strong financial performance during the year enables a contribution of £1.075m 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.

	Current Budget 2018/19	Outturn 2018/19	Variance
	£000	£000	£000
Housing Revenue Account	4,516	4,372	(144)
Net Cost of Services	4,516	4,372	(144)

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Capital expenditure and resources

The Council has invested £14.722m on capital schemes in the year. This is split between the Housing Revenue Account (£13.021m) and General Fund capital expenditure (£1.701m).

The main capital schemes delivered in 2018/19 by the Council were:

- Council housing stock investment programme of £9.719m;
- The demolition and rebuilding of properties at Alma Road, North Wingfield of £1.780m;
- Stock Purchase scheme of £0.927m;
- Acquisitions and Disposal scheme of £0.181m;
- Private Sector Disabled Facilities Grants of £0.374m;
- Vehicle Replacement £0.315m;
- Other capital schemes of £1.426m

The capital programme was fully financed in the year utilising grants (£1.922m), prudential borrowing (£1.246m), major repairs and development reserves (£10.430m), revenue contributions (£0.090m) and usable capital receipts from asset sales (£1.034m).

Treasury Management

At 31 March 2019, the Council has a total capital financing requirement (Council debt) of £183.924m. This shows a net decrease in the year of £2.656m. The net decrease reflects prudential borrowing of £1.246m offset by debt repayments of £3.902m. The prudential borrowing relates to the purchase of vehicles (£0.315m), Alma Road, North Wingfield new build scheme (£0.908m) and Pine View, Danesmoor scheme (£0.023m), which has enabled the continuation of building and purchase of social housing. The level of debt repayment reflects the Council's commitment to repay the approved scheduled debt repayments in the year (£3.902m).

To meet the capital financing requirement the Council has external borrowing from the Public Works Loans Board (£150.846m). The remainder is effectively financed from utilising the Council's own reserves and balances (£33.078m). During the year the Council repaid £3.303m 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 2018/19, so no leasing liabilities remain.

Assets

During 2018/19 the Council completed the sale of 9 shared ownership properties, the shared ownership percentages sold ranged from 25% to 60% of the property. The Council also sold 77 council dwellings under the Right to Buy Legislation, 2

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dwellings on the open market and demolished 25 dwellings, these were offset by the addition of 48 dwellings for affordable rent to the HRA stock and 1 shared ownership property to Investment Properties.

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 £53.504m. These include general reserves of £5.000m (General Fund and Housing Revenue Account general reserves discussed earlier). Additionally, the Council has £1.293m that relates to unapplied capital grants, earmarked general fund revenue reserves of £11.801m and earmarked HRA reserves of £29.675m. The Council also has £5.559m of usable capital receipts at 31 March 2019. It should be noted that many of these resources are committed to fund future service delivery or spend is subject to specific grant conditions. 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.

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.

In 2018/19 the Derbyshire Pool was awarded "pilot" status, allowing 100% retention of all business rates growth during the year. The growth received by the Council in the year was £1.830m. This has been earmarked in the NNDR Growth reserve to mitigate against both the volatility of business rates growth and the proposed national reset in 2020.

In 2018/19, £16.166m of Business Rates income was raised. An anticipated deficit of £1.218m was forecast in the previous year. During the year £17.308m was paid on account with the in year surplus of £0.897m and opening deficit balance of £1.985m due to be redistributed in 2019/20 and 2020/21. The Council's share of the deficit is £0.467m.

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Council Tax

In 2018/19 £56.870m of Council Tax Income was raised. After taking account of appropriate charges to the Collection Fund the balance (£56.348m) is shared between the precepting authorities. In 2018/19, £55.961m was precepted on the Collection Fund account and a further £0.961m was paid out in relation to previous years surpluses. This leaves a deficit in year of £0.387m which when added to the opening balance on the fund (£1.877m) leaves a surplus on the fund of £1.490m at 31 March 2019. The surplus will be distributed to the precept authorities during 2019/20 and 2020/21. The Council's share of the surplus is £0.243m.

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 £12.737m and an increase in the fair value of assets of £6.332m. The fund shows a net increase in the pension liability of the Council by £6.405m to £54.376m at 31 March 2019.

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 legislative changes and the end of the current national financial settlement in 2019/20 may have a significant impact both upon its financial position and service delivery in 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 and service transformation, supported by a reasonable level of financial reserves to fund investment in service reconfiguration means 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 2019, the Council had a shortfall of £0.871m in respect of 2019/20, with an estimated cumulative shortfall of £7.4m by 2022/23. As a first step in balancing its budget the Council agreed a Council Tax increase of 1.99%, generating an additional £0.101m 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:

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- The Council has recently refreshed the transformation programme to ensure that we continue to meet customer expectations whilst exploring ways to secure further savings.
- 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.

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 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).

Management Arrangements

The Council has fully embedded the Senior Management restructure during 2018/19 and the new structure is reflected in the Expenditure and Funding Analysis note. There have been some changes in the Strategic Alliance Management Team during the year with 3 Heads of Service leaving the Council. Interim arrangements have been put in place to ensure the effective running of services whilst recruitment takes place.

One of the posts currently vacant is the Head of Finance and Resources. Interim arrangements have been put in place with the Chief Accountant fulfilling the role of Chief Financial Officer whilst the post is vacant. 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 Chief Accountant is professionally qualified, 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 Council has enabled us to deliver both a balanced financial outturn together with *North East Derbyshire District Council Statement of Accounts 2018/19*

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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 2019/20 and future years against the background of a more challenging financial environment for local government. As a Council we are 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 more complex each 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 21 May 2019 in line with the statutory deadline. Early closure 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.

Jayne Dethick CPFA

Chief Accountant and S151 Officer

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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 2019 and its financial performance during the year.

Introductory Statements and Notes (Pages 16-45)

This section includes:

Statement of Responsibilities for the Statement of Accounts (Page 17)

Annual Governance Statement (Page 18)

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 19-41)

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 42-45)

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

Movement in Reserves Statement (Pages 47-48)

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 (Page 49)

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.

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The Balance Sheet (Page 50)

This statement details the financial position of the Council as at 31st March 2019; its assets, liabilities, balances and reserves.

The Cash Flow Statement (Page 51)

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 52-117)

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 53-56)

Movement in Reserves Statement Notes (Pages 57-58)

Comprehensive Income and Expenditure Statement Notes (Pages 59-63)

Balance Sheet Notes (Pages 64-96)

Cash Flow Statement Notes (Pages 97-98)

Other Notes (Pages 99-117)

Supplementary Single Entity Financial Statements (Pages 118-129)

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

The Housing Revenue Account (HRA) (Pages 119-125)

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 119)

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

Movement on Housing Revenue Account Statement (Page 120)

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.

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The Collection Fund (Pages 126-129)

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 130-140)

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 141-147)

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

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 Head of Finance and Resources.

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 Head of Finance and Resources Responsibilities

The Head of Finance and Resources 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 2019.

The Head of Finance and Resources post is currently vacant. Interim arrangements have been put in place with the Chief Accountant fulfilling the role of Chief Financial Officer whilst the post is vacant.

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 2019.

Signed by:

Jayne Dethick CPFA

Date: 21/5/19

ANNUAL GOVERNANCE STATEMENT

The Annual Governance Statement is published separately, please see the Council's website for more information.

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 2018/19 financial year and its position at the year-end of 31st March 2019. 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 2018/19 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 does not have any transactions that are reclassifiable to the Surplus or Deficit on the Provision of Services. As such we have not grouped the items in Other Comprehensive Income and Expenditure into amounts that may be reclassifiable and amounts that are not.

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.

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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;
- 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 Council 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 Council.
- Revenue from the provision of services is recognised when the Council 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 Council.
- 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

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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.

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 2018/19 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.

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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.

NNDR - Impairment of Appeals

The Council has commissioned an independent assessment at 31 March 2018 of the outstanding appeals lodged with the Valuation Office. The assessment has reviewed every individual appeal and estimate of the likelihood of the appeal succeeding based on the category of appeal and previous appeal determinations.

The rateable value and the period covered by the appeal have been used to establish a prudent provision to meet the estimated costs of successful appeals.

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 Council. 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 Council 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 Council. 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. 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.

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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.

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 *North East Derbyshire District Council Statement of Accounts 2018/19*

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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 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.

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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.

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.

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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 Council'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 or equity instrument of another entity. 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. Non-exchange transactions, such as those relating to taxes and government grants, do not give rise to financial instruments.

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 are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in 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). Interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics.

There are three main classes of financial assets measured at:

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- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI)

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest.

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost 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. They are subsequently measured 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 financial assets held by the Council, 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.

When loans are made at less than market rates (a soft loan) a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the organisation, with the difference serving to increase the amortised cost of the loan in the balance sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year.

When loans are made at less than market rates (a soft loan), a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the organisation, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund balance is the interest receivable for the financial year.

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

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Expected Credit Loss Model

The Council recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Council.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

Financial Assets Measured at Fair Value through Profit or Loss

Financial assets that are measured as FVPL are recognised on the Balance Sheet when the council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arise in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

- instruments with quoted market prices - the market price.
- other instruments with fixed and determinable payments - discounted cash flow analysis.
- equity shares with no quoted market prices - multiple valuation techniques (which include market approach, income approach and cost approach).

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs - quoted prices (unadjusted) in active markets for identical assets that the Council can access at the measurement date.
- Level 2 inputs - inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs - unobservable inputs for the asset.

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

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Where fair value cannot be measure reliably, the instrument is carried at cost (less any impairment losses).

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.

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

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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.

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

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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.

17 Intangible Fixed Assets

Expenditure on non-monetary assets that do not have a physical substance but are identifiable and controlled by the Council as a result of past events (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.

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Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

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.

The Council also has a joint venture in Northwood Developments Limited. This is being accounted for as an available-for-sale financial asset. Group accounts are not being prepared based on materiality.

19 Inventories

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

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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.

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 Council 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 Council 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 and Derbyshire Dales District Council and Chesterfield Royal Hospital.

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

ACCOUNTING POLICIES

Adjustment Account in the Movement in Reserves Statement for the difference between the two.

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. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal, matched by a lease (long-term debtor) asset in the Balance Sheet.

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 or an item of plant or equipment, the asset is retained on the Balance Sheet. Rental Income is credited to the Other Operating 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 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 on the same basis as rental income.

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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 arrangements for accountability and financial performance.

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.

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 fair value. The difference between fair 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;

ACCOUNTING POLICIES

- 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 – current 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.

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

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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).

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.

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- 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 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 for disposals, in excess of £10,000 are treated as capital receipts. A proportion of Housing receipts is payable to central government. The

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balance of receipts is credited to the Capital Receipts Reserve and can only be used for new capital investment or set aside to reduce the Council's underlying need to borrow. Receipts are appropriated to the Reserve from the General Fund balance in the Movement in Reserves Statement.

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 Council a legal or constructive obligation that probably requires settlement by a transfer of 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

ACCOUNTING POLICIES

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 Council 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 service.

30 Segmental Analysis

The Council operates with two directorates. All services of the Council fall into one of these directorates. The main service areas within each directorate are as follows:

People – Chief Executive (50%); Partnership Team; Legal; Governance and Elections and Scrutiny; Procurement; Financial Services; Revenues and Benefits; Audit (client); Streetscene; ICT (client); Customer Services; Improvement Team; Leisure; Human Resources; Health and Safety; Payroll.

Place – Chief Executive (50%); Economic Development; Housing Strategy; Planning; Environmental Health; Community Safety; Property and Estates; Emergency Planning.

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 2018/19.

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 2018/19 code:

- Amendments to IAS40 Investment Property: Transfers of Investment Property
- Annual Improvements to IFRS Standards 2014-2016 Cycle
- IFRIC22 Foreign Currency Transactions and Advance Consideration
- IFRIC23 Uncertainty over Income Tax Treatments
- Amendments to IFRS9 Financial Instruments: Prepayment Features with Negative Compensation
- IFRS16 Leases – will bring most leases on Balance Sheet for lessees from 2019

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.

GENERAL NOTES

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

The items in the Authority's Balance Sheet at 31 March 2019 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Arrears

At 31 March 2019, the Authority had total outstanding arrears of £4.506m. This was made up of a sundry debtor balance of £0.420m, rents of £1.465m, over paid housing benefits of £1.560m, NNDR payers of £0.299m and council tax payers of £0.762m. A review of bad debt provision has been undertaken based on the age of the debt, and a total doubtful debt provision of £2.522m 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 £0.252m.

Earmarked Reserves

A sum of £0.460m has been set aside to cover potential legal claims against the Council. The reserve will be reviewed annually and adjusted accordingly. If the reserve is not sufficient then General Fund balances will need to be utilised.

A sum has also been set aside for Business Rates (£3.087m). 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. Additionally, a national reset of the business rates baseline is planned for April 2020 which is expected to have a detrimental impact on the amount retained for a number of years.

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.

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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

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 £1.501m 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 2018/19 the Council's actuaries advised that the net pension liability had increased by £6.405m. This is made up of:

- £4.282m actuarial loss
- £2.123m loss arising from employer contributions of £2.861m being less than the pension obligations of £4.984m

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 £15.932m. A 0.5% increase in the assumed salary increase rate would result in a £2.032m increase in the pension liability and an increase of 0.5% in the assumed pension rate would increase the pension liability by £13.640m. 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 2019. 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 2019. The Council's share of the balance of business rate appeals provisions held at this date amounted to £1.843m compared to £1.592m in 2017/18.

