



**DRAFT**  
**Statement of Accounts**  
**2015/16**

# DERBYSHIRE DALES DISTRICT COUNCIL

## STATEMENT OF ACCOUNTS 2015/16

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# NARRATIVE STATEMENT

## INTRODUCTION

Derbyshire Dales District Council is one of eight second-tier authorities within the county of Derbyshire. It covers an area of 307 square miles with a population of 71,000. The northern half of Derbyshire Dales lies within the Peak District National Park between Manchester and Sheffield, the southern part borders the National Forest and the City of Derby. The rural market towns of Matlock, Ashbourne, Bakewell and Wirksworth are the main areas of population with the remaining residents living in surrounding parishes. The major industries are farming, mineral extraction and tourism, but public sector organisations such as the county council are also a major employer.

The purpose of this foreword is to provide a concise and understandable guide for the reader of the accounts of the most significant aspects of the Council's financial and non-financial performance, year-end financial position and cash flows.

## FINANCIAL PERFORMANCE

The Council's accounts for the financial year 1 April 2015 to 31 March 2016 (2015/16) and the related notes are shown on pages 27 to 94. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (the Code) applicable to local authorities. The Code designates certain financial statements as "core" and requires these to be grouped together in a specified order, to be followed by a consolidated set of notes to the accounts covering all of the core statements. Supplementary statements must be presented (with their own notes) after the notes on the core statements.

The Code sets out the proper accounting practices required for Statements of Accounts, by section 21(2) of the Local Government Act 2003 prepared in accordance with the statutory framework established for England by the Accounts and Audit Regulations 2003.

The Statement of Accounts provides information on how the Council has used the financial resources available to it and answers the following significant questions, such as:

- How much did the Council's services cost in 2015/16?
- Where did the money come from?
- What were the major influences on the Council's Income and Expenditure?
- What were the Council's assets and liabilities at the close of 2015/16?

## SUMMARY OF THE 2015/16 FINANCIAL YEAR

The Council incurs revenue and capital expenditure in the year. Revenue spending is generally on items that are consumed within a year and is financed from the council tax, government grants and various fees and charges. Capital expenditure has to have a benefit beyond one year and is financed by loans, grants, capital receipts or directly from revenue.

### General Fund revenue spending in 2015/16

During 2015/16 the Council has faced a number of challenges in successfully managing its financial position.

In setting its budget for 2015/16 the District Council planned additional savings of £1.2 million over the five years to 2020/21, including reducing employee costs and continuing a comprehensive review of spending

across all its services. Council Tax was frozen for the third year, with the average bill for Derbyshire Dales' services maintained at £189.66 per year, equivalent to a weekly bill of £3.65, or just over 50p per household per day. During 2015/16 officers have regularly reported to Council with updates on the Sustainable Financial Position.

The following table provides a summary of revenue income and expenditure for 2015/16, compared with the original budget (i.e. the budget that was approved by Council when setting the Council Tax for 2015/16 prior to the start of the financial year) and the revised budget (approved by the council in March 2016).

	2015/16 Budget	2015/16 Revised Budget	2015/16 Actual	2015/16 Variance	2014/15 Actual
	£'000s	£'000s	£'000s	£'000s	£'000s
Cultural and related services	2,999	3,576	3,404	(172)	3,509
Environmental and regulatory services	4,020	4,152	3,924	(228)	3,726
Planning services	1,222	1,783	1,602	(181)	1,384
Highways and transport services	(1,499)	(1,425)	(1,363)	62	(1,522)
Housing services	1,347	1,632	162	(1,470)	632
Central services to the public	845	706	608	(98)	(41)
Corporate and democratic core	1,606	1,459	1,336	(123)	1,568
Non-distributed costs	24	19	140	121	43
<b>Cost of services</b>	<b>10,564</b>	<b>11,902</b>	<b>9,813</b>	<b>(2,089)</b>	<b>9,299</b>
Other Operating Expenditure including Parish Precepts	1,362	1,362	931	(431)	855
Financing and Investment income and Expenditure	929	957	932	(25)	937
Taxation and Non Specific Grant income	(10,912)	(11,266)	(11,412)	(146)	(11,696)
<b>(Surplus) or Deficit on Provision of Services</b>	<b>1,943</b>	<b>2,955</b>	<b>264</b>	<b>(2,691)</b>	<b>(605)</b>
Net additional amount required by statute & non statutory proper practise, to be credited to the General Fund Balance for the year	(1,963)	(2,924)	(263)	2,661	615
<b>(Increase) / decrease in General Fund Balance</b>	<b>(20)</b>	<b>31</b>	<b>1</b>	<b>(30)</b>	<b>10</b>

The General Fund Balance for 2015/16 reduced by £1,000. The revised budget assumed a deficit of £31,000 and therefore there is an under-spending of £30,000. The major variances are:

- Reduction in expenditure on building repairs £53,000.
- Increased income from trade waste charges £70,000.
- Reduced income on housing benefits (net of reduced expenditure) £215,000.
- Reduction in ICT/telephone costs £154,000.

### Capital Spending in 2015/16

Capital expenditure can be defined as that which generates an asset that has a useful life of more than one year. The capital account shows the Income and Expenditure transactions the Council makes when it:

- buys or sells land or property
- builds new property
- carries out work that enhances the Council's properties
- improves the Council's properties

- provides grants for the above types of activity, for example, improvement grants.

The original budget (capital programme) for the year was £3,283,618. This was revised to take account of the position at the end of the 2014/15 financial year and to reflect progress on schemes. The revised capital programme for 2015/16 was £2,899,597. The capital spending outturn for the year was £1,773,848; this resulted in an under-spend of £1,125,749 from the revised programme.

The table below shows capital spending, analysed by the Council's priorities.

	2015/16 Estimated Budget Nov-15 £'000s	2015/16 Revised Budget Jan-16 £'000s	2015/16 Actual £'000s	2014/15 Actual £'000s
<b>New Council Priorities</b>				
A Thriving District	2,407	2,287	1,329	0
A Clean & Safe District	748	513	402	0
Efficiencies & Innovative Working Practices	129	99	43	0
Other	0	0	0	0
<b>Old Council Priorities</b>				
Street Cleansing, Waste Collection and Healthy Communities	0	0	0	1,021
Business Growth & Job Creation	0	0	0	452
Housing which meets local needs	0	0	0	646
Other	0	0	0	239
<b>Total Capital Spending</b>	<b>3,284</b>	<b>2,899</b>	<b>1,774</b>	<b>2,358</b>

At 31<sup>st</sup> March 2016, there is an under-spend of £1,125,749 compared with the revised estimate; the principal schemes contributing to the under-spend are:

- Social Housing Grants: Various locations (715,000)
- Replacement of Pay & Display ticket machines (£136,910)
- Electronic Document Management System (£50,000)
- Repair to car park (M&S Store) (£64,215)
- Carsington Fund Grants (£35,812)
- Darley Dale Cemetery Stores & Paths (£55,741)

Approval has been given to carry forward the under-spend into 2016/17.

### Capital Resources

The Council has substantial internal resources to finance its capital programme including its strategic reserves and the balance of its Capital Receipts Reserve. Details of these can be found in the Notes to the Financial Statements. Also available is the use of external borrowing when required. Currently the Council has borrowing in respect of Arc Leisure Matlock and its latest purchase of Wheeled Bins that give rise to a Minimum Revenue Provision (see below), and long term liabilities in respect of finance leases for cleansing and refuse vehicles. The Council has sufficient resources to fund its existing capital programme.

The table below shows how the capital spending in the year was financed:

	2015/16 £'000s	2014/15 £'000s
Capital Receipts	366	1,257
Government Grants and Contributions	263	123
Other Grants and Contributions	14	433
Direct Financing from Revenue	1130	545
<b>Total Capital Financing</b>	<b>1,774</b>	<b>2,358</b>

### Capital Investment Plans

The Council has a five-year rolling capital programme at present totalling £9m. The major elements are as follows:

	£m
Expanding Services	4.3
Maintaining Existing Levels of Service	4.7

### Receipts from the Sale of Assets

The Council received £686,000 from the sale of non current assets during 2015/16. This was credited to the Capital Receipts Reserve. This income comprised the following:

	£000
Housing Stock Transfer (Right to Buy Sharing Agreement)	303
Town Hall Yard Ashbourne	75
Hall Lane Ashbourne	262
12 Fell View Close, Hathersage buyout discount	46
<b>Total Capital Receipts</b>	<b>686</b>

Details of the movements on the Capital Receipts Reserve can be found in Note 7 to the Financial Statements.

### Collection Fund and Council Tax and Business Rates Collection

Gross expenditure on the Collection Fund totalled £61m in 2015/16. During the year 98.1% of council tax and 97.6% of business rates was collected.

Total council tax arrears, including costs, amounted to £1.95m as at 31 March 2016 (£1.75m at 31 March 2015) and this will be collected during 2016/17. Council tax is collected on behalf of Derbyshire County Council, Derbyshire Fire and Rescue Authority and Derbyshire Police Authority. Amounts collected, bad debts written off and any surplus or deficit on the collection fund are distributed according to precepts. After providing for doubtful debts the Fund balance relating to council tax increased by £184,000 during the year, resulting in a surplus carried forward of £252,000. When setting the level of Council Tax for 2015/16, it was estimated that there would be a surplus of £250,000.

A new system for business rates was introduced in 2013/14. Total business rates arrears, including costs, amounted to £1.2m as at 31 March 2016 (£1.2m at 31 March 2015) and this will be collected during 2016/17. Business rates are collected on behalf of the government, Derbyshire County Council and Derbyshire Fire and Rescue Authority. Amounts collected, bad debts written off and any surplus or deficit on the collection fund are distributed according to prescribed shares. After providing for doubtful debts

and outstanding appeals the Fund deficit relating to business rates stood at £790,000. This deficit has been apportioned between this Council, the government, Derbyshire County Council and Derbyshire Fire Authority and will be taken into account when setting the Council Tax for 2017/18.

## **Pensions**

As part of its terms and conditions of employment the Council offers retirement benefits to its employees. Although these benefits will not actually be payable until the employees retire, the Council has a present commitment to make those payments when employees retire. Note 38 to the Financial Statements, on pages 79 to 84 gives further information and shows that the Council has a net liability of £20.3m at 31 March 2016 (£25.3m at 31 March 2015). Statutory arrangements allow the Council to make good this liability over the remaining working lives of employees. The changes to local government pension regulations with effect from 1 April 2015, including an increase in employee contributions and a move from pensions calculated on 'final salary' to 'career average', are designed to help local authorities meet their pension deficits in the longer term.

## **Treasury Management Performance**

During the financial year, the Council operated within the treasury limits set out in the Council's Treasury Management and Annual Investment Strategy which was approved in March 2016.

The Council continues to operate a cautious approach to its dealings in the financial markets and accordingly reviews its Treasury Management Strategy regularly. Derbyshire Dales District Council currently deals only with major banks, larger building societies and public bodies for its daily cash flow purposes. It does not currently have any long term debt maturing.

Interest credited to the Comprehensive Income and Expenditure Statement in 2015/16 was £52,000 (2014/15 £47,000). The average rate of interest on investments was 0.4% (0.5% 2014/15).

The Council held investments of £7.3m at 31 March 2016 (£5.0m on 31 March 2015).

## **Reserves and Balances**

Revenue balances carried forward at 31 March 2016 total £1,908,000 (31 March 2015 £1,909,000). This balance is significant as it reflects the revenue balances that are generally available for new expenditure. The Council has determined that it is prudent to maintain a working balance of £1m to meet emergencies and contingencies, and to assist with cash flow.

The Council holds a number of earmarked reserves to finance future capital and revenue expenditure. The value of earmarked reserves held at 31 March 2016 is £9,974,000 (£8,433,000 at 31 March 2015). A full analysis of earmarked reserves is contained in Note 8 to the financial statements.

The Balance Sheet demonstrates that net worth has increased by £7.0m during the year to £48.8m.

## **NON-FINANCIAL PERFORMANCE**

The key document that frames the actions of the Council is the Corporate Plan. The Corporate Plan sets out the vision and aims of the District Council, and lists the key improvement priorities. The Corporate Plan is the key strategy for the Council as it sets out specific new areas to maintain and improve service delivery in the coming years.

The Corporate Priorities for 2015/16 were:

- Increase affordable housing
- Increase business growth and job creation
- Maintain street cleansing, waste collection, safe and healthy communities

- Make savings to achieve a sustainable budget

The table below sets out headline progress against the Council's Corporate Plan targets:

<b><u>Target Areas 2015/16</u></b>	<b><u>Progress Against Key Target</u></b>
<p><b>Increase affordable housing</b></p> <ul style="list-style-type: none"> <li>• Identify and deliver new affordable housing sites</li> <li>• Improve housing opportunities for vulnerable people</li> </ul>	<ul style="list-style-type: none"> <li>• Completed 18 new affordable homes</li> <li>• Supported 150 social housing tenants affected by Welfare Reform access financial and budgeting advice, and where necessary, help move home</li> <li>• Provide adaptations to the homes of 48 disabled people</li> </ul>
<p><b>Increase business growth and job creation</b></p> <ul style="list-style-type: none"> <li>• Help new businesses to start</li> <li>• Help existing businesses to grow</li> <li>• Promote key development sites</li> </ul>	<ul style="list-style-type: none"> <li>• Enable 31 new businesses to start</li> <li>• Provide support to 133 established businesses in the Derbyshire Dales, enabling the creation of jobs</li> <li>• Supported Derbyshire Dales businesses to access grants or loans from Government and Local Enterprise Partnerships</li> <li>• £1million Growth Deal allocation secured for works to start in 2016/17 on a new access road at Ashbourne Airfield Industrial Estate</li> </ul>
<p><b>Maintain street cleaning, waste collection, safe and healthy communities</b></p> <ul style="list-style-type: none"> <li>• Household recycling and composting</li> </ul>	<ul style="list-style-type: none"> <li>• 55% of household waste recycled or composted.</li> </ul>
<p><b>Make savings to achieve a sustainable budget</b></p>	<ul style="list-style-type: none"> <li>• Programme of efficiency savings and service reviews generated £900,000 of savings by March 2016</li> </ul>



In addition to the Corporate Plan, within individual Service Plans there are a small number of key targets for achievement within those service areas. These are known as Key Performance Indicators. These measure how well the District Council is doing at maintaining basic service standards. In 2015/16, there were 14 Key Performance Indicators, covering services such as determining planning applications in good time, paying bills on time, collecting Council Tax efficiently, and paying benefits claims promptly.

The following table sets out a summary of final outturns for the financial year 2015/16, and includes the nine Corporate Plan targets and the 14 Key Performance Indicators for services (23 targets in total):

Service Area	No. Targets	Green	Amber	Red	TBC	N/A
Corporate	4	2			1	1
Community Housing	3	1		1	1	
Private Sector Housing	2	1		1		
Development Management	4	3				
Revenues and Benefits	4	3		1		
Environmental Services	2			2		
Economic Development	4	2	1	1		
<b>TOTAL</b>	<b>23</b>	<b>12</b>	<b>1</b>	<b>7</b>	<b>2</b>	<b>1</b>

The outturn figures indicate that 60% of the targets for which data is available were achieved during 2015/16 (12 out of 20). Of the eight targets that were not achieved, five were missed only slightly or will in fact be achieved just later than hoped. These include the amount of Council Tax collected (target missed by 0.1%); reduction in complaints about litter and dog fouling (target missed by 0.2%); and numbers of affordable houses completed and businesses supported to access funding (targets will be met but later than planned due to reasons outside the District Council's direct control). Work to enable the construction of a new access road at Ashbourne Airfield - opening up 8ha of employment land - is ongoing.

Corporate Plan target performance was reported to Council in March 2016.

## Key events and issues for 2016/17 and beyond

The Council continues to face significant financial pressures. The key issue facing Derbyshire Dales District Council in the medium term is the need to produce a balanced budget in the face of declining government support, resulting from the government's austerity measures.

Although savings and efficiency gains have been achieved each year in order to set a balanced budget, the latest projection has identified that further savings of around £1.0million are required over the next five years.

Significant risks within the revenue budget include:

- Uncertainty about the level of Government grant with effect from 2016/17.
- Targeted savings not being achieved.
- Significant income items not being achieved.

On 23<sup>rd</sup> June 2016 the UK voted to leave the European Union. It is not yet known what effect this will have on the future of Local Government.

## **STATUTORY STATEMENTS**

The Council's statutory statements comprise:

### **Statement of Responsibilities – Page 10**

This statement sets out the respective responsibilities for the accounts of the authority under Local Government legislation and other requirements, and those of the Head of Resources, who is the Council's Chief Financial Officer. Under the Code of Practice, the Head of Resources must sign the Statement of Responsibilities stating that the accounts present a true and fair view of the financial position of the Council.

### **Annual Governance Statement – Pages 11-23**

This statement sets out the District Council's governance arrangements, within which financial control and risks of the authority are managed and reviewed. The statement identifies any significant control issues and action being taken to address them. This statement has to be certified by the Chief Executive and the Leader of the Council.

### **Auditor's Report – Pages 24-26**

This report provides the independent auditor's opinion on the fairness of the accounts.

## **FINANCIAL STATEMENTS**

The Statements required by the Code are explained in the notes below:

### **Movement in Reserves Statement – Page 27**

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 'unusable reserves'. The Surplus or (Deficit) on the Provision of 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 for council tax setting purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the council.

### **Comprehensive Income and Expenditure Account – Page 28**

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.

### **Balance Sheet – Page 29**

This is fundamental to the understanding of the Council's year-end financial position. The Balance Sheet shows the reserves at the Council's disposal, its long term indebtedness, the assets employed in its operations and current liabilities. The Balance Sheet excludes Trust Funds.

### **Cash Flow Statement – Page 30**

This statement summarises the inflows and outflows of cash arising from transactions with third parties for both revenue and capital purposes.

### **Notes to Financial Statements – Pages 31 to 88**

These are notes relating to the preceding financial statements which explain and provide additional information to figures included in the core statements.

### **Collection Fund – Page 89**

This reflects a statutory requirement to maintain a separate Collection Fund. It shows the transactions of the Council as a billing authority in relation to business rates and the council tax, and illustrates the way these have been distributed to Central Government, precepting authorities and the General Fund.

