DERBYSHIRE DALES DISTRICT COUNCIL

Statement of Accounts 2009/10

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DRAFT STATEMENT OF ACCOUNTS 2009/10

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EXPLANATORY FOREWORD

The purpose of this foreword is to offer interested parties an easily understandable guide to the most significant matters reported in the accounts. The pages that follow are the Council's final accounts for 2009/10 and comprise:

Statement of Accounting Policies – Page 6
This explains the basis of the figures in the accounts. The accounts can be appreciated properly only if the policies that have been followed in dealing with material items are explained.

Statement of Responsibilities – Page 16
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 Finance, who is the Council's Chief Financial Officer.

Income and Expenditure Account – Page 17
This reports the net expenditure and income for the year for all the major services that the Council provides. This account also shows how the net operating cost is financed by general government grants and council tax income.

Statement of the Movement on the General Fund Balance – Page 18
This reconciles the surplus or deficit on the Income and Expenditure Account with the General Fund Balance (determined in accordance with statute and non-statutory proper practices) that was used in determining the budget requirement and council tax for the year.

Statement of Total Recognised Gains and Losses – Page 19
This reflects those gains and losses that are not shown in the Income and Expenditure Account, mainly revaluations of fixed assets and pensions actuarial gains.

Balance Sheet – Page 20
This is fundamental to the understanding of the Council's year-end financial position. It shows the balances and reserves at the Council's disposal, its long term indebtedness, the fixed and net current assets employed in its operations, together with summarised information on the fixed assets held. It excludes Trust Funds.

Cash Flow Statement – Page 21
This statement summarises the inflows and outflows of cash arising from transactions with third parties for both revenue and capital purposes.

Collection Fund – Page 48
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 precepting authorities and the General Fund.

Annual Governance Statement – Page 52
This sets out the District Council's governance arrangements, within which financial control and risks of the authority are managed and reviewed.

SUMMARY OF THE 2009/10 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 other income. 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 2009/10

The following table gives a summary of revenue income and expenditure in 2009/10:

	2009/10 Budget £'000s	2009/10 Actual £'000s	2009/10 Variance £'000s	2008/09 Actual Restated £'000s
Cultural and Related Services	3,217	2,579	(638)	2,980
Environmental Services	4,366	4,316	(50)	4,413
General Fund Housing	1,523	703	(820)	523
Planning & Development Services	996	763	(233)	1,487
Highways, Roads and Transport	(715)	(912)	(197)	(765)
Corporate and Democratic Core	1,710	1,561	(149)	1,756
Non-distributed Costs	409	226	(183)	233
Central Services to the Public	1,098	866	(232)	893
Net Cost of Services	**12,604**	**10,102**	**(2,502)**	**11,520**
Capital Adjustments	0	164	164	199
Interest Payable	345	341	(4)	377
Interest Receivable	(260)	(338)	(78)	(724)
Town & Parish Council Precepts	1,109	1,109	0	1,095
Pension Interest & Expected Return on Assets	829	1,228	399	826
Net Operating Expenditure	**14,627**	**12,606**	**(2,021)**	**13,293**
General Government Grants	(952)	(969)	(17)	(668)
Non-Domestic Rates Distribution	(3,899)	(3,899)	0	(4,192)
Income from Council Tax	(6,528)	(6,506)	22	(6,263)
Deficit for year on Income and Expenditure A/C	**3,248**	**1,232**	**(2,016)**	**2,170**
Net additional amount required by statute & non-statutory proper practices to be credited to the General Fund Balance for the year	(3,017)	(477)	2,540	(2,213)
(Increase)/Decrease in General Fund Balance	**231**	**755**	**524**	**(43)**

The General Fund Balance for 2009/10 shows a deficit of £755,000. The budget assumed a deficit of £231,000. The over-spend has decreased revenue balances. It should be noted that a large proportion of the over-spend is due to a transfer of £701,000 between revenue balances and the Direct Revenue Financing Reserve. Revenue balances carried forward at 31st March 2010 total £1,435,000 (31st March 2008 £2,190,000). 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.

Capital Spending in 2009/10

This was the money the Council spent in providing and enhancing facilities throughout the District, and on making grants, particularly improvement grants. The original budget for the year was £5,742,000. This was revised to take account of the position at the end of the 2008/09 financial year and progress on schemes. The revised capital programme for 2009/10 was £5,541,000. The capital spending outturn for the year was £3,469,000; this resulted in an underspend of £2,072,000, from the revised programme.

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

	2009/10 £'000s	2008/09 £'000s
Affordable Housing	1,175	999
Active, Healthy Communities	1,399	1,695
Community Safety	121	102
Street Scene	269	92
Other	505	711
Total Capital Spending	**3,469**	**3,599**

Capital Resources

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

	2009/10 £'000s	2008/09 £'000s
Capital Receipts	894	1,018
Government Grants and Contributions	184	290
Other Grants and Contributions	2,075	2,046
Direct Financing from Revenue	316	245
Total Capital Financing	**3,469**	**3,599**

The Council has substantial internal resources to finance its capital programme including its strategic reserves and the balance of its Usable Capital Receipts Reserve. Details of these can be found in the Notes to the Core Financial Statements. Also available is the use of external borrowing when required. Currently the Council has no long-term borrowing that gives rise to a Minimum Revenue Provision.

Capital Investment Plans

The Council has a five-year rolling capital programme at present totalling £18m. The major elements are as follows:

	£m
Expanding Services	12
Maintaining Existing Levels of Service	6

Receipts from the Sale of Assets

The Council received £1,298,750 from the sale of fixed assets during 2009/10. This was credited to the Usable Capital Receipts Reserve. These sales were comprised of the following:

	£
Land, Harrison Way, Rowsley	193,800
Sherwood Hall (Former Leisure Centre)	831,000
Cemetery Lodge, Wirksworth	95,750
6 North End, Wirksworth	90,000
Land, Old Coach Road, Tansley	70,000
Land, Laburnum Close, Darley Dale	18,200
	1,298,750

In addition to this a sum of £182,810 was received from Dales Housing as part of the continued benefit from the Housing Stock Transfer (Right to Buy Sharing Agreement). This related to sales in 2008/09.

The following properties were transferred to Notts Community Housing Association at nil value. This has resulted in a saving on improvement costs plus nomination rights in perpetuity:

36 Drabbles Road, Matlock
61/63 Chesterfield Road, Matlock
86 Mayfield Road, Ashbourne

Details of the Usable Capital Receipts Reserve can be found in Note 33 to the Core Financial Statements.

Redemption of Debt

The Council has only one long-term loan, borrowed in November 2006. This has a maturity date of 23rd September 2056.

Collection Fund

Gross expenditure on the Collection Fund totalled £60.5m in 2009/10 (£58.8 m in 2008/09). After providing for doubtful debts the Fund deficit increased by £145,000 during the year, resulting in a deficit carried forward of £462,000. When setting the level of Council Tax for 2010/11, it was estimated that there would be a deficit of £286,000. The difference between the actual and estimated deficit will be apportioned between this Council, Derbyshire County Council, Derbyshire Police Authority and Derbyshire Fire and Rescue and taken into account when setting the Council Tax for 2011/12.

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 1 to the Core Financial Statements on pages 22 to 26, gives further information and shows that the Council has a net liability of £20.5m (£14.4m at 31 March 2009). Statutory arrangements allow the Council to make good this liability over the remaining working lives of employees. The deficit implies an increase in contributions in the long term.

Reserves and Balances

The Council's reserves and balances are detailed in the notes to the Core Financial Statements. The Balance Sheet demonstrates that net worth has decreased by £2.9m during the year to £29.6m.

Changes in Accounting Policies and Presentation of the Statements

The Council is required to prepare this Statement of Accounts in a manner that complies with statute and proper practices. In practice, this means that it must comply with the *Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice* (the SORP) published by the Chartered Institute of Public Finance and Accountancy (CIPFA). Those who have considered the Council's Accounts in the past might notice that there are some changes in the 2009/10 statements. These changes are required by the SORP. The key changes that affect this Council are:

- Changes in accounting for Council Tax Income and National Non-Domestic Rates (NNDR) – the recognition that the collection of Council Tax and NNDR are in substance agency arrangements;
- The removal of disclosure notes relating to Section 137 expenditure, expenditure on publicity and the building control account;
- Changes to the note on officers' remuneration.

Changes in accounting policies are explained in the Statement of Accounting Policies on pages 6 to 15.

STATEMENT OF ACCOUNTING POLICIES

GENERAL PRINCIPLES

The Statement of Accounts summarises the council's transactions for the 2009/10 financial year and its position at the year-end 31st March 2010. It has been prepared in accordance with the CIPFA *Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice* (the SORP), which constitutes 'proper practices' as required by statute. The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets.

The accounts are prepared on the principle of Total Cost as defined in the Best Value Accounting Code of Practice (BVACOP). The Total Cost (or expenditure) of a service includes all costs which relate to the provision of the service (directly or bought in) including employee costs, expenditure relating to premises and transport, supplies and services, third party payments, transfer payments, support services and capital charges. Net total cost (or net expenditure) is total cost less income.

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. Further information is set out below:

Customer and client receipts

Customer and client receipts in the form of sales, fees, charges and rents are accrued and accounted for in the period to which they relate, whether or not the cash has actually been received or paid in the year. Revenue is recognised only to the extent that performance of contractual obligations has taken place. Payments received in advance of such performance are recognised as liabilities in the Balance Sheet; this is achieved by the creation of creditors, using estimates where appropriate.

Employee costs

The full cost of employees is charged to the accounts of the period in which the employees work. Employee costs shown for 2009/10 reflect work done during the period Tuesday 1st April 2009 to Wednesday 31st March 2010. An accrual is made for salaries and wages earned but unpaid at the year-end. All pay awards due for the period had been settled before the financial year-end.

Income that is defined in statute as a capital receipt but does not arise from the disposal of an interest in a fixed asset

Amounts to be treated as capital receipts are defined by statute and usually arise from the disposal of an interest in a fixed asset. However, some statutorily defined capital receipts do not arise from the disposal of an interest in a fixed asset and under the general provisions of the SORP may be income (e.g. the repayment of a grant awarded by the Council to acquire a fixed asset by the recipient) or a transaction within the Balance Sheet (e.g. the repayment of a loan advanced to a third party to acquire a fixed asset). Where the statutory capital receipt is income under the general provisions of the SORP it is credited to the Income and Expenditure Account and the statutory requirement effected by crediting the Usable Capital Receipts Reserve and debiting the General Fund Balance and shown as a reconciling item in the Statement of Movement on the General Fund Balance. Where, under the general provisions of the SORP, the statutory capital receipt is accounted for within the Balance Sheet, the statutory requirement is effected by crediting the Usable Capital Receipts Reserve and debiting the Capital Adjustment Account.

Interest

Interest payable on borrowings and receivable on investments is accrued and accounted for in the accounts of the period to which it relates on a basis which reflects the overall economic effect of the transaction. Any interest accrued at the year end is added to the carrying amount of the loan and written down once the interest is paid or received. The amount included in long term borrowings due in the following 12 months including accrued interest is accounted for as a current liability.

Supplies and services

The cost of supplies and services is accrued and accounted for in the period during which they are consumed or received. Where there is a gap between the date supplies are received and their consumption, they are carried as stocks on the Balance Sheet. Accruals are made for all material sums unpaid at the year-end for goods/services received or works completed. Payments in advance in respect of 2010/11 are recognised as current assets in the balance sheet; this is achieved by the creation of debtors, using estimates where appropriate.

CONTINGENT LIABILITIES

Contingent liabilities are not recognised in the accounting statements. Where there is a possible obligation that may require a payment or transfer of economic benefits, contingent liabilities are disclosed by way of a note to the accounts.

COUNCIL TAX INCOME

Up to 2008/09 the SORP required the Council Tax income included in the Income and Expenditure Account to be the amount that under regulation was required to be transferred from the Collection Fund to the General Fund. From 2009/10 the Council Tax Income included in the Income and Expenditure Account is the accrued income for the year. The difference between the income included in the Income and Expenditure Account and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Statement of Movement on the General Fund Balance.

Since the collection of council tax is in substance an agency arrangement, the cash collected from council tax payers by this council as the billing authority belongs proportionately to the billing authority and the major preceptors. A debtor/creditor position for each major preceptor is recognised in the accounting statements since the net cash paid to each major preceptor in the year is not the same as its share of the cash collected from council tax payers.

The Cash Flow Statement includes in ‘Revenue Activities’ only this Council’s share of council tax net cash collected from council tax payers in the year; and the amount included for precepts paid excludes amounts paid to major preceptors. The difference between the major preceptors’ share of net cash collected from council tax payers and net cash paid to major preceptors is included as a net increase/decrease in other liquid resources.

Where the above-mentioned changes in accounting policies have taken place, the corresponding amounts for 2008/09 have been restated.

EVENTS AFTER THE BALANCE SHEET DATE

Where an event occurs after the Balance Sheet date, which provides evidence of conditions that existed at the Balance Sheet date (an adjusting event), the amounts recognised in the Statement of Accounts are adjusted. Where an event that occurs after the Balance Sheet date is indicative of conditions that arose after the Balance Sheet date (a non-adjusting event), the amounts recognised in the Statement of Accounts are not adjusted.