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Impact of Brexit on Pension Asset values

There is a high level of uncertainty surrounding Britain leaving the European Union with 3 possible scenarios – no deal Brexit, agreement with a transition period or a further extension. It is impossible to predict with any certainty the impact this will have on the Pension Liability. The assumption has been made that this will not significantly impair the Council's Pension Assets or change the discount rate.

5 Prior Period Adjustments

There have been no prior period adjustments to the published financial statements for 2018/19.

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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.

2018/19	General Fund Balances £'000	HRA Balances £'001	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
Balance at 31 March 2018	10,558	28,030	4,841	826	1,104	45,359	172,512	217,871
Movement in Reserves during 2018/19:								
Total Comprehensive Income and Expenditure	(128)	(10,328)	0	0	0	(10,456)	(3,327)	(13,783)
Adjustments from I&E charged under the accounting basis to the funding basis under regulation	3,371	14,973	718	(650)	189	18,601	(18,601)	0
Increase or (decrease) in 2018/19	3,243	4,645	718	(650)	189	8,145	(21,928)	(13,783)
Balance at 31 March 2019	13,801	32,675	5,559	176	1,293	53,504	150,584	204,088

MOVEMENT IN RESERVES STATEMENT

2017/18	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
Balance at 31 March 2017	9,411	4,325	2,547	1,523	1,689	19,495	171,414	190,909
Movement in Reserves during 2017/18:								
Total Comprehensive Income and Expenditure	(2,487)	13,459	0	0	0	10,972	15,990	26,962
Adjustments from I&E charged under the accounting basis to the funding basis under regulation	3,634	10,246	2,294	(697)	(585)	14,892	(14,892)	0
Increase or (decrease) in 2017/18	1,147	23,705	2,294	(697)	(585)	25,864	1,098	26,962
Balance at 31 March 2018	10,558	28,030	4,841	826	1,104	45,359	172,512	217,871

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.

2017/18			2018/19		
Expenditure	Income	Net	Expenditure	Income	Net
£'000	£'000	Expenditure £'000	£'000	£'000	Expenditure £'000
8,007	(4,567)	3,440	8,140	(5,712)	2,428
40,754	(31,832)	8,922	38,976	(30,023)	8,953
Cost Of General Fund					
48,761	(36,399)	12,362	47,116	(35,735)	11,381
14,277	(32,270)	(17,993)	36,419	(32,047)	4,372
0	0	0	0	0	0
Cost of All Services			Cost of All Services		
63,038	(68,669)	(5,631)	83,535	(67,782)	15,753
	4,615	Other Operating Expenditure	(note 4)		6,116
	4,057	Financing and Investment	(note 5)		5,113
		Income and Expenditure			
	(14,013)	Taxation and Non-Specific	(note 6)		(16,526)
		Grant Income			
	(10,972)	(Surplus) or Deficit on			10,456
		Provision of Services			
		(Surplus) or Deficit on	(note 23)		
	(12,008)	Revaluation of Fixed Assets			(2,464)
		Actuarial (Gains)/Losses on	(note 23 & 39)		
	(3,982)	Pension Assets/Liabilities			5,792
	(15,990)	Other Comprehensive			3,328
		Income and Expenditure			
	(26,962)	Total Comprehensive			13,784
		Income and Expenditure			

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 2018	Note	31 March 2019
£'000		£'000
386,462 Property, Plant & Equipment	Note 10	370,674
58 Heritage Assets	Note 10 & 11	58
15,140 Investment Property	Note 12	15,948
72 Intangible Assets	Note 13	34
5,871 Long Term Debtors	Note 14	4,868
407,603 Long Term Assets		391,582
0 Assets Held for Sale	Note 15	0
156 Inventories	Note 16	170
6,418 Short Term Debtors	Note 17	6,156
14,484 Cash and Cash Equivalents	Note 18	21,391
21,058 Current Assets		27,717
(3,353) Short Term Borrowing	Note 19	(1,350)
(6,988) Short Term Creditors	Note 20	(5,729)
(1,628) Provisions (short term)	Note 21	(1,878)
(11,969) Current Liabilities		(8,957)
(150,846) Long Term Borrowing	Note 19	(149,542)
(47,975) Other Long Term Liabilities	Note 19 & 39	(56,712)
(198,821) Long Term Liabilities		(206,254)
217,871 Net Assets		204,088
(45,359) Usable Reserves	MIRS & 22	(53,504)
(172,512) Unusable Reserves	MIRS & 23	(150,584)
(217,871) Total Reserves		(204,088)

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.

2017/18 £'000	2018/19 £'000
(10,972) Net (surplus) or deficit on the provision of services	10,456
Adjustment to surplus or deficit on the provision of services for noncash (9,027) movements	(33,181)
Adjust for items included in the net surplus or deficit on the provision of 6,650 services that are investing and financing activities	7,466
(13,349) Net Cash flows from operating activities (note 24)	(15,259)
8,672 Investing Activities (note 25)	5,049
1,302 Financing Activities (note 26)	3,303
(3,375) Net (increase) or decrease in cash and cash equivalents	(6,907)
(11,109) Cash and cash equivalents at the beginning of the reporting period	(14,484)
<u>(14,484) Cash and cash equivalents at the end of the reporting period (note 18)</u>	<u>(21,391)</u>

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EXPENDITURE & FUNDING ANALYSIS NOTES

1 Expenditure and 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. The management restructure undertaken in 2018 is reflected below.

2018/19			
	Net expenditure chargeable to the GF/HRA £'000	Adjustments between Funding and accounting basis £'000	Net expenditure in CIES £'000
Place Directorate	2,123	305	2,428
People Directorate	7,706	1,247	8,953
Housing Revenue Account	(10,601)	14,973	4,372
Net Cost of Services	(772)	16,525	15,753
Other Income and Expenditure	(7,116)	1,819	(5,297)
(Surplus) or Deficit on Provision of Services	(7,888)	18,344	10,456

2017/18			
	Net expenditure chargeable to the GF/HRA £'000	Adjustments between Funding and accounting basis £'000	Net expenditure in CIES £'000
Place Directorate	2,342	1,097	3,439
People Directorate	7,805	1,117	8,922
Housing Revenue Account	(28,238)	10,246	(17,992)
Net Cost of Services	(18,091)	12,460	(5,631)
Other Income and Expenditure	(6,761)	1,420	(5,341)
(Surplus) or Deficit on Provision of Services	(24,852)	13,880	(10,972)

EXPENDITURE & FUNDING ANALYSIS NOTES

General Fund and HRA Balances	2018/19	2017/18
Opening GF and HRA Balances @ 1 April	38,588	13,736
Net surplus /(deficit) on GF in year	7,888	24,852
Closing GF and HRA balance at 31 March	46,476	38,588

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

1a 2018/19

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
Place Directorate	(439)	736	8	305
People Directorate	297	942	8	1,247
Housing Revenue Account	14,973	0	0	14,973
Net Cost of Services	14,831	1,678	16	16,525
<i>Other operating expenditure and income</i>	<i>818</i>	<i>1,268</i>	<i>(267)</i>	<i>1,819</i>
Difference between GF (surplus) / deficit and CIES (surplus) / deficit	15,649	2,946	(251)	18,344

EXPENDITURE & FUNDING ANALYSIS NOTES

1a 2017/18

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
Place Directorate	368	738	(9)	1,097
People Directorate	924	175	18	1,117
Housing Revenue Account	10,246	0	0	10,246
Net Cost of Services	11,538	913	9	12,460
<i>Other operating expenditure and income</i>	145	1,255	20	1,420
Difference between GF (surplus) / deficit and CIES (surplus) / deficit	11,683	2,168	29	13,880

Adjustments for Capital Purposes

- 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

- Net change for the removal of pension contributions and the addition of IAS 19 *Employee Benefits* pension related expenditure and income:

EXPENDITURE & FUNDING ANALYSIS NOTES

- **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

- 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.
 - 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.

	2018/19 Income from Services £'000	2017/18 Income from Services £'000
Place Directorate	(5,712)	(4,567)
People Directorate	(30,023)	(31,832)
Housing Revenue Account	(32,047)	(32,270)
Other Operating Income	0	0
Total income analysed on a segmental basis	(67,782)	(68,669)

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.

2018/19	General Fund Balances £'000	HRA Balances £'000	Usable Reserves Usable Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000
Adjustments to the Revenue Resources					
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)	2,946	0	0	0	0
· Council Tax and NNDR (transfers to or from the Collection Fund)	(268)	0	0	0	0
· Pooled Funds (transfers to or from the Pooled Funds Investment Account)	(17)				
· Holiday Pay (transfers to or from the Accumulated Absences Reserve)	16	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)	(584)	28,887	0	0	0
Total Adjustments to Revenue Resources	2,093	28,887	0	0	0
Adjustments between Revenue and Capital Resources					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(59)	(4,913)	4,972	0	0
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	1,292	0	(1,292)	0	0
Posting of HRA resources from revenue to the Major Repairs Reserve	0	(9,000)	0	9,000	0
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	0	0	(1,929)	0	0
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	0	0	0	0	0
Total Adjustments between Revenue and Capital Resources	1,233	(13,913)	1,751	9,000	0
Adjustments to Capital Resources					
Use of Capital Receipts Reserve to finance capital expenditure	0	0	(1,034)	0	0
Use of the Major Repairs Reserve to finance capital expenditure	0	0	0	(9,650)	0
Application of capital grants to finance capital expenditure	(189)	0	0	0	189
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	233	(1)	1	0	0
Total Adjustments to Capital Resources	44	(1)	(1,033)	(9,650)	189
Total Adjustments	3,370	14,973	718	(650)	189

MOVEMENT IN RESERVES NOTES

2017/18	Usable Reserves				
	General Fund Balances £'000	HRA Balances £'000	Usable Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000
Adjustments to the Revenue Resources					
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)	2,168	0	0	0	0
· Council Tax and NNDR (transfers to or from the Collection Fund)	20	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)	539	24,377	0	0	0
Total Adjustments to Revenue Resources	2,736	24,377	0	0	0
Adjustments between Revenue and Capital Resources					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(513)	(4,629)	5,143	0	0
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	645		(645)	0	0
Posting of HRA resources from revenue to the Major Repairs Reserve	0	(9,500)	0	9,500	0
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	0	0	(1,813)	0	0
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	0	0	0	0	0
Total Adjustments between Revenue and Capital Resources	132	(14,129)	2,685	9,500	0
Adjustments to Capital Resources					
Use of Capital Receipts Reserve to finance capital expenditure	0	0	(393)	0	0
Use of the Major Repairs Reserve to finance capital expenditure	0	0	0	(10,197)	0
Application of capital grants to finance capital expenditure	585	0	0	0	(585)
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	181	(2)	2	0	0
Total Adjustments to Capital Resources	766	(2)	(391)	(10,197)	(585)
Total Adjustments	3,634	10,246	2,294	(697)	(585)

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT NOTES

3 Material Items of Income and Expense

2018/19

There are no material items of Income and Expense to be disclosed separately during 2018/19.

2017/18

There are no material items of Income and Expense to be disclosed separately during 2017/18.

4 Other Operating Expenditure

2017/18 £'000	2018/19 £'000
3,177 Parish Council Precepts and Council Tax Reduction Contribution	3,194
645 Payments to the Government Housing Capital Receipts Pool	1,292
793 (Gains)/Losses on the disposal of non-current assets	1,630
4,615 Total	6,116

5 Financing and Investment Income & Expenditure

2017/18 £'000	2018/19 £'000
5,523 Interest payable and similar charges	5,415
1,255 Net interest on the net defined benefit liability	1,268
(262) Interest receivable and similar income	(333)
Income and expenditure in relation to investment properties and	
(2,459) changes in their fair value	(1,196)
0 Other investment income	(41)
4,057	5,113

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT NOTES

6 Taxation and Non Specific Grant Income

2017/18 £'000	2018/19 £'000
(707) Revenue Support Grant	0
(1,097) New Homes Bonus Grant	(920)
(55) Capital Grants and Contributions	(729)
0 Council Tax Freeze Grant	0
(1,859)	(1,649)
(3,587) Business Rates Retention	(6,006)
(8,567) Council Tax Income (includes parish precepts)	(8,871)
(14,013) Total Grants	(16,526)

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 2018/19.

	2018/19 £'000	2017/18 £'000
Credited to Taxation and Non Specific Grant Income		
See note 6	(1,649)	(1,859)
<u>Credited to Services</u>		
Council Tax Admin Grant	(121)	(129)
Disabled Facilities Grant	(735)	(625)
European Elections Grant	0	(2)
Health Authority Contributions	0	0
Housing Benefits Admin Grant	(279)	(297)
Housing Benefits New Burdens Grant	(178)	(59)
Manufacturing Zone Grant	(220)	0
Police & Crime Commission Elections Grant	0	(6)
Police Authority Contributions	(31)	(35)
Rent Allowances Grant	(6,667)	(7,342)
Rent Rebates Grant	(14,084)	(15,177)
Section 106 Grants	(1,050)	(151)
Other Grants	(414)	(444)
Other Contributions	(206)	(123)
Total	(23,985)	(24,390)
Overall Grants Total	(25,634)	(26,249)

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 2018/19.