## **STATEMENT OF RESPONSIBILITIES**

### **The Authority's responsibilities**

The Authority is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority that officer is the Head of Resources;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- Approve the Statement of Accounts.

### **The Head of Resources' responsibilities**

The Head of Resources is responsible for the preparation of the authority's Statement of Accounts in accordance with proper practices as set out in Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (the Code).

In preparing this Statement of Accounts, the Head of Resources has:

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

### **The Head of Resources has also:**

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

### **CHIEF FINANCIAL OFFICER'S CERTIFICATE**

I certify that the accounts set out on pages 27 to 94 present a true and fair view of the financial position of the Council at 31<sup>st</sup> March 2016 and its income and expenditure for the year ended 31<sup>st</sup> March 2016.

K Henriksen, C.P.F.A.  
Head of Resources

30<sup>th</sup> June 2016

# **ANNUAL GOVERNANCE STATEMENT 2015/16**

## **EXECUTIVE SUMMARY**

The Annual Governance Statement (AGS) shows how Derbyshire Dales District Council has complied with its Code of Corporate Governance. This document reviews the governance arrangements in place in 2015/16.

As a local authority, spending public money, it is important that the Council can demonstrate that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

Section 4 of the AGS describes the key elements of the governance framework in the context of the six principles outlined in the Council's Code of Corporate Governance.

Section 5 of the AGS describes the review of effectiveness that has been undertaken. The conclusion is that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework but there are still some governance issues that need to be addressed.

Section 6 of the Annual Governance Statement identifies significant governance issues that need to be addressed during 2016/17:

- The identification of further financial savings required over the next 5 years;
- The balance of housing benefit overpayments;
- Weaknesses in arrangements for data protections and information governance.

## **2. SCOPE OF RESPONSIBILITY**

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

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

Derbyshire Dales District Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework "*Delivering Good Governance in Local Government*". A copy of the code is on our website [www.derbyshiredales.gov.uk](http://www.derbyshiredales.gov.uk), or can be obtained from the Head of Corporate Services, Town Hall, Matlock, DE4 3NN. This Annual Governance Statement explains how Derbyshire Dales District Council has complied with its code of governance, and also meets the requirements of regulation 6 (1) (b) of the Accounts and Audit Regulations 2015, which requires all relevant bodies to prepare an Annual Governance Statement.

## **3. THE PURPOSE OF THE GOVERNANCE FRAMEWORK**

The governance framework comprises the systems and processes, culture and values, by which the District Council is directed and controlled and its activities through which it accounts to, engages with, and leads the community. It enables the authority to monitor the achievement of its strategic

objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

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

The governance framework has been in place at Derbyshire Dales District Council for the year ended 31<sup>st</sup> March 2016 and up to the date of approval of the Statement of Accounts.

#### **4. THE GOVERNANCE FRAMEWORK**

The key elements of the systems and processes that comprise the District Council's governance arrangements are as follows:

##### **PRINCIPLE 1 – A clear definition of the District Council's purpose and desired outcomes:**

The shared Peak District Statement of Priorities outlines the vision and priority challenges for the area. It was produced by the Peak District Partnership which brings together all the relevant stakeholders, including those that deliver services in the area. The District Council is a lead member. Priorities have been identified through consultation with local people and a wide range of stakeholders.

##### **Exercising strategic leadership by developing and clearly communicating the District Council's purpose and vision and its intended outcome for citizens and service users:**

The Council's aims and objectives are set out in the annually-updated Corporate Plan. The Corporate Plan contains a statement of priorities which describes the areas where we are focusing our activities over a four-year period. These priorities reflect the Peak District Statement of Priorities, which was developed following consultation with residents, businesses and voluntary organisations.

The Council's annual Performance Plan contains information about the Council's services and finances, sets out what we do, targets for the year and planned improvements. It includes key performance indicators to show how well we performed in previous years.

The Corporate Plan also identifies targets for the coming year and reports on progress against last year's targets.

The Council's Local Development Framework (Local Plan) is currently out to public consultation. This document acts as a blueprint to ensure that there is quality development that meets the needs of the district.

##### **Ensuring that users receive a high quality of service whether directly, or in partnership, or by commissioning and that the District Council makes best use of resources and that tax payers and service users receive excellent value for money:**

Through reviews by external auditors, Internal Audit, and the Corporate Leadership Team, the District Council constantly seeks ways of ensuring the economical, effective and efficient use of resources, and for securing continuous improvement in the way in which its functions are exercised.

Services are delivered by trained and experienced people. All posts have a detailed job description and person specification. Training needs are identified through the Performance and Development Review Scheme.

The Council has achieved accreditation under the Investors in People Standard, which is a quality framework to ensure that the Council's employees have the right knowledge, skills and motivation to work effectively.

The Council has an effective performance management framework as set down in its document "Managing Performance at Derbyshire Dales District Council: A Practical Handbook". The system is driven by the Corporate Plan which focuses attention on corporate priorities. This is cascaded through departmental service plans, individual employee personal development objectives and action plans. It is clearly laid out in the annual service and financial planning and performance management cycle. The Council monitors and scrutinises progress against targets and performance in priority areas affecting relevant service areas, and consider and approve corrective action where necessary, biannually. The quality of performance data is assured through the involvement of Internal Audit.

The Council has a Partnership Protocol, which sets out the governance arrangements for the way in which the District Council interacts with strategic partners. This protocol has been flagged for review during 2016/17.

The District Council publishes an annual Equality Plan which sets out how the District Council meets its public sector equality duties. It also publishes an annual Consultation and Engagement Plan which sets out what consultation and engagement activities are proposed to be undertaken each year as a way of identifying the means by which it can fulfil its statutory duty to undertake consultation.

The Council has several strategies and plans which assist in ensuring that the District Council makes best use of resources and that tax payers and service users receive excellent value for money. These include:

- Financial Strategies
- Annual Budget
- Annual Audit and Inspection Letter
- Financial Regulations (within the Council's Constitution)
- Contract Procedures (within the Council's Constitution)
- Asset Management Plan
- Protocol on the Management of the Civic Allowance
- Report of the Independent Remuneration Panel on Members Allowances

## **PRINCIPLE 2 – Well defined functions and culture**

**Ensuring effective leadership throughout the Council and being clear about the roles and responsibilities of the Council, its Committees and Sub-Committees, and the functions delegated to officers:**

The District Council has adopted a constitution which sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people.

Most day-to-day decisions are made by policy committees. In 2015/16, the Council moved from three policy committees – 'Corporate Committee', 'Community Committee' and 'Environment Committee' to two policy committees – Governance & Resources Committee and Community & Environment Committee. Meetings are open to the public except where personal or confidential matters are being disclosed. There is scheme for 'public participation' at these meetings. Policy improvement and review is undertaken by sub-committees as may be required from time to time.

To allow the policy committees to concentrate their time and effort on policy and strategic matters, the Council has a Scheme of Officer Delegation, whereby routine decision-making is delegated to officers. The scheme sets out the relevant subject areas and the responsible officers.

**Ensuring that a constructive working relationship exists between Council Members and officers:**

All governance and probity issues are under the remit of the Governance & Resources Committee.

Members have been required to attend training on the application of the Council's Code of Conduct for Members. Training was also provided to senior officers of the Council so that they could appreciate the issues surrounding the ethical framework and the Member/officer relationship.

An updated version of The Employee Code of Conduct, based on the underlying principles of the Member code, was adopted in 2015. The new Code was distributed to all employees, who were required to accept (electronically) the revised provisions as part of their contract of employment.

The Council has a protocol governing Member/Officer relations.

The District Council adopted a new Code of Conduct as required by the Localism Act, on 21 June 2012. Training was provided for all Councillors on the new provisions of the Code as part of the mandatory training element of the Member Development Scheme. All Councillors have subsequently completed their Register of Disclosable Pecuniary Interests as required and copies are available for members of the public to view via the District Council's website.

The Council has a Planning Code of Good Practice, which was updated in May 2016. This sets out arrangements to ensure probity, transparency & good practice.

**Ensuring relationships between the Council, its partners and the public are clear, so that each knows what to expect of the other:**

Derbyshire Dales District Council has adopted a constitution which sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people.

The Council has a Partnership Protocol, which sets out the governance arrangements for the way in which the District Council interacts with strategic partners. This protocol has been flagged for review during 2016/17.

**PRINCIPLE 3 – Transparent decision making**

**Being rigorous and transparent about how decisions are taken:**

The Council has a number of policies that bring about a rigorous and transparent approach to decision making. These include:

- The Constitution
- Annual review of Planning decisions
- FOI Publication Scheme
- Regulation of Investigatory Powers Act 2000 Policy
- Data Protection Policy
- Council and Committee decisions

**Ensuring that an effective risk management system is in place:**



The District Council has robust systems for identifying and evaluating all significant risks, developed and maintained with the pro-active participation of all those associated with planning and delivering services. The Council has approved a Risk Management Policy Statement and Strategy which provides a comprehensive framework for the management of risk throughout the Council. A cross-departmental Risk Continuity Hub has defined Terms of Reference to develop a comprehensive performance framework for risk management and to embed risk management across the authority. A Risk Register is in place and appropriate staff have been trained in the assessment, management and monitoring of risks. The Risk Register is updated regularly.

All reports which require decisions to be taken by the Council or its Committees contain a section which outlines legal, financial and corporate risks in order to inform the decision making process.

The Council's Constitution, including the Scheme of Delegation, Standing Orders and Financial Regulations, is reviewed annually by the Council.

The Council's External Auditors carry out a Value For Money risk assessment as part of their Annual Audit Letter. This identifies key areas impacting on Value For Money and the arrangements that the Council has in place to mitigate those risks.

**Having good quality information, advice and support to ensure that services are delivered effectively and are what the community wants or needs:**

The Consultation and Engagement Plan sets out what consultation and engagement activities are proposed to be undertaken each year.

Area Community Forums are held at three locations (in the northern, central and southern areas of the district) three times a year. The forums provide an opportunity for members of the public to question members and officers, as well as being useful for providing information or consulting the public.

#### **PRINCIPLE 4 – Upholding high standards of conduct and behaviour**

**Ensuring Councillors and officers exercise leadership by behaving in ways that exemplify high standards of conduct and effective governance:**

The Council has the following policies in place to ensure that high standards of conduct are in place:

- Elected Member Code of Conduct
- Employee Code of Conduct
- Employee Register of Interests
- Elected Member Register of Interests
- Confidential Reporting Policy
- Anti-Fraud and Corruption Policy
- Regulation of Investigatory Powers Act Surveillance Policy

#### **PRINCIPLE 5 – Developing the capacity and capability of members and officers**

**Making sure that Councillors and officers have the skills, knowledge, experience and resources they need to perform well in their roles:**

The Council has the following complementary schemes in place to identify training needs of elected Members and officers and to provide tailored training plans:

- Member Development Scheme
- Employee Performance and Development Review Scheme

The aim of the Council's employee Performance and Development Review Scheme is to jointly agree objectives, identify training and development needs, and formulate specific and realistic action plans which contribute towards achieving the Council's aims and objectives. The scheme also reviews past performance.

A Member Development Working Group, consisting of Members and officers, has day-to-day responsibility for shaping and developing the Council's Member Development Scheme. The scheme enables individual Members to discuss their training and development needs within a set framework that included mandatory training on key topics.

**Developing the capability of people with governance responsibilities and evaluating their performance as individuals and as a group:**

The Council has a Member Development Scheme and an Employee Performance and Development Review Scheme, which review the performance of each employee or elected member.

The Council maintains a register of formal complaints and carries out an annual review.

The Head of Corporate Services carries out an annual review of the Code of Corporate Governance (in November).

**PRINCIPLE 6 – Accountability to stakeholders**

**Exercising leadership through a system which engages local people, stakeholders and partners:**

Details of how the Council exercises leadership and engages with others can be found in the following:

- Consultation Strategy
- Annual report of Area Community Forums

The Council has three Area Community Forums covering the North, Central & Southern Areas of the District, which are intended to act as a focal point for mutual communication and consultation between the local community, stakeholders and Councillors. Community Forums contribute towards development of policies, and can examine the effectiveness of strategic implementation of Council Policy at a local level and report findings to the relevant Committee.

The Council has a Citizens Panel of residents who are consulted regularly on a variety of issues, including the establishment of aims and objectives.

The Council has a variety of other means of communicating with all sections of the community, including the Council's website, focus groups with the public (for example on the Corporate Plan and Budget), and the use of social media, and the publication of DalesMatters twice a year.

**Taking an active and planned approach to dialogue with and accountability to the public to ensure effective and appropriate service delivery:**

The following strategies and plans demonstrate the Council's approach:

- Corporate Plan
- Medium Term Financial Strategy
- Equalities Strategy
- Partnership Protocol
- Annual Budget

## OTHER GOVERNANCE ARRANGEMENTS

### **Ensuring the District Council's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010):**

The Council has designated the Head of Resources as chief financial officer in accordance with Section 151 of the Local Government Act 1972. Examples of how the role of the Head of Resources & the District Council's financial management arrangements conform with the governance requirements of the CIPFA Statement on "The Role of the Chief Financial Officer in Local Government (2010)" are as follows:

- The Head of Resources is a member of the Chartered Institute of Public Finance & Accountancy (CIPFA), reports directly to the Chief Executive and is a member of the Corporate Leadership Team.
- The District Council's governance arrangements ensure that the Head of Resources has direct access to the Chief Executive, all other members of the Corporate Leadership Team, the Governance & Resources Committee, and external audit.
- The Council's Financial Regulations ensure that the Head of Resources is able to influence all material business decisions, as no item can be placed before the Council or its Committees without obtaining the Head of Resources' assessment of its financial implications and financial risk.
- Financial Regulations require the Head of Resources to prepare, and review on an annual basis, a financial strategy which includes a five-year financial plan, a five-year capital strategy, and a policy in respect of reserves and provisions.
- The Head of Resources ensures compliance with CIPFA's Code on a Prudential Framework for Local Authority Capital Finance and CIPFA's Treasury Management Code.
- Article 9 of the Council's Constitution sets out the functions of the chief finance officer, including ensuring lawfulness and financial prudence of decision making, administration of financial affairs, contributing to corporate management, providing advice and giving financial information, and requires the Council to provide whatever resources are require to allow these duties to be performed.
- There is a line of professional accountability to the Head of Resources for the District Council's finance staff.

### **Undertaking the core functions of an audit committee, as identified in CIPFA's "Audit Committees – Practical Guidance for Local Authorities":**

In the financial year 2015/16 the core functions of an audit committee were undertaken by the Corporate Committee at the start of the year, superseded by the Governance & Resources Committee. This committee is a key source of assurance to the Council's arrangements for managing risk, maintaining an effective control environment. Its Terms of Reference relating to audit are in accordance with the above CIPFA guidance.

**Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful:**

The Council has designated the Head of Corporate Services as Monitoring Officer. It is the function of the Monitoring Officer to ensure compliance with established policies, procedures, laws and regulations. After consulting with the Chief Executive (Head of Paid Service) and the Head of Resources (Chief Finance Officer), the Monitoring Officer will report to the full Council if she considers that any proposal, decision or omission would give rise to unlawfulness or maladministration. Such a report will have the effect of stopping the proposal or decision being implemented until the report has been considered.

The Council maintains an Internal Audit Section, which complies with the 'Public Sector Internal Audit Standards' set by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Institute of Internal Auditors (IAA). Whilst the District Council maintains an in-house Internal Audit function, Internal Audit management is provided through membership of an Internal Audit Consortium which also provides Internal Audit services for Chesterfield Borough Council, Bolsover District Council and North East Derbyshire District Council. This arrangement has enabled the District Council to address concerns about Internal Audit capacity and to ensure that the Internal Audit Manager is professionally qualified.

The Council has an objective and professional relationship with external auditors and statutory inspectors, as evidenced by the Annual Audit Letter.

From May 2015 the Council had Committees which carried out a number of regularity functions, including:

- a Planning Committees to determine planning applications and related matters;
- a Local Plan Advisory Committee to assist in the formulation of planning policy;
- a Licensing and Appeals Committee, which monitors and reviews the effectiveness of the council's licensing policy and procedures.

**Whistle-blowing and for receiving and investigating complaints from the public:**

The Council's Whistle-blowing policy demonstrates the Council's commitment to providing support for whistleblowers. The Whistle-blowing policy was updated in 2015 and is available to all staff on the Council's Intranet, and is included in procurement advice to suppliers. The Head of Corporate Services has a duty to report any referrals under the policy.

The Council has an adopted complaints procedure that enables members of the public to raise concerns in respect of the Council's services. Any member of the public who is dissatisfied with the initial response to their complaint has the opportunity to request an independent review of that decision by the Council's Chief Executive. The relevant policy committee has a role in monitoring the complaints framework and any complaints dealt with by the Local Government Ombudsman. Any critical findings from the Local Government Ombudsman are reported to one of the Council's Policy Committees or Council as appropriate.

Details of how to make a complaint are on the Council's website [www.derbyshiredales.gov.uk](http://www.derbyshiredales.gov.uk).

**Incorporating good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report "*Governing Partnerships: Bridging the Accountability Gap*", and reflecting these in the authority's overall governance arrangements:**

The Council has delegated to its policy committees a requirement to work jointly and in partnership with others to help deliver the Council's aims and objectives. Financial Regulations require the Head of Corporate Services to ensure that significant partnerships are defined by a written agreement which covers:

- The aims and objectives of the partnership.
- The accountability arrangements, including pooled budgets, scheme of delegation, reporting structures.
- The funding arrangements.
- The success criteria for the partnership, including financial performance.
- Governance arrangements including audit review.
- Arrangements for dissolving the partnership.

The Council maintains a register of all significant partnerships covering the above criteria. Risks arising from significant partnerships are identified in the Council's Risk Register.

## **5. REVIEW OF EFFECTIVENESS**

Derbyshire Dales District Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of the effectiveness is informed by the work of the senior managers within the authority who have responsibility for the development and maintenance of the governance environment, the Internal Audit Annual Report, and also by comments made by the external auditors and other review agencies and inspectorates.

The process that has been applied in maintaining and reviewing the effectiveness of the system the Governance Framework includes:

The Head of Corporate Services (the 'Monitoring Officer') has a duty to monitor and review the operation of the Constitution to ensure its aims and principles are given full effect. The Council reviews the Constitution each year at its Annual Meeting.