Events after the Balance Sheet date are reflected up to the date when the Statement of Accounts is authorised for issue. The date when the Statement of Accounts was authorised for issue and who gave that authorisation is disclosed in Note 37 to the Statement of Accounts.

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.

Initial recognition

A financial asset or a financial liability is recognised on the Balance Sheet when, and only when, the Council becomes a party to the contractual provisions of the instrument. In the case of a financial asset or a derivative, this is when the Council becomes committed to the purchase (i.e. the contract date) and is usually referred to as the *trade date*. The sale of a financial asset is also recognised on the trade date. Trade receivables are an exception. The receivable is not recognised when the Council becomes committed to supply the good or service but when the ordered goods or services have been delivered or rendered. Similarly a trade payable is recognised when the ordered goods or services have been received.

In the case of a financial liability the Council does not become a party to the contractual provisions of the instrument unless one of the parties has performed or the contract is a derivative contract. For example, a loan debt contract is recognised when the cash lent is received rather than when the authority became committed to the loan agreement.

Initial measurement

Financial assets and financial liabilities are measured initially at fair value less transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's-length transaction.

Classification of financial instruments

The accounting treatment of a financial instrument (i.e. how its subsequent carrying value is measured and gains and losses recognised) depends on its classification on initial recognition. The SORP recognises two classes of financial liabilities and three classes of financial assets:

Financial liabilities:

- amortised cost
- fair value through profit or loss

Financial assets

- loans and receivables
- available for sale
- fair value through profit or loss

Most financial instruments held by the Council can be classified into just one class of financial liability and two classes of financial assets:

Financial liabilities

- amortised cost

Financial assets

- loans and receivables
- available for sale.

Further information is given in Note 25 on page 36.

GOVERNMENT GRANTS AND CONTRIBUTIONS

Government grants and third-party contributions and donations are recognised as income at the date that the council is satisfied that it has met the conditions of entitlement to the grant or contribution, there is reasonable assurance that the monies will be received and the expenditure for which the grant is given has been incurred.

Revenue grants are matched in service revenue accounts with the service expenditure to which they relate. Grants made to finance the general activities of the Council (e.g. Revenue Support Grant) are credited to the foot of the Income and Expenditure Account after Net Operating Expenditure.

Where the acquisition of a fixed asset is financed wholly or partly by a government grant or other contribution, the amount of the grant or contribution is credited to the Government Grants Deferred Account. Amounts are released to the appropriate service revenue account over the useful life of the asset to match the depreciation of the asset to which it relates. Where the asset is not to be depreciated the grant is released to the appropriate service account. In order that there is no effect on General Fund Balance a compensating entry is made from the Capital Adjustment Account.

Grants that are used to finance capital expenditure where the asset is not yet operational are held in the Deferred Grants and Contributions Account (see Note 26). Where a grant or contribution is received in advance of expenditure it is held and treated as a creditor on the Council's Balance Sheet.

INTANGIBLE FIXED ASSETS

Intangible Assets are defined as "non-financial fixed assets that do not have physical substance but are identifiable and are controlled by the entity through custody or legal rights". Examples held by this Council are purchased software licences and these are capitalised as assets where they will bring benefit to the council for more than one year. They are included in the balance sheet at a value based on cost less amortisation. Amortisation of intangible fixed assets takes place annually over their anticipated economic lives, which are reviewed annually. The assets held on the Council's Balance Sheet currently have lives of 3 years. An analysis of Intangible Fixed Assets is shown in Note 13 on Page 30.

Service revenue accounts, support services and trading accounts are charged with a provision for amortisation for all intangible assets used in the provision of services.

LEASES

Rental payments under finance leases are apportioned between the finance charge (allocated to revenue over the term of the lease) and the principal element, i.e. the reduction in the outstanding obligation. However, the Council does not hold any finance leases at the present time.

Under operating leases, rentals payable, net of benefits received or receivable, are charged to revenue on a straight-line basis over the term of the lease.

NATIONAL NON-DOMESTIC RATES (NNDR)

Since the collection of NNDR is in substance an agency arrangement with the Government, NNDR income is not the income of this council as the billing authority. Therefore, NNDR income collected from tax payers is not included in the Income and Expenditure Account. The cost of collection allowance received by the council as the billing authority is included in the Income and Expenditure Account.

NNDR debtor and creditor balances with tax payers and the impairment allowance for doubtful debts are not assets and liabilities of the billing authority and are not recognised in the Balance Sheet. Cash collected from NNDR tax payers by the council as billing authority (net of the cost of collection allowance) belongs to the Government and the amount not yet paid to/by the Government is included in the Balance Sheet as a creditor/debtor.

The Cash Flow Statement includes in 'Revenue Activities' only cash received in respect of the cost of collection allowance. The difference between the cash collected from NNDR tax payers and the amount paid into the NNDR national pool is included as a net increase/decrease in other liquid resources.

Where the above-mentioned changes in accounting policies have taken place, the corresponding amounts for 2008/09 have been restated.

OVERHEADS

The costs of overheads and support services are fully recharged to those that benefit from the supply or service. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to benefits received, using an appropriate basis such as staff time, floor area occupied or facility usage, except for:

- The costs of the 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 any costs associated with unused shares of assets

These two categories are each allocated to a separate objective expenditure head in the Income and Expenditure Account, 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.

PENSION COSTS

The Council contributes to a defined benefit scheme for its employees, which is administered by Derbyshire County Council. Pension costs are charged to the Council's accounts in respect of its current employees, retired employees and one-off early retirement payments. Further costs arise in respect of certain pensions paid to retired employees on an unfunded basis. In accordance with Government regulations, these costs are determined on the basis of contribution rates that are set to meet 100% of the liabilities of the Superannuation Fund. The amount charged to the Income and Expenditure Account and the Statement of Total Recognised Gains and Losses for employees' pensions is in accordance with FRS17 Retirement Benefits, subject to the interpretations set out in the SORP. This policy recognises pension liabilities when they are committed even if the actual giving will be many years hence. This is a better reflection of the economic reality of the relationship between an employer and the Pension Fund. It represents the employer's commitment to increase contributions in the long term to make up any shortfall in pension fund assets.

The current service cost is included within Net Cost of Services, charged to the service revenue accounts for which the employees work. The net of the interest cost and the expected return on assets is included within Net Operating Expenditure. Actuarial gains and losses arising from updating the latest actuarial valuation to reflect conditions at the Balance Sheet date are recognised in the Statement of Total Recognised Gains and Losses for the year.

Past service costs are recognised in Net Cost of Services as part of Non Distributed Costs on a straight-line basis over the period in which benefits vest. Where the benefits vest immediately, the past service cost is recognised immediately. Gains or losses on settlements and curtailments are also recognised in Net Cost of Services as part of Non Distributed Costs.

The amount chargeable to the General Fund for providing pensions for employees is the amount payable for the year in accordance with the statutory requirements governing the particular pension scheme. Where this amount does not match the amount charged to the Income and Expenditure Account for the year (which is in accordance with FRS17) the difference is taken to the Pensions Reserve and a debit/credit to the General Fund is shown as a reconciling item in the Statement of Movement on the General Fund Balance.

The assumptions underlying the pensions figures are set upon advice given by an independent actuary to reflect market conditions at the balance sheet date and expected future events that will affect the cost of benefits to which the Council is committed at the balance sheet date.

The attributable assets of the pension scheme are measured at their fair value at the Balance Sheet date. The attributable scheme liabilities are measured on an actuarial basis using the projected unit method i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of earnings for current employees. These assumptions are shown in Note 1 to the Core Financial Statements. The surplus/deficit in a scheme is the excess/shortfall of the value of the assets in the scheme over/below the present value of the scheme liabilities.

PRIOR PERIOD ADJUSTMENTS

The majority of prior period items arise from corrections and adjustments that are the natural result of estimates inherent in the accounting process. Such adjustments constitute normal transactions for the year in which they are identified, and are accounted for accordingly. Material adjustments applicable to prior years arising from changes in accounting policies are accounted for by restating the comparative figures for the preceding period in the Statement of Accounts and notes and adjusting the opening balance of reserves for the cumulative effect. The cumulative effect of the adjustments, if applicable, is noted at the foot of the Statement of Total Recognised Gains and Losses for the current period. The effect of prior period adjustments on the outturn for the preceding period is disclosed where practicable.

PROVISIONS

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

Provisions are charged to the appropriate service revenue account in the year that the council becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision. Any difference between the settlement amount and the amount in the provision is debited or credited to the appropriate service revenue account in the year of settlement. Balances on provisions are reviewed at the end of each financial year. The amount recognised as a provision is the best estimate taking into account the risks and uncertainties surrounding the events. Details of provisions are given in Note 30 to the Core Financial Statements.

PROVISIONS FOR BAD AND DOUBTFUL DEBTS

‘Provisions’ for bad and doubtful debts do not meet the definition of provisions set out in FRS12. The FRS likens the ‘provisioning’ for bad and doubtful debts to a process where a proportion of the council’s debts should have the carrying amount reduced to the probable recovery amount of zero. Therefore, the amounts carried as debtors are reviewed at the Balance Sheet date, the probability of collection is assessed and the carrying amounts reduced accordingly (with a charge to the service revenue account). As most categories of the Council’s debts are not subject to substantial fluctuations, past experience is used to estimate the percentages of each type of debt that will not eventually be recovered.

RESERVES

The Council sets aside specific amounts as reserves, which comprise earmarked reserves set aside for specific policy purposes and balances that represent resources set aside for purposes such as general contingencies and cash flow management. For each reserve established, the purpose, usage and the basis of transactions is disclosed in the Notes to the Core Financial Statements.

Transfers to and from reserves do not appear in the Income and Expenditure Account. Reserves are created by appropriating amounts in the Statement of Movement in the General Fund Balance. When expenditure to be financed by a reserve is incurred, it is charged to the appropriate service revenue account in that year to score against the Net Cost of Services in the Income and Expenditure Account. The reserve is then appropriated back into the Statement of Movement in the General Fund Balance so that there is no net charge against council tax for the expenditure.

Capital reserves are not available for revenue purposes and certain of them can only be used for specific statutory purposes. The Usable Capital Receipts Reserve is a reserve established for specific statutory purposes.

Certain reserves are kept to manage the accounting processes for tangible fixed assets and pensions and these do not represent usable resources for the council. Such reserves are explained in the relevant accounting policies.

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

Legislation in England and Wales allows some expenditure to be classified as capital for funding purposes when it does not result in the expenditure being carried on the Balance Sheet as a fixed asset. The purpose of this is to enable it to be funded from capital resources rather than be charged to the General Fund and impact on that year's council tax. These items are generally grants and expenditure on property not owned by the authority, and amounts directed under section 16(2) of Part 1 of the Local Government Act 2003. Such expenditure is charged to the Income and Expenditure Account in accordance with the SORP. Any statutory provision that allows capital resources to meet the expenditure is accounted for by debiting the Capital Adjustment Account and crediting the General Fund Balance, showing it as a reconciling item in the Statement of Movement on the General Fund Balance.

STOCKS AND LONG TERM CONTRACTS

The Council maintains stocks of tourism publications, vehicle fuel and computer consumables. Stocks are included on the Balance Sheet at the lower of cost or net realisable value, calculated separately for each category of stock. Details can be found in Note 21 to the Core Financial Statements on Page 34.

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

TANGIBLE FIXED ASSETS

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

Recognition

All expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised on an accruals basis, where it is expected to yield benefits to the Council and the services it provides for a period of more than one year. Under the SORP, assets acquired under finance leases should be capitalised in the authority's accounts, together with the liability to pay future rentals. At the present time, however, the Council holds no finance leases. Expenditure that secures but does not extend the previously assessed standard of performance of an asset (e.g. repairs and maintenance) is charged to revenue as it is incurred.

Where a fixed asset is acquired for other than a cash consideration or where the payment is deferred, the asset is recognised and included in the Balance Sheet at fair value.

Measurement

Fixed assets are measured initially at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use.

When substantially all the activities that are necessary to bring the fixed asset into use are complete, the asset is categorised and included in the Balance Sheet. The closing balances at 31st March 2010 have been determined on the following basis:

- Land and buildings are shown at the lower of net current replacement cost or net realisable value in existing use.
- Community assets and infrastructure assets are included at historical cost, net of depreciation, where appropriate.
- Investment properties and assets that are surplus to requirements and held for disposal are shown at the lower of net current replacement cost or net realisable value.
- Assets under construction are shown at historical cost.
- Individual items of plant, equipment and vehicles are included at market value.

Net current replacement cost is assessed as:

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

The Council undertook a revaluation of approximately 25% of its assets by value as at 1st April 2009, to comply with the SORP's requirement to revalue assets at intervals of not more than 5 years. Any material changes to other assets not in the planned programme have been adjusted as necessary.

The valuation of property is conducted by a qualified internal valuer, who holds a recognised and relevant professional qualification and has recent post-qualification experience and sufficient knowledge of the state of the market, in the location and category of the tangible fixed asset being valued. The Council's valuer produces a certificate for all valuations and impairments.

Where a fixed asset is included in the Balance Sheet at current value, the increase over the previous carrying amount is credited to the Statement of Total Recognised Gains and Losses and taken to the Revaluation Reserve, except to the extent that it reverses revaluation losses (after adjusting for depreciation) on the same asset that were previously recognised in the Income and Expenditure Account.

