

# **Erewash Borough Council**

**DRAFT  
Annual  
Statement of  
Accounts  
2019/20**



# **ANNUAL STATEMENT OF ACCOUNTS 2019 - 20**

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# NARRATIVE REPORT

## Background

Erewash Borough Council is an English local authority providing statutory services such as refuse collection, environmental health, street cleaning, planning, housing strategy, building control and housing benefits alongside other services such as green spaces and markets. The Borough of Erewash covers an area of 42.3 square miles and lies between Derby and Nottingham in the south east of Derbyshire. Erewash is a borough of contrast; to the eastern side are the market towns of Ilkeston and Long Eaton, while the west is more rural with some isolated villages. The two large cities of Derby and Nottingham both border the borough, and have an influence on the area.

These accounts set out the financial position for Erewash Borough Council for the year ended 31<sup>st</sup> March 2020. They have been prepared in accordance with *The Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (The Code)*. The accounting policies follow International Financial Reporting Standards (IFRS) to the extent that they are meaningful and appropriate to local government.

## The Statement of Accounts

The Statement of Accounts comprises the following core statements:

### Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The council raises taxation to cover expenditure in accordance with statutory requirements but this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

The Cost of Services within the Comprehensive Income and Expenditure Statement are reported by directorate, in the way in which services are operated and performance managed. The main services provided within each directorate are:

- Resources – planning, building control, personnel, ICT, finance, rent allowances, elections, legal services, democratic and civic support, facilities management, properties and estates, neighbourhood wardens, markets and green space and street scene
- Community Services – environmental health, waste management, housing, licensing communications and culture, community safety, and performance and community.
- Non-directorate – parish concurrent functions, contingency, external audit fees, Chief Executive's Office and Bramcote Crematorium.

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## Movement in Reserves Statement

The Movement in Reserves Statement shows the movement from the start of the year to the end of the year on the different reserves held by the council, analysed into 'usable reserves' i.e. those that can be applied to fund expenditure or reduce local taxation and 'other' reserves. The Statement shows how the movements in year of the council's reserves are analysed between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The Net Increase/ Decrease line shows the statutory General Fund Balance movements in the year following those adjustments.

## Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the council. The net assets of the council (assets less liabilities) are matched by the reserves held by the council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the council may use to provide services, subject to the need to maintain a prudent level, and any statutory limitations on their use (for example, capital receipts that may only be used to fund capital expenditure or repay debt). The second category of reserves include those that hold unrealised gains and losses (for example, the Revaluation Reserve), where amounts would only become available to provide services if the assets were sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding under regulations'.

## Cash Flow Statement

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

The Statement also contains the following supplementary statements:

## Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by the council in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's directorates. Income and expenditure

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accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

## Collection Fund

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection of amounts due from taxpayers and the subsequent distribution to local authorities and government of council tax and non-domestic rates. The following authorities are the major preceptors on the council:

- Derbyshire County Council;
- Police and Crime Commissioner for Derbyshire;
- Derbyshire Fire and Rescue Service.

The council is required to account for non domestic rates under the Non Domestic Ratings Regulations 2013.

## Derbyshire National Non Domestic Rates Pool

For 2019/20 Erewash was part of the Derbyshire National Non Domestic Rate Pool with seven other Derbyshire district authorities, Derby City Council, Derbyshire County Council and Derbyshire Fire and Rescue Service. The calculation of any levy payment due or top up receivable from or to the Collection Fund is calculated on a collective basis for the pool as opposed to an individual authority basis

## A Summary of the Council's Financial Performance for the Financial Year 2019/20

The council's revenue and capital budgets are allocated between the portfolio holders who make up the Council Executive and Committees of the council. Spending against these budgets is monitored carefully throughout the year and reported quarterly to the Council Executive. The table below compares the actual expenditure in the year in accordance with regulations with the budget for 2019/20.

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<b>Revenue Outturn 2019/20</b>	<b>Revised Budget £'000</b>	<b>Actual Net Expenditure £'000</b>	<b>Variance £'000</b>
<b>Expenditure</b>			
Resources	8,537	8,394	(143)
Community Services	4,830	4,598	(232)
Non Directorate	186	123	(68)
<b>Net Cost of Services</b>	<b>13,553</b>	<b>13,115</b>	<b>(438)</b>
<b>Financed By</b>			
New Homes Bonus Scheme Grant	(491)	(491)	0
Revenue Support Grant	(104)	(104)	0
Other Government Grants	(84)	(144)	(60)
Council Tax - EBC Precept	(6,155)	(6,155)	0
Business Rates Retention	(4,690)	(4,941)	(251)
Collection Fund NNDR	(31)	(31)	0
Collection Fund Council Tax	(2)	(2)	0
Transfer (from)/to Earmarked Reserves	(1,199)	(779)	420
Transfer (from)/to General Fund Balances	(797)	(468)	329
<b>Total Income</b>	<b>(13,553)</b>	<b>(13,115)</b>	<b>438</b>

The favourable variance of £0.438m on Net Cost of Services was achieved across services and is attributable to vacant posts, underspends on supplies and services and delayed projects.