	Balance at 31st March 2017 £'000	Transfers Out 2017/18 £'000	Transfers In 2017/18 £'000	Balance at 31st March 2018 £'000	Transfers Out 2018/19 £'000	Transfers In 2018/19 £'000	Balance at 31st March 2019 £'000
General Fund:							
Revenue Grant Reserve	(1,803)	588	(960)	(2,175)	1,346	(2,270)	(3,099)
Legal Reserve	(549)	28	0	(521)	61	0	(460)
Car Park Enforcement	(4)	0	0	(4)	0	0	(4)
Planning Policy	(170)	0	0	(170)	48	0	(122)
Invest to Save	(2,978)	470	(1,222)	(3,730)	281	(805)	(4,254)
Revenue Projects	(24)	0	0	(24)	0	0	(24)
Insurance Reserve	(80)	0	(10)	(90)	0	0	(90)
Business Rates	(1,258)	0	0	(1,258)	0	(1,829)	(3,087)
Investment Properties R & M	(155)	18	(25)	(162)	18	0	(144)
Other Reserves	(390)	28	(62)	(424)	55	(148)	(517)
Total	(7,411)	1,132	(2,279)	(8,558)	1,809	(5,052)	(11,801)
HRA:							
Insurance Reserve	(395)	0	(50)	(445)	0	(50)	(495)
New Build Reserve	(930)	16	(567)	(1,481)	780	(1,075)	(1,776)
Debt Repayment Reserve	0	0	(23,100)	(23,100)	0	(4,300)	(27,400)
HRA Capital Grant Reserve	0	50	(54)	(4)	0	0	(4)
ALMO Deficit Reserve	0	0	0	0	0	0	0
Total	(1,325)	66	(23,771)	(25,030)	780	(5,425)	(29,675)
Total	(8,736)	1,198	(26,050)	(33,588)	2,589	(10,477)	(41,476)

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT NOTES

9 Expenditure and Income by nature

	2018/19	2017/18
	£'000	£'000
Expenditure		
Employee Expenses	14,427	12,900
Premised Related Expenditure	1,642	1,388
Transport Costs	511	409
Supplies and Services	16,636	23,068
Support Services	1,359	1,409
Transfer Payments	21,061	22,826
Capital Financing Costs	25,074	1,717
Interest Payments	5,415	5,523
Precepts and Levies	3,193	3,177
Payments to Housing Capital Receipts Pool	1,292	645
Total Expenditure	90,610	73,062
Income		
Fees, Charges and Other Service Income	(37,886)	(38,016)
Interest and Investment Income	(333)	(51)
Government Grants	(25,634)	(32,379)
Business Rate Retention	(6,006)	(3,587)
Income From Council Tax	(8,871)	(8,567)
Recharges and Other Income	(1,434)	(1,434)
Total Income	(80,164)	(84,034)
Surplus or Deficit on the Provision of Services	10,446	(10,972)

The significance of IFRS15 has been considered and does not have material impact on amounts or timing of revenue recognition.

BALANCE SHEET NOTES

10 Property, Plant and Equipment

Movements in 2018/19											
	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 2018	366,569	15,861	4,565	390	58	1	10	2,108	389,562	0	389,562
Movement in cost or valuation											
Reclassification	0	0	0	0	0	0	0	0	0	0	0
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	0	743	0	0	0	0	0	0	743	0	743
Revaluation increases/(decreases) recognised in the surplus/deficit on the provision of service - 1 April	0	101	0	0	0	0	0	0	101	0	101
Additions	13,950	29	543	0	0	0	0	(2,076)	12,446	0	12,446
Impairment of Additions - Revaluation Reserve	(1,150)	0	0	0	0	0	0	0	(1,150)	0	(1,150)
Impairment of Additions - CIES	(5,502)	(29)	0	0	0	0	0	0	(5,531)	0	(5,531)
Disposals	(6,799)	0	0	0	0	0	0	0	(6,799)	0	(6,799)
Revaluation increases/(decreases) recognised in the Revaluation Reserve - 31 March	(1,529)	(44)	0	0	0	0	0	0	(1,573)	0	(1,573)
Revaluation increases/(decreases) recognised in surplus/deficit on the provision of service - 31 March	(13,099)	0	0	0	0	0	0	0	(13,099)	0	(13,099)
As at 31st March 2019	352,440	16,661	5,108	390	58	1	10	32	374,700	0	374,700

North East Derbyshire District Council Statement of Accounts 2018/19

BALANCE SHEET NOTES

Movements in 2018/19											
	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
Accumulated Depreciation											
At 1st April 2018	0	(554)	(2,442)	(46)	0	0	0	0	(3,042)	0	(3,042)
Movement in depreciation reclassification	(7,813)	(403)	(553)	(6)	0	0	0	0	(8,775)	0	(8,775)
Depreciation Charge	0	0	0	0	0	0	0	0	0	0	0
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	4,430	14	0	0	0	0	0	0	4,444	0	4,444
Depreciation written out to the surplus/deficit on provision of services	3,187	22	0	0	0	0	0	0	3,209	0	3,209
Disposals	196	0	0	0	0	0	0	0	196	0	196
Depreciation reversed due to impairment review	0	0	0	0	0	0	0	0	0	0	0
As at 31st March 2019	0	(921)	(2,995)	(52)	0	0	0	0	(3,968)	0	(3,968)
Net Book Value											
Balance Sheet Net Amount at 31st March 2019	352,440	15,740	2,113	338	58	1	10	32	370,732	0	370,732
Balance Sheet Net Amount at 31st March 2018	366,569	15,307	2,123	344	58	1	10	2,108	386,520	0	386,520

BALANCE SHEET NOTES

Movements in 2017/18											
	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 2017	352,770	15,064	5,549	390	58	1	358	343	374,533	0	374,533
Movement in cost or valuation											
Reclassification	0	0	0	0	0	0	0	0	0	0	0
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	0	942	(104)	0	0	0	1	0	839	0	839
Revaluation increases/(decreases) recognised in the surplus/deficit on the provision of service - 1 April	0	28	(999)	0	0	0	(4)	0	(975)	0	(975)
Additions	10,427	150	172	0	0	0	0	1,765	12,514	0	12,514
Impairment of Additions - Revaluation Reserve	(1,185)	(32)	0	0	0	0	0	0	(1,217)	0	(1,217)
Impairment of Additions - CIES	(5,699)	(119)	0	0	0	0	0	0	(5,818)	0	(5,818)
Disposals	(5,734)	(30)	(53)	0	0	0	(345)	0	(6,162)	0	(6,162)
Revaluation increases/(decreases) recognised in the Revaluation Reserve - 31 March	7,037	0	0	0	0	0	0	0	7,037	0	7,037
Revaluation increases/(decreases) recognised in surplus/deficit on the provision of service - 31 March	8,953	(142)	0	0	0	0	0	0	8,811	0	8,811
As at 31st March 2018	366,569	15,861	4,565	390	58	1	10	2,108	389,562	0	389,562

BALANCE SHEET NOTES

Movements in 2017/18											
	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
Accumulated Depreciation											
At 1st April 2017	0	(647)	(2,301)	(39)	0	0	0	0	(2,987)	0	(2,987)
Movement in depreciation reclassification	0	0	0	0	0	0	0	0	0	0	0
Depreciation Charge	(7,558)	(400)	(611)	(7)	0	0	0	0	(8,576)	0	(8,576)
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	4,303	397	104	0	0	0	0	0	4,804	0	4,804
Depreciation written out to the surplus/deficit on provision of services	3,083	96	313	0	0	0	0	0	3,492	0	3,492
Disposals	172	0	53	0	0	0	0	0	225	0	225
Depreciation reversed due to impairment review	0	0	0	0	0	0	0	0	0	0	0
As at 31st March 2018	0	(554)	(2,442)	(46)	0	0	0	0	(3,042)	0	(3,042)
Net Book Value											
Balance Sheet Net Amount at 31st March 2018	366,569	15,307	2,123	344	58	1	10	2,108	386,520	0	386,520
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 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 2018/19 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 current amount of assets under construction is £0.032m (£2.108m, 2017/18). This figure is made up from work on the Pine View, Danesmoor scheme £0.023m, Acquisitions and Disposal Programme £0.005m, Stock Purchase Scheme £0.002m and Leisure Facilities Refurbishment Scheme £0.002m.

BALANCE SHEET NOTES

Impairment

The Council has impaired £6.681m of capital works undertaken during 2018/19 (£7.035m, 2017/18) of which £5.531m (£5.818, 2017/18) has been put through the Comprehensive Income and Expenditure Statement and £1.150m (£1.217m, 2017/18) through the Revaluation Reserve. It is recognised that this expenditure is not reflected in the overall value of the property.

The 31 March 2019 impairment losses of £14.672m (£15.848m gains, 2017/18) arise as values are adjusted to reflect current market values within the asset categories shown, of which £13.099m loss (£8.811m gain, 2017/18) has been put through the Comprehensive Income and Expenditure Statement and a loss of £1.573m (£7.037m gain, 2017/18) through the Revaluation Reserve.

Capital Commitments

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

	31 March 2019	31 March 2018
	£'000	£'000
Disabled Facilities Grants	189	269
North Wingfield New Build Scheme	0	621
Total Commitments	189	890

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 2018/19 this is 42% (2017/18 42%).

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

Assets are reviewed for any significant increases or decreases (impairment) in value every year. Impairment of assets is assessed in accordance with the

BALANCE SHEET NOTES

guidance below. The Council has considered the following in respect of the valuations placed upon its assets in the Balance Sheet at 31 March 2019:

- 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:

	Council Dwellings	Other Land and Buildings	Vehicles, Plant and Equipment	Infrastructure Assets	Heritage Assets	Community Assets	Surplus Assets	Assets under Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Carried at Historic Cost	0	0	5,108	390	0	1	0	0	5,499
Valued at current value:									
31st March 2019	352,440	1,574	0	0	0	0	0	32	354,046
31st March 2018	0	3,214	0	0	0	0	10	0	3,224
31st March 2017	0	7,515	0	0	58	0	0	0	7,573
31st March 2016	0	4,358	0	0	0	0	0	0	4,358
31st March 2015	0	0	0	0	0	0	0	0	0
Total cost or valuation	352,440	16,661	5,108	390	58	1	10	32	374,700

BALANCE SHEET NOTES

11 Heritage Assets

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

	Civic Regalia	Total Assets
Cost or Valuation	£'000	£'000
1 April 2017	58	58
In Year Disposals	0	0
31 March 2018	58	58
1 April 2018	58	58
Revaluations	0	0
31 March 2019	58	58

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 2018/19 financial year.

Heritage Assets: Five year summary of transactions

	2018/19 £'000	2017/18 £'000	2016/17 £'000	2015/16 £'000	2014/15 £'000
Balance B/fwd	58	58	68	93	93
Revaluation of Assets					
Civic Regalia	0	0	(10)	0	0
Disposal of Assets					
Sculpture	0	0	0	(25)	0
Balance C/fwd	58	58	58	68	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.

	2018/19 £'000	2017/18 £'000
Rental Income from investment property	(543)	(517)
Direct operating expenses arising from investment property	106	77
Capital Transactions	(759)	(2,019)
Net (gain)/loss	<u>(1,196)</u>	<u>(2,459)</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 2019 with comparators for 2017/18 are as follows:

2018/19	Level 1 £'000	Level 2 £'000	Level 3 £'000	Fair value as at 31 March 2019 £'000
Industrial Units	0	5,251	0	5,251
Commercial Properties	0	995	0	995
Land	0	8,115	0	8,115
Shared Ownership Properties	0	1,587	0	1,587
Total	0	15,948	0	15,948

BALANCE SHEET NOTES

2017/18	Level 1 £'000	Level 2 £'000	Level 3 £'000	Fair value as at 31 March 2018 £'000
Industrial Units	0	4,711	0	4,711
Commercial Properties	0	8,400	0	8,400
Land	0	995	0	995
Shared Ownership Properties	0	1,034	0	1,034
Total	0	15,140	0	15,140

- 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 £15.948m 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:

	2018/19 £'000	2017/18 £'000
Balance B/fwd	15,140	12,024
Reclassifications - Asset moved from OLB	0	0
<i>Additions:</i>		
Purchases	85	1,035
Enhancements	34	33
Disposals	0	0
Net gains/losses from fair value adjustments	689	2,048
Balance C/fwd	15,948	15,140

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

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

	2018/19 £'000	2017/18 £'000
Balance B/fwd		
Gross carrying amount	774	774
Accumulated Amortisation	(702)	(654)
Reclassification - Asset	0	0
Reclassification - Accumulated Amortisation	0	0
Net Carrying Amount 1 April	72	120
Additions:		
Purchases	0	0
Amortisation	(38)	(48)
Disposals:		
Assets at GBV	0	0
Amortisation	0	0
Balance C/fwd	34	72
Comprising:		
Gross carrying amounts	774	774
Accumulated amortisation	(740)	(702)
	34	72

The intangible assets relate to computer software. This includes amortisation costs of £0.038m (£0.048m, 2017/18) 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 2019 which has not impacted on the asset values.