Where on revaluation there is a decrease over the previous carrying amount an impairment loss occurs. Where the loss is caused by clear consumption of economic benefits it is charged to the Income and Expenditure Account. Where the loss is not caused by a clear consumption of economic benefit it is recognised in the Statement of Total Recognised Gains and Losses until the asset's carrying amount reaches its depreciated historical cost and taken to the Revaluation Reserve, and thereafter to the Income and Expenditure Account.

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

Impairment

The valuer has reviewed fixed assets for impairment where events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable. Examples of events and changes in circumstances that indicate impairment may have been incurred include:

(a) a significant decline in a fixed asset's market value during the period

(b) evidence of obsolescence or physical damage to the fixed asset

(c) a significant adverse change in the statutory or other regulatory environment in which the authority operates.

Tangible fixed assets other than non-depreciable land are reviewed at the end of each reporting period for impairment when either:

(a) no depreciation charge is made on the grounds that it would be immaterial (either because of the length of the estimated remaining useful life or because the estimated residual value of the fixed asset is not materially different from the carrying amount of the asset), or

(b) the estimated remaining useful life of the fixed asset exceeds 50 years.

Where an impairment loss on a tangible fixed asset carried at historical cost occurs, caused by a clear consumption of economic benefits, the impairment loss is recognised in the relevant service revenue account within Net Cost Of Services in the Income and Expenditure Account. Otherwise, the impairment loss is written off against any revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess charged to the relevant service revenue account.

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

Accounting for disposals of tangible fixed assets

Where an asset is disposed of or decommissioned the value of the asset in the Balance Sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Income from the disposal of fixed assets is credited to the Income and Expenditure Account as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Revaluation of a fixed asset at the point of disposal is not permitted. Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account. Amounts in excess of £10,000 are categorised as capital receipts.

If the asset disposed of was carried at historical cost, the gain or loss credited or debited to the Income and Expenditure Account is reversed out of the General Fund by debiting (a gain) or crediting (a loss) to the General Fund with an amount equal to the gain or loss on disposal of the tangible fixed asset. This is achieved by a credit to the Usable Capital Receipts Reserve of an amount equal to the proceeds of the disposal and a debit to the Capital Adjustment Account of an amount equal to the carrying amount of the fixed asset. The gain or loss on disposal of tangible fixed assets is shown as a reconciling item in the Statement of Movement in the General Fund Balance.

Where the asset was carried at current value, in addition to the entries above the balance on the Revaluation Reserve in respect of asset disposals is written off to the Capital Adjustment Account.

The proportion of the receipt that is required to be paid over to central government as a ‘housing pooled capital receipt’ is charged in the Net Operating Cost section of the Income and Expenditure Account and the same amount appropriated from the Usable Capital Receipts Reserve and credited to the Statement of Movement on the General Fund Balance.

Where a fixed asset is disposed of for other than a cash consideration, or where payment is deferred, an equivalent asset has been recognised and included in the Balance Sheet at its fair value.

Depreciation

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

Depreciation is calculated on the following bases:

- Newly acquired assets are depreciated from the month of acquisition, although assets under construction are not depreciated until they are brought into use.
- Depreciation is calculated using the straight-line method.
- Fixed assets that are disposed of are depreciated to the month in which the disposal takes place.

The useful lives of assets are reviewed by the valuer as part of the revaluation process. Where the useful life of a fixed asset is revised, the carrying amount of the fixed asset is depreciated over the revised remaining useful life.

Where the fixed asset comprises two or more major components with substantially different useful economic lives (for example a land component and a building component), each component is accounted for separately for depreciation purposes and depreciated over its individual useful life. Depreciation is not normally provided for freehold land. The Council has considered further component accounting of assets for depreciation but has decided that it is not material and beneficial at this time.

For fixed assets other than non-depreciable land the only ground for not charging depreciation is that the depreciation charge is immaterial. Assets under construction are not depreciated until completed but may suffer impairment. Surplus assets held for sale are not exempted from depreciation under FRS 15 and have been reviewed accordingly

Depreciation is charged to General Fund service revenue accounts, support services and trading accounts, together with any related impairment loss (due to a clear consumption of economic benefits), for all fixed assets used in the provision of the service. This includes surplus assets held for disposal, which are charged to Non Distributed Costs.

VALUE ADDED TAX (VAT)

VAT is only included in the revenue and capital accounts when it is irrecoverable. HMRC announced a moratorium for the partial exemption calculation for 2007/08 and 2008/09, so there was no irrecoverable VAT for those years. Provision has been made for 2009/10.

GROUP ACCOUNTS

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 interests in other entities (such as subsidiaries, associated companies and joint ventures) and, therefore, group accounts have not been produced.

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 Finance;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- Approve the Statement of Accounts.

The Head of Finance's responsibilities

The Head of Finance is responsible for the preparation of the authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the UK ("the SORP").

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

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

The Head of Finance 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 FINANCE OFFICER'S CERTIFICATE

I certify that the accounts set out on pages 6 to 51 present a true and fair view of the financial position of the Council at 31st March 2010 and its income and expenditure for the year ended 31st March 2010.

P.J. Colledge, C.P.F.A.
Head of Finance

22nd September 2010

APPROVAL BY AUDIT COMMITTEE

Councillor J. Radford
Chairman of the Audit Committee

Date of Meeting: 28th June 2010

CORE FINANCIAL STATEMENTS

INCOME AND EXPENDITURE ACCOUNT

This statement shows the gross expenditure, income and net expenditure of the Council's major services and demonstrates how that cost was financed from general government grants and income from local taxpayers. The summary includes recharges made between committees including the reallocation of support service costs. However, an adjustment is made in the "Central Services" line to remove the grossing up of expenditure and income, which would otherwise occur.

Statement of Net Expenditure	2009/10 Expenditure £'000s	2009/10 Income £'000s	2009/10 Net Expenditure £'000s	2008/09 Net Expenditure Restated £'000s
Cultural and Related Services	4,524	1,945	2,579	2,980
Environmental Services	6,327	2,011	4,316	4,413
General Fund Housing	14,043	13,340	703	523
Planning and Development Services	2,437	1,674	763	1,487
Highways, Roads & Transport	1,248	2,160	(912)	(765)
Corporate and Democratic Core	1,569	8	1,561	1,756
Non Distributed Costs	226	0	226	233
Central Services to the Public	5,507	4,641	866	893
Net Cost of Services	**35,881**	**25,779**	**10,102**	**11,520**
Loss on the Disposal of Fixed Assets			163	191
Town & Parish Council Precepts			1,109	1,095
Interest Payable			341	377
Interest and Investment Income			(338)	(724)
Contributions to Housing Capital Receipts Pool			1	8
Pensions Interest Cost & Expected Return on Pensions Assets			1,228	826
Net Operating Expenditure			**12,606**	**13,293**
Income from Council Tax			(6,506)	(6,263)
Non-Domestic Rates Distribution			(3,899)	(4,192)
General Governments Grants (See Note 11)			(969)	(668)
Deficit for the Year			**1,232**	**2,170**

There are no acquisitions or discontinued operations for 2008/09 or 2009/10.

Further information is set out in 1 to 12 of the Notes to the Core Financial Statements, commencing on page 22.

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

This Statement reconciles the movements necessary to adjust the surplus or deficit on the Income and Expenditure Account to the General Fund Balance taking into consideration statutory and non-statutory proper practices.

	Note	2009/10 £'000s	2008/09 Restated £'000s
Deficit for the year on the Income & Expenditure Account		1,232	2,170
Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year (see below)		(477)	(2,213)
(Increase)/Decrease in the General Fund Balance for the Year		**755**	**(43)**
General Fund Balance B/Fwd		(2,190)	(2,147)
General Fund Balance C/Fwd	12	**(1,435)**	**(2,190)**

	2009/10 £'000s	2009/10 £'000s	2008/09 Restated £'000s
Amounts included in the Income & Expenditure Account but required by statute to be excluded when determining the movement on the General Fund Balance for the Year			
Amortisation of Intangible Fixed Assets	(4)		(9)
Depreciation and Impairment of Fixed Assets	(882)		(1,986)
Government Grants Deferred Amortisation	207		233
Amounts treated as revenue expenditure in accordance with the SORP but which are classified as capital expenditure by statute	(579)		(234)
Net Gain/(Loss) on Sale of Fixed Assets	(163)		(191)
Amount by which pension costs calculated in accordance with the SORP (i.e. in accordance with FRS17) are different from the contributions due under the pension scheme regulations	(549)		(729)
Amount by which Council Tax Income included in the Income and expenditure Account is different from the amount taken to the General Fund in accordance with regulations	(22)		13
		(1,992)	
Amounts not included in the Income & Expenditure Account but required to be included by statute when determining the movement on the General Fund Balance for the year			
Capital Expenditure Charged to the General Fund Balance	316		245
Transfer from Capital Receipts Reserve equal to the amount payable into the Housing Capital Receipts Pool	(1)		(8)
		315	
Transfers to/(from) the General Fund Balance that are required to be taken into account when determining the movement on the General Fund Balance for the year			
Net transfer to/(from) earmarked reserves		1,200	453
Net Additional Amount Required to be Credited to the General Fund Balance for the year		**(477)**	**(2,213)**

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

This statement demonstrates how the movement in the Council's net worth, as shown on the Balance Sheet, links to the surplus/(deficit) on the Income and Expenditure Account and to other unrealised gains and losses.

	2009/10 £'000s	2008/09 Restated £'000s
Surplus/(Deficit) on the Income and Expenditure Account for the year	(1,232)	(2,170)
Surplus/(Deficit) arising on revaluation of fixed assets	3,774	2,142
Actuarial gains/(losses) on pension fund assets & liabilities	(5,572)	2,537
Any other gains & losses required to be included in the Statement of Total Recognised Gains and Losses	126	123
Total Recognised Gains and Losses for the Year	**(2,904)**	**2,632**

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 and liabilities.

	Notes (Pages 30 –44)	31 March 2010 £'000s	31 March 2009 Restated £'000s
Fixed Assets	Notes 13 – 38		
Intangible Fixed Assets		71	8
Tangible Fixed Assets			
Operational Assets			
Land and buildings		37,875	34,776
Vehicles, plant, furniture & equipment		1,122	1,301
Infrastructure assets		1,865	1,852
Community assets		5,231	4,958
Non Operational Assets			
Surplus assets held for disposal		227	1,458
Assets under construction		2,682	1,565
Total Fixed Assets	Notes 14,15	**49,073**	**45,918**
Long Term Debtors	Note 19	5	6
Total Long Term Assets		**49,078**	**45,924**
Current Assets:			
Stocks and Stores	Note 21	19	14
Debtors (Net of Bad Debts Provision)	Note 22	6,291	5,116
Short Term Investments	Note 24a	10,097	9,062
Cash and Bank		0	40
Total Current Assets		**16,407**	**14,232**
Current Liabilities:			
Short Term Borrowing		175	185
Creditors	Note 23	5,224	4,216
Bank Overdraft		144	0
Total Current Liabilities		**5,543**	**4,401**
Total Assets less Current Liabilities		**59,942**	**55,755**
Long Term Liabilities:			
Long Term Borrowing	Note 24b	5,450	5,450
Deferred Grants and Contributions	Note 26	3,991	2,943
Section 106 Agreements	Note 27	375	282
Assets related to pension scheme	Note 1	(32,969)	(24,365)
Liabilities related to pension scheme	Note 1	53,467	38,742
Deferred Capital Receipts	Note 34	5	189
Provisions	Note 30	61	48
		30,380	**23,289**
Total Assets less Liabilities		**29,562**	**32,466**
Financed by:			
Revaluation Reserve	Note 31	9,255	6,530
Capital Adjustment Account	Note 32	35,623	36,266
Financial Instruments Adjustment Account	Note 20	(5102)	(5,213)
Usable Capital Receipts Reserve	Note 33	3,674	3,074
Pensions Reserve	Note 35	(20,498)	(14,377)
Strategic Reserves	Note 36	5,243	4,043
Collection Fund Adjustment Account	Note 38	(68)	(47)
Balances:			
General Fund Balance	Note 12	1,435	2,190
Total Net Worth		**29,562**	**32,466**

CASH FLOW STATEMENT

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

	Notes (pages 45– 47)	2009/10 £'000s	2008/09 Restated £'000s
Net cash inflow/(outflow) from operating activities	Note 40	**615**	**2,104**
Returns on Investments and Servicing of Finance			
Cash Outflows			
Interest paid		(341)	(377)
Cash Inflows			
Interest Received		548	724
Net cash flow – servicing of finance		**207**	**347**
Capital Activities			
Cash Outflows			
Purchase of Fixed Assets		(1,291)	(1,970)
Other Capital Cash Payments		70	0
Cash Inflows			
Sale of Fixed Assets		1,813	94
Capital Grants Received from Government	Note 43	26	261
Capital Grants Received from Other Bodies		1,003	113
Other Capital Cash Receipts		173	190
Net cash inflow/(outflow) from capital activities		**1,794**	**(1,312)**
Net cash inflow/(outflow) before financing		**2,616**	**1,139**
Management of Liquid Resources			
Net (increase)/decrease in short term deposits		(1,245)	1,298
Net (increase)/decrease in other liquid resources		(1,545)	(2,891)
Financing			
Cash Outflows			
Repayments of Amounts Borrowed		(10)	(11)
Net Increase/(Decrease) in Cash		**(184)**	**(465)**

The Council uses the indirect method to prepare its cash flow statement.