The overall position on the General Fund when adjusted for the removal of the consolidation of the Crematorium (£0.101m), variances on financing (government grants (£0.060m); business rates income (£0.251m)) and transfers to reserves of £0.027m is an underspend of £0.823m. Of this, £0.393m has been transferred to the Funding Risk Reserve and £0.194m will be carried forward to 2020/21 to finance projects not completed in 2019/20. The remaining £0.236m will remain within the General Fund Balance.

The year end General Fund balance was £5.186m (which excludes any balances relating to Bramcote Bereavement Services Joint Committee) and is approximately 11.7% of the council's gross revenue expenditure. This is above the council's policy in 2019/20 of maintaining a minimum working balance of £2m.

As part of a comprehensive financial planning process, the council also sets aside other revenue funds as earmarked reserves to provide for known spending commitments. Excluding the balances relating to the Bramcote Bereavement Service Joint Committee, these totalled £1.344m as at 31<sup>st</sup> March 2020, a decrease of £0.780m compared to the previous year's balance of £2.124m. The main movement was the budgeted use of the Funding Risk Reserve, £1.067m, however £0.393m of the General Fund underspend for the year has been transferred into this reserve to be used to alleviate future funding fluctuations.

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The table below shows the council's actual capital expenditure for 2019/20 compared with the budgeted capital programme.

Capital Outturn Summary 2019/20	Revised Budget £'000	Actual Expenditure £'000	Variance £'000
Victoria Park Heritage Lottery Fund project	26	24	(2)
Ilkeston Regeneration	78	79	1
Sandiacre Friesland Sports Centre roof patching repairs	34	20	(14)
Victoria Park Leisure Centre roof patching repairs	10	10	0
Broad Street canal bridge refurbishment	43	39	(4)
Merlin Way office lighting upgrade	18	18	0
Financial Management System	250	6	(244)
Corporate Firewall	5	6	1
Drainage improvements	57	20	(37)
Pool filtration	20	20	0
Play area improvements – Barling Drive	101	101	0
Refuse vehicle replacement engine	30	30	0
Disabled facilities grants	1,947	698	(1,249)
Social housing provision	134	0	(134)
Contingency	140	0	(140)
	2,893	1,071	(1,822)
Financed By:			
Capital receipts	(1,000)	(173)	827
Grants and contributions	(1,893)	(898)	995
Total Financing	(2,893)	(1,071)	1,822

Explanations of the largest variations between the budgeted and actual capital expenditure for the year are as follows:

- **Disabled Facilities Grants**

At 31<sup>st</sup> March 2020 the Disabled Facilities Grants budget was underspent by £1.249m. There is always a delay between the grant approval and payment due to the need to commission, undertake and finally inspect the works prior to the release of the grant. In addition the grant applicant has up to 12 months to undertake the necessary works. The underspend has been carried forward into 2020/21.

- **Social Housing Provision (Grants)**

At 31<sup>st</sup> March 2020 the Social Housing Provision budget was underspent by £0.134m. The housing developments relating to these grants are due to be completed during 2020/21. The underspend has been carried forward into 2020/21.

- **Financial Management System**

At 31<sup>st</sup> March 2020 the Financial Management System project was underspent by £0.244m. The contract was awarded in February 2020 with the majority of the project due to be delivered and completed during 2020/21. The underspend has been carried forward into 2020/21.

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## **Borrowing**

The council has a policy of remaining debt free and therefore, does not have any external borrowing. This policy may need to be reviewed in the future as capital resources to fund new projects diminish. All capital expenditure during 2019/20 was financed from external grants and the council's own resources.

## **Provisions, Contingencies and Material Items Written Off**

Fuller details of provisions can be found in note 23 to the financial statements on page 94. There were no material amounts written off during 2019/20.

## **Material Assets and Material Liabilities**

The council did not acquire any material assets. Further details of contingent liabilities can be found in note 33 to the financial statements on page 111.

## **Pensions**

There is a net shortfall that will be reviewed periodically by both the Derbyshire County Pension Fund and Nottinghamshire County Pension Fund actuaries (Bramcote Bereavement Services Joint Committee only) and measures will be implemented to address the position. The council's share of the pension shortfall is £36.501m at 31 March 2020. Whilst the figure is substantial the following factors should also be taken into consideration.