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14 Long Term Debtors

	31st March 2019	31st March 2018
	£'000	£'000
Housing Act Advances and Outstanding Mortgages	3	4
Rykneld Homes Loan	4,456	5,467
Northwood Shares - Long Term Investment	147	0
Works in Default	90	90
Long Term Finance Leases	172	310
	4,868	5,871

15 Assets Held For Sale

The Council has no Assets held for Sale at 31 March 2019.

16 Inventories

	Balance at 31st March 2019 £'000	Balance at 31st March 2018 £'000
Street Scene	146	135
Swimming Pools/Leisure Centres	17	17
Other	7	4
Total	170	156

17 Short Term Debtors

	31st March 2019 £'000	31st March 2018 £'000
Central Government Bodies	1,675	1,356
Other Local Authorities	1,730	1,918
Bodies external to Central Government	2,751	3,144
Total	6,156	6,418

BALANCE SHEET NOTES

18 Cash and Cash Equivalents

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

	31st March 2019 £'000	31st March 2018 £'000
Cash held by Authority	6	6
Bank Current Accounts	1,325	684
Short Term Deposits	20,060	13,794
Total Cash and Cash Equivalents	21,391	14,484

19 Financial Instruments

Financial Instruments - Classifications

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Non-exchange transactions, such as those relating to taxes, benefits and government grants, do not give rise to financial instruments.

Financial Liabilities

A financial liability is an obligation to transfer economic benefits controlled by the Council and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that is potentially unfavourable to the Council.

The majority of the Council's financial liabilities held during the year are measured at amortised cost and comprised:

- long-term loans from the Public Works Loan Board,
- lease payables detailed in note 38, and
- trade payables for goods and services received.

Financial Assets

A financial asset is a right to future economic benefits controlled by the Council that is represented by cash, equity instruments or a contractual right to receive cash or other financial assets or a right to exchange financial assets and liabilities with another entity that is potentially favourable to the Council. The financial assets held by the Council during the year are accounted for under the following two classifications:

- Amortised cost (where cash flows are solely payments of principal and interest and the Council's business model is to collect those cash flow) comprising:

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BALANCE SHEET NOTES

- cash in hand,
 - bank current and deposit accounts,
 - loans to other local authorities,
 - loans made for service purposes,
 - lease receivables detailed in note 38, and
 - trade receivables for goods and services provided.
- Fair value through profit and loss comprising:
 - money market funds managed by Sungard fund managers
 - Equity investment with Northwood Group Limited

Financial assets held at amortised cost are shown net of a loss allowance reflecting the statistical likelihood that the borrower or debtor will be unable to meet their contractual commitments to the Council.

Financial Instruments - Balances

The financial liabilities disclosed in the Balance Sheet are analysed across the following categories:

a. Financial Liabilities	Long Term		Short Term	
	31st March 2019 £'000s	31st March 2018 £'000s	31st March 2019 £'000s	31st March 2018 £'000s
Loans at amortised cost:				
- Principal sum borrowed	(149,542)	(150,846)	(1,304)	(3,303)
- Accrued interest	-	-	(46)	(50)
Total Borrowing	(149,542)	(150,846)	(1,350)	(3,353)
Liabilities at amortised cost:				
- Deferred Capital Receipts Unapplied	(3)	(4)	-	-
Total Other Long-term Liabilities	(3)	(4)	-	-
Liabilities at amortised cost:				
- Trade payables*	-	-	(4,123)	(5,395)
Included in Creditors	-	-	(4,123)	(5,395)
Total Financial Liabilities	(149,545)	(150,850)	(5,473)	(8,748)

*The short term creditor's line in the Balance Sheet includes £1.606m (2017/18 £1.593m) that do not meet the definition of a financial liability as they relate to non-exchange transactions.

The total short-term borrowing includes £1.350m (2017/18: £3.353m) representing accrued interest and principal repayments due within 12 months on long-term borrowing.

BALANCE SHEET NOTES

The financial assets disclosed in the Balance Sheet are analysed across the following categories:

b. Financial Assets	Long Term		Short Term	
	31st March 2019 £'000s	31st March 2018 £'000s	31st March 2019 £'000s	31st March 2018 £'000s
<i>At amortised cost:</i>				
- Principal	0	0	18,040	11,794
<i>At fair value through profit & loss:</i>				
- Fair Value	0	0	2,020	2,000
Total Investments	0	0	20,060	13,794
<i>At amortised cost:</i>				
- Principal	-	-	1,331	690
Total Cash and Cash Equivalents	-	-	1,331	690
<i>At amortised cost:</i>				
- Trade Receivables*	90	90	4,032	4,666
- Lease Receivables	172	310	100	195
- Loans made for service purposes	4,459	5,471	202	196
<i>At fair value through profit & loss:</i>				
- Fair Value	147	0	0	0
Included in Debtors	4,868	5,871	4,334	5,057
Total Financial Assets	4,868	5,871	25,725	19,541

*The short term debtors line in the Balance Sheet includes £1.822m (2017/18 £1.361m) that do not meet the definition of a financial asset as they relate to non-exchange transactions.

The total short-term investments includes £20.060m (2017/18: £13.794m) representing principal repayments due within 12 months.

BALANCE SHEET NOTES

Financial Instruments - Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments consist of the following:

c. Financial Instruments - Gains and Losses	Financial Liabilities		Financial Assets		2018/19 Total £'000	2017/18 Total £'000
	Amortised Cost £'000	Fair Value through Profit & Loss £'000	Amortised Cost £'000	Fair Value through Profit & Loss £'000		
Interest expense	(5,415)	-	-	-	(5,415)	(5,523)
Losses on de-recognition	0	0	0	0	0	0
Losses from changes in fair value	-	0	-	(3)	(3)	0
Impairment losses	-	-	0	-	0	0
Fees paid	0	-	0	-	0	0
Interest payable and similar charges **	(5,415)	0	0	(3)	(5,418)	(5,523)
Interest income	0	-	333	-	333	262
Dividend income	-	-	-	0	0	0
Gains on de-recognition	0	0	0	0	0	0
Gains from changes in fair value	-	0	-	20	20	0
Impairment loss reversals	-	-	0	-	0	0
Interest and investment income **	0	0	333	20	353	262
Net impact on surplus/deficit on provision of services	(5,415)	0	333	17	(5,065)	(5,261)
Net Gain/(Loss) for the Year	(5,415)	0	333	17	(5,065)	(5,261)

BALANCE SHEET NOTES

Financial Instruments - Fair Values

Financial instruments, except those classified at amortised cost, are carried in the Balance Sheet at fair value. For most assets, including money market funds and other pooled funds, the fair value is taken from the market price. The fair values of shares in Northwood Group Limited have been valued from the company's balance sheet net assets.

Financial instruments classified at amortised cost are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31st March 2019, using the following methods and assumptions:

- Loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.
- The fair values of other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31st March.
- The fair values of finance lease assets and liabilities have been calculated by discounting the contractual cash flows (excluding service charge elements) at the appropriate AA-rated corporate bond yield.
- No early repayment or impairment is recognised for any financial instrument.
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount given the low and stable interest rate environment.

Fair values are shown in the table below, split by their level in the fair value hierarchy:

- Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities, e.g. bond prices
- Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, e.g. interest rates or yields for similar instruments
- Level 3 – fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness

BALANCE SHEET NOTES

d. Financial Instruments - Fair Values Liabilities					
	Fair Value Level	Balance Sheet 31st March 2019 £000s	Fair Value 31st March 2019 £000s	Balance Sheet 31st March 2018 £000s	Fair Value 31st March 2018 £000s
<i>Financial liabilities held at amortised cost:</i>					
Long-term loans from PWLB	2	(150,846)	(178,661)	(154,149)	(180,462)
Accrued Interest (PWLB)	2	(46)	(46)	(50)	(50)
<i>Other liabilities:</i>					
Deferred Capital Receipts Unapplied	3	(3)	(3)	(4)	(4)
Trade Creditors	3	(4,123)	(4,123)	(5,395)	(5,395)
TOTAL		(155,018)	(182,833)	(159,598)	(185,911)
Liabilities for which fair value is not disclosed *		(57,860)		(51,192)	
TOTAL FINANCIAL LIABILITIES		(212,878)		(210,790)	
<i>Recorded on balance sheet as:</i>					
Short-term creditors		(5,729)		(6,988)	
Short-term borrowing		(1,350)		(3,353)	
Short-term provisions		(1,878)		(1,628)	
Long-term borrowing		(149,542)		(150,846)	
Other long-term liabilities		(54,379)		(47,975)	
TOTAL FINANCIAL LIABILITIES		(212,878)		(210,790)	

The fair value of short-term financial liabilities held at amortised cost, including trade payables, is assumed to approximate to the carrying amount.

The fair value of financial liabilities held at amortised cost is higher than their balance sheet carrying amount because the authority's portfolio of loans includes a number of loans where the interest rate payable is higher than the current rates available for similar loans as at the Balance Sheet date.

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e. Financial Instruments - Fair Values Assets					
	Fair Value Level	Balance Sheet 31st March 2019 £000s	Fair Value 31st March 2019 £000s	Balance Sheet 31st March 2018 £000s	Fair Value 31st March 2018 £000s
<i>Financial assets held at fair value:</i>					
Money market funds	1	15,020	15,020	4,500	4,500
Bond, equity and property funds	1	0	0	0	0
Corporate, covered and government bonds	1	0	0	0	0
Shares in listed companies	1	147	147	0	0
Shares in unlisted companies	3	0	0	0	0
Forward contracts in the Council's favour	2	0	0	0	0
<i>Financial assets held at amortised cost:</i>					
Trade Receivables	3	4,122	4,122	4,756	4,756
Bank deposits	2	1,372	1,372	716	716
Loans to local authorities	2	4,000	4,000	7,000	7,000
Loans to Building Societies	2	1,000	1,000	2,268	2,268
Loans to Rykneld Homes Limited	3	4,657	4,657	5,663	5,663
Deferred Capital Receipts Unapplied	3	3	3	4	4
Lease receivables	3	272	272	505	505
TOTAL		30,593	30,593	25,412	25,412
Assets for which fair value is not disclosed *		1,992		1,517	
TOTAL FINANCIAL ASSETS		32,585		26,929	
<i>Recorded on balance sheet as:</i>					
Long-term debtors		4,721		5,871	
Long-term investments		147		0	
Short-term inventories		170		156	
Short-term debtors		6,156		6,418	
Short-term investments		20,060		13,794	
Cash and cash equivalents		1,331		690	
TOTAL FINANCIAL ASSETS		32,585		26,929	

The fair value of short-term financial assets held at amortised cost, including trade receivables, is assumed to approximate to the carrying amount.

The fair value of financial assets held at amortised cost is the same than their balance sheet carrying amount because the interest rate on similar investments is now the same than that obtained when the investment was originally made.

Financial Instruments - Risks

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The Council complies with CIPFA's Code of Practice on Treasury Management and Prudential Code for Capital Finance in Local Authorities, both revised in December 2017.

In line with the Treasury Management Code, the Council approves a Treasury Management Strategy before the commencement of each financial year. The Strategy sets out the parameters for the management of risks associated with financial instruments. The Council also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks.

The Treasury Management Strategy includes an Investment Strategy in compliance with the Ministry for Housing, Communities and Local Government Guidance on Local Government Investments. This Guidance emphasises that priority is to be given to security and liquidity, rather than yield. The Council's Treasury Management Strategy and its Treasury Management Practices seek to achieve a suitable balance between risk and return or cost.

The main risks covered are:

- Credit Risk: The possibility that the counterparty to a financial asset will fail to meet its contractual obligations, causing a loss to the Council.
- Liquidity Risk: The possibility that the Council might not have the cash available to make contracted payments on time.
- Market Risk: The possibility that an unplanned financial loss will materialise because of changes in market variables such as interest rates or equity prices.

Credit Risk: Treasury Investments

The Council manages credit risk by ensuring that treasury investments are only placed with organisations of high credit quality as set out in the Treasury Management Strategy. These include commercial entities with a minimum long-term credit rating of A-, the UK government, other local authorities, and organisations without credit ratings upon which the Council has received independent investment advice. Recognising that credit ratings are imperfect predictors of default, the Council has regard to other measures including credit default swap and equity prices when selecting commercial entities for investment.

A limit of £5m is placed on the amount of money that can be invested with a single counterparty. The Council's Treasury Management Strategy identifies approved counterparties with whom investments can be made including the duration of the investment. A full copy of the Council's Treasury Management Strategy can be found on the Council's Website.

The table below summarises the credit risk exposures of the Council's treasury investment portfolio by credit rating and remaining time to maturity:

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f. Credit Risk Exposure	31st March 2019		31st March 2018	
	Long-term	Short-term	Long-term	Short-term
Credit Rating	£'000s	£'000s	£'000s	£'000s
AAA	0	15,020	0	4,500
AA	0	5	0	0
A+	0	1,035	0	1,026
A	0	0	0	1,268
Unrated local authorities	0	4,000	0	7,000
Total	0	20,060	0	13,794
Credit risk not applicable *	0	0	0	0
Total Investments	0	20,060	0	13,794

Credit risk is not applicable to shareholdings and pooled funds where the Council has no contractual right to receive any sum of money.