NOTES TO THE CORE FINANCIAL STATEMENTS

Note 1: Pensions

Participation in pensions scheme

As part of the terms and conditions of employment of its officers and other employees, the Council offers retirement benefits. Although these benefits will not actually be payable until employees retire, the authority has a commitment to make the payments that need 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 the fund, calculated at a level that is intended to balance the pension liabilities with investment assets.

Transactions relating to retirement benefits

The net cost of pensions included in the Income and Expenditure Account complies with the requirements of FRS17 Retirement Benefits. This means that pension costs are recognised in the Net Cost of Services when employees earn them, 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 in the Statement of Movement in the General Fund Balance and replaced with the cash amount for contributions payable for the year. The transactions are shown in the following table:

	2009/10 £'000s	2008/09 £'000s
Income and Expenditure Account		
Net Cost of Services		
Current service cost	667	1,034
Settlements or curtailments	0	176
Net Operating Expenditure		
Interest cost	2,733	2,789
Expected return on pension fund assets	(1,505)	(1,963)
Net charge to the Income and Expenditure Account	**1,895**	**2,036**
Statement of Movement on the General Fund Balance		
Reversal of net charges made for retirement benefits in accordance with FRS17	(1,895)	(2,036)
Actual amount charged against the General Fund Balance for pensions in the year		
Employer's contributions payable to scheme	1,346	1,307

In addition to the recognised gains and losses included in the Income and Expenditure Account, net actuarial losses of £5,572,000 (2008/09 net gains of £2,537,000) were included in the Statement of Total Recognised Gains and Losses. The cumulative amount of actuarial gains and losses recognised in the Statement of Total Recognised Gains and Losses is a loss of £4,683,000.

The current service cost is an estimate of the true economic cost of employing people in a financial year, earning years of service that will eventually entitle them to the receipt of a lump sum and pension when they retire. Current service cost in 2009/10 equates to 11.4% of pensionable payroll (2008/09 17.8%). For 2009/10, current service costs have reduced substantially compared to those for 2008/09. This is a result of a large change in financial assumptions from 1 April 2008 to 1 April 2009 (i.e. an increase in the FRS17 discount rate from 6.1% to 7.1% and a reduction in inflation expectations from 3.6% to 3.3%). For 2010/11, current service costs are expected to be perhaps 8-9% of pay higher than the corresponding figures for

2009/10. This is the effect of changes in financial assumptions from 1 April 2009 to 1 April 2010 (i.e. the reduction in FRS17/IAS19 discount rate from 7.1% to around 5.6% and the slight increase in inflation expectations from 3.3% to around 3.5%).

Past service costs arise when the employer makes a commitment to provide a higher level of benefit than previously promised where such a benefit did not previously exist, such as a grant of early retirement with added years of service.

Settlements and curtailments arise from specific decisions made by the Council that are not covered by actuarial assumptions, for example a reduction in employees because of a redundancy exercise.

Assets and liabilities relating to retirement benefits

At the end of the financial year the Council had the following overall assets and liabilities for pensions that have been included in the balance sheet:

	31st March 2010 £'000s	31st March 2009 £'000s
Present value of funded benefit obligations	(51,994)	(37,502)
Present value of unfunded benefit obligations	(1,473)	(1,240)
Total present value of benefit obligations (liabilities)	**(53,467)**	**(38,742)**
Fair value of plan assets	**32,969**	**24,365**
Surplus/(Deficit)	**(20,498)**	**(14,377)**

Some of the scheme liabilities are "unfunded". 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.

The following table provides details of the movement in the present value of the scheme liabilities: -

	2009/10 £'000s	2008/09 £'000s
Benefit obligation at the beginning of the period	38,742	45,881
Current Service Cost	667	1,034
Interest on Pension Liabilities	2,733	2,789
Member Contributions	380	370
Actuarial (gains)/losses on liabilities	12,494	(9,781)
Curtailments	0	176
Benefits/transfers paid	(1,549)	(1,727)
Benefit obligation (liabilities) at end of period	**53,467**	**38,742**

There has been a significant change in Actuarial (gains/losses) on liabilities. The main reason for this is that the financial assumptions used for the calculations at 31 March 2010 are much more conservative than those used as at 31 March 2009, driven by the yields on corporate bonds falling substantially and the inflation assumption increasing slightly during the year.

The following table provides details of the movement in the fair value of the scheme assets: -

	2009/10 £'000s	2008/09 £'000s
Fair value of plan assets at the beginning of the period	24,365	29,696
Expected return on plan assets	1,505	1,963
Actuarial gains/(losses) on assets	6,922	(7,244)
Employer contributions	1,346	1,307
Member contributions	380	370
Benefits/transfers paid	(1,549)	(1,727)
Fair value of plan assets at end of period	**32,969**	**24,365**

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

The actual return on scheme assets during the year was £8,427,000 (2008/09 £5,281,000 loss).

Asset returns in 2009/10 have been exceptionally good (following a very poor 2008/09), achieving investment returns of 21% on fund assets. This compares with an "expected" return calculated at the start of the year of around 6.5% net of expenses.

The values of each main class of assets held by the Fund in respect of Derbyshire Dales District Council's proportion of the scheme as at 31 March, and the percentage for each category, are set out in the following table:

	2009/10		2008/09	
	Fair Value 31st March 2010 £'000s	Percentage %	Fair Value 31st March 2009 £'000s	Percentage %
Equities	22,420	68.0	15,472	63.5
Government Bonds	4,813	14.6	5,092	20.9
Other Bonds	1,912	5.8	853	3.5
Property	1,681	5.1	1,730	7.1
Cash/Liquidity	1,912	5.8	1,145	4.7
Other	231	0.7	73	0.3
Total	**32,969**	**100.0**	**24,365**	**100.0**

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent upon assumptions about mortality rates, salary levels, etc. Mercer Limited, 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 2007 and an interim valuation as at 31st December 2009.

The principal assumptions used by the actuary have been:

	31 March 2010	31 March 2009
Long-term expected rate of return on assets in the scheme:		
Equities	7.5%	7.5%
Government Bonds	4.5%	4.0%
Other Bonds	5.2%	6.0%
Property	6.5%	6.5%
Cash/Liquidity	0.5%	0.5%
Other	7.5%	7.5%
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	21.2	21.2
Women	24.1	24.0
Longevity at 65 for future pensioners:		
Men	22.2	22.2
Women	25.0	25.0
Retail price inflation	3.3%	3.3%
Rate of increase in salaries	4.8%	4.8%
Rate of increase in pensions	3.3%	3.3%
Rate used to discount scheme liabilities	5.6%	7.1%
Take-up of option to convert annual pension into retirement lump sum	50%	50%

Scheme History

	2005/06 £'000s	2006/07 £'000s	2007/08 £'000s	2008/09 £'000s	2009/10 £'000s
Present value of scheme liabilities	(43,336)	(42,963)	(45,881)	(38,742)	(53,467)
Fair value of scheme assets	28,908	30,886	29,696	24,365	32,969
Surplus/(deficit) in the scheme	**(14,428)**	**(12,077)**	**(16,185)**	**(14,377)**	**(20,498)**

The Council has elected not to restate fair values of scheme assets for 2005/06 to 2007/08 as permitted by the SORP.

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total liability of £20.5m has a substantial impact on the net worth of the authority as recorded in the Balance Sheet, resulting in a positive overall balance of £29.4m. However, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy as the deficit on the pension scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

The Council expects to pay £1,246,000 in respect of pension contributions to the pension scheme during 2010/11.

History of experience gains and losses

The actuarial gains and losses identified as movements on the pensions reserve can be analysed into the following categories, measured as a percentage of assets or liabilities at the year-end:

	2005/06 %	2006/07 %	2007/08 %	2008/09 %	2009/10 %
Scheme liabilities expressed as a percentage of the liabilities at the Balance Sheet date	(9.7)	5.1	(1.9)	25.2	(23.4)
Scheme assets expressed as a percentage of the scheme assets at the Balance Sheet date	14.3	(0.3)	(9.5)	(29.7)	21.0

Note 2: Agency Services

The Council operates as an agent for Derbyshire County Council in respect of highways cleansing and verge mowing. In 2009/10 the expenditure was £343,000 (2008/09 £349,000).

The Council acts as an agent for Central Government in collecting National 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 48.

Note 3: Trading Operations

Following a voluntary competitive tendering exercise, from 1st April 2008 the Council has run its street cleansing, verge mowing and vehicle maintenance operations under a single manager, who is required to meet the costs of activities by charging customers (internal and external) for services provided. The trading unit has the following financial results:

	2009/10		2008/09	
	£'000s	£'000s	£'000s	£'000s
Street Cleansing & Verge Mowing				
Turnover	1,405		1,358	
Expenditure	(1,291)		(1,274)	
Surplus		114		84
Vehicle Maintenance				
Turnover	165		183	
Expenditure	(264)		(214)	
Surplus		(99)		(31)
Net Surplus on trading activities		**15**		**53**

Note 4: Leases

The Council holds no assets purchased by finance leases. The Council has acquired items of gym equipment and cleansing contract vehicles through operating leases. Operating lease payments for 2009/10 amounted to £218,000 (2008/09 £179,000). As at 31st March 2010 the Council is committed to making payments of £218,000 in respect of operating leases held in the 2010/11 financial year. These payments comprise the following elements:

	Gym Equipment £000	Vehicles £000
Leases expiring in 2010/11	15	2
Leases expiring between 2011/12 and 2014/15	0	44
Leases expiring after 2014/15	0	157

Note 5: Members Allowances

Members allowances paid during 2009/10 amounted to £221,000 (2008/09 £216,000). In addition, travel expenses amounting to £12,000 were paid (2008/09 £12,000).

Note 6: Employees' Remuneration

The remuneration disclosures for Senior Officers whose salary was greater than £50,000 for the 2008/09 financial year are set out below: -

Post Holder	Salary (Including Fees & Allowances) £000's	Benefits in Kind £000's	Total Remuneration excluding pension contributions £000's	Pension Contributions £000's	Total Remuneration including pension contributions £000's
Chief Executive	118	8	126	24	150
Director of Planning & Development Services	80	2	82	15	97
Director of Community Services	75	4	79	15	94
Head of Finance	65	2	67	12	79
Head of Planning Services	63	3	66	13	79
Head of Organisational Development	59	2	61	12	73
Head of Democratic Services	51	3	54	10	64
Head of Corporate Services	53	1	54	4	58
	564	**25**	**589**	**105**	**694**

The remuneration disclosures for Senior Officers whose salary was greater than £50,000 for the 2009/10 financial year are set out below: -

Post Holder	Salary (Including Fees & Allowances) £000's	Benefits in Kind £000's	Total Remuneration excluding pension contributions £000's	Pension Contributions £000's	Total Remuneration including pension contributions £000's
Chief Executive	118	6	124	24	148
Director of Planning & Development Services	80	2	82	15	97
Director of Community Services	78	5	83	15	98
Head of Finance	66	2	68	13	81
Head of Planning Services	66	2	68	13	81
Head of Organisational Development	59	3	62	12	74
Head of Democratic Services	51	3	54	10	64
	518	**23**	**541**	**102**	**643**

The number of employees whose remuneration exceeded £50,000, excluding employer's pension contributions, during the year is set out below: -

Remuneration	2009/10	2008/09 Restated
£50,000 to £54,999	1	2
£60,000 to £64,999	1	1
£65,000 to £69,999	2	2
£75,000 to £79,999	0	1
£80,000 to £84,999	2	1
£120,000 to £124,999	1	0
£125,000 to £129,999	0	1
	7	**8**

Note 7: Audit Fees

The following fees relating to external audit and inspection were payable to the Audit Commission:

	2009/10 £'000s	2008/09 £'000s
Statutory External Audit Services	60	58
Use of Resources Assessment	16	17
Statutory Inspection	8	6
Certification of Grant Claims and Returns	29	19
IT Risk Work	0	6
Total Fees	**113**	**106**

Note 8: Minimum Revenue Provision

The Council is required by statute to set aside a minimum revenue provision for the redemption of external debt. The Council's current calculation for its minimum revenue provision is zero, as it has a negative Capital Financing Requirement.

	2009/10 £'000s	2008/09 £'000s
Minimum Revenue Provision	0	0
Amount Charged as Depreciation etc	(918)	(827)
Additional Credit to Statement of Movement on General Fund Balance	**(918)**	**(827)**

Note 9: Related Party Transactions

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council. This note does not include transactions with related parties that are disclosed elsewhere in the accounts (such as payment of precepts).

Central government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides 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. The following table shows grants in excess of £250,000:

	2009/10 £'000s	2008/09 £'000s
Revenue Grants		
DCLG - Revenue Support Grant	900	584
DCLG – Business Rates Redistribution	3,899	4,192
DWP - Housing & Council Tax Benefits	15,736	13,628

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 2009/10 grants were paid to Derbyshire Rural Community Council, Mid-Derbyshire Citizen's Advice Bureau, Ashbourne Community Transport and Bakewell & Eyam Community Transport, organisations in which members have an interest. The decisions regarding the level of grant support were taken by the Head of Democratic Services, under delegated authority.