The Governance & Resources Committee reviews the local Code of Corporate Governance on an annual basis, including Principle 3 relating to risk management and internal control, adopts an Action Plan to deal with any issues, and makes appropriate recommendations to Council on potential improvements.

The Council's Governance and Resources Committee has Terms of Reference which include:

- To undertake the role of Audit Committee and provide assurance of the adequacy of the risk management framework and associated control environment;
- To consider the External Auditor's report on issues arising from the audit of accounts, the External Audit Plan, the Annual Audit Letter etc.

The Council has designated the Head of Resources as chief finance officer in accordance with Section 151 of the Local Government Act 1972. The role of the Head of Resources and the District Council's financial management arrangements conform with the governance requirements of the CIPFA Statement on "The Role of the Chief Financial Officer in Local Government (2010)". The financial management of the authority is conducted in accordance with the financial rules set out in Parts 8 and 9 of the Constitution (Contract Standing Orders and Financial Regulations, respectively). The Council has in place a five-year Financial Strategy, last updated in November 2013, to support the medium-term aims of the Corporate Plan.

The Internal Audit Section is responsible for monitoring the quality and effectiveness of systems of internal control. A risk model is used to formulate a three-year plan which is approved by the Governance and Resources Committee, and from which the annual workload is identified. The reporting process for Internal Audit requires a report of each audit to be submitted to the relevant Head of Service, with a copy to the relevant service manager, as appropriate. The report includes recommendations for improvements that are included within an action plan and require agreement or

rejection by service managers. The process includes a six-monthly review of recommendations to ensure that they are acted upon. A summary is presented to the Governance and Resources Committee. All Internal Audit reports include a report on the quality and effectiveness of internal control within the Council's systems, and an assessment in accordance with quantification and classification of internal control level definitions. These definitions are:

Good	A few minor recommendations (if any)
Satisfactory	Minimal risk; a few areas identified where changes would be beneficial
Marginal	A number of areas have been identified for improvement
Unsatisfactory	Unacceptable risks identified; changes should be made
Unsound	Major risk identified; fundamental improvements are required

The Internal Audit Section is subject to regular inspection by the Council's external auditors who place reliance on the work carried out by the section.

A review of the effectiveness of the system of internal control and the effectiveness of internal audit is undertaken on a regular basis. During 2015/16, 31 internal audit reports were issued. There was 1 marginal and 1 unsatisfactory report issued during the year. The marginal report was in respect of recruitment and selection; the main points raised were in relation to the obtaining of two references and ensuring that monitoring forms are returned to Human Resources, all of the recommendations made have been implemented. The unsatisfactory report related to Sports development largely due to poor record keeping and delayed banking; these issues were addressed immediately following the audit.

The Annual Audit Report for 2015/16 pointed out that some of the recommendations from the data protection audit remain outstanding. Until these recommendations have been implemented, the risks (including possible fines / reputational damage in the event of a security breach) have been scored as 'high' by the Risk Continuity Hub.

The Council's Corporate Leadership Team meets weekly to develop policy issues commensurate with the Council's aims, objectives and priorities. The Corporate Leadership Team also considers other internal control issues, including risk management, performance management, compliance, efficiency and value for money, and financial management.

Each year, the Corporate Leadership Team reviews the Risk Management Policy Statement and Strategy to ensure their continued relevance to the Council. The annual review also assesses performance against the aims and objectives of the Risk Management Strategy. In the Annual Audit Report, the Internal Audit Manager provides an opinion to the Governance and Resources Committee on the adequacy of the Council's risk management systems and the internal control environment

The Risk Continuity Group provides progress reports to the Corporate Leadership Team, bringing their attention to significant risks. The Risk Continuity Group also:

- Reviews the Council's strategic risk register and associated action plans;
- Ensures that the appropriate management action is taken to minimise/eliminate risk;
- Reviews the results of investigations into untoward incidents.

For performance management, a traffic light monitoring and reporting system is in place. This risk assessment determines the frequency of reporting to chief officers and councillors, with corrective action plans put in place for any under-performing services.

In September 2015, in the "Report To Those Charged With Governance", the External Auditor commented that:

- We identified no significant risks specific to the Authority during 2014/15, with respect to the financial statements.
- We did not identify any specific VFM risks in our External Audit Plan 2014/15 issued in March 2015. We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

In March 2016 the External Auditor made the following comments in respect of the Council's Medium Term Financial Plans

- The council has established a balanced budget for the next two years but has recognised that further savings will be required during the life of the current MTFP. The council has started to address savings needs through service reviews but will need to achieve savings of £750,000 over the life of the MTFP.
- We will review the robustness of the MTFP and delivery of the current budget to ensure arrangements are in pace to effectively monitor the use of resources to support the council priorities.

The Corporate Leadership Team continues to work towards the achievement of a balanced budget in the medium term against the backdrop of reductions in government funding. The achievement of a sustainable financial plan has been identified as a significant risk.

The Council's Corporate Leadership Team has reviewed this Annual Governance Statement and the evidence supporting it.

We have been advised on the implications of the review of the effectiveness of the governance framework by the Governance and Resources Committee, and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are outlined below.

## 6. SIGNIFICANT GOVERNANCE ISSUES

The following significant governance issues have been identified:

	Issue	Action
1.	<p>The Council continues to face significant financial pressures. Although savings and efficiency gains have been achieved each year in order to set a balanced budget, the latest projection has identified that further savings of around £0.7 million are required over the next five years.*</p>	<p>Continue to plan and monitor efficiency savings, to be achieved through the continuation of a programme of service reviews and through other methods set out in the financial strategy;</p> <p>Update the financial strategy and medium-term financial plan during October 2016, or as and when further information becomes available, e.g. 2015/16 outturn;</p> <p>Monitor future announcements in respect of funding levels and incorporate in to the medium-term financial plan as necessary;</p> <p>Consider the preparation of an efficiency plan and whether to sign up to the government's four-year financial settlement by 30 September 2016.</p>
2.	<p>The Council has arrears of Housing Benefit overpayments, totalling approximately £981,000. Offsetting this is a bad debt provision of £180,000, which is considered to be adequate at this stage.</p>	<p>Take the necessary recovery action in order to actively pursue outstanding debts;</p> <p>Produce regular monitoring reports in order to review progress;</p> <p>Assess the adequacy of the bad debt provision as and when further information is available in respect of the success of recovery action.</p>
3.	<p>An internal audit review has identified that there are weaknesses in the Council's arrangements for Data Protection and Information Governance. The strategic risk (of fines / reputational damage) has been assessed as 'high'. However, an action plan has been produced and the risks will reduce when all actions have been implemented. Some actions have already been implemented.</p>	<p>Implement the remaining actions identified in the action plan during 2016/17;</p> <p>Internal audit will review the controls and implementation of the action plan during 2016/17;</p> <p>Arrange for a data protection / information governance health check to be carried out by an independent expert during 2016/17 and create an action plan to implement any recommendations.</p>



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

Signed

Councillor Lewis Rose O.B.E.

Leader of the Council

Date: - 30<sup>th</sup> June 2016

Dorcas Bunton

Chief Executive

Date: - 30<sup>th</sup> June 2016

**To be left blank for audit opinion**

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# THE FINANCIAL STATEMENTS

## 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 'unusable reserves'. The Surplus or (Deficit) on the Provision of 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 for council tax setting purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the council.

	General Fund Balance £000s	Earmarked Reserves £000s	Capital Receipts Reserve £000s	Capital Grants Unapplied £000s	Total Usable Reserves £000s	Unusable Reserves £000s	Total Authority Reserves £000s
<b>Balance at 31 March 2014</b>	<b>1,919</b>	<b>6,629</b>	<b>2,494</b>	<b>32</b>	<b>11,074</b>	<b>35,481</b>	<b>46,555</b>
<b>Movement in reserves during 2014/15</b>							
Surplus or (deficit) on the provision of services (accounting basis)	605	0	0	0	605	0	605
Other Comprehensive Income and Expenditure (see CIES)	0	0	0	0	0	(5,430)	(5,430)
<b>Total Comprehensive Income and Expenditure</b>	<b>605</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>605</b>	<b>(5,430)</b>	<b>(4,825)</b>
Adjustments between accounting basis & funding basis under regulations (Note 7)	1,189	0	(418)	62	833	(833)	0
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	<b>1,794</b>	<b>0</b>	<b>(418)</b>	<b>62</b>	<b>1,438</b>	<b>(6,263)</b>	<b>(4,825)</b>
Transfers to/from Earmarked Reserves (Note 8)	(1,804)	1,804	0	0	0	0	0
<b>Increase or (decrease) in Year (Note 7)</b>	<b>(10)</b>	<b>1,804</b>	<b>(418)</b>	<b>62</b>	<b>1,438</b>	<b>(6,263)</b>	<b>(4,825)</b>
<b>Balance carried forward at 31 March 2015</b>	<b>1,909</b>	<b>8,433</b>	<b>2,076</b>	<b>94</b>	<b>12,512</b>	<b>29,218</b>	<b>41,730</b>
<b>Movement in reserves during 2015/16</b>							
Surplus or (deficit) on the provision of services	(264)	0	0	0	(264)	0	(264)
Other Comprehensive Income and Expenditure (see CIES)	0	0	0	0	0	7,288	7,288
<b>Total Comprehensive Income and Expenditure</b>	<b>(264)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(264)</b>	<b>7,288</b>	<b>7,024</b>
Adjustments between accounting basis & funding basis under regulations (Note 7)	1,804	0	320	(13)	2,111	(2,111)	0
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	<b>1,540</b>	<b>0</b>	<b>320</b>	<b>(13)</b>	<b>1,847</b>	<b>5,177</b>	<b>7,024</b>
Transfers to/from Earmarked Reserves (Note 8)	(1,541)	1,541	0	0	0	0	0
<b>Increase or (decrease) in Year (Note 7)</b>	<b>(1)</b>	<b>1,541</b>	<b>320</b>	<b>(13)</b>	<b>1,847</b>	<b>5,177</b>	<b>7,024</b>
<b>Balance carried forward at 31 March 2016</b>	<b>1,908</b>	<b>9,974</b>	<b>2,396</b>	<b>81</b>	<b>14,359</b>	<b>34,395</b>	<b>48,754</b>

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

2014/15			2015/16			
Gross Expenditure £000s	Gross Income £000s	Net Expenditure £000s		Gross Expenditure £000s	Gross Income £000s	Net Expenditure £000s
			<b>Gross expenditure, gross income and net expenditure of continuing operations</b>			
5,745	(2,236)	3,509	Cultural and related services	5,837	(2,433)	3,404
8,129	(4,403)	3,726	Environmental and regulatory services	8,482	(4,558)	3,924
2,990	(1,606)	1,384	Planning services	3,217	(1,615)	1,602
633	(2,155)	(1,522)	Highways and transport services	798	(2,161)	(1,363)
15,599	(14,967)	632	Housing services	15,843	(15,681)	162
776	(817)	(41)	Central services to the public	1,320	(712)	608
1,597	(29)	1,568	Corporate and democratic core	1,341	(5)	1,336
43	0	43	Non distributed costs	140	0	140
<b>35,512</b>	<b>(26,213)</b>	<b>9,299</b>	<b>Cost Of Services</b>	<b>36,978</b>	<b>(27,165)</b>	<b>9,813</b>
855	0	855	Other Operating Expenditure (Note 9)	931	0	931
1,111	(174)	937	Financing and investment income and expenditure (Note 10)	1,103	(171)	932
0	(11,696)	(11,696)	Taxation and Non-Specific Grant Income (Note 11)	0	(11,412)	(11,412)
		<b>(605)</b>	<b>(Surplus) or Deficit on Provision of Services</b>			<b>264</b>
		(402)	Surplus or deficit on revaluation of non current assets			(1,146)
		5,832	Remeasurements of the net defined benefit liability			(6,142)
		<b>5,430</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(7,288)</b>
		<b>4,825</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(7,024)</b>

There have been no acquired operations or discontinued operations in the financial years 2014/15 and 2015/16.

## 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 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 2015 £000s	Notes	31 March 2016 £000s
65,487 Property, Plant & Equipment	12	65,321
1,545 Investment Property	13	1,557
44 Intangible Assets	14	18
<b>67,076 Long Term Assets</b>		<b>66,896</b>
19 Inventories	16	9
4,825 Short Term Debtors	17	6,898
5,002 Cash and Cash Equivalents	18	5,575
190 Assets held for sale (<1yr)	19	130
<b>10,036 Current Assets</b>		<b>12,612</b>
(156) Short Term Borrowing	15	(156)
(238) Provisions	21	(243)
(2,311) Short Term Creditors	20	(3,159)
(486) Other Short Term Liabilities	37	(400)
<b>(3,191) Current Liabilities</b>		<b>(3,958)</b>
(71) Provisions (>1yr)	21	(70)
(5,450) Long Term Borrowing	15	(5,450)
(26,670) Other Long Term Liabilities	37 & 38	(21,276)
<b>(32,191) Long Term Liabilities</b>		<b>(26,796)</b>
<b>41,730 Net Assets</b>		<b>48,754</b>
12,512 Usable reserves	22	14,359
29,218 Unusable Reserves	23	34,395
<b>41,730 Total Reserves</b>		<b>48,754</b>

## CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and 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 authority.

31 March 2015 £000s		31 March 2016 £000s
605	Net surplus or (deficit) on the provision of services	(264)
2,090	Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 24)	1,970
<u>(1,283)</u>	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 24)	<u>(925)</u>
1,412	Net cash flows from Operating Activities	781
345	Investing Activities (Note 25)	559
99	Financing Activities (Note 26)	(767)
<u>1,856</u>	Net increase or decrease in cash and cash equivalents	<u>573</u>
3,146	Cash and cash equivalents at the beginning of the reporting period	5,002
<u><u>5,002</u></u>	<b>Cash and cash equivalents at the end of the reporting period (Note 18)</b>	<u><u>5,575</u></u>

The cash flow statement has been prepared using the indirect method.



# NOTES TO THE ACCOUNTS

## **1. ACCOUNTING POLICIES**

### **a) General principles**

The Statement of Accounts summarises the Council's transactions for the 2015/16 financial year and its position at the year-end of 31 March 2016. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015, which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the *Code of Practice on Local Authority Accounting in the United Kingdom 2015/16* (the Code) and the *Service Reporting Code of Practice for Local Authorities 2015/16*, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

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

Accounting policies and estimation techniques have been selected and exercised, having regard to the accounting principles and concepts set out in FRS18, specifically the qualitative characteristics of financial information:

- Relevance
- Reliability
- Comparability
- Understandability
- Materiality

And pervasive accounting concepts:

- Accruals
- Going concern
- Primacy of legislative requirements.

### **b) 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 the sale of goods is recognised when the authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the authority.
- Revenue from the provision of services is recognised when the authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the authority.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for income that might not be collected.

### **c) Cash and cash equivalents**

Cash is represented by cash in hand and deposits with financial instruments repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature on or before 1 July of the following financial year and that are readily convertible to known amounts of cash with 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 authority's cash management.

### **d) Charges to revenue for non-current assets**

Services and support services accounts are debited with the following amounts to record the cost of holding fixed 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 the losses can be written off
- amortisation of intangible fixed assets attributable to the service

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

### **Minimum Revenue Provision**

The Local Government Act 2003 requires authorities to set aside an amount from revenue (Minimum Revenue Provision) for the repayment of external loans which have been taken out to fund capital expenditure. In line with CLG Regulations, the Council is required to approve an MRP Statement for each year. For capital expenditure incurred before 1 April 2008 the MRP policy is the Capital Financing Requirement method outlined in the MRP guidance provided to local authorities by The Department for Communities and Local Government as part of the implementation of the Local Authorities (Capital Finance and Accounting) (England)(Amendment) Regulations 2008 (SI 2008/414). From 1 April 2008 for all unsupported borrowing the MRP policy is the Asset Life Method whereby MRP will be based on the estimated life of the assets, in accordance with regulations, except in the case of finance leases where the annual lease liability will be taken as MRP.

### **e) 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 Council's control.

Contingent assets are not recognised in the Balance Sheet but are disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

### **f) Contingent liabilities**

A contingent liability arises where 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 council's control. 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 Balance Sheet but are disclosed by way of a note to the accounts.

## **g) Council Tax and Non-Domestic Rate income**

Billing authorities in England are required by statute to maintain a separate fund for the collection and distribution of amounts due in respect of Council Tax and Non-Domestic Rates (NDR). In its capacity as a billing authority, the Council acts as an agent collecting and distributing Council Tax and NDR income on behalf of central government (NDR only), the major preceptors and itself.

The Comprehensive Income and Expenditure Statement recognises council tax and non-domestic rates income due, rather than income collected.

The 'accrued' element is reversed out in the Movement in Reserves Statement, to comply with regulations.

The Council's share of Collection Fund income and expenditure is recognised in the Comprehensive Income and Expenditure Statement in the Taxation and Non-Specific Grant Income and Expenditure section.

## **h) 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 wages and salaries, paid annual leave and paid sick leave 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 authority. An accrual is made for the cost of holiday entitlements (or other forms of leave such as flexi-time or time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the pay rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to the Surplus or Deficit on the provision of Services, but then reversed out through the Movement in Reserves Statement so that the holiday benefits are charged to revenue in the financial year in which the holiday absence 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 relevant service line in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the authority to the pension fund or pensioner in the 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 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

The Council's employees are part of the Local Government Pension Scheme, administered by Derbyshire County Council (the pension fund). The scheme provides defined benefits to members (in the form of retirement lump sums and pensions), earned as employees work for the Council.

- The liabilities of the Derbyshire County Council pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit cost method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc, and projections of earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 3.5% (3.2% in 2014/15). The discount rate is based on the indicative rate of return on high quality corporate bonds.
- The assets of Derbyshire County Council pension fund attributable to the Authority are included in the Balance Sheet at their fair value:
  - quoted securities – current bid price
  - unquoted securities – professional estimate
  - unlisted securities – current bid price
  - property – market value.
- The change in the net pensions liability is analysed into the following components.
  - **Service cost comprising:**
    - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
    - past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years will be debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
    - net interest on the net defined benefit liability i.e. net interest expense for the authority – the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period, taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.
  - **Remeasurement comprising:**
    - the return on plan assets – excluding amounts included in net interest on the net defined benefit liability – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
    - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

- **Contributions paid to the Derbyshire County Council pension fund** – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority 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 appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby 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 Authority also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

### **i) Events after the balance sheet date**

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 event 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 is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes to the accounts of the nature of the events and their estimated financial effect.