Loss allowances on treasury investments have been calculated by reference to historic default data published by credit rating agencies, adjusted for current and forecast economic conditions. These are not material so no adjustments have been made in the Accounts.

Credit Risk: Trade and Lease Receivables and Contract Assets

The Council's credit risk on lease receivables is mitigated by its legal ownership of the assets leased, which can be repossessed if the debtor defaults on the lease contract.

The following analysis summarises the Council's trade and lease receivables, by due date. Only those receivables meeting the definition of a financial asset are included.

g. Due date for receivables	31st March 2019		31st March 2018	
	Trade receivables	Lease receivables	Trade receivables	Lease receivables
	£'000s	£'000s	£'000s	£'000s
Neither past due nor impaired	2,645	100	3,131	195
Past due 3-6 months	14	0	20	0
Past due 6-12 months	20	0	24	0
Past due 12+ months	90	0	113	0
Individually impaired	1,465	0	1,574	0
TOTAL RECEIVABLES	4,234	100	4,862	195

BALANCE SHEET NOTES

Loss allowances on trade and lease receivables and contract assets have been calculated by reference to the Council's historic experience of default and to adjust for current and forecast economic conditions. Receivables are determined to have suffered a significant increase in credit risk where they are 30 or more days past due and they are determined to be credit-impaired where they are 365 or more days past due.

Receivables are collectively assessed for credit risk in the following groupings:

h. Credit risk for receivables	Range of allowances set aside	31st March 2019		31st March 2018	
		Gross receivable	Loss allowance	Gross receivable	Loss allowance
		£'000s	£'000s	£'000s	£'000s
HRA Tenants	40% - 90%	1,465	(836)	1,574	(883)
Sundry Debtors	40% - 100%	420	(105)	641	(170)
Other Trade Receivables	0%	2,147	0	2,451	0
Lease Receivables	0%	100	0	195	0
Loans made for Service Purposes	0%	202	0	196	0
Total		4,334	(941)	5,057	(1,053)

Receivables are written off to the Surplus or Deficit on the Provision of Services when they are identified as no longer collectable, but steps are still taken to collect sums owing wherever possible. The amount written off but still subject to enforcement action at 31st March 2019 is £0.352m (2017/18: £0.275m).

Credit Risk: Loans, Financial Guarantees and Loan Commitments

In furtherance of the Council's service objectives, it has lent money to Rykneld Homes Limited. It has also committed to lend money to Rykneld Homes Limited and Northwood Group Limited should it be requested to do so at market rates of interest.

The amounts recognised on the balance sheet, and the Council's total exposure to credit risk from these instruments are:

Borrower	Exposure type	Balance Sheet	Risk exposure	Balance Sheet	Risk exposure
		31st March 2019 £'000s	31st March 2019 £'000s	31st March 2018 £'000s	31st March 2018 £'000s
Council House Mortgages	Loans at market rates	3	3	4	0
Rykneld Homes Limited	Loans at market rates	4,657	2	5,663	0
TOTAL		4,660	5	5,667	0

BALANCE SHEET NOTES

The Council manages the credit risk inherent in its loans for service purposes, financial guarantees and loan commitments in line with its published Investment Strategy.

Loss allowances on loans for service purposes and loan commitments have been calculated by reference to the Council's historic experience of default and to adjust for current and forecast economic conditions.

Liquidity Risk

The Council has ready access to borrowing at favourable rates from the Public Works Loan Board and other local authorities, and at higher rates from banks and building societies. There is no perceived risk that the Council will be unable to raise finance to meet its commitments. It is however exposed to the risk that it will need to refinance a significant proportion of its borrowing at a time of unfavourably high interest rates. This risk is managed by maintaining a spread of fixed rate loans and ensuring that no more than 20% of the Council's borrowing matures in any one financial year.

The maturity analysis of financial instruments is as follows:

Time to maturity (years)	31st March 2019			31st March 2018		
	Liabilities £'000s	Assets £'000s	Net £'000s	Liabilities £'000s	Assets £'000s	Net £'000s
Not over 1	(1,354)	25,725	24,371	(3,357)	19,545	16,188
Over 1 but not over 2	(304)	221	(83)	(1,304)	832	(472)
Over 2 but not over 5	(6,419)	633	(5,786)	(2,620)	686	(1,934)
Over 5 but not over 10	(25,402)	883	(24,519)	(25,412)	978	(24,434)
Over 10 but not over 20	(70,326)	1,766	(68,560)	(66,420)	1,957	(64,463)
Over 20 but not over 40	(47,090)	1,125	(45,965)	(55,090)	1,324	(53,766)
Over 40	0	0	0	0	0	0
Uncertain date *	(4,123)	240	(3,883)	(5,395)	90	(5,305)
Total	(155,018)	30,593	(124,425)	(159,598)	25,412	(134,186)

Market Risks: Interest Rate Risk

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

- borrowings at variable rates – the interest expense will rise
- borrowings at fixed rates – the fair value of the liabilities will fall
- investments at variable rates – the interest income will rise
- investments at fixed rates – the fair value of the assets will fall.

BALANCE SHEET NOTES

Investments measured at amortised cost and loans borrowed are not carried at fair value, so changes in their fair value will have no impact on the Comprehensive Income and Expenditure Statement. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services. Movements in the fair value of fixed rate investments measured at fair value will be reflected in Other Comprehensive Income or the Surplus or Deficit on the Provision of Services as appropriate.

The Treasury Management Strategy aims to mitigate these risks by setting upper limits on its net exposures to fixed and variable interest rates. At 31 March 2019, £145.892m (2017/18: £135.879m) of net principal borrowed (i.e. borrowing net of investments) was exposed to fixed rates. There is currently no borrowing exposure at variable rates.

If all interest rates had been 1% higher (with all other variables held constant) the financial effect would be £1.5m. The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed.

Market Risks: Price Risk

The Council's investment in a pooled equity funds is subject to the risk of falling share prices. This risk is limited by the Council's maximum exposure to equity investments of £5m. Any fall in share prices result in a charge to Surplus or Deficit on the Provision of Services which is then transferred to the Pooled Investment Funds Adjustment Account.

Transition to IFRS 9 Financial Instruments

The Council adopted the IFRS 9 Financial Instruments accounting standard with effect from 1st April 2018. The main changes include the reclassification and remeasurement of financial assets and the earlier recognition of the impairment of financial assets.

The Council has made use of the transitional provisions in IFRS 9 to not restate the prior year's financial statements, and the effect of the remeasurement is instead shown as an additional line in the Movement in Reserves Statement. The changes made on transition to the balance sheet were not material, therefore, no figures have been changed.

BALANCE SHEET NOTES

20 Short Term Creditors

	31st March 2019 £'000	31st March 2018 £'000
Central Government Bodies	(586)	(1,281)
Other Local Authorities	(2,361)	(1,545)
NHS Bodies	0	0
Bodies external to Central Government	(2,782)	(4,162)
Total	(5,729)	(6,988)

21 Provisions

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

	31 March 2018 £'000	Use of Provision in Year £'000	Provision in Year £'000	31 March 2019 £'000
Rykneld Homes Loss Provision	(36)	0	0	(36)
NNDR Appeals Provision	(1,592)	3,458	(3,708)	(1,842)
Total	(1,628)	3,458	(3,708)	(1,878)

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 2019, 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. Some of these outstanding appeals go back over a number of years. The Council 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 2019.

BALANCE SHEET NOTES

22 Usable Reserves

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

	31 March 2018 £'000	Transfers to in year £'000	Transfers from in year £'000	31 March 2019 £'000
Earmarked Reserves				
General Fund (note 8)	(8,558)	(5,052)	1,809	(11,801)
Housing Revenue Account (note 8)	(25,030)	(5,425)	780	(29,675)
Major Repairs Reserve	(826)	(9,000)	9,650	(176)
Capital Receipts Reserve	(4,841)	(4,973)	4,255	(5,559)
Capital Grants Reserve	(1,104)	(1,028)	839	(1,293)
	(40,359)	(25,478)	17,333	(48,504)
Balances				
General Fund	(2,000)	0	0	(2,000)
Housing Revenue Account	(3,000)	0	0	(3,000)
	(5,000)	0	0	(5,000)
Total	(45,359)	(25,478)	17,333	(53,504)

23 Unusable Reserves

	31 March 2019 £'000	31 March 2018 £'000
(a) Revaluation Reserve	(39,002)	(38,834)
(b) Capital Adjustment Account	(168,397)	(181,790)
(c) Pensions Reserve	56,709	47,971
(d) Deferred Capital Receipts Reserve	(272)	(505)
(e) Collection Fund Adjustment Account	224	491
(f) Accumulated Absences Account	171	155
(g) Pooled Funds and Shares Revaluation Reserve	(17)	0
Total Unusable Reserves	(150,584)	(172,512)

(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.

31 March 2018 £'000	31 March 2019 £'000
(29,698) Balance 1 April	(38,834)
0 Upward revaluation of assets (Upward)/downward revaluation of assets and impairment losses not charged to	0
(11,321) surplus/deficit on provision of services	(2,464)
Surplus or Deficit on revaluation of non-current assets not posted to the surplus or deficit on	
(11,321) the provision of service	(2,464)
0 Write out - Investment Property	0
Difference between fair value depreciation and	
1,176 historic cost depreciation	1,350
Accumulated gains on assets sold or	
1,009 scrapped	946
2,185	2,296
(38,834) Balance 31 March	(39,002)

(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 2018		31 March 2019
£'000		£'000 £'000
(192,118)	Balance 1 April	(181,790)
	<i><u>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</u></i>	
2,359	Charges for depreciation and impairment of non current assets	22,716
565	Revaluation losses on Property Plant and Equipment	(118)
48	Amortisation of Intangible Assets	38
1,474	Revenue Expenditure Funded from Capital under Statute	2,150
	Amounts of investment properties written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	0
	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	6,603
5,937		
10,383		31,389
(2,185)	Adjusting amounts written out of Revaluation Reserve	(2,296)
	Net written out amount of the cost of non-current assets consumed in the (183,920) year	(152,697)
	<i><u>Capital financing applied in the year:</u></i>	
(1,813)	Use of Capital Receipts Reserve to repay allowable debt	(1,929)
(393)	Use of Capital Receipts Reserve to finance new capital expenditure	(1,034)
(10,197)	Use of the Major Repair Reserve to finance new capital expenditure	(9,650)
	Capital grants and contributions credited to the Comprehensive Income & Expenditure Statement that have been applied to capital financing	(1,083)
	Application of grants to capital financing from the Capital Grants Unapplied Account	(839)
	Statutory Provision for the financing of capital investment charged against the General Fund and HRA balances/reserves	(960)
17,821		
(142)	Capital Expenditure charged against the General Fund and HRA balances	(1,013)
4,178		(16,508)
(2,048)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income & Expenditure Statement	808
	Movements in the Donated Assets Account credited to the Comprehensive Income & Expenditure Statement	0
(181,790)	Balance 31 March	(168,397)

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.

	2018/19 £'000	2017/18 £'000
Balance at 1 April	47,971	49,785
Actuarial (gains) or losses on pension assets and liabilities	5,792	(3,982)
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	5,807	5,004
Employer's pension contributions and direct payments to pensioners payable in the year	(2,861)	(2,836)
Balance at 31 March	56,709	47,971

(d) Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the capital receipts reserve.

BALANCE SHEET NOTES

	2018/19	2017/18
	£'000	£'000
Balance at 1 April	(505)	0
Transfer of deferred sale proceeds credited as part of gain/loss on disposal to the Comprehensive Income and Expenditure Statement.	<u>0</u>	<u>(686)</u>
Transfer to the Capital Receipts Reserve upon receipt of cash	233	181
Closing Balance	<u><u>(272)</u></u>	<u><u>(505)</u></u>

(e) 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.

	2018/19	2017/18
	£'000	£'000
Balance at 1 April		
Opening Balance	491	471
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	(267)	20
Balance at 31 March	<u><u>224</u></u>	<u><u>491</u></u>

(f) 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.

BALANCE SHEET NOTES

	2018/19 £'000	2017/18 £'000
Balance at 1 April	155	146
Settlement or cancellation of accrual made at the end of the preceeding year	(155)	(146)
Amounts accrued at the end of current year	<u>171</u>	<u>155</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	16	9
Closing Balance	<u><u>171</u></u>	<u><u>155</u></u>

(g) Pooled Funds and Share Revaluation Reserve

The Pooled Funds and Share Revaluation Reserve Revaluation Reserve contains the gains made by the authority arising from increases in the value of its investments that are measured at fair value through other comprehensive income. The balance is reduced when investments with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- disposed of and the gains are realised.