Note 10: VAT

The Net Cost of Services on the Income and Expenditure Account includes £85,000 in respect of overpaid VAT recovered in Fleming claims and £85,000 in respect of non-recoverable VAT set aside in 2006/07 that is not payable.

Note 11: General Government Grants (Revenue)

The following table shows general government grants for revenue expenditure:

	2009/10 £'000s	2008/09 £'000s
Revenue Support Grant	900	584
Local Authority Business Growth Incentive Grant	29	62
Area Based Grant	40	22
Total	**969**	**668**

Note 12: Balance on the Statement of Movement on the General Fund Balance

The statement on page 18 shows the movements necessary to adjust the Income and Expenditure Account in accordance with statutory requirements and proper accounting practices, to arrive at the General Fund balance. This balance is significant as it shows the revenue balances that are generally available for new expenditure. The Council has agreed that it is prudent to maintain a working balance of £1m to meet emergencies and contingencies, and to provide cash flow. The Statement of Movement on the General Fund Balance shows a General Fund balance carried forward at 31st March 2010 of £1,435,000 (31st March 2009 £2,190,000).

Note 13: Movement in Intangible Assets

	Software Licences £000	**Licences** £000	**Total** £000
Original Cost	8	9	17
Amortisation to the 1st April 2009	1	7	8
Balance as at 1st April 2009	**7**	**2**	**9**
Expenditure in Year	67	0	67
Amortisation to Revenue in Year	3	2	5
Historical Cost at 31st March 2010	75	9	84
Amortisation to 31st March 2010	4	9	13
Balance at 31st March 2010	**71**	**0**	**71**

Amortisation methods are explained in Accounting Policies on page 9.

Note 14: Information on assets held

The District Council owned the following fixed assets at the financial year-end:

		31st March 2010		31st March 2009	
		Number	£'000s	Number	£'000s
Land and Buildings					
Leisure and Tourism	- Leisure Centres	5	10,664	5	6,883
	- Tourist Information Offices	1	60	1	66
	- Pavilions (in Parks)	9	302	9	319
Other:	- Bakewell Agricultural Business Centre	1	7,577	1	7,717
	- Public Conveniences	34	1,784	34	1,855
	- Off Street Car Parks	44	10,029	44	10,029
	- Stall Markets	4	103	4	105
	- Council Offices	1	3,165	1	3,270
	- Depots and Stores	3	871	3	873
	- Public Properties	2	362	2	376
	- Homeless Units	0	0	8	292
	- Miscellaneous	39	144	39	147
	- Industrial Property	2	150	2	150
	- Commercial Properties Rented Out	59	2,664	60	2,695
Vehicles		47	300	33	357
Equipment	- E Government Equipment		126		126
	- CCTV Equipment		165		153
	- Printing Equipment		0		2
	- Wheeled Bins		592		659
	- Community Safety Equipment		3		4
	- Car Parking Meters		7		0
	- Gym Equipment		0		7
Intangible Assets	- Leisure Centre		0		2
Infrastructure Assets	- Bus Stations	3	73	3	73
	- Bakewell Agricultural Business Centre	2	1,050	2	1,050
	- Housing Retained Sewers	8	95	8	81
	- Parks	2	33	2	33
	- Industrial Development	1	586	1	586
	- Public Property	8	28	8	28
Community Assets	- Cemeteries	14	372	14	298
	- Housing – Retained Land	18	53	18	53
	- Parks & Pleasure Grounds (hectares)	85	4,806	85	4,606
Assets Surplus to Requirements	- Leisure Centre	0	0	1	710
	- Homelessness	3	227	0	0
	- Housing Units	0	0	5	748
	- Undeveloped Land (hectares)	40	0	40	0
Assets under Construction			2,682		1,565
Total			**49,073**		**45,918**

Note 15: Fixed Assets

Movements in tangible fixed assets during the year were as follows:

	Land and Buildings £'000s	Community Assets £'000s	Infrastructure Assets £'000s	Vehicles, Plant and Equipment £'000s	Assets Under Constr'n £'000s	Total £'000s
Gross Book Value at 01/04/09	**37,506**	**4,958**	**1,852**	**2,899**	**1,565**	**48,780**
Additions	203	273	13	168	1,187	1,844
Disposals	(1,655)	0	0	0	0	(1,655)
Transfers	70	0	0	0	(70)	0
Revaluations	3,825	0	0	(135)	0	3,690
Impairment	(507)	0	0	(11)	0	(518)
Gross Book Value at 31/03/10	**39,442**	**5,231**	**1,865**	**2,921**	**2,682**	**52,141**
Cumulative Depreciation at 31/03/09	**(1,272)**	**0**	**0**	**(1,598)**	**0**	**(2,870)**
Charge for 2009/10	(717)	0	0	(201)	0	(918)
Depreciation on Disposals	10	0	0	0	0	10
Depreciation on Revaluations	639	0	0	0	0	639
Cumulative Depreciation at 31/03/10	**(1,340)**	**0**	**0**	**(1,799)**	**0**	**(3,139)**
Net Book Value as at 31/03/10	**38,102**	**5,231**	**1,865**	**1,122**	**2,682**	**49,002**
Net Book Value as at 31/03/09	**36,234**	**4,958**	**1,852**	**1,301**	**1,565**	**45,910**

Note 16: Capital Financing

Since 1st April 2004 and the introduction of the Prudential Code for Capital Finance in Local Authorities, the need to set aside sums for the repayment of debt has been calculated by charging 4% of the Opening Capital Financing Requirement (CFR). If the CFR is negative no charge is required. The table below shows the opening CFR, capital expenditure for the year and how it was financed, together with the resulting closing CFR.

	2009/10 £'000s	2008/09 £'000s
Opening Capital Financing Requirement	**(137)**	**(137)**
Capital Investment		
Operational Assets	1,912	2,262
Revenue Expenditure Funded From Capital	1,557	1,337
Sources of Finance		
Capital Receipts	(894)	(1,018)
Government Grants and Contributions	(2,259)	(2,336)
Direct Financing from Revenue	(316)	(245)
Closing Capital Financing Requirement	**(137)**	**(137)**

Note 17: Commitments Under Capital Contracts:

The Council has the following major capital schemes in excess of £250,000 under contract as at 31st March 2010:

Scheme	31st March 2010 £'000s	Estimated date of completion
Central Area Leisure Centre:		
Management	1,214	August 2011
Construction	8,980	August 2011
Initial Public Realm Enhancement and Surfacing Scheme Matlock	799	July 2010

Note 18: Valuation of Fixed assets

The Council revalued approximately 25% of the General Fund assets (by value) as at 1st April 2009. This comprised of the Council's leisure centres and swimming pools. In addition, a review was undertaken of all other assets owned by the Council to determine any further action required. A review of the assets was undertaken to determine if any impairment had taken place and where appropriate the values were amended. M Galsworthy MRICS, the Council's internal valuer, carried out the valuations and the impairment review. Plant and machinery is included in the valuation of buildings.

The remaining lives of the assets included in the Balance Sheet comprise the Valuer's professional opinion of the remaining useful life of each asset assuming regular repairs and maintenance but disregarding major refurbishment. Each asset's life has been determined individually and details can be obtained from the Council's Valuer. The basis for the valuations, depreciation methods and expected lives for each category of asset are explained in the Accounting Policies on Pages 12 to 14. The assumptions made in producing the various valuations are set out in a valuation certificate and report.

The lives of the assets currently held by the Council are as follows:

Operational Buildings			
Depots	10/47 years	Leisure Centres	3/55 years
Parks Pavilions	1/40 years	Stall Market	31 years
Public Offices	25 years	Tourist Information Centre	10 years
Public Conveniences	3/39 years	Agricultural Business Centre	50 years
Other Residential Properties	0/44 years	Miscellaneous / Commercial Properties	0/43 years
Vehicles, Plant and Equipment			
Vehicles	1/10 years	Plant and Equipment	1/7 years

The depreciation charge for 2009/10 was £918,000 (2008/09 £827,000).

Note 19: Long Term Debtors

These are debtors that fall due after a period of at least one year, analysed as follows:

	1st April 2009 £'000s	Amounts Written Off £'000s	31st March 2010 £'000s
Council House Mortgages	6	1	5
2009/10	**6**	**1**	**5**
2008/09	25	(19)	6

Note 20: Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account represents the amount outstanding in respect of the losses incurred when the Council redeemed its long-term debt in 2003/04. This is being written off to revenue over the life of the replacement loans (i.e. 50 years) from financial year 2006/07. The balance on the account at 31st March 2010 is £5,102,000 (31st March 2009 £5,213,000).

Note 21: Stocks and Stores

This is represented by:

	31st March 2010 £'000s	31st March 2009 £'000s
Stocks		
Fuel and Oils	2	0
Tourism Publications	12	11
Computer Consumables	5	3
	19	**14**

Note 22: Debtors

An analysis of debtors is shown below:

	31st March 2010 £'000s	31st March 2009 Restated £'000s
Sundry Debtors	1,370	1,856
Council Tax Payers	272	255
Government Departments	3,362	1,428
Other Local Authorities	1,287	1,577
	6,291	**5,116**

Note 23: Creditors

An analysis of creditors is shown below:

	31st March 2010 £'000s	31st March 2009 Restated £'000s
Sundry Creditors	2,541	2,544
Government Departments	1,353	825
Council Taxpayers	135	125
Other Local Authorities	1,195	722
	5,224	**4,216**

Note 24: Treasury Management

a) Short-Term Investments

In 2009/10 the Council lent only to its bankers and to various building societies, on a short-term basis. The investments ranged from short fixed investments to fixed periods of 364 days. The balance at 31st March 2010 was £10.1m (31st March 2009 £9.1m). The average interest rate earned for 2009/10 was 2.01% (2008/09 5.54%). No formal calculation of the Effective Rate of Interest is necessary as the investments are all for less than one year and the carrying amount is a reasonable approximation for fair value. Accrued interest at 31st March 2010 totalled £17,000.

b) Long-Term Borrowing

Long-term borrowing is defined as being repayable within a period exceeding twelve months. The Council undertook a review of its long-term borrowings in 2003/04 and subsequently repaid all of the outstanding amounts in that year. This review was part of a rescheduling exercise that was completed in 2006/07 when new borrowings were undertaken. The total outstanding at the financial year-end is shown below:

Source of Loan	**Interest Rate Payable**	31st March 2010 £'000s	31st March 2009 £'000s
Public Works Loan Board	4.1%	5,450	5,450
Analysis of Loans by Maturity			
Between 1 years and 2 years		0	0
Between 2 years and 5 years		0	0
Between 5 years and 10 years		0	0
More than 10 years		5,450	5,450
Total		**5,450**	**5,450**

The Council is required to disclose the fair value of its debt portfolio, which is as follows:

	£'000s
31st March 2010	5,279
31st March 2009	5,421

The 2010 figure has been calculated by reference to the 'premature repayment' set of interest rates in force on 31st March 2010; the 2009 figure by reference to the premature repayment set of interest rates in force on 31st March 2009. At 31st March 2010 there was accrued interest owing to the PWLB of £5,000. The Council does not hold any long term borrowings raised in the money markets.

Note 25: Financial Instruments

A financial instrument is any contract that gives rise to a financial asset in one entity and a financial liability in another. Therefore the term “financial instruments” refers to both financial assets and financial liabilities. Financial assets include debtors, bank deposits and investments whilst financial liabilities include creditors and borrowing. There are more complex financial instruments, such as derivatives and embedded derivatives, but these are not used by the Council.

Initial Recognition

A financial asset or financial liability is recognised on the balance sheet when the holder becomes committed to the purchase (contract date). Debtors (sometimes referred to as trade receivables) are an exception as they are recognised not when a contract to supply is made but when the goods have been delivered or the services rendered. Similarly, creditors (sometimes referred to as trade payables) are recognised only when goods or services have been received.

In the case of financial liabilities such as borrowing, recognition in the balance sheet occurs when the cash lent is received rather than at the point when a commitment is made to enter into a loan agreement.

Initial Measurement

Financial assets and financial liabilities are measured initially at fair value less transaction costs that are directly attributable to them. Fair value is defined as “the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm’s length transaction”. The best evidence of the fair value of a financial instrument on initial recognition is the transaction price. Transaction costs include fees and commissions paid to agents, advisers, brokers and dealers but do not include internal administrative costs.

Soft Loans

“Soft Loans” are those sometimes made by local authorities for policy reasons rather than as financial instruments. These loans may be interest free or at rates below prevailing market rates. The loans are usually made to voluntary organisations that undertake activities that are considered to benefit the local community or to employees for the purchase of motor vehicles.

The fair value of a soft loan would be less than the amount of cash lent and should be estimated as the present value of all future cash receipts discounted using the prevailing market rate of interest for a similar loan. Any sum by which the amount lent exceeds the fair value of the loan should be charged to the Income and Expenditure Account. Subsequent accounting would require the loan’s “effective rate of interest” (EIR) to be used which would be higher than the contractual rate since the initial carrying amount of the loan is less than the principal sum required to be repaid. This rate will be the same as the rate used to discount the loan to its initial fair value. Interest in excess of the contractual interest rate is credited to the Income and Expenditure Account over the loan term.

The Council did not have any soft loans as at 31st March 2010.