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

### **j) Exceptional items, prior period adjustments, changes in accounting policies and estimates, and errors**

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Authority’s financial performance.

Prior period adjustments may arise as a result of a change in 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 by the change and do not give rise to a prior period adjustment.

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

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

## **k) Financial instruments**

The term 'financial instrument' covers both financial assets and financial liabilities and includes both the most straightforward financial assets and liabilities such as trade receivables and trade payables and the most complex ones such as derivatives and embedded derivatives. At the present time this Council does not use an external fund manager.

### **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 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. The effective rate of interest is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase or settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate. There were no early redemptions of loans during 2014/15 or 2015/16.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the general Fund Balance to be spread over future years. The Authority has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

### **Financial Assets**

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments. The Council does not hold this type of asset.

### **Loans and Receivables**

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

Expenditure Statement is the amount receivable for the year in the loan agreement. The Council has not made any loans at less than market rates (soft loans).

#### **Instruments entered into before 1<sup>st</sup> April 2006**

The Council does not hold any instruments that were entered into before 1 April 2006.

#### **l) Foreign Currency Translation**

Where the Council has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective.

#### **m) Government grants and other 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 (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where revenue grants or contributions have been received and the conditions have been satisfied (or there were no conditions), the grant or contribution is credited to the Comprehensive Income and Expenditure Statement as shown above. However, it is Derbyshire Dales District Council's policy that where such a grant or contribution has been earmarked to finance future revenue expenditure, an amount equivalent to the grant or contribution will be transferred to the Revenue Grants Unapplied Reserve in the Movement in Reserves Statement. When the relevant expenditure has been incurred, the associated amount of grant is transferred from the Revenue Grants Unapplied Reserve in the Movement in Reserves 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.

#### **n) Intangible assets**

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

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 Authority 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).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Authority's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority 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 line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible 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 and 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 any sale proceeds greater than £10,000) the Capital Receipts Reserve.

#### **o) Inventories and long term contracts**

Inventories are included on the Balance Sheet at the lower of cost and net realisable value, calculated separately for each category of inventory. The cost of inventories is assigned using the First In, First Out costing formula.

The Council does not have any trading activities that generate income from long-term contracts.

#### **p) 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 services 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. Investment properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received and expenses incurred in relation to investment properties are shown in the Financing and Investment Income line in the Comprehensive Income and Expenditure Statement. 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 in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

#### **q) Leases**

Leases are classified 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. 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 a 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 Authority as Lessee**

### *Finance Leases*

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments 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).

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 asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

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

### *Operating Leases*

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges 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 rent free period at the commencement of the lease).

## **The Authority as Lessor**

### *Finance Leases*

The Authority does not grant any finance leases for property, plant and equipment.

### *Operating Leases*

Where the Authority grants an operating lease over a property or an item or plant or equipment, the asset is retained in 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. where a premium paid at the commencement of a lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

## **r) Overheads and Support Services**

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the principles of the CIPFA *Service Reporting Code of Practice 2015/16 (SeRCOP)*. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received (using an appropriate basis such as staff time, floor area occupied or facility usage), with the exception of:

- Corporate and Democratic Core – these costs relate to the Council’s status as a multi-functional, democratic organisation
- Non-distributed costs – these are the costs of discretionary benefits awarded to employees retiring early and impairment losses on Assets Held for Sale.

These two categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of the Net Cost of Services.

The cost of service strategy and regulation of any service to the public is charged to the relevant service revenue account.

## **s) Property, plant and equipment**

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

### **Recognition**

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset’s potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

### **Measurement**

Assets are initially measured at cost, comprising:

- the purchase price
- any costs 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 initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located

The Authority 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 fair value, unless the acquisition does not have commercial substance (i.e. It will not lead to a variation in the cash flows of the Authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Authority.

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

- Infrastructure, community assets and assets under construction – historical cost.
- All other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV)

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

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

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are 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 the balance (up to the amount 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 line(s) in the Comprehensive Income and Expenditure Statement.

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

## **Impairment**

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are 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 amount 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 line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) 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 is made for assets without determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- Buildings – straight-line allocation over the useful life of the property as estimated by the valuer
- Vehicles, plant, furniture and equipment – straight-line allocation over the useful life of the asset, as advised by a suitably qualified officer.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

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 on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

### **Disposals and Non-current Assets Held for Sale**

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately 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 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 previously 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 classified 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 held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) 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. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also 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 accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The only type of Council receipt this applies to is mortgage repayments in respect of Council House sales made prior to the Housing Stock Transfer in March 2002. The last mortgage was repaid in 2013/14. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment (or set aside to reduce the Authority's underlying need to borrow (the capital financing requirement)). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in 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.

### **t) 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. For instance, the council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Statement of Income and Expenditure in the year that the council becomes aware of the obligation, and are measured

at the 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 carried in the balance sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed back to the relevant service.

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

## **u) 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 in that year to score 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 in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and these do not represent usable resources for the council. Such reserves are explained in the relevant accounting policies.

## **v) Revenue expenditure funded from capital under statute**

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

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

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs (HMRC). VAT receivable is excluded from income.

## **x) Interests in Companies and Other Entities**

Councils often choose to conduct their activities not through a single legal entity but through several undertakings under the ultimate control of the Council. In these circumstances the financial reports of that Council would not present a full picture of its economic activities or financial position; group accounts are therefore required to reflect the full service delivery and economic effects to the parent Council. Derbyshire Dales District Council does not have any material interests in companies or other entities that have the nature of subsidiaries, associates and jointly controlled entities. Therefore, the Authority has not prepared group accounts.

## **2. ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED**

The Code of Practise on Local Authority Accounting in the United Kingdom (the code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2015/16 Code:

**IAS1 Presentation of Financial Statements** – This standard provides guidance on the form of the financial statements. The ‘Telling the Story’ review of the presentation of the Local Authority financial statements as well as the December 2014 changes to IAS1 under the International Accounting Standards Board (IASB) Disclosure Initiative will result in a change to the format of the accounts in 2016/17. The format of the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement will change and a new Expenditure and Funding Analysis will be introduced.

The CIPFA code of practise on Highways Network Assets takes effect from 1 April 2016. Under the code, highways network assets will be recognised as a separate class of property, plant and equipment measured at depreciated replacement cost. For Non Highways authorities including Derbyshire Dales it is anticipated that the changes are unlikely to have an impact on the financial statements.

## **3. 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 experience, 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 2016 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

<b>Item</b>	<b>Uncertainties</b>	<b>Effect if actual results differ from assumptions</b>
Property, plant and equipment	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. The current economic climate makes it uncertain that the authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of an asset is reduced, depreciation increases and the carrying amount of the asset falls.  It is estimated that the annual depreciation charge for buildings would increase by £10,000 for every year that useful lives had to be reduced.
Provision for Insurance Claims	The Authority has made a provision for the settlement of insurance claims, based on the number of claims outstanding at the balance sheet date and the estimated settlement costs. It is not certain that all claims have been received by the authority (public liability claims must be made within three years of the accident or within three years of reaching the age of 18 in the case of claims involving children).	An increase of 10% in the total number of claims would have the effect of adding £5,000 to the provision.  The Authority has an insurances reserve that is available to finance any unknown future liabilities incurred where the Council has not externalised the insurance cover.
Provision for Business Rates Appeals	Local authorities are liable for their proportionate share of successful appeals against business rates charged to businesses. A provision has been recognised for the best estimate of this	If more appeals were successful than estimated, the Council’s liability would increase. If appeal costs increased by 25% the Council would require an

	amount up to 31 March 2016. The estimate has been calculated using the Valuation Office ratings list of appeals and the analysis of successful appeals to date.	additional £60,000 to be set aside as an allowance for its' proportionate share.
Pensions Liability	The estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discounts 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 Council with expert advice about the assumptions to be applied.	See Pension Note 38
Arrears – Sundry Debtors	At 31 March 2016, the Authority had sundry debtor invoice arrears of £983,000. A review of the arrears, based on the age of the debts and the likely levels of collection, suggested that an impairment allowance of £47,000 was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts relating to debtor invoices would require an additional £47,000 to be set aside as an allowance.
Arrears – Housing Benefit Overpayments	At 31 March 2016, the Authority had arrears of £981,000 relating to Housing Benefit Overpayments. A review of the arrears, based on the age of the debts and the likely levels of collection, suggested that an impairment allowance of £180,000 was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts relating to housing benefit overpayments would require an additional £180,000 to be set aside as an allowance.

This list does not include assets and liabilities that are carried at fair value based on a recently observed market price.

## **4. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES**

In applying the accounting policies set out in Note 1, 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:

### **Funding**

There is a high degree of uncertainty about future levels of funding for local government. The Council has set aside amounts in provisions, working balances and reserves which it believes are appropriate for the local circumstances, taking into accounts the level of general fund spending, risks, robustness of estimates and past track record in financial management. 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.

### **Asset valuations**

The Council revalues its non-current assets using the fair value approach. The valuer exercises judgement to determine whether there is market based evidence that may be used for the valuation. Where there is no such evidence, the Council has used the depreciated replacement cost method to calculate the fair value.

### **Asset componentisation**

The Council has used components to assist in the valuation of its assets. The valuer has used his judgement to determine which assets should be componentised (allowing for a de-minimis level), and for those assets, which individual components it is appropriate to use.

### **Property, plant and equipment**

The Council's assets are depreciated over useful lives that depend on judgements made such as the level of maintenance that will be undertaken and the use of the asset.

### **Leases**

The assets used by the waste collection contractor have been reviewed to determine whether they meet the criteria for an embedded lease. The current contract commenced in August 2012 and is due to run for eight years. The depot used by the contractor is not solely used by this Authority so this does not meet the criteria for an embedded lease. However, for vehicles, it has been determined that under the present contract conditions there is an embedded finance lease. In assessing this lease the Council has estimated the implied interest rate within the lease to calculate interest and principal payments.

Some of the Council's vehicles are leased from Derbyshire County Council. The agreement has been reviewed and it has been determined that this arrangement is a finance lease, as all the risks and rewards fall to the Council.

Some of the Council's land is leased to third parties. It has been determined that three of these properties are investment properties and that the associated leases are operating leases.

### **Investment Properties**

Investment properties have been identified using the criteria of being held for rental income or for capital appreciation. These criteria are subject to interpretation.



## **Group Boundaries and Trust Funds**

The group boundaries have been estimated using the criteria set out in the Code. Using those criteria the Council has not identified any entities within the group boundary that would require it to complete group accounts.

The Authority is the trustee of the Ernest Bailey Charity, a charity that provides benefits for the inhabitants of the Matlock area. It has been determined that the Authority does not have control of the Trust and it is not a subsidiary of the Authority.

## **5. MATERIAL ITEMS OF INCOME AND EXPENSE**

For 2015/16, there are no material items of income and expenses not already disclosed elsewhere in the accounts.

## **6. EVENTS AFTER THE REPORTING PERIOD**

The Statement of Accounts was authorised for issue by the Head of Finance on 30 June 2016. 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 2016, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

## **7. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS**

This note details the adjustments that are made in the Movement in Reserves Statement 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.

2014/15	Usable Reserves			
	General Fund Balance £'000s	Capital Receipts Reserve £'000s	Capital Grants Unapplied £'000s	Movement in Unusable Reserves £'000s
<b>Adjustments primarily involving the Capital Adjustment Account:</b>				
<i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</i>				
Charges for depreciation and impairment of non-current assets	2,392			(2,392)
Impairment on assets held for sale				0
Amortisation of Intangible Assets	40			(40)
Capital grants and contributions applied	(434)			434
Revenue expenditure funded from capital under statute	878			(878)
Movement in the fair value of investment properties	(594)			594
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	364			(364)
<i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</i>				
Statutory provision for the repayment of debt	(550)			550
Capital expenditure charged against the General Fund Balance	(380)			380
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(62)		62	
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(849)	849		
Use of the Capital Receipts Reserve to finance new capital expenditure		(1,267)		1,267
Contribution from the Capital Receipts Reserve to finance the payments to the Government's housing capital receipts pool		0		
<b>Adjustments primarily involving the Deferred Receipts Reserve:</b>				
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement				0
<b>Adjustments primarily involving the Financial Instruments Adjustment Account:</b>				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from the amount required in accordance with statutory requirements	(111)			111
<b>Adjustments primarily involving the Pensions Reserve:</b>				
Amount by which pension costs calculated in accordance with The Code (ie	779			(779)
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>				
Amount by which council tax and NDR income included in the Comprehensive Income and Expenditure Statement is different from the amount taken to the General Fund balance in accordance with regulations	(264)			264
<b>Adjustments primarily involving the Accumulated Absences Account:</b>				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(20)			20
<b>Total Adjustments</b>	<b>1,189</b>	<b>(418)</b>	<b>62</b>	<b>(833)</b>

2015/16

	Usable Reserves		
	General Fund Balance £'000s	Capital Receipts Reserve £'000s	Capital Grants Unapplied £'000s
			Movement in Unusable Reserves £'000s
<b>Adjustments primarily involving the Capital Adjustment Account:</b>			
<i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</i>			
Charges for depreciation and impairment of non-current assets	2,069		(2,069)
Impairment on assets held for sale			0
Amortisation of Intangible Assets	26		(26)
Capital grants and contributions applied			0
Revenue expenditure funded from capital under statute	339		(339)
Movement in the fair value of investment properties	12		(12)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	255		(255)
<i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</i>			
Statutory provision for the repayment of debt	(576)		576
Capital expenditure charged against the General Fund Balance	(935)		935
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>			
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	14	(13)	(1)
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>			
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(686)	686	
Use of the Capital Receipts Reserve to finance new capital expenditure		(366)	366
Contribution from the Capital Receipts Reserve to finance the payments to the Government's housing capital receipts pool		0	
<b>Adjustments primarily involving the Deferred Receipts Reserve:</b>			
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement			0
<b>Adjustments primarily involving the Financial Instruments Adjustment Account:</b>			
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from the amount required in accordance with statutory requirements	(111)		111
<b>Adjustments primarily involving the Pensions Reserve:</b>			
Amount by which pension costs calculated in accordance with The Code (ie	1,148		(1,148)
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>			
Amount by which council tax and NDR income included in the Comprehensive Income and Expenditure Statement is different from the amount taken to the General Fund balance in accordance with regulations	233		(233)
<b>Adjustments primarily involving the Accumulated Absences Account:</b>			
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on a accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	16		(16)
<b>Total Adjustments</b>	<b>1,804</b>	<b>320</b>	<b>(13)</b>
			<b>(2,111)</b>

## **8. TRANSFERS TO / FROM EARMARKED RESERVES**

This note sets out the amounts set aside from the General Fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2015/16.

	Balance at 1st April 2015 £'000s	Receipts in year £'000s	Payments in year £'000s	Balance at 31st March 2016 £'000s	Movement 2015/16 £'000s	Movement 2014/15 £'000s
Bakewell ABC Repairs	7	0	(7)	0	(7)	(7)
Car Parking Machine Replacements	250	0	(250)	0	(250)	0
Carsington Improvements	36	0	0	36	0	0
Committed Expenditure	308	148	(104)	352	44	84
Capital Programme Reserve*	2,646	1,111	(515)	3,242	596	873
Economic Development	376	0	0	376	0	0
Elections	104	10	(65)	49	(55)	10
Information Technology	627	0	(30)	597	(30)	83
Insurances	503	0	(5)	498	(5)	20
Invest to Save	220	0	(62)	158	(62)	55
Job Evaluation	150	0	0	150	0	(233)
Local Plan	90	50	0	140	50	26
Member / Officer Indemnity	25	0	0	25	0	0
Revenue Grants Unapplied	1,570	1,529	(645)	2,454	884	165
Vehicle Renewals	1,163	450	(244)	1,369	206	521
Ward Member Budgets	156	0	(19)	137	(19)	156
Wheeled Bins	202	50	(50)	202	0	51
Business Rate Volatility Reserve	0	189	0	189	189	0
	<b>8,433</b>	<b>3,537</b>	<b>(1,996)</b>	<b>9,974</b>	<b>1,541</b>	<b>1,804</b>

Reserves are held for the following purposes:

<b>Reserve</b>	<b>Purpose</b>
Bakewell ABC Repairs	To meet future repair requirements at the Agricultural Business Centre.
Car Parking Machine Replacements	To finance replacement car parking machines throughout the District, to enable the Council to provide customers with additional payment methods and to meet the needs of disabled users.
Capital Programme	For future application to capital schemes.
Carsington Improvements	To finance new or improved facilities for visitors to Carsington Reservoir or to mitigate any adverse effect on the locality caused by the development of the reservoir or the attraction of visitors to it, after consultations with Severn Trent Water.
Committed Expenditure	To finance expenditure committed in the Council's accounts as at 31st March but not yet due.
Economic Development	To finance economic development schemes within the District.
Elections	To finance future District Council elections, by spreading the estimated costs annually.
Information Technology etc.	To acquire items of information and communications technology, such as personal computers and telephone systems and in connection with the Council's IT systems development strategy.
Insurances	To finance any unknown future liabilities incurred where the Council has not externalised the insurance cover, mainly where quotations from external insurers are not cost effective when compared to the value of claims likely to be made such as for terrorism. Also covered are losses

	falling within the levels of excess on all other policies and levies under the Municipal Insurance Ltd Scheme of Arrangement (see note 40).
Invest to Save	To provide funds that can be used to finance schemes that will result in future ongoing savings.
Job Evaluation	To finance the extra costs of the Council's Job Evaluation exercise.
Local Plan	To finance the costs of the Council's Local Plan.
Member / Officer Indemnity	This reserve provides for risks not covered by insurance. The main risks comprise acts or omissions found to be ultra vires and defence costs of criminal proceedings.
Revenue Grants Unapplied	The balance of grants received but not yet spent, set aside to finance expenditure in future years.
Vehicle Renewals	To fund the replacement of the Council's vehicle fleet. The balance on this reserve has been re-examined based on the current fleet of vehicles.
Ward Member Budgets	Set aside for Ward Members to use for the benefit of their communities over their four year term of office.
Wheeled Bins	To finance the future purchase of any replacement wheeled bins required by the Council.