	2018/19 £'000	2017/18 £'000
Balance at 1 April	0	0
Upward Revaluation of Investments	(17)	0
Downward Revaluation of Investments	0	0
Change in Impairment Loss Allowances	<u>0</u>	<u>0</u>
	(17)	0
Accumulated gains or losses on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement as part of Other Investment Income	0	0
Accumulated Gains or losses on assets sold and maturing assets written out to General Fund Balances for financial assets designated to fair value through other comprehensive income	0	0
Closing Balance	<u><u>(17)</u></u>	<u><u>0</u></u>

CASH FLOW NOTES

24 Cash Flow Statement – Operating Activities

	2018/19 £'000	2017/18 £'000
Net (surplus) or deficit on provision of services	10,456	(10,972)
Adjustments for non-cash movements	(33,181)	(9,027)
Adjustments for investing and financing activities	7,466	6,650
Net cash flows from operating activities	(15,259)	(13,349)

The cash flows from operating activities include the following items:

	2018/19 £'000	2017/18 £'000
Interest Received	333	(262)
Interest Paid	(5,418)	5,523
Total	(5,085)	5,261

25 Cash Flow Statement – Investing Activities

	2018/19 £'000	2017/18 £'000
Purchase of property, plant and equipment, investment property and intangible assets	13,619	13,594
Purchase of short-term and long-term investments	150	0
Other payments for investing activities	0	2,078
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(5,207)	(6,011)
Proceeds from short-term and long-term investments	0	0
Other receipts from investing activities	(3,513)	(989)
Net cash flows from investing activities	5,049	8,672

CASH FLOW NOTES

26 Cash Flow Statement – Financing Activities

	2018/19 £'000	2017/18 £'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	0
Repayments of short and long-term borrowing	3,303	1,302
Other payments for financing activities	0	0
Net cash flows from operating activities	3,303	1,302

27 Cash Flow Statement – Reconciliation of Liabilities arising from Financing Activities

2018/19	1st April 2018 £'000	Financing Cash Flows £'000	Non-Cash Changes Acquisition £'000	Other £'000	31st March 2019 £'000
Long-term borrowings	(150,846)	0	0	1,304	(149,542)
Short-term borrowings	(3,303)	3,303	0	(1,304)	(1,304)
Total Liabilities from financing activities	(154,149)	3,303	0	0	(150,846)

2017/18	1st April 2017 £'000	Financing Cash Flows £'000	Non-Cash Changes Acquisition £'000	Other £'000	31st March 2018 £'000
Long-term borrowings	(154,149)	0	0	3,303	(150,846)
Short-term borrowings	(1,302)	1,302	0	(3,303)	(3,303)
Total Liabilities from financing activities	(155,451)	1,302	0	0	(154,149)

OTHER NOTES TO THE ACCOUNTS

28 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.

29 Construction Contracts

At 31 March 2019 the Council had no construction contracts in place.

30 Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Chief Financial Officer on 25 July 2019. 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 2019, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

31 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.

	2018/19 £'000	2017/18 £'000
Amenity Maintenance	266	267
Total	266	267

32 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.

OTHER NOTES TO THE ACCOUNTS

	2018/19 £'000	2017/18 £'000
Allowances	402	391
Expenses	4	4
Total	406	395

33 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 2018/19	Number of Employees 2017/18
£50,000 - £54,999	0	1
£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

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 2018/19:

2018/19	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
Employed by N.E.D.D.C.	£	£	£	£	£	£	£	£
Head of Finance & Resources	57,930	0	0	57,930	7,820	65,750	32,875	32,875
Joint Strategic Director - Place	82,952	0	0	82,952	11,172	94,124	47,062	47,062
Total	140,882	0	0	140,882	18,992	159,874	79,937	79,937
Employed by Bolsover D.C.								
Joint Chief Executive	120,342	0	0	120,342	16,632	136,974	68,487	68,487
Joint Strategic Director - People	75,025	0	0	75,025	10,428	85,453	42,727	42,726
Total	195,367	0	0	195,367	27,060	222,427	111,214	111,213
Overall Total	336,249	0	0	336,249	46,052	382,301	191,151	191,150

OTHER NOTES TO THE ACCOUNTS

Senior Officers emoluments - Salary is between £50,000 and £150,000 for 2017/18:

2017/18	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
Employed by N.E.D.D.C.	£	£	£	£	£	£	£	£
Head of Finance & Resources	56,481	0	0	56,481	7,463	63,944	31,972	31,972
Joint Strategic Director - Place	32,719	0	0	32,719	4,412	37,130	18,565	18,565
Total	89,200	0	0	89,200	11,874	101,074	50,537	50,537
Employed by Bolsover D.C.								
Joint Chief Executive	114,972	0	0	114,972	15,881	130,853	65,427	65,426
Joint Strategic Director - People	41,663	0	0	41,663	5,791	47,454	23,727	23,727
Total	156,635	0	0	156,635	21,672	178,307	89,154	89,153
Overall Total	245,835	0	0	245,835	33,546	279,381	139,691	139,690

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	
	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18 £000	2018/19 £000
£0 - £20,000	0	0	4	4	4	4	23	14
£20,001 - £40,000	0	0	1	0	1	0	31	0
£40,001 - £60,000	0	0	0	1	0	1	0	45
£60,001 - £80,000	1	0	0	0	1	0	62	0
£80,001 - £100,000	1	0	0	0	1	0	98	0
£100,001 - £150,000	0	0	0	0	0	0	0	0
Total	2	0	5	5	7	5	214	59

OTHER NOTES TO THE ACCOUNTS

34 Termination Benefits

The Council terminated the contracts of a number of employees during 2018/19, incurring liabilities of £0.059m (£0.214m in 2017/18), excluding senior officer emoluments, presented separately above. The Council has received a contribution of £0.025m towards their costs from Bolsover District Council.

35 Audit Fees

During 2018/19 North East Derbyshire District Council incurred the following fees relating to external audit and inspection:

	2018/19 £'000	2017/18 £'000
Fees payable to the auditors with regard to external audit services carried out by the appointed auditor	44	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	13	11
Fees payable in respect of any other services provided by the appointed auditor	4	3
Refund of overpaid auditors fee from Audit Commission	0	(7)
Total	61	64

36 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 parties (e.g. housing benefits). Grants received from government departments are set out in note 7.

OTHER NOTES TO THE ACCOUNTS

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 2018/19.

Other Significant Transactions

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

	Receipts £'000	Payments £'000
Revenue		
Bolsover District Council	(2,492)	1,047
Chesterfield Borough Council	(172)	191
Citizens Advice Bureau	0	75
Derbyshire County Council (excluding precepts)	(1,852)	1,534
Derbyshire Dales District Council	(289)	2
Parish Councils (excluding precepts)	(520)	53
Rykneld Homes Limited	0	10,027
Chesterfield Royal Hospital	0	7
Capital		
Rykneld Homes Limited	(12)	10,331
Loan		
Rykneld Homes Limited	(1,006)	0

During 2018/19 the Council had partnership agreements with Bolsover District Council (BDC), Chesterfield Borough Council (CBC), Chesterfield Royal Hospital (which ended during 2018/19) and Derbyshire Dales District Council (DDDC) in the following areas:

- Internal Audit
- Procurement
- ICT Service

OTHER NOTES TO THE ACCOUNTS

- Environmental Health Section
- HR & Payroll Section
- Planning Policy Section
- Legal Services
- Crematorium

The Internal Audit Consortium is hosted by CBC. The accounts reflect the payments made to CBC towards the costs of running the service.

The Council hosts the 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. There are also joint sections between BDC and ourselves which cover HR & Payroll, Planning Policy and Legal Services. The accounts reflect the total cost of these services less contributions from BDC and Derbyshire Dales District Council.

During 2018/19 the Rykneld Homes Limited repaid a total of £1.006m from the loans that the Council has provided them with.

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	(568)	1,224
Dronfield	31/3/15	25 years	453	(158)	295
Grassmoor	31/3/15	25 years	1,066	(171)	895
North Wingfield	31/3/16	40 years	1,908	(65)	1,843
Calow	31/3/17	40 years	410	(10)	400
Stonebroom	31/3/17	2 years	425	(425)	0
Total			6,054	(1,397)	4,657

37 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

	2018/19 £'000	2017/18 £'000
Opening Capital Financing Requirement	186,580	165,485
Movement in debtors - Borrowing	0	2,071
Movement in debtors - Repayment	(1,013)	(210)
Capital Investment		
Property, Plant & Equipment	14,722	15,056
Intangible Assets	0	0
Revenue Expenditure Funded from Capital under Statute: - Other REFCUS items	0	0
Sources of Finance		
Capital Receipts	(1,034)	(393)
Major Repairs Reserve	(9,650)	(10,197)
Government Grants and Other Contributions	(1,922)	(1,097)
Amounts set aside from Revenue:		
Repayment of Allowable Debt	(1,929)	(1,813)
Direct Revenue Contributions	(870)	(142)
Minimum Revenue Provision & Debt repayment from MRA	(960)	17,820
Closing Capital Financing Requirement	183,924	186,580
Movement on Capital Financing Requirement in year	(2,656)	21,095
Explanation of Movement in the Year		
Increase in underlying need to borrow (supported) - Decent Homes Programme	0	0
Increase in underlying need to borrow (prudential)	1,246	3,227
Repayment of debt	(3,902)	17,868
Increase/(decrease) in Capital Financing Requirement	(2,656)	21,095

38 Leases

Council as Lessee

Finance Leases

At present, the Council does not have any Finance leases.

Operating Leases

Operating leases held by the Council comprise of photocopiers and gym equipment. The total payment in 2018/19 was £0.048m (2017/18, £0.059m for photocopiers and gym equipment).

OTHER NOTES TO THE ACCOUNTS

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

	31 March 2019 £'000	31 March 2018 £'000
Not later than one year	32	45
later than one year and not later than five years	0	17
later than five years	0	0
	32	62

Authority as Lessor

Finance Leases

The Council has leased out vehicles on a finance lease to Rykneld Homes Limited with a maximum term of 6 years. The Council has a gross investment in the lease, made up of the minimum lease payments expected to be received over the remaining term. The minimum lease payments comprise settlement of the long term-debtor for the interest in the vehicles acquired by the lessee and finance income that will be earned in future years whilst the debtor remains outstanding. The gross investment is made up of the following amounts: -

	31 March 2019 £'000	31 March 2018 £'000
Finance lease debtor (NPV of minimum lease payments):		
Current	100	195
Non-Current	172	310
Unearned finance income	0	0
Unguaranteed residual value of property	0	0
Gross investment in the lease	272	505

The gross investment in the lease and the minimum lease payments will be received over the following periods:

OTHER NOTES TO THE ACCOUNTS

	Gross Investment in the Lease		Minimum Lease Payments	
	31 March 2019 £'000	31 March 2018 £'000	31 March 2019 £'000	31 March 2018 £'000
Not later than one year	100	195	244	237
later than one year and not later than five years	172	310	139	345
later than five years	0	0	0	0
	272	505	383	582

Operating Leases

The Council owns Investment Properties to the value of £15.948m (2017/18, £15.140m). These properties include industrial units, shops and other miscellaneous properties. The Council leases these properties out and generated rental income of £0.543m during 2018/19, (2017/18, £0.517m) No depreciation is charged on investment properties.

The table below shows the projected income from operating leases as at 31 March 2019:

	31 March 2019 £'000	31 March 2018 £'000
Not later than one year	754	618
later than one year and not later than five years	683	719
later than five years	115	118
	1,552	1,455

Business Centres with a gross book value of £1.550m (£1.595m, 2017/18), accumulated depreciation of £0.116m (£0.094m, 2017/18) and net book value of £1.434m (£1.501m, 2017/18) are also owned by the Council. During 2018/19 lease income of £0.397m (£0.360m, 2017/18) was received from these units.

39 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

North East Derbyshire District Council Statement of Accounts 2018/19

OTHER NOTES TO THE ACCOUNTS

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).

The Council's Actuary, Hymans Robertson, issued a revised report on 4 July 2019 taking into account their assessment of the potential outcome of the Guaranteed Minimum Pension (GMP) equalisation and the outcome of the McCloud judgement. This has been incorporated into the accounts.