Classification of Financial Instruments

The accounting treatment of a financial instrument depends upon the classification of the financial instrument on its initial recognition. FRS26 defines four classes of financial assets and two classes of financial liabilities. However, the vast majority of financial instruments held by local authorities will fall to be classified into two classes of financial asset and one class of financial liability. Financial assets will be either "loans and receivables" or "available for sale" and financial liabilities will be in the "amortised cost" class.

It is not generally necessary to undertake a formal EIR calculation because either the financial instrument is a short duration receivable (debtor) or payable (creditor) with no stated interest rate which is required to be measured at the original invoice amount, or because it is clear that the nominal interest rate equals the calculated EIR, as is the case with most fixed rate financial instruments.

As no investments were made for a period in excess of one year during 2009/10, the investments are considered to be short term and therefore no EIR calculation has been made for these on the grounds that the consequences of undertaking such a calculation are not considered to be material. The Council's loans are mostly at fixed rates of interest. It has not been necessary to carry out a formal calculation of the EIR as this would simply confirm the interest rate in the contract as the effective rate. Consideration will continue to be given in future years as to whether total interest income or expense should be calculated for financial assets and liabilities using the effective interest method.

Most loan debts and investments will have transaction costs which should be applied to adjust the financial instrument initial carrying amount with the result that they are amortised to the Income and Expenditure Account over the life of the financial Instrument. However, if such transaction costs are judged not to be material, they may be charged directly to the Income and Expenditure Account.

Premiums and Discounts

Accounting for premiums and discounts arising from the early repayment of debt is based on the principle that financial instruments are derecognised when their contract comes to an end. Premiums and discounts result from the ending of a financial liability. The amount payable or receivable is charged to the Income and Expenditure Account. This could lead to an inequitable charge to Council Tax payers and so provisions have been introduced to allow authorities to spread the impact of premiums and discounts on the council tax over future years.

The Council currently charges the Income and Expenditure Account with a premium of £111,000 per annum. This is in respect of a loan transaction in 2006/07 which will be repaid in 2056.

Classification of Financial Instruments on the Council Balance Sheet

Assets

Loans and Receivables

i) Long Term Debtors – This comprises of the two remaining Council House mortgages. The rates are charged are market rates.
ii) Investments – See Note 24a
iii) Accounts Receivable – Trade accounts receivable are instruments of short duration with no formal effective interest rate and are required to be valued at their original amount i.e. the carrying amount is a reasonable approximation of fair value.
iv) Cash Balances in Hand – The fair value of cash balances in hand is deemed to be the carrying value.

Available for Sale - Equity shareholdings (quoted investments not used by the Council).

Fair Value through Profit and Loss – Assets held for trading - not used by the Council.

Held to Maturity – This is prohibited by the SORP

Liabilities

Amortised Costs

i) Long Term Borrowing – See Note 24b.
ii) Accounts Payable – Trade accounts payable are instruments of short duration with no formal effective interest rate and are required to be valued at their original amount i.e. the carrying amount is a reasonable approximation of fair value.
iii) Overdrawn Cash Balances – The fair value of overdrawn cash balances is deemed to be the carrying value.

Fair Value Through Profit and Loss – Liabilities held for trading - not used by the Council.

Risks Arising From Financial Instruments and the Management of Risks

The Council's risk management procedures focus on the unpredictability of financial markets and implementing policies to minimise these risks. Under the Local Government Act 2003 the Council has to comply with the CIPFA Prudential Code, CIPFA Treasury Management in Public Services Code of Practice and Investment Guidance issued through the Act. The Council's Treasury Management Strategy is approved annually, together with its Prudential Indicators and Investment Strategy, and outlines the approach to risk management.

The most significant risks are:

i) Credit Risk – The possibility that other parties might fail to pay amounts due.
ii) Liquidity Risk – The possibility that the Council may not have sufficient funds available to meet its commitments to make payments.
iii) Market Risk – The possibility that financial loss may arise as a result of changes in interest rates, stock market movements and foreign exchange fluctuations.

Credit Risk

Credit Risk arises from deposits with banks and financial institutions as well as credit exposure to Council customers. This risk is minimised by the Treasury Management Strategy which requires that deposits are not made with financial institutions unless they meet minimum credit criteria. The Council has been very prudent in its lending and to date has not suffered any losses on its investments nor does it expect to. The Council will only lend to major banks and building societies and public sector organisations.

	Limit per Organisation
National Westminster Bank Plc	£5m
Major Banks and their wholly owned subsidiaries	£3m
Building Societies with assets in excess of £0.75 billion	£3m
Local Authorities and other major precepting Authorities	£3m
Debt Management Account Deposit Facility	No Limit

The Council does not as a rule allow credit for customers but keeps a close watch on its debt by analysing age and value in order to provide an adequate provision for any default.

Liquidity Risk

The Council has comprehensive cash flow arrangements that ensure funds are available as and when required. The Council has ready access to the money markets and PWLB and so there is no significant risk it will not be able to raise finance to meet its commitments under financial instruments. If this eventuality does materialise, however, it may be forced to borrow at a time of unfavourable interest rates. As part of the Prudential Code for Capital Finance in Local Authorities the Council is required to monitor the maturity structures of its borrowings to ensure excessive amounts do not become due for refinancing in any one period. The Council can meet all its current obligations under financial instruments.

Market Risk

The Council is exposed to market risk because of movements in interest rates on its investments and borrowings. It has, however, limited risk as its long term borrowing with PWLB is fixed and its investments and short term borrowing are of a temporary nature (less than 1 year). The Authority does not invest in equity shares and has no financial assets or liabilities in foreign currencies.

Note 26: Deferred Grants and Contributions

The table below provides an analysis of deferred grants and contributions:

	31st March 2010 £'000s	31st March 2009 £'000s
Ashbourne Sports Centre	1,540	1,568
Bakewell First Stop Shop	14	14
Central Area Leisure Centre	2,175	1,115
CCTV Equipment	138	120
E Government	53	41
Waste Recycling	40	47
Matlock Swimming Pool	10	13
Parks	21	25
	3,991	**2,943**

Note 27: Section 106 Agreements

In some private housing development schemes, the developer has incorporated an area of amenity space into the scheme and the Council has adopted this land and undertaken maintenance responsibilities. In return, the developer has made a one-off contribution to compensate the Council for the future maintenance expenses. Other Section 106 Agreements require the developer to contribute towards certain capital schemes, such as affordable housing.

Note 28: Assets held under Finance Leases

The Council no longer holds assets acquired by finance leases.

Note 29: Details of Movements on Reserves

The Council keeps a number of reserves in the Balance Sheet:

Reserve	Balance 1st April 2009 £'000s	Net Movement 2009/10 £'000s	Balance 31st March 2010 £'000s	Purpose of Reserve	Further detail of movements
Revaluation Reserve	6,530	2,725	9,255	Store of gains on revaluation of fixed assets not yet realised through sales	Note 31, page 41
Capital Adjustment Account	36,266	(643)	35,623	Store of capital resources set aside to meet past expenditure	Note 32, page 41
Financial Instruments Adjustment Account	(5,213)	111	(5,102)	Balancing account to allow for differences in statutory requirements and proper accounting practices for borrowings and investments	Note 20, page 34
Usable Capital Receipts	3,074	600	3,674	Proceeds of fixed asset sales available to meet future capital investment	Note 33, page 42
Pensions Reserve	(14,377)	(6,121)	(20,498)	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet	Note 35, page 42
Strategic Reserves	4,043	1,200	5,243	Resources set aside to meet future expenditure	Note 36, pages 43/44
General Fund Balance	2,190	(755)	1,435	Resources available to meet future running costs	Note 12, page 30
Collection Fund	(47)	(21)	(68)	This Council's share of the Collection Fund, which will be taken into account when setting the Council Tax for 2011/12.	Note 6, page 51
Total	**32,466**	**(2,904)**	**29,562**		

Note 30: Provisions

With the exception of provisions for doubtful debts (that are netted off debtors in the balance sheet) the Council has only one provision, which is for insurances. 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.

Note 31: Revaluation Reserve

The revaluation reserve reflects gains from the revaluation of fixed assets, not yet realised through sales. See page 13, Statement of Accounting Policies, for further explanation.

	31st March 2010 £'000s	31st March 2009 £'000s
Balance Brought Forward	6,530	4,736
Revaluations Upwards	3,350	1,584
Revaluations Downwards	(210)	(61)
Depreciation Adjustment (current/historic)	(196)	(138)
Depreciation Revaluations	518	614
Transfer in respect of Disposed Assets	(737)	(205)
Balance Carried Forward	**9,255**	**6,530**

Note 32: Capital Adjustment Account

	31st March 2010 £'000s	31st March 2009 £'000s
Balance Brought Forward	36,266	36,917
Capital Financing in Year - Capital Receipts	894	1,018
- Revenue	316	245
Revenue Expenditure Funded From Capital	(579)	(233)
Minimum Revenue Provision Adjustment	(918)	(827)
Depreciation Losses	196	138
Gains/losses on disposal	(909)	(49)
Amortisation of Intangible Assets	(4)	(8)
Deferred Grants and Contributions Account	207	233
Long Term Debt Repayment	0	(8)
Impairment	154	(1,160)
Balance Carried Forward	**35,623**	**36,266**

Note 33: Usable Capital Receipts Reserve

This reserve represents the capital receipts available to finance capital expenditure in future years. The receipts are used to meet designated capital expenditure.

	31st March 2010 £'000s	31st March 2009 £'000s
Balance Brought Forward	3,074	4,012
Receipts from Sales of Assets etc.	1,495	88
Receipts Applied for New Capital Expenditure	(894)	(1,018)
Pooling Requirement	(1)	(8)
Balance Carried Forward	**3,674**	**3,074**

Note 34: Deferred Capital Receipts

Deferred Capital Receipts are amounts derived from sales of assets, which will be received in instalments over agreed periods of time. They arise from mortgages on Council Houses sold. For the first time since the Housing Stock Transfer in March 2002 the Council was not due to any amounts in 2009/10 in respect of the Right to Buy Sharing Agreement. This Agreement, made with Dales Housing when the Council's stock was transferred, entitled the Council to an element of all future sales over a period of 30 years. The Agreement pre-determines the sum due to the Council.

Note 35: Pensions Reserve

This reserve is to fund the change in the Authority's recognised asset or liability where the cost of pensions in any one year will not match the amount required to be raised in taxation. This is done by an appropriation that equals the net change in the pension liability recognised in the Revenue Account.

	31st March 2010 £'000s	31st March 2009 £'000s
Balance Brought Forward	(14,377)	(16,185)
Receipts in Year	8,268	11,088
Payments in Year	(14,389)	(9,280)
Balance Carried Forward	**(20,498)**	**(14,377)**

Note 36: Strategic Reserves

The Council has created certain reserves to meet future expenditure, as follows:

	Balance at 1st April 2009 £'000s	Receipts in year £'000s	Payments in year £'000s	Balance at 31st March 2010 £'000s	Movement 2009/10 £'000s	Movement 2008/09 £'000s
Bakewell ABC Repairs	48	0	0	48	0	0
Carsington Improvements	79	0	3	76	(3)	(2)
Committed Expenditure	726	100	599	227	(499)	102
Concessionary Fares	355	12	0	367	12	355
Direct Revenue Financing	1,061	1,250	136	2,175	1,114	(100)
Economic Development	66	0	0	66	0	0
Elections	72	10	0	82	10	10
Information Technology	482	110	52	540	58	45
Insurances	533	0	6	527	(6)	(59)
Job Evaluation	0	529	92	437	437	0
Local Plan	69	0	5	64	(5)	(7)
Member/ Officer Indemnity	25	0	0	25	0	0
Sports Centres	210	166	50	326	116	80
Vehicle Renewals	287	52	61	278	(9)	23
Wheeled Bins	30	15	40	5	(25)	6
	4,043	**2,244**	**1,044**	**5,243**	**1,200**	**453**

Reserves are held for the following purposes:

Reserve	**Purpose**
Bakewell ABC Repairs	To meet future repair requirements at the Agricultural Business Centre.
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.
Concessionary Fares	To meet any increased costs arising from the judicial review; to meet any increased costs arising from appeals by bus operators; to meet increased costs due to inflation over and above grant increases.
Direct Revenue Financing	For future application to capital schemes, representing the Direct Revenue Financing provided for capital schemes where slippage has occurred.
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.

Job Evaluation	To finance the extra costs of the Council's Job Evaluation exercise over 7 years
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.
Sports Centres	To finance a new sports centre within the District.
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.
Wheeled Bins	To finance the future purchase of any replacement wheeled bins required by the Council.

Note 37: Date of Issue and Post Balance Sheet Events

The Statement of Accounts was authorised for issue on 23rd June 2010 by the Head of Finance P.J.Colledge CPFA. It is up to this date that events after the balance sheet date have been considered. For 2009/10, there was one material post balance sheet events concerning pensions.

The Chancellor of the Exchequer announced in his Emergency Budget on 22 June 2010 that the consumer price index rather than the retail price index will be the basis for future public sector pension increases. In accordance with paragraph 21 of Financial Reporting Standard 21 (Events after the balance sheet date), this change is deemed to be a non-adjusting post balance sheet event. It is estimated that this change will reduce the value of an average employer's FRS17 liabilities in the Fund by around 5% to 8%.

Note 38: Collection Fund Adjustment Account

The balance on the Collection Fund Adjustment Account represents Derbyshire Dales District Council's share of the collection fund deficit, as shown in Note 6 to the Collection Fund on page 51.