## **9. OTHER OPERATING EXPENDITURE**

2014/15 £'000s		2015/16 £'000s
1,270	Parish Precepts	1,315
71	Local Council Tax Support Scheme - Payment to Parishes	47
(486)	Gains/losses on the disposal of non-current assets	(431)
<u>855</u>		<u>931</u>

## **10. FINANCING AND INVESTMENT INCOME AND EXPENDITURE**

2014/2015 £'000s		2015/2016 £'000s
225	Interest payable on debt	225
80	Interest element of finance lease	55
805	Net interest on the pensions net defined benefit liability	818
(47)	Interest receivable and similar income	(52)
(126)	Income and expenditure in relation to investment properties	(114)
<u>937</u>		<u>932</u>

## **11. TAXATION AND NON SPECIFIC GRANT INCOME**

2014/2015 £'000s		2015/2016 £'000s
	<i>Non-ringfenced government grants</i>	
1,525	Revenue Support Grant	1,371
198	Council Tax Freeze Grant	58
701	New Homes Bonus	871
57	Homelessness Grants (now included within RSG)	0
81	Rural Services Delivery Grant (now included within RSG)	0
818	Small Business Rate Relief (now included within RSG)	0
184	Disabled Facilities Grants	239
0	Capitalisation Fund Allocation	0
<b>3,564</b>		<b>2,539</b>
6,584	Council tax income	6,668
1,114	Non-domestic rates distribution	2,205
434	Capital grants and contributions	0
<b>11,696</b>		<b>11,412</b>

## 12. PROPERTY, PLANT AND EQUIPMENT

<b>Property, Plant and Equipment As at 31st March 2015</b>	Land and Buildings £'000s	Vehicles, Plant, Equipment £'000s	Community Assets £'000s	Infrastructure Assets £'000s	Total £'000s
<b>Cost or Valuation</b>					
At 1 April 2014	52,448	11,620	6,226	2,623	72,917
Additions	480	410	90	213	1,193
Revaluation increases/(decreases) to Revaluation Reserve	(671)	(491)	0	0	(1,162)
Revaluation increases/(decreases) to (Surplus)/Deficit on provision of services	(169)	(27)	0	0	(196)
Reclassifications	(1,650)	1,520			(130)
<b>At 31 March 2015</b>	<b>50,438</b>	<b>13,032</b>	<b>6,316</b>	<b>2,836</b>	<b>72,622</b>
<b>Accumulated Depreciation and Impairment</b>					
At 1 April 2014	2,251	4,250	0	0	6,501
Depreciation Charge	883	1,315	0	0	2,198
Depreciation written out on revaluation to Revaluation Reserve	(1,288)	(276)	0	0	(1,564)
<b>At 31 March 2015</b>	<b>1,846</b>	<b>5,289</b>	<b>0</b>	<b>0</b>	<b>7,135</b>
<b>Net Book Value</b>					
<b>At 31 March 2015</b>	<b>48,592</b>	<b>7,743</b>	<b>6,316</b>	<b>2,836</b>	<b>65,487</b>
<b>At 31 March 2014</b>	<b>50,197</b>	<b>7,370</b>	<b>6,226</b>	<b>2,623</b>	<b>66,416</b>

<b>Property, Plant and Equipment As at 31st March 2016</b>	Land and Buildings £'000s	Vehicles, Plant, Equipment £'000s	Community Assets £'000s	Infrastructure Assets £'000s	Total £'000s
<b>Cost or Valuation</b>					
At 1 April 2015	50,438	13,032	6,316	2,836	72,622
Additions	361	556	59	0	976
Revaluation increases/(decreases) to Revaluation Reserve	821	0	0	0	821
Revaluation increases/(decreases) to (Surplus)/Deficit on provision of services	(117)	0	0	0	(117)
Derecognition - Disposals	(234)	(58)	0	0	(292)
<b>At 31 March 2016</b>	<b>51,269</b>	<b>13,530</b>	<b>6,375</b>	<b>2,836</b>	<b>74,010</b>
<b>Accumulated Depreciation and Impairment</b>					
At 1 April 2015	1,846	5,289	0	0	7,135
Depreciation Charge	806	1,171	0	0	1,977
Impairment written out on revaluation to Revaluation Reserve	(325)	0	0	0	(325)
Derecognition - Disposals	(40)	(58)	0	0	(98)
<b>At 31 March 2016</b>	<b>2,287</b>	<b>6,402</b>	<b>0</b>	<b>0</b>	<b>8,689</b>
<b>Net Book Value</b>					
<b>At 31 March 2016</b>	<b>48,982</b>	<b>7,128</b>	<b>6,375</b>	<b>2,836</b>	<b>65,321</b>
<b>At 31 March 2015</b>	<b>48,592</b>	<b>7,743</b>	<b>6,316</b>	<b>2,836</b>	<b>65,487</b>

The measurement bases used for determining the gross carrying amount of property, plant and equipment is set out in Note 1 (s) Accounting Policies.

### Depreciation

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

- Operational buildings – 1 to 60 years
- Vehicles, plant and equipment – 3 to 10 years

The depreciation methods used are set out in Note 1 (s) Accounting Policies



## Commitments Under Capital Contracts

As at 31 March 2016 the Council has entered into a number of contracts for the construction or enhancement of property, plant and equipment. The major outstanding commitments at 31 March 2016 are:

Replacement Pay and Display Car Parking Machines	£137,000
Ashbourne Shawcroft Car Park Redesign	£120,000
Repair / Resurface Co-op Roof Car Park	£64,000

## Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. At 1 April 2015 the Council revalued its car parks. In addition, a review of all other assets was undertaken to determine any further action required. A review of assets was undertaken to determine if any impairment had taken place, and where appropriate values were amended. All valuations were carried out internally. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors. Plant and machinery is included in the valuation of buildings. The assumptions made in producing the various valuations are set out in a valuation certificate and report.

	Land and Buildings £000's	Vehicles, Plant, Equipment £000's	Community Assets £000's	Infrastructure Assets £000's	Total £000's
Carried at historical cost	0	7,937	6,375	2,836	17,148
valued at fair value as at:					
31 March 2016	14,937	0	0	0	14,937
31 March 2015	11,573	1,876	0	0	13,449
31 March 2014	8,153	556	0	0	8,709
31 March 2013	10,501	2,605	0	0	13,106
31 March 2012	6,932	0	0	0	6,932
	52,096	12,974	6,375	2,836	74,281

## Heritage Assets

The Council has a small number of heritage assets which are treated in accordance with the Council's accounting policies. All the heritage assets have indefinite lives and are therefore not subject to depreciation. The Council's identified heritage assets are as follows:

### War memorials

The Council has 7 war memorials situated throughout the district. Due to their age, there is no reliable information as to their cost and the lack of comparable data does not afford a meaningful valuation. The assets are not separately identified on the balance sheet. Future identified measurements will be at historic cost.

### Churchyard gates, St. Oswald's Church, Ashbourne

The original cost of these gates is unknown. The Council restored the gates in 1999/2000 at a cost of £19,000 and they are held on the balance sheet at this amount. A separate valuation has not been undertaken on this asset due to the lack of comparable data.

#### De minimis

The de minimis level for individual heritage assets is £25,000. Any assets identified below this level will remain in their existing categories (including those above).

### **13. INVESTMENT PROPERTY**

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

2014/15 £'000s		2015/16 £'000s
127	Rental income from investment property	119
(1)	Direct operating expenses arising from investment property	(5)
<b>126</b>	<b>Net gain / (loss)</b>	<b>114</b>

The Authority's investment properties are leased to third parties on terms ranging from 21 years to 125 years.

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

2014/15 £'000s		2015/16 £'000s
<b>951</b>	<b>Balance at 1 April</b>	<b>1,545</b>
594	Net gains / losses from fair value adjustments	12
<b>1,545</b>	<b>Balance at 31 March</b>	<b>1,557</b>

## **14. INTANGIBLE ASSETS**

The Authority accounts for its software licences and some other licences 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, there are no items of internally generated software.

All software is given a finite useful life, based on the assessments of the period that the software is expected to be of use to the Authority. The useful life assigned to the major software suites used by the Authority is 4 years.

The carrying amount of intangible assets is amortised on a straight-line basis. Amortisation of intangible assets is included in the relevant service line of the Comprehensive Income and Expenditure Statement.

2014/15 £'000s		2015/16 £'000s
	<b>Balance at 1 April:</b>	
96	Gross Carrying Amounts	96
(12)	Accumulated amortisation	(52)
<b>84</b>	<b>Net carrying amount at 1 April</b>	<b>44</b>
0	Additions	0
(40)	Amortisation for the period	(26)
0	Disposals: Gross Carrying Amount	0
0	Disposals: Accumulated amortisation	0
<u><b>44</b></u>	<b>Net carrying amount at 31 March</b>	<u><b>18</b></u>
	Comprising:	
96	Gross carrying amounts	96
(52)	Accumulated amortisation	(78)

Amortisation methods are explained in Accounting Policies on pages 37 and 38.

## **15. FINANCIAL INSTRUMENTS**

### **Categories of Financial Instruments**

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

	Long-term		Current	
	31 March 2015 £000's	31 March 2016 £000's	31 March 2015 £000's	31 March 2016 £000's
<b>Investments</b>				
Loans and Receivables	0	0	7,568	6,677
<b>Total investments</b>	<b>0</b>	<b>0</b>	<b>7,568</b>	<b>6,677</b>
<b>Borrowings</b>				
Financial liabilities at amortised cost	5,450	5,450	1,880	2,569
<b>Total borrowings</b>	<b>5,450</b>	<b>5,450</b>	<b>1,880</b>	<b>2,569</b>

### **Items of Income, Expense, Gains and Losses**

	Financial Liabilities		Financial Assets	
	2014/15 £000's	2015/16 £000's	2014/15 £000's	2015/16 £000's
Interest Expense	225	225	0	0
<b>Interest Payable</b>	<b>225</b>	<b>225</b>	<b>0</b>	<b>0</b>
Interest Income	0	0	(47)	(52)
<b>Interest and Investment Income</b>	<b>0</b>	<b>0</b>	<b>(47)</b>	<b>(52)</b>
<b>Net (Gain) / Loss for the year</b>	<b>225</b>	<b>225</b>	<b>(47)</b>	<b>(52)</b>

### **Fair values of Assets and Liabilities**

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

- For PWLB loans, premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures
- No early repayment or impairment is recognised
- Where an instrument will mature in the next twelve months, the carrying amount is assumed to approximate to fair value
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

	31 March 2015		31 March 2016	
	Carrying Amount £000's	Fair Value £000's	Carrying Amount £000's	Fair Value £000's
Non Public Works Loan Board	156	156	156	156
Public Works Loan Board	5,450	8,322	5,450	8,559
<b>Total Debt</b>	<b>5,606</b>	<b>8,478</b>	<b>5,606</b>	<b>8,715</b>
Trade Creditors	1,724	1,724	2,413	2,413
<b>Total Financial Liabilities</b>	<b>7,330</b>	<b>10,202</b>	<b>8,019</b>	<b>11,128</b>
Loans and Receivables	5,030	5,030	3,910	3,910
Trade Debtors	2,538	2,538	2,767	2,767
<b>Total Loans and Receivables</b>	<b>7,568</b>	<b>7,568</b>	<b>6,677</b>	<b>6,677</b>

As at the 31<sup>st</sup> March 2016 the fair value of the liabilities is higher than the carrying amount because the Authority's loan is a fixed rate loan where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2016) arising from a future commitment to pay interest to lenders below current market rates.

Short term debtors and creditors are carried at cost as this is a fair approximation of their value.

## 16. INVENTORIES

	Balance at 1 April	Purchases	Recognised as expense in year	Balance at 31 March
<b>Fuel and Oils</b>				
2014/15	1	24	(22)	3
2015/16	3	23	(25)	1
<b>Tourism Publications</b>				
2014/15	3	0	(3)	0
2015/16	0	0	0	0
<b>Caddy Liners</b>				
2014/15	20	0	(4)	16
2015/16	16	0	(8)	8
<b>Total</b>				
<b>2014/15</b>	<b>24</b>	<b>24</b>	<b>(29)</b>	<b>19</b>
<b>2015/16</b>	<b>19</b>	<b>23</b>	<b>(33)</b>	<b>9</b>

## **17. DEBTORS**

31 March 2015 £'000s		31 March 2016 £'000s
362	Central Government Bodies	1,918
1,446	Other Local Authorities	2,188
1	NHS Bodies	30
288	Council Tax Payers - Derbyshire Dales	327
381	Business Ratepayers Derbyshire Dales	367
2,347	Other Entities and Individuals	2,068
<u>4,825</u>		<u>6,898</u>

## **18. CASH AND CASH EQUIVALENTS**

31 March 2015 £'000s		31 March 2016 £'000s
(28)	Cash and Bank	1,665
5,030	Bank Instant Access Deposit Account	910
0	Bank Fixed Notice Accounts	3,000
<u>5,002</u>		<u>5,575</u>

## **19. ASSETS HELD FOR SALE**

The Council holds the following current assets with the intent of selling them within 12 months of the balance sheet date.

2014/15 £'000s		2015/16 £'000s
<b>422</b>	<b>Balance at 1 April</b>	<b>190</b>
	Assets newly classified as held for sale:	
130	Property, Plant and Equipment	0
2	Revaluation gains / losses	0
(364)	Assets sold	(60)
<u>190</u>	<b>Balance at 31 March</b>	<u>130</u>

## 20. CREDITORS

31 March 2015 £'000s		31 March 2016 £'000s
593	Central Government Bodies	703
442	Other Local Authorities	899
6	NHS Bodies	3
89	Council Tax Payers - Derbyshire Dales	94
55	Business Ratepayers Derbyshire Dales	104
1,126	Other Entities and Individuals	1,356
<b>2,311</b>		<b>3,159</b>

## 21. PROVISIONS

	Long Term Insurances £'000s	Short Term NDR Appeals £'000s	Total £'000s
<b>Balance at 1 April 2014</b>	<b>52</b>	<b>217</b>	<b>269</b>
Additional provisions made in 2014/15	25	99	<b>124</b>
Amounts used in 2014/15	(6)	(78)	<b>(84)</b>
<b>Balance at 31 March 2015</b>	<b>71</b>	<b>238</b>	<b>309</b>
Additional provisions made in 2015/16	5	33	<b>38</b>
Amounts used in 2015/16	(6)	(28)	<b>(34)</b>
<b>Balance at 31 March 2016</b>	<b>70</b>	<b>243</b>	<b>313</b>

### **Insurance claims**

The Insurances Provision was established to provide for claims that are pending in respect of uninsured losses, arising where there is no externally provided cover, such as where quotations from external insurers are not cost effective when compared with the value of claims likely to be made. Also covered are losses falling within the levels of excess on all other policies. All of the insurance claims are individually insignificant. They relate to personal injuries where the Authority is alleged to be at fault (e.g. through a failure to repair a car park properly) or vehicle accidents. Provision has been made for those claims where it is deemed probable that the Authority will have to make a settlement, based on past experience about court decisions about liability and the amount of damages payable. It is not clear when all the outstanding claims will be settled as some, especially personal accident claims involving minors, can take several years to settle. The Authority may be reimbursed by its insurers for amounts above a £2,500 excess and, where there is reasonable assurance that this will be so, the income has been recognised.

## NDR Backdated Appeals

Details of this provision can be found in Notes 3 and 6 to the Collection Fund on pages 93 and 94. The amounts shown in the table above reflects the District Council's share of the provision for appeals.

## 22. USABLE RESERVES

Movements in the Authority's usable reserves are detailed in the Movement In Reserves Statement. The table below shows the balances at 31 March:

31 March 2015 £'000s		31 March 2016 £'000s
	<u>Revenue Accounts</u>	
1,909	General Fund	1,908
	<u>Earmarked Reserves</u>	
4,060	Capital	4,610
4,373	Revenue	5,364
	<u>Other</u>	
2,076	Capital Receipts Reserve	2,396
94	Capital Grants Unapplied	81
<u>12,512</u>	<b>Total Usable Reserves</b>	<u>14,359</u>

## 23. UNUSABLE RESERVES

31 March 2015 £'000s		31 March 2016 £'000s
17,774	Revaluation Reserve	18,621
41,261	Capital Adjustment Account	40,735
(4,548)	Financial Instruments Adjustment Account	(4,437)
0	Deferred Receipts Reserve	0
(25,372)	Pensions Reserve	(20,378)
157	Collection Fund Adjustment Account	(76)
(54)	Accumulated Absences Reserve	(70)
<u>29,218</u>	<b>Total Unusable Reserves</b>	<u>34,395</u>



## Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment. 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, or
- Disposed of and the gains are realised.

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.

2014/15 £'000s		2015/16 £'000s
<b>17,962</b>	<b>Balance at 1 April</b>	<b>17,774</b>
1,443	Upward revaluation of assets	1,870
(1,040)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(724)
403	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	1,146
(179)	Difference between fair value depreciation and historical cost depreciation	(199)
(412)	Accumulated gains on assets sold or scrapped	(100)
(591)	Amount written off to Capital Adjustment Account	(299)
<b><u>17,774</u></b>	<b>Balance at 31 March</b>	<b><u>18,621</u></b>

## Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements 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 a 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 revaluation gains accumulated on Property, Plant and Equipment before April 2007, the date that the Revaluation reserve was created to hold such gains.