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

	2018/19 £'000	2017/18 £'000
<u>Comprehensive Income and Expenditure Statement</u>		
<i>Cost of Service</i>		
Current Service cost	3,726	3,728
Past Service Cost	813	21
(Gain)/loss from settlements	0	0
<i>Financing and Investment Income and Expenditure</i>		
Net Interest Expense	1,268	1,255
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Service	5,807	5,004
<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)	(3,009)	(914)
Actuarial gains and losses arising on changes in demographic assumptions	0	0
Actuarial gains and losses arising on changes in financial assumptions	8,761	(2,719)
Other (if applicable)	40	(349)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	5,792	(3,982)
<u>Movement in Reserves Statement</u>		
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the code	2,946	2,168
<i>Actual amount charged against the General Fund Balance for pensions in the year:</i>		
Employers Contributions Payable to Scheme	2,861	2,836

OTHER NOTES TO THE ACCOUNTS

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:

	2018/19 £'000	2017/18 £'000
Present value of the defined benefit obligation	(47,971)	(49,785)
Fair value of plan assets	4,822	2,649
Sub-total	(43,149)	(47,136)
Other movement in the liability (asset)	(13,560)	(835)
Net Total	(56,709)	(47,971)

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

	2018/19 £'000	2017/18 £'000
Opening fair value of scheme assets	98,083	95,434
Interest Income	2,539	2,376
<i>Re-measurement gain/(loss):</i>		
The return on plan assets, excluding the amount included in the net interest expense	3,009	914
The effects of changes in foreign exchange rates	0	0
Employer contributions	2,861	2,836
Contributions from employees into the scheme	585	566
Benefits paid	(4,172)	(4,043)
Closing fair value of scheme assets	102,905	98,083

OTHER NOTES TO THE ACCOUNTS

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

	2018/19 £'000	2017/18 £'000
Opening balance at 1 April	(146,054)	(145,219)
Current service cost	(3,726)	(3,728)
Interest cost	(3,807)	(3,631)
Contributions from scheme participants	(585)	(566)
Contributions in respect of unfunded benefits	0	0
<i>Re-measurement gain/(loss):</i>		
Actuarial gains/losses arising from changes in demographic assumptions	0	0
Actuarial gains/losses arising from changes in financial assumptions	(8,761)	2,719
Other	(40)	349
Past service cost	(813)	(21)
Liabilities assumed on entity combinations	0	0
Benefits Paid	4,172	4,043
Return on assets excluding amounts included in net interest	0	0
Liabilities extinguished in settlements	0	0
Closing Defined Benefit Obligation	(159,614)	(146,054)

Scheme History

	2018/19 £'000	2017/18 £'000	2016/17 £'000	2015/16 £'000	2014/15 £'000
Present value of liabilities	(159,614)	(146,054)	(145,219)	(123,536)	(133,439)
Fair value of assets	102,905	98,083	95,434	79,951	80,328
Scheme Surplus/(deficit)	(56,709)	(47,971)	(49,785)	(43,585)	(53,111)
Crematorium Deficit	0	0	0	0	0
Scheme Surplus/(deficit)	(56,709)	(47,971)	(49,785)	(43,585)	(53,111)

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £54.376m 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:

	2018/19 £'000	2017/18 £'000
Cash and cash equivalents	8,175	4,712
<i>Equity instruments by industry type:</i>		
Consumer	6,251	6,305
Manufacturing	6,494	8,613
Energy and utilities	4,549	5,367
Financial institutions	5,011	6,790
Health and care	3,260	3,383
Information technology	2,458	2,916
Other	10,999	11,176
Sub-total - Equity	39,022	44,550
<i>Bonds by sector:</i>		
Corporate	10,853	7,727
Government	9,587	9,272
Other	2,004	1,529
Sub-total - Bonds	22,444	18,528
<i>Real estate:</i>		
UK	8,209	6,453
Overseas	0	0
Sub-total - Real Estate	8,209	6,453
<i>Private equity:</i>		
All	2,809	1,983
Sub-total - Private equity	2,809	1,983
<i>Other investment funds:</i>		
Equities	18,126	18,666
Bonds	0	0
Infrastructure	4,120	3,191
Sub-total - Other investment funds	22,246	21,857
Total Assets	102,905	98,083

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 accounts have been prepared on the basis of the actuary's updated IAS19 valuation report dated 4 July 2019 and take into account their assessment of the potential impact of Guaranteed Minimum Pension (GMP) equalisation and the outcome of the McCloud judgement relating to the 2014 reforms of LGPS benefit structure. The impact on liabilities is an increase of 0.3% (£0.350m) for GMP and 0.3% £0.480m) for McCloud. These numbers are approximate estimates based on employer data as at 31 March 2016 and will be revised at the upcoming valuation.

The significant assumptions used by the actuary have been:

	2018/19	2017/18
<i>Long term expected rate of return on assets in the scheme:</i>		
Overall expected return	7.20%	3.50%
<u>Mortality assumptions:</u>		
<i>Longevity at 65 for current pensioners:</i>		
Men	2.9 Yrs	21.9 Yrs
Women	24.4 Yrs	24.4 Yrs
<i>Longevity at 65 for future pensioners:</i>		
Men	23.9 Yrs	23.9 Yrs
Women	26.5 Yrs	26.5 Yrs
<u>Financial Assumptions:</u>		
Rates of CPI inflation	2.50%	2.40%
Rate of increase in salaries	3.00%	2.90%
Rate of increase in pensions	2.50%	2.40%
Rate for discounting scheme liabilities	2.40%	2.60%

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

OTHER NOTES TO THE ACCOUNTS

assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

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%)	2,032	0
Rate of increase in pensions (increase or decrease by 0.5%)	13,680	0
Rate for discounting scheme liabilities (increase or decrease by 0.5%)	0	15,973

Within the IAS19 disclosures there is an element of unfunded benefits in respect of early retirement pension costs which amount to £1.435m at 31 March 2019, (2017/18, £1.436m). The Council makes annual payments to the local government pension scheme to cover this amount. In 2018/19 the Council paid £0.095m (2017/18, £0.094m).

The Council's contribution rate for 2018/19 was 13.7% (2017/18 13.7%).

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 £2.781m expected contributions to the scheme in 2019/20.

The weighted average duration of the defined benefit obligation for scheme members is 17.0 years in 2018/19 (17.0 years 2017/18).

OTHER NOTES TO THE ACCOUNTS

40 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 was paid in 2016/17. No further payments have been made in 2018/19 but the liability remains.

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 High Court decision in 2016 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. The Local Government Association legal advisors have supported a collective of Councils including ourselves to mitigate against potential risks. In 2016/17 Severn Trent Water served notice on the Council and the existing arrangement ceased 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 remains subject to regular review.

41 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 £1.181m owed to Rykneld Homes Limited and £0.067m owed by Rykneld Homes Limited.

In 2017/18 the Council entered into a joint venture with Woodhead Regeneration Ltd. Both parties purchased 50% of the shares in Northwood Group Ltd for £0.150m. Parties have equal controlling interests with 2 directors on the board. The driver for creating the company is to stimulate economic growth by delivering housing and commercial developments on Council owned land.

SUPPLEMENTARY SINGLE ENTITY FINANCIAL STATEMENTS

SUPPLEMENTARY SINGLE ENTITY FINANCIAL STATEMENTS

2018/19

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.

2017/18 £'000	2018/19 £'000
Expenditure	
5,191 Repairs and maintenance	5,146
7,283 Supervision and management	7,456
126 Rents, rates, taxes and other charges	135
1,303 Depreciation and impairments of non-current assets	23,341
12 Debt management costs	12
176 Movement in the allowance for bad debt	144
14,091	36,234
Income	
(31,543) Dwelling rents	(31,135)
(254) Garage rents	(264)
(99) Non-dwelling rents	(105)
(170) Charges for services and facilities	(375)
(204) Contribution towards expenditure	(168)
(32,270)	(32,047)
Net Cost of HRA Services as included in the whole authority Comprehensive Income & Expenditure Account	4,187
186 HRA share of Corporate and Democratic Core	185
HRA share of other amounts included in the whole authority	
0 Cost of Services but not allocated to specific services	0
(17,993) Net Cost of HRA Services	4,372
HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement	
1,161 Gain or loss on sale of HRA non current assets	1,689
5,308 Interest payable and similar charges	5,259
(39) Interest receivable and similar income	(80)
Income and expenditure in relation to investment properties and	
(1,841) changes in their fair value	(183)
(55) Capital Grants	(729)
(13,459) (Surplus) or deficit for the year on HRA services	10,328

MOVEMENT ON THE HRA STATEMENT

Movement on the HRA Statement

2017/18 £'000		2018/19 £'000
(13,459)	(Surplus) or deficit for the year on the HRA Income and Expenditure Statement	10,328
(10,263)	Adjustments between accounting basis and funding basis under statute	(15,753)
(23,722)	Net (Increase) or decrease in the HRA Balance before transfers to or from reserves:	(5,425)
23,722	Transfer to or from reserves	5,425
0	Increase or Decrease in the year on the HRA	0
(3,000)	Balance on the HRA at the end of the previous year	(3,000)
(3,000)	Balance on the HRA at the end of the current year	(3,000)

Analysis of the adjustments between accounting and funding basis

2017/18 £'000		2018/19 £'000
(18,800)	Debt Repayment	0
6,372	Impairment and Revaluation of Assets	(15,415)
1,841	Change in the fair value of Investment Properties	183
0	Capital Expenditure funded by the HRA	0
(390)	REFCUS	(634)
(1,161)	Gain or loss on sale of HRA non-current assets	(1,689)
55	Capital Grants Utilised	729
(5)	Capital Grants Transfer to Capital Grant Reserve	0
1,825	Transfer to/from the Major Repairs Reserve	0
0	Exceptional Item	1,073
(10,263)		(15,753)

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 2018/19 collected rent for 48 weeks. The rent free weeks fell in the Christmas and New Year period and the last two weeks in March. A 2.38% voids allowance is built into our rental budgets. Outturn against this was 2.37%.

3 Rent Arrears and Provision for Doubtful Debts

	31 March 2019	31 March 2018
Current tenant arrears	966	1,081
Former tenant arrears	499	501
Total HRA rent arrears	1,465	1,582
Provision for doubtful debts	(836)	(883)
Net HRA rent arrears	629	699

NOTES TO THE HOUSING REVENUE ACCOUNT

4 Non-current Assets

	31 March 2019	31 March 2018
Houses	4,729	4,814
Flats	1,182	1,174
Bungalows	1,882	1,861
Total Housing Dwelling Stock	7,793	7,849
	£'000	£'000
Balance Sheet Value	352,440	366,569

During the year, the Council disposed of 104 dwellings (77 sold through the RTB Scheme, 25 demolitions and 2 on the open market) and bought 48 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 (£1.929m).

	31 March 2019 £'000	31 March 2018 £'000
Operational assets	447	450
Other land and buildings	1,653	1,977
HRA land	6,015	6,300
Surplus assets	0	0
Shared Ownership Properties	1,587	1,034
Total other HRA assets	9,702	9,761

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 2019 was £839.143m (£872.783m at 31 March 2018). This compares against a value shown in the Balance Sheet as at 31 March 2019 of £352.440m (£366.569m as at 31 March 2018). The difference between the two values takes account of dwellings being occupied by secure tenants, in 2018/19 this is 42% (42%, 2017/18).

NOTES TO THE HOUSING REVENUE ACCOUNT

6 Revaluation/Impairment of HRA Assets

Revaluations and impairment of expenditure charged to HRA Income and Expenditure Statement on Council Dwellings and other HRA assets in the year amounted to a gain of £15.414m (2017/18 loss £6.372m). Revaluation gains on HRA Investment Properties was £0.183m in 2018/19 (2017/18, gain of £1.841m). All impairment charges relate to council dwellings.

7 Major Repairs Reserve

	2018/19 £'000	2017/18 £'000
Balance 1 April	826	1,523
HRA Depreciation	7,927	7,675
Transfer (to)/from HRA (difference between depreciation and MRA)	1,073	1,825
Amount used to finance capital expenditure	(9,650)	(10,197)
Balance Carried Forward	176	826

8 Financing of Capital Expenditure

Capital expenditure associated with the improvement of the Council's housing stock amounted to £12.647m. This expenditure has been financed as follows:

	31 March 2019 £'000	31 March 2018 £'000
Grants received	729	50
Major repairs reserve	9,650	10,197
Usable capital receipts	557	202
Prudential borrowing	931	3,146
Revenue contributions	0	0
Section 106 contributions	0	0
HRA capital investment reserve	780	17
Government grants	0	0
Total HRA assets	12,647	13,612

NOTES TO THE HOUSING REVENUE ACCOUNT

9 Capital Receipts

	2018/19 Total £'000	2018/19 Pooled £'000	2018/19 Usable £'000	2017/18 Usable £'000
Sale of council houses	4,127	1,291	2,836	3,579
Sale of other assets	786	0	786	406
Mortgage receipts	1	1	0	1
Total	4,914	1,292	3,622	3,986

10 Depreciation Charges

	31 March 2019 £'000	31 March 2018 £'000
Housing Dwellings	7,813	7,558
Other Operational Assets	114	117
Total Depreciation	7,927	7,675

Details of how depreciation is calculated can be found within note 10 to the Balance Sheet.

11 Revenue expenditure funded from capital under statute

The Council's Net Cost of HRA Services includes expenditure of £0.634m 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 £0.551m for work on communal flats, £0.016m for demolition costs and £0.067m 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 2018/19 is £0.670m (2017/18, £0.641m) and the total liability outstanding is £9.758m. 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 48.6% of the Council's tenants received some help towards the cost of rent charges in 2018/19 (54% for 2017/18).

North East Derbyshire District Council Statement of Accounts 2018/19

NOTES TO THE HOUSING REVENUE ACCOUNT

14 HRA Debt Repayment Reserve

The introduction of self-financing to the Housing Revenue Account in 2012 meant the Council had to borrow £127.090m from the Public Works Loans Board to cover the balance of the settlement payment.

The loans of £127.090m were taken out with varying maturity dates ranging from 12 years to 35 years with the final repayment date of the loans being the 2046/47 financial year.

This reserve has been created to meet the repayments of the loans as they become due and is included in the Balance Sheet within earmarked reserves.

	2018/19 £'000	2017/18 £'000
Balance B/fwd 1st April	(23,100)	0
Transferred to Reserve in year	(4,300)	0
Transferred to Reserve in year from Capital Adjustment Account	0	(23,100)
Repayment of debt from the reserve in year	0	0
Balance as at 31st March	(27,400)	(23,100)

15 Exceptional Item

There are no exceptional items to be disclosed during 2018/19.

COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT

2017/18			2018/19		
Business Rates £'000	Council Tax £'000	Total £'000	Business Rates £'000	Council Tax £'000	Total £'000
INCOME					
-	(53,711)	(53,711)	-	(56,870)	(56,870)
(17,409)	-	(17,409)	(16,166)	-	(16,166)
(766)	-	(766)	(603)	-	(603)
<i>Apportionment of Previous Year Deficit</i>					
(799)	0	(799)	(609)	0	(609)
(639)	0	(639)	(487)	0	(487)
(144)	0	(144)	(110)	0	(110)
(16)	0	(16)	(12)	0	(12)
(19,773)	(53,711)	(73,484)	(17,987)	(56,870)	(74,857)
EXPENDITURE					
<i>Apportionment of Previous Year Surplus</i>					
0	-	0	0	-	0
0	106	106	0	163	163
0	427	427	0	655	655
0	27	27	0	41	41
-	66	66	-	102	102
0	626	626	0	961	961
Precepts, Demands and Shares					
8,371	-	8,371	0	-	0
6,697	8,482	15,179	8,654	8,767	17,421
1,507	36,571	38,078	8,481	38,999	47,480
167	2,191	2,358	173	2,291	2,464
-	5,451	5,451	-	5,904	5,904
16,742	52,695	69,437	17,308	55,961	73,269
Charges to Collection Fund					
77	179	256	153	204	357
(14)	144	130	(175)	131	(44)
2,949	-	2,949	(296)	-	(296)
98	-	98	100	-	100
3,110	323	3,433	(218)	335	117
79	(67)	12	(897)	387	(510)
1,906	(1,810)	96	1,985	(1,877)	108
1,985	(1,877)	108	1,088	(1,490)	(402)

The District Council precept and Council Tax contribution includes Parish Councils' requirements of £3.053m (2017/18 £2.966m).

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).

The total non domestic rateable value for 2018/19 was £46.163m (£45.336m for 2017/18). The general national non-domestic multiplier for the year was 49.3p (47.9p in 2017/18). The small business non-domestic multiplier for the year was 48.0p (46.6p in 2017/18).

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. In 2018/19 the Derbyshire Pool was awarded "pilot" status allowing 100% retention of growth for the year.

North East Derbyshire District Council Statement of Accounts 2018/19

NOTES TO THE COLLECTION FUND

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.

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 2018/19 the calculation was as follows:

Council Tax Band	2018/19 Number of Band D Equivalents (adjusted for discounts)	2017/18 Number of Band D Equivalents (adjusted for discounts)
A	8,053.02	7,964.43
B	5,816.66	5,737.13
C	5,827.10	5,719.70
D	4,379.37	4,267.27
E	3,245.52	3,212.41
F	1,948.15	1,911.59
G	1,284.64	1,271.56
H	102.13	98.69
	30,656.59	30,182.78

3 Business Rates

The Council collects National Non-Domestic Rates (NNDR) for its area based on local rateable values provided by the Valuation Office 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.

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.

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. However for 2018/19 the Derbyshire Pool was awarded "pilot" status allowing 100% *North East Derbyshire District Council Statement of Accounts 2018/19*

NOTES TO THE COLLECTION FUND

retention of business rates growth. Therefore no levy was payable in 2018/19. The redistributed growth received was £1.830m

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 2019 there was a surplus on the Collection Fund amounting to £0.402m (2017/18 deficit £0.108m). The breakdown of this figure between the preceptors and NEDDC is:

Council Tax	Business Rates		Council Tax	Business Rates
31 March 2018 £'000	31 March 2018 £'000		31 March 2019 £'000	31st March 2019 £'000
(302)	794	North East Derbyshire District Council	(243)	467
(1,299)	179	Derbyshire County Council	(1,021)	226
(198)	-	Derbyshire Police & Crime Commissioner	(162)	-
(78)	20	Fire Authority	(64)	12
-	992	Central Government	-	383
<u>(1,877)</u>	<u>1,985</u>		<u>(1,490)</u>	<u>1,088</u>

These amounts are included in the Balance Sheet and will be paid to the named authorities in 2019/20 and future years.

GROUP ACCOUNTS

GROUP ACCOUNTS

2018/19

GROUP MOVEMENT IN RESERVES STATEMENT

2018/19	NEDDC Usable Reserves £'000	NEDDC Unusable Reserves £'000	Total NEDDC Reserves £'000	RHL Reserves £'000	Total Group Reserves £'000
Balance at 31 March 2018	45,359	172,512	217,871	(9,101)	208,770
Movement in Reserves during 2018/19:					
Total Comprehensive Income and Expenditure	(10,456)	(3,327)	(13,783)	(4,097)	(17,880)
Adjustments from I&E charged under the accounting basis to the funding basis under regulation	18,601	(18,601)	0	0	0
Increase or (decrease) in 2018/19	8,145	(21,928)	(13,783)	(4,097)	(17,880)
Balance at 31 March 2019	53,504	150,584	204,088	(13,198)	190,890

GROUP MOVEMENT IN RESERVES STATEMENT

2017/18	NEDDC Usable Reserves £'000	NEDDC Unusable Reserves £'000	Total NEDDC Reserves £'000	RHL Reserves £'000	Total Group Reserves £'000
Balance at 31 March 2017	19,495	171,414	190,909	(8,974)	181,935
Movement in Reserves during 2017/18:					
Total Comprehensive Income and Expenditure	10,972	15,990	26,962	(127)	26,835
Adjustments from I&E charged under the accounting basis to the funding basis under regulation	14,892	(14,892)	0	0	0
Increase or (decrease) in 2017/18	25,864	1,098	26,962	(127)	26,835
Balance at 31 March 2018	45,359	172,512	217,871	(9,101)	208,770

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2017/18				2018/19			
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	
7,622	(3,379)	4,243	Places Directorate	8,200	(3,192)	5,008	
40,754	(31,832)	8,922	People Directorate	38,976	(30,023)	8,953	
48,376	(35,211)	13,165	Cost Of General Fund Services	47,176	(33,215)	13,961	
4,196	(32,259)	(28,063)	Housing Revenue Account	26,489	(32,037)	(5,548)	
0	0	0	HRA Exceptional Item	0	0	0	
10,620	(110)	10,510	Operating Costs of Rykneld Homes	9,749	(2,021)	7,728	
63,192	(67,580)	(4,388)	Cost of All Services	83,414	(67,273)	16,141	
		4,614	Other Operating Expenditure			6,116	
		4,521	Financing and Investment Income and Expenditure			5,633	
		0	Surplus or Deficit of Discontinued Operations			0	
		(14,007)	Taxation and Non-Specific Grant Income			(16,465)	
		<u>(9,260)</u>	(Surplus) or Deficit on Provision of Services			<u>11,425</u>	
		(12,007)	(Surplus) or Deficit on Revaluation of Fixed Assets			(2,465)	
			(Surplus) or Deficit on Revaluation of Available for Sale				
		0	Financial Assets			0	
		(5,568)	Actuarial (Gains)/Losses on Pension Assets/Liabilities			8,920	
		<u>(17,575)</u>	Other Comprehensive Income and Expenditure			<u>6,455</u>	
		<u>(26,835)</u>	Total Comprehensive Income and Expenditure			<u>17,880</u>	

GROUP BALANCE SHEET

31 March 2018	Note	31 March 2019
£'000		£'000
393,232	Property, Plant & Equipment	377,695
58	Heritage Assets	58
15,140	Investment Property	15,948
72	Intangible Assets	34
5,561	Long Term Debtors	4,696
414,063	Long Term Assets	398,431
0	Assets Held for Sale	0
962	Inventories	275
6,272	Short Term Debtors	6,407
14,854	Cash and Cash Equivalents	22,042
22,088	Current Assets	28,724
0	Cash and Cash Equivalents	0
(3,549)	Short Term Borrowing	(1,540)
(7,617)	Short Term Creditors	(6,658)
(1,628)	Provisions (short term)	(1,878)
(12,794)	Current Liabilities	(10,076)
0	Long Term Creditors	0
0	Provisions	0
(156,313)	Long Term Borrowing	(154,009)
(58,274)	Other Long Term Liabilities	(72,180)
(214,587)	Long Term Liabilities	(226,189)
208,770	Net Assets	190,890
(45,608)	Usable Reserves	(54,313)
(163,162)	Unusable Reserves	(136,577)
(208,770)	Total Reserves	(190,890)

GROUP CASH FLOW STATEMENT

2017/18		2018/19
£'000		£'000
9,260	Net (surplus) or deficit on the provision of services	(11,425)
10,815	Adjustment to surplus or deficit on the provision of services for noncash movements	35,747
4,533	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(16,940)
24,608	Net Cash flows from operating activities	7,382
(21,669)	Investing Activities	4,324
451	Financing Activities	(4,518)
3,390	Net (increase) or decrease in cash and cash equivalents	7,188
11,464	Cash and cash equivalents at the beginning of the reporting period	14,854
14,854	Cash and cash equivalents at the end of the reporting period	22,042

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 7,793 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 2018/19 Rykneld Homes Limited made a loss of £0.969m (2017/18 loss of £1.713m).

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.

	2018/19 £'000	2017/18 £'000
<u>Comprehensive Income and Expenditure Statement</u>		
<i>Cost of Service</i>		
Current Service cost	5,920	5,982
Past Service Cost	813	131
(Gain)/loss from settlements	0	0
<i>Financing and Investment Income and Expenditure</i>		
Net Interest Expense	1,537	1,516
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Service	8,270	7,629
<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)	(5,172)	(1,310)
Actuarial gains and losses arising on changes in demographic assumptions	0	0
Actuarial gains and losses arising on changes in financial assumptions	14,052	(3,909)
Other (if applicable)	40	(349)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	8,920	(5,568)

NOTES TO THE GROUP ACCOUNTS

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

	2018/19 £'000	2017/18 £'000
Opening fair value of scheme assets	145,774	141,202
Interest Income	3,829	3,569
<i>Re-measurement gain/(loss):</i>		
The return on plan assets, excluding the amount included in the net interest expense	5,172	1,310
The effects of changes in foreign exchange rates	0	0
Employer contributions	3,796	3,884
Contributions from employees into the scheme	959	941
Benefits paid	(5,251)	(5,132)
Other	0	0
Closing fair value of scheme assets	154,279	145,774

NOTES TO THE GROUP ACCOUNTS

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

	2018/19 £'000	2017/18 £'000
Opening balance at 1 April	(203,096)	(200,347)
Current service cost	(5,920)	(5,982)
Interest cost	(5,366)	(5,085)
Contributions from scheme participants	(959)	(941)
Contributions in respect of unfunded benefits	0	0
<i>Re-measurement gain/(loss):</i>		
Actuarial gains/losses arising from changes in demographic assumptions	0	0
Actuarial gains/losses arising from changes in financial assumptions	(14,052)	3,909
Other	(40)	349
Past service cost	(813)	(131)
Losses/(gains) on curtailment	0	0
Liabilities assumed on entity combinations	0	0
Benefits Paid	5,251	5,132
Return on assets excluding amounts included in net interest	0	0
Liabilities extinguished in settlements	0	0
Closing Defined Benefit Obligation	(224,995)	(203,096)

Scheme History

	2018/19 £'000	2017/18 £'000	2016/17 £'000	2015/16 £'000	2014/15 £'000
Present value of liabilities	(224,995)	(203,096)	(200,347)	(169,760)	(181,675)
Fair value of assets	154,279	145,774	141,202	119,353	119,179
Scheme Surplus/(deficit)	(70,716)	(57,322)	(59,145)	(50,407)	(62,496)
Crematorium Deficit	0	0	0	0	0
Scheme Surplus/(deficit)	(70,716)	(57,322)	(59,145)	(50,407)	(62,496)

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.

NOTES TO THE GROUP ACCOUNTS

6 Related Party Transactions

North East Derbyshire District Council paid Rykneld Homes Limited a total amount of £20.358m (2017/18, £24.435m) made up of net management fee of £9.902m (2017/18, £9.902m) to undertake the management and maintenance function of the Council's housing stock, the Council made no loans during 2018/19 (2017/18, £2.071m), other transactions amounting to £0.125m (2017/18, £0.563m) and £10.331m (2017/18, £11.899m) for capital works to the Council's housing stock.

Rykneld Homes Limited purchased goods and services from the Council to the value of £2.530m (2017/18 £1.198m).

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 2018/19.

	NEDDC Balance Sheet £'000	RHL Balance Sheet £'000	NEDDC IOB £'000	RHL IOB £'000	Total £'000
Short Term Debtors	6,156	1,599	(100)	(1,248)	6,407
Short Term Creditors	(5,729)	(2,277)	1,248	100	(6,658)
	<u>427</u>	<u>(678)</u>	<u>1,148</u>	<u>(1,148)</u>	<u>(251)</u>

At 31 March 2019, Rykneld Homes Limited owed the Council £0.067m for goods and services received while the Council owed Rykneld Homes Limited £1.181m for goods and services received. The majority of this is in relation to the capital programme.

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 2018/19

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