Note 39: 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 31st March 2010 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).

	31st March 2010 £'000s	31st March 2009 £'000s
Balance at 1 April	4	4
Interest on Investment	9	9
Partial Repayment of Investment	10	0
Total	**23**	**13**
Less: Grants	(15)	(10)
Balance at 31st March	**8**	**3**

Note 40: Reconciliation of Surplus for Year on the Income and Expenditure Account to Revenue Activities Net Cash Flow Shown on the Cash Flow Statement

	2009/10		2008/09 Restated	
	£'000s	£'000s	£'000s	£'000s
Deficit on the Income and Expenditure Account		(1,232)		(2,170)
Non-cash transactions				
Depreciation and Impairment	886		697	
Revaluation decreases written off to I&E during the year	(313)		1,160	
Deferred Capital Grants written off in year	(207)		(233)	
Grants funding Revenue Expenditure funded from Capital Under Statute	117		(244)	
Pension Fund Adjustments	549		729	
Contributions to Provisions	13		3	
		1,045		**2,112**
Adjustment for items reported separately on cashflow				
Interest and Investment income	(338)			
			(724)	
Interest payable and similar charges	341		377	
Gain or loss on the disposal of Fixed Assets	163		191	
		166		**(156)**
Items on an Accrual Basis				
(Increase)/Decrease in Stock	(5)		2	
(Increase)/Decrease in Debtors	29		1,475	
Increase/(Decrease) in Creditors	612		841	
		636		**2,318**
Net Cash Inflow/(outflow) from operating activities		**615**		**2,104**

Note 41: Reconciliation of Movement in Cash to Movement in Net Debt

	Cash	Temporary Investments & short term deposits	Amounts relating to major preceptors & NNDR	Total	Loans due within one year	Loans due after more than one year	Net Debt
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Balance at 1 April 2009	40	9,062	(1,609)	7,493	(185)	(5,450)	1,858
Interest accrued 31st March 2009	0	(227)	0	(227)	0	0	(227)
Other cashflows in year	(184)	1,245	(1,545)	(484)	10	0	(474)
Other non cash changes	0	17	0	17	0	0	17
Balance at 31 March 2010	**(144)**	**10,097**	**(3,154)**	**6,799**	**(175)**	**(5,450)**	**1,174**

Note 42: Reconciliation of Financing/Management of Liquid Resources on Cash Flow Statement to related items in the Balance Sheet

	2009/10 £000's	2008/09 Restated £000's
Financing and Management of Liquid Resources as Cash Flow Statement		
Increase/(Decrease) in cash in year	(184)	(465)
Cash inflow from management of liquid resources	(527)	(1,298)
Cash outflow from loans repaid	10	11
Change in net debt resulting from cash flows	**(701)**	**(1,752)**
Other non cash changes		
Interest accrued at year end on short term investments	**17**	**0**
Net debt brought forward	**1,858**	**5,219**
Net debt carried forward	**1,174**	**3,467**

Note 43: Analysis of Government Grants Received

	2009/10 £'000s	2008/09 Restated £'000s
Revenue Grants		
Revenue Support Grant	900	584
NNDR	3,899	4,196
Area Based Grant	56	23
Business Growth Incentive	29	248
Concessionary Travel	297	290
Housing & Council Tax Benefits	15,240	13,103
Housing	909	830
Sports & Leisure	69	20
Planning Delivery Grant	107	119
Other	33	9
Total Revenue Grants	**21,539**	**19,422**
Capital Grants		
Housing	0	129
Leisure Services	0	13
Planning Delivery Grant	26	119
Total Capital Grants	**26**	**261**

Note 44: Analysis of Changes in Cash and Liquid Resources During the Year

	31st March 2010	31st March 2009 Restated	Change in Year
	£'000s	£'000s	£'000s
Temporary Investments	10,097	9,062	1,035
Amounts relating to Council Tax & NNDR	(3,154)	(1,609)	(1,545)
Cash / bank overdraft	(144)	40	(184)
Increase/(Decrease) in year	**6,799**	**7,493**	**(694)**

Note 45: Contingent Liabilities

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 31st March 2010 the cost of remediation work is estimated at £2.4m. 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.

The Council retained responsibilities for two unadopted sewer systems until March 2022. The sum of £500,000 has been included in the capital programme to carry out assessed works on both systems. However, progress on this work has been postponed while the Council awaits the results of the current national consultation exercise about the future of unadopted sewers.

Note 46: Contingent Assets

The Council has lodged VAT "Fleming Claims" and claims for overpaid VAT on off-street parking with HMRC, some of which have not yet been determined at the balance sheet date. At the present time it is not known whether the Council will receive payments. The outcome will be determined by HMRC or a decision of the VAT tribunal or courts. At 31st March 2010 these outstanding claims totalled £3m, plus interest. The probability of success in these cases is uncertain.

SUPPLEMENTARY FINANCIAL STATEMENTS

THE COLLECTION FUND

As the billing authority for the area, Derbyshire Dales District Council manages the Collection Fund. This account reflects the statutory requirement for billing authorities to maintain a separate Collection Fund, which shows the transactions of the billing authority in relation to non-domestic rates and council tax, and illustrates the way in which these have been distributed to preceptors and the General Fund. Administration costs are borne by the General Fund. The accounts have been prepared on an accruals basis.

	Notes	2009/10 £'000s	2008/09 £'000s
Income and Expenditure for the Year			
Income			
Income from Council Tax Payers	Note 1	40,548	39,058
Council Tax Benefits from General Fund		3,824	3,505
Income from Business Ratepayers	Note 2	15,857	16,094
Contribution towards previous year's estimated deficit	Note 3	164	267
Total Income		**60,393**	**58,924**
Expenditure			
Precepts and Demands	Note 4	44,612	42,689
Payment of Business Rates to National Pool	Note 2	15,709	15,947
Business Rates Cost of Collection Allowance	Note 2	148	147
Provision for Uncollectable Amounts	Note 5	69	53
Total Expenditure		**60,538**	**58,836**
Increase/(decrease) in Fund Balance for the Year		**(145)**	**88**
Balance Brought Forward		**(317)**	**(405)**
Surplus/(Deficit) Carried Forward	Note 6	**(462)**	**(317)**

Note 1: Council Tax

The table below shows the base used in setting the Council Tax for 2009/10.

Band	Number of Properties	Number of Dwellings (Adjusted for Discounts, Exceptions and Reliefs)	Ratio to Band D	Band D Equivalent Properties	Council Tax Base (99.3% collection rate)
X (Disabled)	5	4.75	5/9	2.65	2.64
A	3,413	2,763.71	6/9	1,842.49	1,829.65
B	6,802	5,947.20	7/9	4,625.61	4,593.23
C	7,092	6,383.36	8/9	5,674.13	5,634.45
D	5,385	4,992.16	9/9	4,992.16	4,957.20
E	4,644	4,282.12	11/9	5,233.73	5,197.10
F	2,880	2,711.71	13/9	3,916.88	3,889.48
G	2,074	1,958.95	15/9	3,264.99	3,242.18
H	109	101.00	18/9	202.00	200.69
Total	**32,404**	**29,144.96**		**29,754.64**	**29,546.62**

The total precepts (£44,612,161, see Note 4) were divided by the tax base to derive the Council Tax for the year for a Band D property. Thus in 2009/10 the Council set a Band D Council Tax of £1,509.89, including the average parish council charge of £37.52 (2008/09 £1,457.06 including £37.39 for average parish). The council tax for a band D property can be analysed as follows:

	2009/10 £	2008/09 £
Derbyshire County Council	1,061.30	1,030.98
Derbyshire Police Authority	161.32	148.44
Derbyshire Fire & Rescue	65.52	62.97
Derbyshire Dales District Council	184.23	177.28
Sub-total	**1,472.37**	**1,419.67**
Average parish council	37.52	37.39
Average Band D Council Tax	**1,509.89**	**1,457.06**

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

	2009/10 £000's	2008/09 £000's
Debit for year	49,610	47,564
Increased/(reduced) charges	(101)	(71)
Disabled persons reductions	(52)	(49)
Exemptions	(1,373)	(1,364)
Sole resident discounts	(3,424)	(3,246)
Discounts for empty properties and second homes	(155)	(146)
Disregarded persons discount	(133)	(125)
Council tax benefits	(3,824)	(3,505)
Net Income to Collection Fund	**40,548**	**39,058**

Note 2: Business Rates

Business rates are organised on a national basis. The Government specifies an amount (in 2009/10 this was 48.5p) and, subject to the effects of reliefs, local businesses pay rates calculated by multiplying their rateable value by that amount. The total non-domestic rateable value at 31st March 2010 was £39,708,587 for 3,677 properties. The Council is responsible for collecting business rates due from the ratepayers in its area but pays the proceeds into a national pool administered by the Government. The Government redistributes the sums paid into the pool back to local authorities on the basis of a fixed amount per head of population. This income is credited to the Income and Expenditure Account on Page 17. The business rate income collected on behalf of the Government and paid into the Pool can be analysed as follows:

	2009/10 £'000s	2008/09 £'000s
Debit for year	19,013	17,899
Increased/(reduced) charges	(484)	132
Transitional Loss/ Relief	52	(152)
Small Business Rate Relief	(838)	(629)
Small Business Rate Relief Supplement	130	140
Other Mandatory Reliefs	(1,654)	(1,034)
Discretionary Reliefs and Remissions	(293)	(254)
Deferral Scheme Reductions (introduced 2009/10)	(90)	0
Debts Written Off or Provided For	(86)	(85)
Interest Payable in Respect of Reduced Assessments	(13)	(28)
General Fund Contribution to Discretionary Reliefs	120	105
Net Business Rate Income	**15,857**	**16,094**
Cost of Collection Allowance Payable to General Fund	(148)	(147)
Amount Payable to National Pool	**15,709**	**15,947**

Note 3: Contribution towards previous year's estimated (surplus)/deficit

	2009/10 £'000s	2008/09 £'000s
Derbyshire County Council	116	190
Derbyshire Police Authority	17	27
Derbyshire Fire and Rescue	7	11
Derbyshire Dales District Council	24	39
	164	**267**

Note 4: Precepts and Demands

	2009/10 £'000s	2008/09 £'000s
Derbyshire County Council	31,358	30,206
Derbyshire Police Authority	4,766	4,349
Derbyshire Fire and Rescue	1,936	1,845
Derbyshire Dales District Council (including Town / Parish Councils)	6,552	6,289
	44,612	**42,689**

Note 5: Council Tax Provision for Uncollectable Amounts

The balance on the provision stands at £145,000 at 31st March 2010 (£137,000 at 31st March 2009). The amount in the provision is based on the level of arrears outstanding at 31st March and the anticipated collection rates. In 2007/08 there were no write-offs owing to staff time being directed to the introduction of a new computer system. Write-offs in 2008/09 (effectively covering two years) amounted to £36,000. Write offs in 2009/10 totalled £61,000. The amount shown as expenditure in the Collection Fund on Page 48 represents the contribution required for the year.

Note 6: Deficit Carried Forward

The deficit on the collection fund is shared between the General Fund, Derbyshire County Council, Derbyshire Police Authority and Derbyshire Fire and Rescue pro-rata to precepts issued. The contribution due from each authority is set out in the table below:

	2009/10 £000s	2008/09 £000s
Derbyshire County Council	325	224
Derbyshire Police Authority	49	32
Derbyshire Fire and Rescue	20	14
Derbyshire Dales District Council	68	47
	462	**317**

When setting the level of the Council Tax for 2010/11 it was anticipated that there would be a Collection Fund deficit of £286,000 at 31st March 2010. The difference between the estimated and actual deficit will be reflected when setting the tax for 2011/12.

ANNUAL GOVERNANCE STATEMENT 2009-10

1. 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, or can be obtained from the Head of Democratic Services, Town Hall, Matlock, DE4 3NN. This statement explains how Derbyshire Dales District Council has complied with the code, and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2006 in relation to the publication of a statement on internal control.

2. 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, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of not fully achieving policies, aims and objectives and therefore provides a reasonable rather than 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 of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Derbyshire Dales District Council for the year ended 31st March 2010 and up to the date of approval of the Statement of Accounts.

3. THE GOVERNANCE FRAMEWORK

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

Identifying and communicating the District Council's vision of its purpose and intended outcomes for citizens and service users:

The Derbyshire Dales and High Peak Community Strategy outlines the vision, aims and six priority themes for the area. It was produced in conjunction with the Derbyshire Dales and High Peak Local Strategic Partnership (LSP) which brings together all the relevant stakeholders, including those that deliver services in the area. Priorities have been identified through consultation with local people and a wide range of stakeholders.

Reviewing the District Council's vision and its implications for the authority's governance arrangements:

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 five-year period. These priorities reflect the Community Strategy, which was developed following consultation with residents, businesses and voluntary organisations. The Corporate Plan also reports on progress against last year's targets.

Measuring the quality of services for users, for ensuring they are delivered in accordance with the authority's objectives and for ensuring they represent the best use of resources:

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 performance indicators to show how well we performed in previous years.

Through reviews by external auditors, external agencies, Internal Audit, and the Corporate Improvement 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, having regard to a combination of economy, efficiency and effectiveness as required by the Best Value duty.

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

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 Audit Commission has given the Council a score of "3" for its use of resources, i.e. performing well and consistently above minimum requirements.