Note 7 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2014/15 £'000s		2015/16 £'000s
<b>41,120</b>	<b>Balance at 1 April</b>	<b>41,261</b>
	Reversal of Items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(2,392)	• Charges for depreciation and impairment of non-current assets	(2,069)
(40)	• Amortisation of intangible assets	(26)
(878)	• Revenue expenditure funded from capital under statute	(339)
(364)	• Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	(255)
(3,674)		(2,689)
591	Adjusting amounts written out of the Revaluation Reserve	299
(3,083)	Net written out amount of the cost of non-current assets consumed in the year	(2,390)
	Capital financing applied in the year:	
1,267	• Use of the Capital Receipts Reserve to finance new capital expenditure	366
434	• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	
	• Application of grants to capital financing from the Capital grants Unapplied Account	
549	• Statutory provision for the financing of capital investment charged against the General Fund Balance	575
380	• Capital expenditure charged against General Fund balances	935
2,630		1,876
594	Movements in the market value of investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(12)
<b>41,261</b>	<b>Balance at 31 March</b>	<b>40,735</b>

## Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefitting from gains per statutory provisions. The Authority uses the Account to manage premiums paid on the early repayment of loans, which were redeemed in 2003/04. Premiums are excluded from the Comprehensive Income and Expenditure Statement but included in the Movement in Reserves Statement. Over time, the expense is posted back to the General fund Balance in accordance with statutory arrangements for spreading the burden on council tax. In this Authority's case, the period to charge the premium is 50 years.

2014/15 £'000s		2015/16 £'000s
<b>(4,659)</b>	<b>Balance at 1 April</b>	<b>(4,548)</b>
111	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	111
<hr/>		<hr/>
111	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	111
<hr/>		<hr/>
<b><u>(4,548)</u></b>	<b>Balance at 31 March</b>	<b><u>(4,437)</u></b>

## 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 the pension fund or eventually pays any pension for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time that the benefits come to be paid.

2014/15 £'000s		2015/16 £'000s
<b>(18,761)</b>	<b>Balance at 1 April</b>	<b>(25,372)</b>
(5,832)	Remeasurements of net defined liability	6,142
(2,127)	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	(2,569)
1,348	Employer's pensions contributions payable in the year	1,421
<u><b>(25,372)</b></u>	<b>Balance at 31 March</b>	<u><b>(20,378)</b></u>

### Collection Fund Adjustment Account

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

2014/15 £'000s		2015/16 £'000s
<b>(107)</b>	<b>Balance at 1 April</b>	<b>157</b>
	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory arrangements	
37		27
	Amount by which Business Rate income credited to the Comprehensive Income and Expenditure Statement is different from business rate income calculated for the year in accordance with statutory arrangements	
227		(260)
<u><b>157</b></u>	<b>Balance at 31 March</b>	<u><b>(76)</b></u>

## 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.

2014/15 £'000s	2015/16 £'000s
<b>(74) Balance at 1 April</b>	<b>(54)</b>
74 Settlement or cancellation of accrual made at the end of the preceding year	54
(54) Amounts accrued at the end of the current year	(70)
<u><b>(54) Balance at 31 March</b></u>	<u><b>(70)</b></u>

## 24. CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

2014/15 £'000s	2015/16 £'000s
47 Interest received	45
(305) Interest paid	(280)
<u><b>(258) Total</b></u>	<u><b>(235)</b></u>

The net (surplus)/deficit on the provision of services has been adjusted for the following items that are investing and financing activities:

2014/15 £'000s	2015/16 £'000s
(849) Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(686)
(434) Any other items for which the cash effects are investing or financing cash flows	(239)
<u><b>(1,283) Total</b></u>	<u><b>(925)</b></u>

The net (surplus)/deficit on the provision of services has been adjusted for the following non-cash movements:

2014/15 £'000s		2015/16 £'000s
2,392	Depreciation	2,069
40	Amortisation	26
(896)	Increase/Decrease in Creditors	933
(40)	Increase/Decrease in Debtors	(2,487)
5	Increase/Decrease in Inventories	10
779	Movement in Pension Liability	1,148
364	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	255
(554)	Other non-cash items charged to the net surplus or deficit on the provision of services	16
<u>2,090</u>	<b>Total</b>	<u>1,970</u>

## **25. CASH FLOW STATEMENT – INVESTING ACTIVITIES**

2014/15 £'000s		2015/16 £'000s
(1,040)	Purchase of property, plant and equipment, investment property and intangible assets	(758)
0	Other Payments for investing activities	31
849	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	921
536	Other receipts from investing activities	365
<u>345</u>	<b>Net cashflows from investing activities</b>	<u>559</u>

## **26. CASH FLOW STATEMENT – FINANCING ACTIVITIES**

2014/15 £'000s		2015/16 £'000s
(461)	Cash payments for the reduction of a finance lease liability	(486)
0	Repayment of Short-Term and Long-Term Borrowing	0
560	Other payments for financing activities	(281)
<u>99</u>	<b>Net cashflows from financing activities</b>	<u>(767)</u>

## **27. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS**

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the *Best Value Accounting Code of Practice*. However, decisions about resource allocation are taken by the Council on the basis of budget reports analysed across the key policy committees.

<b>Derbyshire Dales District Council Committee Income and Expenditure</b>							
<b>2014/15</b>					<b>2015/16</b>		
Community Committee	Corporate Committee	Environment Committee	Total		Community & Environment Committee	Governance & Resources	Total
£000's	£000's	£000's	£000's		£000's	£000's	£000's
2,284	3,269	2,324	7,877	Employees	5,366	3,149	8,515
781	406	947	2,134	Premises	2,076	461	2,537
35	194	932	1,161	Transport	1,014	173	1,187
2,776	1,458	5,256	9,490	Supplies and Services	7,219	2,162	9,381
13,836	0	0	13,836	Transfer Payments	0	14,247	14,247
1,322	3,658	1,150	6,130	Support Service Charges	3,030	2,554	5,584
1,237	(312)	913	1,838	Capital Charges	1,855	252	2,107
<b>22,271</b>	<b>8,673</b>	<b>11,522</b>	<b>42,466</b>	<b>Total expenditure</b>	<b>20,560</b>	<b>22,998</b>	<b>43,558</b>
(17,549)	(7,169)	(8,449)	(33,167)	Income	(12,920)	(20,825)	(33,745)
<b>4,722</b>	<b>1,504</b>	<b>3,073</b>	<b>9,299</b>	<b>Net expenditure</b>	<b>7,640</b>	<b>2,173</b>	<b>9,813</b>

## Reconciliation to subjective analysis

This reconciliation shows how the figures in the analysis of committee income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

	Committee Analysis £'000s	Corporate Amounts £'000s	Total £'000s
<b>2014/15</b>			
Fees, charges and other service income	(16,317)		<b>(16,317)</b>
Financing and investment income (including expected return on pensions assets)		(174)	<b>(174)</b>
Income from council tax		(6,584)	<b>(6,584)</b>
Government grants and other contributions	(16,850)	(5,112)	<b>(21,962)</b>
<b>Total Income</b>	<b>(33,167)</b>	<b>(11,870)</b>	<b>(45,037)</b>
Employee expenses	7,877		<b>7,877</b>
Rent Allowances & Council Tax Benefits	13,836		<b>13,836</b>
Support service recharges	6,130		<b>6,130</b>
Depreciation, amortisation and impairment	1,838		<b>1,838</b>
Other service expenses	12,785		<b>12,785</b>
Interest payments (including pensions interest costs)		1,111	<b>1,111</b>
Town and Parish Council Precepts		1,270	<b>1,270</b>
Payments to Parishes - Council Tax Support Scheme		71	<b>71</b>
Gain or loss on Disposal of Non Current Assets		(486)	<b>(486)</b>
<b>Total Expenditure</b>	<b>42,466</b>	<b>1,966</b>	<b>44,432</b>
<b>(Surplus) or deficit on the provision of services</b>	<b>9,299</b>	<b>(9,904)</b>	<b>(605)</b>



## Reconciliation to subjective analysis (continued)

	Committee Analysis £'000s	Corporate Amounts £'000s	Total £'000s
<b>2015/16</b>			
Fees, charges and other service income	(16,515)	0	<b>(16,515)</b>
Financing and investment income (including expected return on pensions assets)	0	(171)	<b>(171)</b>
Income from council tax	0	(6,668)	<b>(6,668)</b>
Government grants and other contributions	(17,230)	(4,744)	<b>(21,974)</b>
<b>Total Income</b>	<b>(33,745)</b>	<b>(11,583)</b>	<b>(45,328)</b>
Employee expenses	8,515	0	<b>8,515</b>
Rent Allowances & Council Tax Benefits	14,247	0	<b>14,247</b>
Support service recharges	5,585	0	<b>5,585</b>
Depreciation, amortisation and impairment	2,108	0	<b>2,108</b>
Other service expenses	13,103	0	<b>13,103</b>
Interest payments (including pensions interest costs)	0	1,103	<b>1,103</b>
Town and Parish Council Precepts	0	1,315	<b>1,315</b>
Payments to Parishes - Council Tax Support Scheme		47	<b>47</b>
Gain or loss on Disposal of Non Current Assets	0	(431)	<b>(431)</b>
<b>Total Expenditure</b>	<b>43,558</b>	<b>2,034</b>	<b>45,592</b>
<b>(Surplus) or deficit on the provision of services</b>	<b>9,813</b>	<b>(9,549)</b>	<b>264</b>

## **28. ACQUIRED AND DISCONTINUED OPERATIONS**

The Authority has no operations that have been acquired or discontinued in 2014/15 or 2015/16.

## **29. AGENCY SERVICES**

The Council operates as an agent for Derbyshire County Council in respect of highways cleansing and verge mowing. In 2015/16 the expenditure was £380,000 (2014/15 £379,000).

In 2015/16 the Council acted as an agent for Central Government, Derbyshire County Council and Derbyshire Fire Authority in collecting Non-Domestic Rates, and as an agent for major precepting authorities in collecting their shares of council tax. Further information of the amounts collected is given in the section for the Collection Fund, commencing on page 83.

### **30. EXTERNAL AUDIT COSTS**

The Authority paid the following fees relating to external audit:

2014/15 £'000s		2015/16 £'000s
50	Fees payable to KPMG LLP with regard to external audit services carried out by the appointed auditor for the year	38
11	Fees payable in respect of other services provided by KPMG LLP during the year*	5
<b><u>61</u></b>	<b>Total Fees</b>	<b><u>43</u></b>

\*The fees for other services payable in both 2014/15 and 2015/16 related to certification of Grant Claims and Returns. The 2014/15 figure included an amount of £4,000 in respect of work carried out in 2013/14. This occurred due to the timing difference between the work carried out and the invoice being paid.

### **31. MEMBERS' ALLOWANCES**

Members allowances paid during 2015/16 amounted to £210,000 (2014/15 £210,000). In addition, travel expenses amounting to £13,000 were paid (2014/15 £11,000).

### **32. EXIT PACKAGES AND TERMINATION BENEFITS**

Exit Packages cost band	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	
	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15 £'000s	2015/16 £'000s
£0 - £20,000	0	1	3	1	3	2	20	9
£20,001 - £40,000	0	0	0	1	0	1	0	20
£40,001 - £60,000	0	0	0	1	0	1	0	50
£60,001 - £80,000	0	0	1	0	1	0	71	0
<b>Total</b>	<b><u>0</u></b>	<b><u>1</u></b>	<b><u>4</u></b>	<b><u>3</u></b>	<b><u>4</u></b>	<b><u>4</u></b>	<b><u>91</u></b>	<b><u>79</u></b>

The total costs of £79,000 (2014/15 £91,000), have been agreed, accrued for and charged to the authority's Comprehensive Income & Expenditure Statement in the current year.

### **33. OFFICERS' REMUNERATION**

The remuneration paid to the Authority's senior employees is as follows:

Post Holder		Salary, Fees and Allowances £'000s	Benefits in Kind £'000s	Employer's Pension Contributions £'000s	Total Remuneration £'000s
Chief Executive	2015/16	100	1	13	114
	2014/15	100	1	13	114
Corporate Director - Community Engagement	2015/16	0	0	0	0
	2014/15	104	5	8	117
Corporate Director - Regulatory Services	2015/16	80	5	10	95
	2014/15	77	4	10	91
Head of Resources	2015/16	63	0	8	71
	2014/15	114	1	45	160
Head of Regeneration & Policy	2015/16	61	3	8	72
	2014/15	60	3	8	71
Head of Corporate Services	2015/16	61	0	8	69
	2014/15	60	1	8	69
Head of Regulatory Services	2015/16	54	1	7	62
	2014/15	51	1	7	59
Head of Community Development	2015/16	54	1	7	62
	2014/15	51	1	7	59
Head of Environmental Services	2015/16	55	1	7	63
	2014/15	55	1	7	63
Head of Housing *	2015/16	49	2	6	57

\*The post of Head of Housing's remuneration in 2014/15 was below £50,000.

The Council does not have any other employees whose remuneration exceeded £50,000, excluding employer's pension contributions, during the 2015/16 financial year.

### **34. GOVERNMENT AND NON GOVERNMENT GRANTS**

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in the year:

2014/15 £'000s		2015/16 £'000s
	<b>Credited to Taxation and Non specific Grant Income</b>	
1,114	Retained Business Rates	2,205
1,525	Total Formula Grant / Revenue Support Grant	1,371
198	Council Tax Freeze Grant	58
57	Homelessness Grant (included within RSG)	0
701	New Homes Bonus	871
81	Rural Services Delivery Grant (now included within RSG)	0
818	Small Business Rate (now included within RSG)	0
184	Disabled Facilities Grants	239
434	Capitalisation Fund Allocation	0
5,112		4,744
	<b>Credited to Services</b>	
	<i>Government Grants</i>	
13,997	Rent Allowances	13,566
65	Discretionary Housing Payments	63
278	Housing and Council Tax Benefits Administration	197
62	Localised Council Tax Implementation	0
0	Council Tax Support	55
147	NNDR Cost of Collection	147
22	Electoral Registration Grant	18
108	European Elections Grant	0
0	Elections Grants	131
15	New Burdens	89
10	LADS Funding	6
31	Neighbourhood Planning	25
0	ODPM Homeless Schemes	109
0	FERIS	14
	<i>Other Contributions</i>	
43	Contributions towards Community Safety	40
134	Contributions towards Sports Development/Active Lifestyles	73
0	Contribution - Serco - Damaged Wheeled Bins	14
68	Contribution - Housing	77
8	Contribution - Zurich Municipal Risk Management	0
830	Derbyshire County Council Recycling Credits	878
305	Derbyshire County Council Homelessness Grants	309
0	Derbyshire County Council Transformation Project	80
14	RRS LPA Funding (Recycling Advisors)	14
167	Section 106 Agreements	812
16	ILM Training	7
17	Recycling Grants	32
0	Exercise Referral Scheme	19
0	Derbyshire Dales Business Advisor	19
72	<i>Grants and contributions that were individually below £10,000</i>	30
16,409		16,824
21,521	<b>Total of all grants, contributions and donations</b>	21,568

The Council has received a number of revenue grants that have yet to be recognised as income as they have conditions attached to them that could require monies or property to be returned to the giver.

The year end balances are as follows:

2014/15 £'000s		2015/16 £'000s
102	Section 106 Agreements	139
10	Affordable Warmth Training	10
7	INSPIRE Annexe III	7
3	Transparency	3
<u>122</u>		<u>159</u>

There are no capital grants that fall into this category.

### **35. RELATED PARTIES**

The Authority 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. This note does not include transactions with related parties that are disclosed elsewhere in the accounts, such as:

- Precepts from other local authorities                      Notes to Collection Fund
- Parish Precepts    Note 9
- Government Grants    Note 34
- Pension Contributions    Note 38
- Members Allowances    Note 31
- Officers Remuneration    Note 33
- Exit Packages    Note 32

**The UK 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 much of the Council's funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills and housing benefits). Grants received from government departments are set out in the subjective analysis in Note 34.

**Members of the Council** have direct control over the Council's financial and operating policies. There are a number of Councillors who serve on outside bodies that receive some form of financial support from Derbyshire Dales District Council. During 2015/16 the following payments were made to the organisations in which members have an interest:

- Rural Action Derbyshire: Grants £5,000 (2014/15 Grants £5,000)
- Mid-Derbyshire Citizen's Advice Bureau: Grants £29,000, Money Advice Service £69,000 (2014/15 Grants £29,000, Money Advice Service £69,000)
- Derbyshire Dales CVS: Grants £117,000 (2014/15 Grants £73,000)
- Derwent Valley Community Rail Partnership: Grants £2,000 (2014/15 Grants £2,000)

The decisions regarding these payments were taken by officers under delegated authority, with the exception of the payments relating to the Money Advice Service that were approved by the former Partnership and Regeneration Committee.

### **36. CAPITAL EXPENDITURE AND 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 are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR is analysed in the second part of this note.

31 March 2015 £'000s		31 March 2016 £'000s
<b>8,450</b>	<b>Opening Capital Financing Requirement</b>	<b>7,901</b>
	<b>Capital Investment</b>	
1,193	Property, Plant and Equipment	976
1,165	Revenue Expenditure Funded from Capital	798
	<b>Sources of finance</b>	
(1,257)	Capital Receipts	(367)
(123)	Government Grants and Contributions	(264)
(433)	Other Grants and Contributions	(14)
(545)	Direct revenue contributions	(1,129)
(549)	Minimum Revenue Provision	(576)
<b><u>7,901</u></b>	<b>Closing Capital Financing Requirement</b>	<b><u>7,325</u></b>
	<b>Explanation of movements in year</b>	
(549)	Increase /( Decrease) in underlying need to borrow (unsupported by government financial assistance)	(576)
<b><u>(549)</u></b>	<b>Increase / (Decrease) in Capital Financing Requirement</b>	<b><u>(576)</u></b>

## **37. LEASES**

### **Derbyshire Dales District Council as Lessee**

#### **Finance leases**

The Council holds finance leases in respect of cleansing vehicles. The Council's waste collection contract also includes an embedded finance lease in respect of refuse vehicles.

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

31 March 2015 £000's		31 March 2016 £000's
1,693	Vehicles, Plant, Furniture & Equipment	1,253
<u>1,693</u>		<u>1,253</u>

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

31 March 2015 £000's		31 March 2016 £000's
	Finance lease liabilities(net present value of future minimum lease payments):	
486	current	400
1,298	non-current	898
99	Finance costs payable in future years	45
<u>1,883</u>	Future minimum lease payments	<u>1,343</u>

The minimum lease payments will be payable over the following periods:

31 March 2015 £000's		31 March 2016 £000's
540	Not later than one year	423
1,343	Later than one year and not later than five years	920
0	Later than five years	
<u>1,883</u>	Future minimum lease payments	<u>1,343</u>

The finance lease liabilities will be payable over the following periods:

31 March 2015 £000's		31 March 2016 £000's
486	Not later than one year	400
1,298	Later than one year and not later than five years	898
0	Later than five years	
<u>1,784</u>	Future minimum lease payments	<u>1,298</u>

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. There were no contingent rents payable by the Council in 2013/14 or 2014/15.

### Operating leases

The Council does not have any operating leases.

## Derbyshire Dales District Council as Lessor

### Finance leases

The Council does not lease out any assets on finance leases.

### Operating leases

The Authority leases out property under operating leases for the following purposes:

- for the provision of community services, such as sports facilities, tourism services and community centres
- for economic development purposes to provide suitable, affordable accommodation for local businesses.

The future minimum lease payments due under non-cancellable leases in future years are:

31 March 2015 £000's		31 March 2016 £000's
153	Not later than one year	141
508	Later than one year and not later than five years	482
6,296	Later than five years	6,192
<u>6,957</u>		<u>6,815</u>

The minimum lease payments receivable do not include rents that are contingent upon events taking place after the lease was entered into, such as adjustments following rent reviews.



## **38. POST EMPLOYMENT BENEFITS: DEFINED BENEFIT PENSION SCHEME**

### **Participation in pensions scheme**

As part of the terms and conditions of employment of its officers and other employees, the Council makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The Council participates in the Local Government Pension Scheme (LGPS), which is administered by Derbyshire County Council. This is a funded defined benefit final salary scheme, meaning that the Council and participating employees pay contributions into a fund, calculated at a level that is intended to balance the pension liabilities with investment assets.

### **Transactions relating to retirement benefits**

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against the council tax (determined by statute) 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 General Fund balance via the Movement in Reserves Statement during the year:

2014/15 £000s		2015/16 £000s
	<b>Comprehensive Income and Expenditure Statement</b>	
	<i>Service Cost</i>	
1,303	Current service cost	1,705
19	Past service cost (including curtailments)	46
<u>1,322</u>	<b>Total Service Costs</b>	<u>1,751</u>
	<i>Financing and Investment income and Expenditure</i>	
(1,821)	Interest Income on plan assets	(1,504)
<u>2,626</u>	Interest cost on defined benefit obligation	<u>2,322</u>
<b>805</b>	<b>Total Net Interest</b>	<b>818</b>
<u>2,127</u>	<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<u>2,569</u>
	<i>Remeasurements of the Net Defined Liability Compromising</i>	
(3,238)	Return on plan assets excluding amounts included in net interest	1,462
0	Actuarial Losses arising from changes in demographic assumptions	0
9,649	Actuarial Losses arising from changes in financial assumptions	(6,682)
<u>(579)</u>	Other	<u>(922)</u>
<u><b>5,832</b></u>	<b>Total remeasurements recognised in other comprehensive income</b>	<u><b>(6,142)</b></u>
<b>7,959</b>	<b>Total Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement</b>	<b>(3,573)</b>
	<b>Movement in Reserves Statement</b>	
(2,127)	Reversal of net charges made to the Surplus or Deficit for the Provision of Services	(2,569)
<b>1,348</b>	<b>Employer's contributions payable to scheme</b>	<b>1421</b>

### Pension 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 benefit scheme is as follows:

2014/15 £000s		2015/16 £000s
(47,288)	Fair Value of employer assets	(46,775)
71,189	Present value of funded liabilities	65,836
1,471	Present value of unfunded liabilities	1,317
<u>25,372</u>	<b>Net Liability Arising from Defined Benefit Obligation</b>	<u>20,378</u>

Some of the scheme liabilities are “unfunded” (see note at the foot of the table below). This means that they are not a liability of the Local Government Pension Scheme, and are instead met by the employer out of its own financial resources. At this Council, unfunded liabilities are mostly Compensatory Added Years benefits awarded to current pensioners when they first retired and they are all wholly unfunded.

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

2014/15 £000s		2015/16 £000s
61,273	Opening fair value of scheme liabilities	72,660
1,303	Current service cost	1,705
2,626	Interest cost	2,322
331	Contributions from scheme participants	342
	<b>Remeasurement gain</b>	
0	Actuarial Losses arising from changes in demographic assumptions	
9,649	Actuarial Losses arising from changes in financial assumptions	(6,682)
(579)	Other	(922)
19	Past Service Cost	46
(1,962)	Benefits Paid	(2,318)
<u>72,660</u>	<b>Closing Fair Value of Scheme Liabilities</b>	<u>67,153</u>

Reconciliation of fair value of the scheme (plan) assets:

2014/15 £000s		2015/16 £000s
42,512	Opening Fair value of scheme assets	47,288
1,821	Interest Income	1,504
	<b>Remeasurement gain</b>	
3,238	Return on plan assets excluding amounts included in net interest	(1,462)
1,348	Contributions from employer	1,421
331	Contributions from employees into the scheme	342
(1,962)	Benefits paid	(2,318)
<b><u>47,288</u></b>	<b>Closing Fair Value of Scheme Assets</b>	<b><u>46,775</u></b>

Pension Scheme Assets Comprised:

Asset Category	Period Ended 31 March 2016			Percentage of Total Assets
	Quoted Prices in Active Markets £'000	Quoted Prices not in active markets £'000	Total £'000	
<b>Equity Securities:</b>				
Consumer	3,846.2	-	3,846.2	8%
Manufacturing	4,362.9	-	4,362.9	9%
Energy and Utilities	2,665.7	-	2,665.7	6%
Financial Institutions	3,667.5	-	3,667.5	8%
Health and Care	2,029.1	-	2,029.1	4%
Information Technology	1,306.1	-	1,306.1	3%
Other	4,785.3	-	4,785.3	10%
<b>Debt Securities:</b>				
Corporate Bonds (investment Grade)	-	2,589.7	2,589.7	6%
UK Government	5,239.7	-	5,239.7	11%
Other	933.6	-	933.6	2%
<b>Private Equity:</b>				
All	634.6	191.7	826.3	2%
<b>Real Estate:</b>				
UK Property	-	2,788.6	2,788.6	6%
<b>Investment Funds &amp; Unit Trusts:</b>				
Equities	8,886.4	126.4	9,012.8	19%
Infrastructure	533.4	270.1	803.5	2%
<b>Cash and Cash Equivalents:</b>				
All	-	1,918.0	1,918.0	4%
<b>Totals</b>	<b>38,890.5</b>	<b>7,884.5</b>	<b>46,775.0</b>	<b>100%</b>

Period Ended 31 March 2015				
Asset Category	Quoted Prices in Active Markets £'000	Quoted Prices not in active markets £'000	Total £'000	Percentage of Total Assets
<b>Equity Securities:</b>				
Consumer	3,745.0	-	3,745.0	8%
Manufacturing	4,739.2	-	4,739.2	10%
Energy and Utilities	3,452.4	-	3,452.4	7%
Financial Institutions	3,674.4	-	3,674.4	8%
Health and Care	2,114.8	-	2,114.8	4%
Information Technology	951.0	-	951.0	2%
Other	4,730.6	-	4,730.6	10%
<b>Debt Securities:</b>				
Corporate Bonds (investment Grade)	-	2,284.1	2,284.1	5%
UK Government	5,769.3	-	5,769.3	12%
Other	1,252.0	-	1,252.0	3%
<b>Private Equity:</b>				
All	231.0	120.5	351.5	1%
<b>Real Estate:</b>				
UK Property	-	2,293.6	2,293.6	5%
<b>Investment Funds &amp; Unit Trusts:</b>				
Equities	8,265.0	286.3	8,551.3	18%
Bonds	-	-	0.0	
Infrastructure	131.4	246.8	378.2	1%
<b>Cash and Cash Equivalents:</b>				
All	-	3,000.6	3,000.6	6%
<b>Totals</b>	<b>39,056.1</b>	<b>8,231.9</b>	<b>47,288.0</b>	<b>100%</b>

### 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 dependent on assumptions about mortality rates, salary levels, etc. Hymans Robertson LLP, an independent firm of actuaries, has assessed the pension scheme liabilities with estimates for the Council being based on the latest full valuation of the scheme as at 31st March 2013

The significant assumptions used by the actuary have been:

31 March 2015		31 March 2016
	<i>Mortality assumptions:</i>	
	Longevity at 65 for current pensioners:	
22.0	Men	22.0
24.2	Women	24.2
	Longevity at 65 for future pensioners:	
24.1	Men	24.1
26.6	Women	26.6
3.30%	Rate of increase in salaries	3.20%
2.40%	Rate of increase in pensions	2.20%
3.20%	Rate used to discount scheme liabilities	3.50%
50%	Take-up of option to elect to take annual pension into retirement lump sum pre April 2008 Service	50%
75%	Take-up of option to elect to take annual pension into retirement lump sum for post-April 2008 Service	75%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below based on reasonable possible changes to 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 cost method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in 2012/13.

Change in Assumptions at 31 March 2016	Approximate % Increase to Employer Liability	Approximate Monetary Amount (£000)
0.5% decrease in Real Discount Rate	11%	7,121
1 year increase in member life expectancy	3%	2,015
0.5% increase in the Salary Increase Rate	3%	2,223
0.5% increase in the Pension Increase Rate	7%	4,803

### Impact on the Authority's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 3 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2016.

The liabilities show the underlying commitments that the council has in the long run to pay post employment (retirement) benefits. The total liability of £20,378,000 has a substantial impact on the net worth of the council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the council remains healthy:

- the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary; and
- finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The council anticipates paying contributions of £1,295,000 to the scheme in 2016/17.

The weighted average duration of the defined benefit obligation for scheme members is 18.3 years.

### **39. CONTINGENT LIABILITIES**

#### **Housing Stock Transfer Warranties**

As part of the Housing Stock Transfer in March 2002, the Council gave warranties for sewers and environmental pollution to Dales Housing. The environmental warranty means that the Council is responsible for the remediation costs of environmental pollution at any of the transferred properties until March 2033. At 31<sup>st</sup> March 2016 the cost of remediation work is estimated at £2.9m. No claims have been received to date. The risk of the warranty being called is considered to be low. No specific financial provision has been made in the accounts at this time, but the situation will be monitored annually.

#### **Municipal Mutual Insurance**

Another contingent liability arises from the Municipal Mutual Insurance Ltd (MMI) Scheme of Arrangement. In 1992, MMI, then the principal insurer of local government, avoided insolvency by entering a Scheme of Arrangement. The "arrangement" with creditors enabled MMI to pay outstanding claims on the basis that, should there be insufficient assets, participating creditors would be subject to "claw back" of previously paid claims. On the basis of a potential £30m share of surplus funds at the time, Derbyshire Dales District Council, along with 728 other authorities, participated in the scheme. In the case of this council the "claw back" is limited to a maximum of £141,000. The directors of MMI triggered the Scheme of Arrangement on 13 November 2012. In 2013 MMI's administrators informed the Council that under the Scheme of Arrangement an initial levy of 15% of total claim payments was required. The scheme administrators advised the Council that the 15% levy amounted to £21,000. The Levy Notice and demand for payment were issued in 2013/14 and the sum of £21,000 was paid during the year. In 2016 a further levy of 10% of total claim payments was required which amounted to £14,112. There are sufficient monies in the Insurances Reserve to finance the outstanding liability of £106,000.

#### **Business Rates Appeals**

The Council has made a provision for business rate appeals based upon its best estimates of the liability at the year end for appeals already lodged. It is not possible to quantify the appeals that have not yet been lodged with the Valuation Office. This means that there is a risk that national and local appeals may have a future impact on the Council's accounts.

## **Pension Guarantee**

The Council has entered into a long term contract for Revenues and Benefits and Accounts Payable services that have been outsourced to Arvato Public Sector Services Limited with effect from June 2013. This involved the transfer of Council employees to Arvato Public Sector Services Limited. Employees' rights are protected under the provision in Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE). However, pension rights are not fully covered within TUPE regulations.

The Best Value Authorities Staff Transfers (Pension) Direction 2007 made under section 101 of the Local Government Act 2003 means that the Council must secure pension protection for the TUPE transfer which must be the same as, broadly comparable to, or better than, those they had a right to acquire prior to the transfer. This in turn means that the new service providers seek "admitted body" status within the Derbyshire pension Fund to comply with the requirement.

The legislative framework governing access to the Derbyshire Pension Fund means that public bodies can only obtain "admitted status" if there is a sponsoring body that is willing to provide a guarantee. For contracts with non-public bodies the ultimate responsibility remains with the sponsoring body. The guarantee means that if an admitted body fails to pay its pension obligations to the Derbyshire Pension Fund then the Council will take on these obligations.

The Council has given a full guarantee in respect of employees transferred to Arvato Public Sector Services Limited. As at 31 March 2016, the guarantee has not been exercised. The Council has mitigated its risk by requiring the parent company, Arvato Limited, to provide a guarantee.

## **Property Searches Claims**

A group of Property Search Companies sought to claim refunds of fees paid to the Council to access land charges data. The parties have reached agreement on the claims. The Council has agreed to pay the property search companies legal costs to be subject to detailed assessment by way of costs only proceedings if not agreed. The Council is in discussions with the claimants about the costs aspect of the claim. At present it is not possible to put a final value on these potential liabilities and so the Council has instead recognised a contingent liability.

## **40. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS**

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

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

The Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central team, under policies approved by Derbyshire Dales District Council in the Annual Treasury Management Strategy. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

### **Credit Risk**

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the authority's customers. This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet minimum credit criteria, as laid down in

the Treasury Management Strategy. The Annual Investment Strategy also imposes a maximum sum to be invested with a financial institution located within each category.

The credit criteria in respect of financial assets held by the authority are detailed below:

	<u>Limit per Organisation</u>
Lloyds Bank (Council's Bankers)	6 Million
Major Banks and their wholly owned subsidiaries	3 Million
Building Societies with assets in excess of £0.75 billion	3 Million
Local Authorities and other major precepting Authorities	3 Million
Debt Management Account Deposit Facility	3 Million

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by Derbyshire Dales District Council.

The Authority's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal lump sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Authority's deposits, but there was no evidence at the 31<sup>st</sup> March 2016 that this was likely to crystallise.

No credit limits were exceeded during the reporting period.

The Authority does not allow credit for customers. The past due but not impaired amount can be analysed by age as follows:

31 March 2015 £000's		31 March 2016 £000's
702	Less than three months	770
9	Three to six months	46
55	Six months to one year	16
127	More than one year	151
<u>893</u>		<u>983</u>

### Liquidity Risk

The Authority has a comprehensive cash flow management system that seeks to ensure that cash is available as needed to achieve its service objectives. If unexpected movements happen, the authority has easily redeemable investments in the money markets. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. There is also no risk that the authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates



as its one borrowed loan matures in 2056. The Council keeps under review the possibility of redeeming its loan early where it would be economic to do so. The Council also has Bank Overdraft arrangements and is able to borrow from the money market.

The maturity analysis of financial liabilities is as follows:

31 March 2015 £000's		31 March 2016 £000's
156	Less than one year	156
0	Between one and twenty five years	0
5,450	More than twenty five years	5,450
<u>5,606</u>		<u>5,606</u>

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

### **Market Risk – Interest Rate Risk**

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

- borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise
- borrowings at fixed rates – the fair value of the liabilities borrowings will fall
- investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise
- Investments at fixed rates – the fair value of the asset will fall

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Comprehensive Income and Expenditure Statement. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in the Comprehensive Income and Expenditure Statement.

The treasury management team has an active strategy which is assessed regularly for assessing interest risk exposure that feeds into the setting of the annual budget. Significant variations are, therefore, determined at an early stage.

### **Price Risk**

The Authority does not invest in equity shares, gilts or Certificates of Deposit and thus has no exposure to loss arising from movements in their prices due to market conditions.

### **Foreign Exchange Risk**

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

## **42. ERNEST BAILEY TRUST FUND**

The Council is the Trustee of the Ernest Bailey Charity. It discharges its functions as Trustee through a Committee, comprised of the ward members for the area of benefit from the Charity. The fund has not been consolidated in the accounts of the Council. At the 31<sup>st</sup> March 2016 it has invested £150,000 with the Council and receives interest. The table below sets out the working balance of the Charity. The proceeds from this trust fund may only be used for charitable purposes for the benefit of the inhabitants of the Matlock area (which includes Darley Dale, Tansley, Matlock Bath and Cromford).

31 March 2015 £'000s		31 March 2016 £'000s
9	<b>Balance at 1st April</b>	10
2	Interest on Investment	1
11	Total	11
(1)	Less: Grants	(1)
<u>10</u>	<b>Balance at 31st March</b>	<u>10</u>

# OTHER FINANCIAL STATEMENTS

## THE COLLECTION FUND

The Collection Fund is an agent's 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. Administration costs are borne by the General Fund.

2014/15 £000s		Notes	2015/16 £000s Council Tax	2015/16 £000s NDR	2015/16 £000s Total
<b>Income</b>					
44,048	Income receivable from Council Tax payers	Note 2	45,206	0	45,206
17,047	Income collectable from Business Ratepayers	Note 3	0	17,238	17,238
29	Business Rates Deferrals		0	0	0
2	Transitional protection payments			0	0
403	Contribution towards previous year's estimated deficit	Note 4	0	0	0
194	Business Rates: Settled Appeals	Note 6	0	71	71
<b>61,723</b>	<b>Total Income</b>		<b>45,206</b>	<b>17,309</b>	<b>62,515</b>
<b>Expenditure</b>					
Precepts and Demands:					
30,615	- Derbyshire County Council		31,445	0	31,445
4,743	- Police and Crime Commissioner for Derbyshire		4,872	0	4,872
1,907	- Derbyshire Fire and Rescue		1,959	0	1,959
6,555	- Derbyshire Dales District Council		6,638	0	6,638
Business Rates Paid on Account:					
8,341	- Payments to Government		0	8,503	8,503
1,501	- Payments to Derbyshire County Council		0	1,531	1,531
167	- Payments to Derbyshire Fire Authority		0	170	170
6,673	- Payments to Derbyshire Dales District Council		0	6,802	6,802
Transfers to General Fund:					
146	- Cost of Collection for Business Rates		0	147	147
62	- Business Rates from Renewable Energy Sources		0	141	141
0	Transitional protection payments		0	56	56
0	Contribution towards previous year's estimated surplus		25	678	703
Bad and Doubtful Debts:					
105	- Allowance for impairment	Note 5	83	202	285
247	- Provision for appeals	Note 6	0	83	83
<b>61,062</b>	<b>Total Expenditure</b>		<b>45,022</b>	<b>18,313</b>	<b>63,335</b>
<b>661</b>	<b>Increase/(decrease) in Fund balance for the year</b>		<b>184</b>	<b>(1,004)</b>	<b>(820)</b>
<b>Collection Fund Balance</b>					
(379)	Surplus / (deficit) brought forward at 1 April		68	214	282
661	Increase/(decrease) in Fund balance for the year (as above)		184	(1,004)	(820)
<b>282</b>	<b>Surplus / (deficit) carried forward at 31 March</b>		<b>252</b>	<b>(790)</b>	<b>(538)</b>
<b>Allocated to:</b>					
107	- Central Government		0	(395)	(395)
96	- Derbyshire Dales District Council		37	(316)	(279)
66	- Derbyshire County Council		176	(71)	105
8	- Police and Crime Commissioner for Derbyshire		28	0	28
5	- Derbyshire Fire Authority		11	(8)	3
<b>282</b>			<b>252</b>	<b>(790)</b>	<b>(538)</b>

## **INTRODUCTION**

Collection fund surpluses or deficits declared by the billing authority in relation to Council Tax are charged or paid to the relevant precepting bodies in the subsequent financial year, pro-rata to precepts issued.