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's policy committees monitor and scrutinise progress against targets and performance in priority areas affecting relevant service areas, and consider and approve corrective action where necessary, quarterly.

The quality of performance data is assured through a corporate verification and quality assurance process, and further guaranteed through the involvement of Internal Audit. Data quality guidance is circulated to appropriate employees and reviewed each year using a risk-based approach. Control checks are incorporated at all stages of the process. In the Annual Audit Letter, December 2009, the External Auditor commented that "Overall the Council is performing well against Use of Resources criteria. Particular strengths lie in the Council's approach to, and demonstrable results of, medium term financial planning and financial reporting. These, combined with the identified outcomes and impact of robust arrangements for data quality, governance and internal control provide a sound foundation on which to manage, direct and control council services."

Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication:

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. The Council has two policy committees – ‘Partnership & Regeneration’ and ‘Community & Environment’. Meetings are open to the public except where personal or confidential matters are being disclosed. In addition, senior officers of the council can make decisions under delegated authority.

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.

Developing, communicating and embedding codes of conduct, defining the standards of behaviour for Members and staff:

The Council’s Standards Committee promotes, monitors and enforces probity and high ethical standards in the District Council and the local parish councils. It approves a local Code of Conduct for Members and for employees. The Committee ensures that Members act with integrity and recommends adoption corporately of any measures including those of confidentiality that are necessary to secure and demonstrate propriety within the general principles of public life.

The Committee also ensures that all elected and co-opted members have access to training in all aspects of the Member Code of Conduct.

The Council adopted a revised Code of Conduct for Members in September 2007, and Members were required to attend training on its application. 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.

The Employee Code of Conduct, based on the underlying principles of the Member code, was adopted in January 2008. Copies of the Code have been distributed to all employees.

The Council has a protocol governing Member/Officer relations.

Reviewing and updating standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks:

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 approved a Risk Management Policy Statement and Strategy in January 2003. This explains the methodology which provides a comprehensive framework for the management of risk throughout the Council. A cross-departmental Risk Continuity Group 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.

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. Any major changes are referred to the Standards Committee for prior consideration.

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 Finance as chief financial officer in accordance with Section 151 of the Local Government Act 1972. Examples of how the role of the Head of Finance & 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 Finance 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 Management Team.

- The District Council's governance arrangements ensure that the Head of Finance has direct access to the Chief Executive, all other members of the Corporate Management Team, the Audit Committee, and external audit.
- The Council's Financial Regulations ensure that the Head of Finance 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 Finance's assessment of its financial implications and financial risk.
- Financial Regulations require the Head of Finance 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 Finance ensures compliance with CIPFA's Code on a Prudential Framework for Local Authority Capital Finance and CIPFA's Treasury Management Code.
- Article 12 of the Councils 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 Finance 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"*:

An Audit Committee was established by the District Council in October 2005. It is a key source of assurance to the Council's arrangements for managing risk, maintaining an effective control environment. The Audit Committee provides an independent scrutiny of the Council's financial and non-financial performance to the extent that it affects the authority's exposure and weakens the control environment. Its Terms of Reference 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 Democratic 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 Finance (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 operates to the standards set out in the 'Code of Practice for Internal Audit in Local Government in the UK'.

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

The Council has Committees which carry out a number of regularity functions, including:

- two Planning Committees to determine planning applications and related matters;
- a Local Development Framework Advisory Committee to assist in the formulation of planning policy;
- a Standards Committee which promotes, monitors and enforces probity and high ethical standards in the Council;

- an Overview and Scrutiny Committee, which reviews and/or scrutinises decisions made or actions taken in connection with the discharge of any of the Council's functions;
- a Licensing 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 Whistle-blowing policy was revised in April 2008 by the Standards Committee. It demonstrates the Council's commitment to providing support for whistleblowers and is available to all staff on the Councils Intranet, and is included in advice to suppliers on procurement.

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 Standards 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. The Complaints Policy was reviewed by the Standards Committee in October 2008.

Details of how to make a complaint are on the Council's website www.derbyshiredales.gov.uk.

Identifying the development needs of Members and senior officers in relation to their strategic roles, supported by appropriate training:

The aim of the Council's employee Personal Development 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.

Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation:

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 the Community Strategy, 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 1000 residents who are consulted regularly on a variety of issues, including the establishment of aims and objectives.

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

The Council has delegated to its two 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 Democratic 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.

4. 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 and internal auditors within the authority who have responsibility for the development and maintenance of the governance environment, 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 Democratic 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 Standards Committee reviews the local Code of Corporate Governance on an annual basis, including Dimension 4 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 has an Overview and Scrutiny Committee. It allows people to have a greater say in Council matters by holding public enquiries into matters of local concern. These can lead to reports and recommendations that advise the policy committees and the Council as a whole on its policies, budget and service delivery. The Overview and Scrutiny Committee also monitors the decisions of policy committees. It can "call-in" a decision which has been made by a policy committee but not yet implemented. This enables it to consider whether the decision is appropriate. It may recommend that the relevant policy committee or full Council reconsider the decision. It may also be consulted by policy committees on forthcoming decisions and the development of policy.

Individual Members of the Council may also request the Overview and Scrutiny Committee to consider and debate a topic of neighbourhood concern. This is known as a Councillor Call for Action.

The Council's Audit Committee has Terms of Reference which include:

- Approving Internal Audit strategy, operational plan and performance;
- Reviewing summaries of Internal Audit reports and the main issues arising;
- Considering the reports of external audit and inspection agencies;
- Considering the effectiveness of the Council's risk management arrangements;
- Satisfying itself that the Statement on Internal Control properly reflects the risk environment and any actions required to improve it;
- Ensuring that there are effective relationships between external and internal audit and other relevant bodies;
- Reviewing financial statements and the auditor's opinion on the council's Accounts;
- Monitoring management action in respect of issues raised.

The Audit Committee meets on four occasions throughout the year, in March, June, September and December.

The Standards Committee is composed of six Members of the District Council, three Members of Parish Councils, and four independent members. It promotes, monitors and enforces probity and high ethical standards in the District Council. It meets four times a year on routine business and, when required, to hear and determine matters regarding individual Members' behaviour.

The Council has designated the Head of Finance as chief finance officer in accordance with Section 151 of the Local Government Act 1972. The role of the Head of Finance & 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 Part 4 of the Constitution and with Financial Regulations. The Council has in place a five-year Financial Strategy, updated annually, to support the medium-term aims of the Corporate Plan.

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

During the year, a review of the effectiveness of the system of Internal Audit was undertaken. This includes the effectiveness of the Audit Committee. The findings of the review were considered by the Audit Committee on 29th March 2010. No significant issues were identified which needed to be brought to the attention of the Audit Committee or required action to be taken.

The Council's Corporate Management Team of Chief Officers and senior managers meets on a weekly basis to develop policy issues commensurate with the Council's aims, objectives and priorities. The Corporate Management 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 Management 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 Chief Internal Auditor provides an opinion to the Audit Committee on the adequacy of the Council's risk management systems and the internal control environment

The Risk Continuity Group provides six-monthly progress reports to the Corporate Management 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.

Minutes of the Risk Continuity Group are received by the Audit Committee.

The Corporate Improvement Team of Chief Officers and senior managers meets on a monthly basis and reviews progress on performance indicators, risk management and value-for-money.

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.

The Council is rated as "performing well" by the Audit Commission. In the Annual Audit and Letter dated December 2009, the External Auditor commented that:

- *"I issued an audit report including an unqualified opinion on the financial statements on 29 September 2009"*
- *"I did not identify any significant weaknesses in your internal control arrangements"*
- *"I issued an unqualified conclusion stating that the Council had adequate arrangements to secure economy, efficiency and effectiveness in its use of resources"*

The Council's Corporate Management Team and Audit Committee 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 Audit Committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

5. SIGNIFICANT GOVERNANCE ISSUES

The following significant governance issues have been identified.

	Issue	Action
1.	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, further savings of between £1.25million and £2million are required over the next five years	Continue to plan and monitor the achievement of efficiency savings. Update Financial Strategy and medium-term commitment plan during October 2010, or as and when further information becomes available, e.g. previous year's outturn, Public Sector Spending Review..
2.	The Council still needs to further develop its IT security procedures and disaster recovery plan, and needs to develop a new IT strategy..	Joint service delivery arrangements for the IT function were implemented with effect from 1st January 2010, The joint IT Service has been tasked with addressing these issues as a matter of priority.
3.	The Council is implementing the Single Status agreement which was made nationally between the National Joint Council for Local Government and signatory trade unions on 1st April 1997. An integral part is the application of a job evaluation exercise covering all affected posts to ensure consistency, fairness and a justification for differences of grade and salary between job holders. The Council has completed the job evaluation and pay & grading review exercises, and these have been submitted to the trade union.	Financial provision has been made in respect of increased staffing costs. All queries raised by the trade union have been dealt with promptly. An independent expert consultant has been engaged to examine the results of the NJC single status job evaluation exercise, the proposed pay and grading structure and related equalities issues. The consultant's final report has been discussed with the trade unions with a view to finalising implementation with trade union agreement. The Council received one equal pay claim, but this has been successfully answered and has subsequently been withdrawn. The Council therefore considers that there are currently no equal pay issues.
4.	The Council has commenced construction of a new Central Area Leisure Centre (CALC), to be completed by summer 2011. Although tenders for its construction were within the available budget, the overall financial package is dependent on land sales of existing facilities, which have not yet been finalised.	Continually monitor spending on the project to ensure completion within budget.. Market the sites of the Matlock Lido Swimming Pool & land at the Dimple as and when economic conditions are most advantageous. Additional provision of £1.25 million earmarked in Direct Revenue Financing Reserve to provide additional funding pending land sales. Take into account the cost of short-term borrowing pending receipt of income from land sales in the CALC operational business plan. Include the cost of prudential borrowing in the Council's Medium Term Financial Plan.

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.	David Wheatcroft
Leader of the Council	Chief Executive
Date:- **24th June 2010**	**Date:-** 24th June 2010

Independent auditor’s report to the Members of Derbyshire Dales District Council

Opinion on the accounting statements

I have audited the Authority accounting statements and related notes of Derbyshire Dales District Council for the year ended 31 March 2010 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, the Statement of Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, the Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Derbyshire Dales DC in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies published by the Audit Commission in April 2008.

Respective responsibilities of the Head of Finance and auditor

The Head of Finance’s responsibilities for preparing the accounting statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice are set out in the Statement of Responsibilities for the Statement of Accounts.

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

I report to you my opinion as to whether the accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Authority and its income and expenditure for the year.

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

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

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority’s circumstances, consistently applied and adequately disclosed.

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

Opinion

In my opinion the Authority accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Authority as at 31 March 2010 and its income and expenditure for the year then ended.

Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's Responsibilities

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance and regularly to review the adequacy and effectiveness of these arrangements.

Auditor's Responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in October 2009. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in October 2009, and the supporting guidance, I am satisfied that, in all significant respects, Derbyshire Dales DC made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2010.

Certificate

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

Sue Sunderland
District Auditor

Audit Commission, Littlemoor House, Littlemoor, Eckington, Sheffield, S21 4EF

September 2010

GLOSSARY OF TERMS

Accrual

A sum included in the final accounts to cover income or expenditure attributable to an accounting period for goods received or work done, but for which payment has not been received / made 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 and liabilities.

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 adds to and not merely maintains the value of an existing fixed asset.

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.

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.

Community Assets

Assets that the Council intends to hold in perpetuity, that have no determinable useful life, 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 used to deliver services.

Extraordinary Items

Material items possessing a high degree of abnormality, which derive from events or transactions that fall outside the Council’s ordinary activities and which are not expected to recur.

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.

Fixed Assets

A fixed asset is an item that the Council owns that has a monetary value and is expected to yield benefits to the Council and the services it provides for a period of more than one year. Example of fixed assets would be as land and buildings or vehicles. The amounts shown in the Balance Sheet are the current valuations less depreciation.

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.

Fleming Claims

Fleming Claims relate to overpaid VAT paid to HM Revenue and Customs prior to 4th December 1996. The House of Lords ruled that the 3-year cap (that normally applies to claims) did not apply prior to 4th December 1996. Following this ruling, a new transitional period gave all businesses the opportunity to submit Fleming Claims up to 31st March 2009.

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.

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 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 required by the Prudential Code for Capital Accounting.

Net Book Value

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

Net Debt

The Council's borrowings less cash and liquid resources.

Net Worth

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

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

Non Operational Assets

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

Operating Lease

A lease other than a finance lease. This type of lease, usually of 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.

Operational Assets

These are assets held by the Council that are directly occupied and used by the Council to deliver its services. Examples include leisure centres and car parks.

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 and Reserves

Amounts set aside in one year to cover expenditure in the future. Provisions are for liabilities or losses that are likely or certain to be incurred, but the amounts or the dates on which they will arise are uncertain. Reserves are amounts set aside which do not fall within the definition of provisions and include general reserves (or balances) which every authority must maintain as a matter of prudence.

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.

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.

Statement of Recommended Practice (SORP)

Within the context of this document, this refers to the Code of Practice on Local Authority Accounting in the UK: A Statement of Proper Practice (the SORP) published by the Chartered Institute of Public Finance and Accountancy (CIPFA). The SORP 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.

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:

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