In 2013/14, the local government finance regime was revised with the introduction of the retained non domestic rates scheme. The main aim of the scheme is to give Council's 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 NDR tax base.

Subject to tariffs and levies, the scheme allows the Council to retain a proportion of the total NDR received. Derbyshire Dales share is 40% with the remainder paid to precepting bodies. For Derbyshire Dales the NDR precepting bodies are Central Government (50% share), Derbyshire County Council (9% share) and Derbyshire Fire Authority (1% share).

NDR surpluses or deficits declared by the billing authority in relation to the Collection Fund are charged or paid to the relevant precepting bodies in the subsequent year in their respective proportions.

## **NOTES TO THE COLLECTION FUND**

### **1. Accounting Policies for the Collection Fund**

- Revenue support grant and amounts distributed from the NDR national pool are paid directly to all billing and precepting authorities and are not credited to the Collection Fund statement. They are disclosed on the face of the Comprehensive Income and Expenditure Account Statements of the recipient authorities.
- Precepts for major preceptors and the billing authority's demand on the fund are paid out of the Collection Fund and credited to the Comprehensive Income and Expenditure Account Statements of the respective precepting and billing authorities. However, the transactions presented in the Collection Fund Statement are limited to the cash flows permitted by statute for the full financial year, whereas each authority will recognise income on a full accruals basis (i.e. sharing out the full surplus or deficit on the Collection Fund at the end of the year, even though it will be distributed to or recovered from the authorities in a subsequent financial year).
- Parish precepts are paid from the General Fund of billing authorities and are disclosed on the face of the Comprehensive Income and Expenditure Account Statement.
- Interest is not payable on cash flow transfers between the General Fund and the Collection Fund.
- The year-end surplus or deficit on the Collection Fund is to be distributed between billing and precepting authorities on the basis of the estimates made on 15 January of the year-end balance.

## Note 2: Council Tax

The council tax base is the amount that setting a Council Tax of £1 for a band D property (the standard band) would raise in revenue. The tax base for 2015/16 was calculated as follows:

Band	Number of Dwellings on valuation list	Number of Dwellings, adjusted for discounts, exemptions and reliefs	Ratio to Band D	Equivalent number of Band D full charge properties	Council Tax Base (assuming 99.2% collection rate)
X*	0	3.85	5/9	2.14	2.12
A	3,479	2,048.48	6/9	1,365.65	1,354.73
B	7,146	5,221.70	7/9	4,061.32	4,028.83
C	7,322	6,037.15	8/9	5,366.36	5,323.42
D	5,510	4,853.24	9/9	4,853.24	4,814.42
E	4,767	4,316.19	11/9	5,275.34	5,233.14
F	2,915	2,712.57	13/9	3,918.16	3,886.81
G	2,073	1,943.03	15/9	3,238.38	3,212.48
H	130	105.12	18/9	210.24	208.56
<b>Total</b>	<b>33,342</b>	<b>27,241.33</b>		<b>28,290.83</b>	<b>28,064.51</b>

The total precepts and demands (£47,914,000) were divided by the tax base to derive the Council Tax for the year for a Band D property. Thus, in 2015/16 the Council set a Band D Council Tax of £1,600.39, including the average parish council charge of £46.86 (2014/15 £1,572.62 including £45.58 for average parish). The council tax for a band D property can be analysed as follows:

2014/15 £s		2015/16 £s	
1,098.71	Derbyshire County Council	1,120.46	
170.22	Derbyshire Police Authority	173.61	
68.45	Derbyshire Fire & Rescue	69.80	
189.66	Derbyshire Dales District Council	189.66	
<b>1,527.04</b>		<b>1,553.53</b>	
45.58	Average parish council	46.86	
<b>1,572.62</b>	<b>Average Band D Council Tax</b>	<b>1,600.39</b>	

The council tax income collected from taxpayers can be analysed as follows

2014/15 £000s		2015/16 £000s
52,754	Debit for year	53,934
86	Increased/(reduced) charges	20
(53)	Disabled persons reductions	(51)
(726)	Exemptions	(758)
(3,637)	Sole resident discounts	(3,729)
(690)	Discounts for annexes, empty properties, exempt and second homes	(715)
(137)	Disregarded persons discount	(154)
(3,549)	Council tax benefits	(3,341)
<u>44,048</u>		<u>45,206</u>

At 31 March 2016 there were 33,342 council tax properties in the Derbyshire Dales (33,392 at 31 March 2015).

### Note 3: Business Rates

The Council collects Non-Domestic Rates (NDR) for its area based on local rateable values provided by the Valuation Office Agency (VOA) multiplied by a uniform business rate set nationally by Central Government.

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

The business rates shares payable for 2015/16 were estimated before the start of the financial year as £8,503,000 to Central Government, £1,531,000 to Derbyshire County Council, £170,000 to Derbyshire Fire Authority and £6,802,000 to Derbyshire Dales District Council. These sums have been paid in 2015/16 and charged to the collection fund in year.

When the scheme was introduced in 2013/14, 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 amounts. Tariffs due from authorities payable to Central Government are used to finance the top ups to those authorities who do not achieve their targeted baseline funding. In this respect Derbyshire Dales has to pay a tariff to the General Fund in 2015/16 to the value of £5,460,000 (2014/15 £5,358,000).

During 2015/16 Derbyshire Dales was part of the Derbyshire Business Rates Pool along with 7 other Derbyshire district or borough councils, Derbyshire County Council, Derby City Council and Derbyshire Fire Authority. The calculation of any levy payment due or top up receivable from or to the Collection Fund is calculated on a collective basis for the pool as opposed to an individual authority basis. The overall benefit retained by the pool in 2015/16 was £3.48million of which Derbyshire Dales share was £179,000.

In addition to the local management of business rates, authorities are expected to finance appeals made in respect of rateable values as defined by VOA and hence business rates outstanding as at 31 March 2016. As such, authorities are required to make a provision for these amounts. Appeals are charged and

provided in proportion of the precepting shares. The total provision charged to the collection fund for 2015/16 has been calculated at £83,000 (2014/15 £247,000). See note 6 for further details.

The total non-domestic rateable value at 31 March 2015 is £46,601,587 for 3912 properties (31 March 2014 £46,711,880 for 3894 properties). The national multipliers for 2014/15 were 47.1p for qualifying Small Businesses, and the standard multiplier being 48.2p for all other businesses (46.2p and 47.1p respectively in 2013/14).

2014/15 £000s		2015/16 £000s
22,339	Debit for year	22,787
(156)	Increased/(reduced) charges	(1)
(2)	Transitional Loss/ Relief	57
(2,733)	Small Business Rate Relief	(2,929)
(1,564)	Other Mandatory Reliefs	(1,569)
(310)	Discretionary Reliefs and Remissions	(318)
(527)	Local Discounts	(789)
<u>17,047</u>	<b>Net Business Rate Income</b>	<u>17,238</u>

#### Note 4: Contribution towards previous year's estimated (surplus)/deficit for council tax

2014/15 £000s		2015/16 £000s
37	Derbyshire County Council	(17)
6	Derbyshire Police Authority	(3)
2	Derbyshire Fire & Rescue	(1)
8	Derbyshire Dales District Council (including parish councils)	(4)
<u>53</u>		<u>(25)</u>

#### Contributions received in respect of previous year's estimated (surplus)deficit for Business Rates:

2014/15 £000s		2015/16 £000s
175	Central Government	339
31	Derbyshire County Council	61
4	Derbyshire Fire and Rescue	7
140	Derbyshire Dales District Council	271
<u>350</u>		<u>678</u>

## Note 5: Impairment Allowance

The Collection Fund account provides for bad debts on council tax arrears on the basis of prior years experience and current years collection rates.

2014/15 £000s			2015/16 £000s	
164		Balance at 1 April		171
(27)		Write offs during year		(60)
34		Contribution to provision		83
<u>171</u>		<b>Balance at 31 March</b>		<u>194</u>

The Council's proportion of the balance at 31<sup>st</sup> March 2016 is £28,000 (31<sup>st</sup> March 2015 £25,000).

The Collection Fund account also provides for bad debts on NDR arrears.

2014/15 £000s			2015/16 £000s	
198		Balance at 1 April		228
(41)		Write offs during year		(165)
71		Contribution to provision		202
<u>228</u>		<b>Balance at 31 March</b>		<u>265</u>

The Council's proportion of the balance at 31<sup>st</sup> March 2016 is 40% i.e. £106,000 (31 March 2015 £91,000).

## Note 6: Provision for Appeals

The Collection Fund account includes provision for appeals against the rateable valuation set by the Valuation Office Agency (VOA) not settled at the year end. 2013/14 was the first year of this provision.

2014/15 £000s			2015/16 £000s	
542		Balance at 1 April		595
(194)		Appeals Settled		(71)
247		Contribution to provision		83
<u>595</u>		<b>Balance at 31 March</b>		<u>607</u>

The Council's proportion of this provision is 40% i.e. £243,000 (31 March 2015 £238,000).



## **GLOSSARY OF TERMS**

### **Accounting Period**

The period of time covered by the accounts. Normally this is the 12 months commencing on 1 April and finishing on 31 March the following year. The end of the accounting period is the Balance Sheet date.

### **Accrual**

A sum included in the final accounts to cover income or expenditure attributable to an accounting period for goods or services received but paid for by the end of the accounting period.

### **Agency**

The provision of services by one local authority (the agent) on behalf of the responsible body. The Authority carrying out agency services is reimbursed by the responsible body to the extent of approved expenditure together with any agreed contribution towards administrative costs.

### **Appropriation**

The transfer of ownership of land or a building between one service and another.

### **Auditor**

An independent expert who examines the Council's processes and accounts to ensure that statutory requirements and non-statutory Codes of Practice have been followed.

### **Balance Sheet**

This shows the financial position of the Council as a whole (excluding amounts attributable to the Ernest Bailey Trust Fund) and summarises its assets, liabilities and reserves as at the end of the accounting period.

### **Budget**

A statement of the Council's policies and spending plans for net revenue and capital expenditure over a specified period of time.

### **Capital Charge**

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

### **Capital Expenditure**

Expenditure on the acquisition of a fixed asset or expenditure that enhances and not merely maintains the value of an existing fixed asset, such as land and buildings.

### **Capital Receipts**

The proceeds from the disposal of land or other fixed assets and repayment of certain grants and advances. Capital receipts can be used to finance new capital expenditure within rules set down by the Government, but they cannot be used to finance revenue expenditure.

### **Code (of Practice)**

Within the context of this document, this refers to the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 (the Code) published by the Chartered Institute of Public Finance and Accountancy (CIPFA). The Code specifies the principles and practices of accounting that must be followed to prepare a set of accounts that "presents fairly" the financial position of a Council.

### **Collection Fund**

A separate account, required by statute, to show the transactions of a billing authority in relation to Council Tax and Non-Domestic Rates (NDR).

**Community Assets**

Assets that the Council intends to hold in perpetuity, that have no determinable useful lives, and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings.

**Contingency**

A condition which exists at the balance sheet date, where the outcome will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events.

**Creditors**

Amounts owed by the Council to others for work done, goods received or services rendered for which payment has not been made at the balance sheet date.

**Current Assets**

Assets whose value tends to vary on a day-to-day basis, e.g. physical stockholdings, cash and bank balances. It is reasonable to expect that assets under this head on a balance sheet will be consumed or realised during the next accounting period.

**Current Liabilities**

Amounts which will become payable or could be called in within the next accounting period, e.g. creditors.

**Debtors**

Amounts due to the Council from others for goods and services that they have received but not paid for at the balance sheet date.

**Deferred Liabilities**

These are items shown on the balance sheet that reflect amounts owed to others, where the sums are payable over future financial years.

**Deferred Premium**

This is an amount due to be paid by an authority on the early redemption of debt where losses have been made. It can arise as part of a restructuring package and can be written off to revenue over the life of the replacement loans.

**Depreciation**

This is a charge made to the revenue account each year that reflects the reduction in value of fixed assets due to age or deterioration through usage.

**Earmarked Reserves**

Amounts put aside to meet specific liabilities in the future. The main Council reserves are its Capital and Insurance Reserves.

**Embedded Lease**

A contractual arrangement involving the provision of services using specific underlying assets, for example refuse collection vehicles held by the contractor.

**Financial Year**

The Council's financial year commences on 1st April and finishes on 31st March the following year.

**Finance Lease**

A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee. The Government's capital control system treats this as a credit arrangement, as if it were similar to borrowing.

**Financial Instruments Adjustment Account**

This provides a balancing mechanism between the different rates at which gains and losses (such as premiums on the early repayment of debt) are recognised under the SORP and are required by statute to be met from the General Fund.

**FRS**

This refers to Financial Reporting Standards, which set out the proper accounting practices with which the Council must comply when preparing its accounts.

**General Fund**

The statutory revenue account of the Council which summarises the cost of all services provided by the Council which are funded from the precept, government grants and other income.

**General Reserves**

Amounts put aside, but not allocated to meet, any future spending commitments. The Council's General Reserves include a working balance of £1m to meet emergencies and contingencies, and to assist with cash flow.

**Government Grants**

Part of the cost of the Council's services is paid for by central government from its own tax income. These grants are of two main types. Some (Specific Grants and Supplementary Grants) are for particular services such as Housing Benefits. Others are in aid of services generally such as the Revenue Support Grant.

**Impairment**

The reduction in the value of a fixed asset caused by a change in circumstances such as a decline in market value, physical damage, obsolescence etc. The impairment must be written off to the Comprehensive Income and Expenditure Account.

**Liquid Resources**

Current asset investments that are readily disposable by the Council without disrupting its business and are either readily converted to known amounts of cash at or close to the carrying amount, or traded in an active market.

**Minimum Revenue Provision**

The minimum amount which must be charged to an authority's revenue account each year, as a provision to repay borrowing and finance leases.

**Net Book Value**

The amount at which fixed assets are included (valued) in the Balance Sheet i.e. their historical cost or their current value less the cumulative amounts provided for depreciation.

**Net Current Replacement Cost**

The cost of replacing or recreating a fixed asset in its existing condition or existing use.

**Net Debt**

The Council's borrowings less cash and liquid resources.

**Net Realisable Value**

The open market value of the asset in its existing use.

**Net Worth**

This represents the Council's reserves and balances, both capital and revenue.

**Non Current Assets**

Items that have a monetary value and are expected to yield benefits to the Council and the services it provides for a period of more than one year. Examples of fixed assets would be land and buildings or vehicles. The amounts shown in the Balance Sheet are the current valuations less depreciation.

**Non Distributed Costs**

These are central costs that are unapportionable over service heads. For example certain retirement benefits and unused shares of IT facilities and other assets

**Operating Lease**

A lease other than a finance lease. This type of lease, usually for office equipment, is similar to renting and does not come into the Government's capital control system. Ownership of the asset must remain with the lessor.

**Precept**

The levying of an amount by one authority that requires another authority to collect income on its behalf. The Council's Collection Fund meets the precepts from the County Council, Police Authority and Fire and Rescue Service as well as making a payment to the Council's own General Fund. Precepts raised by Town and Parish Councils are paid from the Council's General Fund.

**Provisions**

A liability of uncertain timing or amount.

**Prudential Code**

Prudential Code for Capital Accounting in Local Authorities. To ensure within a clear framework that the capital investment plans of local authorities are affordable, prudent and sustainable. A further key objective is to ensure that the Treasury Management decisions are taken in accordance with good practice.

**Public Works Loans Board**

A central government agency, which provides loans to local authorities.

**Residual Value**

The net realisable value of an asset at the end of its useful life.

**Revenue Expenditure**

Expenditure to meet the day-to-day running costs incurred in providing services e.g. wages and salaries, purchase of materials and capital charges.

**Revenue Expenditure Funded from Capital Under Statute**

Expenditure classified as capital for funding purpose, when it does not result in the expenditure being carried on the Balance Sheet as a fixed asset. This is to enable it to be funded from capital resources rather than charged to the General Fund and impact on the Council Tax.

**Revenue Support Grant**

A general government grant paid to the Council as a contribution towards the cost of its services.

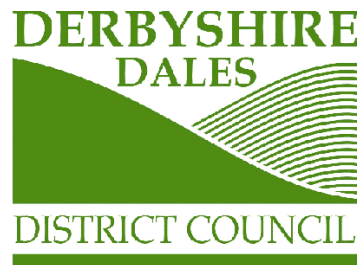
## **INVITATION FOR FEEDBACK**

In preparing the Statement of Accounts the District Council has attempted to present details of its finances in a way, which is accurate, in accordance with appropriate Codes of Practice, meets statutory obligations, and is reasonably easy to understand. However efforts are continuing to improve the presentation of financial information, so if you have any views, comments, questions or suggestions for improvement, please write to:

**HEAD OF RESOURCES  
DERBYSHIRE DALES DISTRICT COUNCIL  
TOWN HALL  
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DE4 3NN**

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