- it is not an immediate deficit that has to be met from existing resources. The sum is the current assessment of the future liabilities for existing pensioners and current employees who are accruing a pension entitlement,
- the deficit is not unique to this council and affects most councils and many other organisations in the UK. The basis of the scheme has been changed to a career average rather than a final salary basis in order to help reduce future liabilities,
- the Derbyshire County Pension Fund and the Nottinghamshire County Pension Fund are reviewed regularly and rates revised as appropriate.

Full details of the pension liability are contained in note 32 to the financial statements on page 102.

## **Unusual Charges or Credits**

There were no unusual charges or credits during the financial year.

## **Other Liabilities**

There are no other significant liabilities.

## **• Budgets and Forecasts - Revenue**

The following is an assessment of the council's underlying financial position prior to the COVID 19 pandemic which has, in common with all other local authorities, had a

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significant impact on the council's finances. This matter is considered under a separate section on page 11 of these accounts.

As in recent years, the authority set a balanced budget for 2020/21 and agreed a comprehensive Medium Term Financial Forecast covering the next three years.

The Medium Term Financial Forecast indicates that subject to finding further savings of approximately £0.5 million the council can continue to do so in the medium term. Based on the council's previous performance this savings target is considered to be achievable. Although uncertainties exist including the impact of the Fair Funding Review and timing of the likely introduction of 75% or 100% localisation of business rates, the balance position provides the council with both the time and resources to deal with any unforeseen expenditures and adjust to the new funding regime. These balances have also enabled the council to deal in the short term with the financial pressures arising from the COVID 19 pandemic (see page 11).

- **Capital**

A three year Capital Programme was set in February which is funded by existing capital resources or external grants with no borrowing requirement. The programme contains prioritised schemes, however it also includes a capital contingency fund of £100,000 to allow the Section 151 Officer to manage fluctuations and to allow members to consider invest to save schemes in year.

As highlighted last year, the fleet replacement will commence in 2020/21 and is planned to continue over the next three years. There may be a need to borrow for capital purposes in the future but this would only be undertaken in the context of affordability by the General Fund.

- **Financial Health (also see comments under Budgets and Forecasts)**

As outlined previously the council has significant levels of reserves. Year end balances at March 2020 include General Reserves of over £5m, Earmarked Revenue Reserves of over £1.3m and a Capital Reserve of £650,000.

The balances outlined above provide a degree of comfort in terms of dealing with unforeseen costs and other financial pressures. In addition the council has a comprehensive virement scheme which allows managers to utilise savings to cover unanticipated costs elsewhere. There is also a significant level of contingency budget in the General Fund (£300,000 for 2020/21) which allows the Director of Resources to manage the budget if issues arise during the year.

The volatility attached to the rating income stream, the downward trend in New Homes Bonus and the various cost/demand pressures all combine towards a position of the council needing to find approximately a further £0.5m of savings or additional income post 2020/21. This target is considered to be achievable and detailed costings of potential savings initiatives will be undertaken throughout 2020/21 in the lead up to the budget setting process for 2021/22.

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In addition to the self-assessment above the authority has considered the detail of the results generated through CIPFA's financial resilience index. The general thrust of the negative changes between the two years all derives from the planned use of reserves over the period and needs to be seen in the context of the council's financial plan.

- **Contingent Liabilities and Provisions**

The authority makes an annual assessment of contingent liabilities (and assets) to aid forward planning (see note 33 on page 111 for details).

## Impact of Coronavirus pandemic

The COVID 19 pandemic has had an unprecedented impact on the UK economy with substantial falls in Gross Domestic Product. The length and extent of the economic impact remains uncertain however the finances of all local authorities have been adversely affected and these effects are likely to continue post 2020/21. At the time of signing the accounts there is considerable uncertainty regarding the impact of COVID 19 on the council's finances and the amount of support which will be provided by central government.

The pandemic has already put severe strain on the council's 2020/21 budget in terms of both lost income and increased expenditure. The latter relates to both the increased cost of maintaining the council's own services and the cost of responding to government initiatives aimed at alleviating the economic consequences of the pandemic. The reduction in income relates principally to the decline in fees and charges for services although it is anticipated that reduced collection rates for business rates and council tax will also have a negative impact on the council's finances. It is also clear that the pandemic will have an adverse impact on the council's finances post 2020/21, although the extent of this is still to be determined. Work to establish the overall impact on the council is continuing and a revised Medium Term Financial Forecast will be published in due course.

The council's prudent maintenance of reserves over previous years and the lack of exposure to commercial income streams has meant that the council has, in the short term, been relatively well placed to deal with the economic consequence of the pandemic. The council's reserves have helped the authority absorb the immediate financial pressures of COVID 19, although any increased use of reserves will reduce the level of resources to deal with future pressures. By adopting revised methods of working the council has maintained all essential services during the pandemic and successfully delivered additional public services at the request of central government.

The council's overall financial position particularly in the medium to long term will be affected by the level of external support provided by central government.

In recognition of the financial pressures on local government as a result of the COVID 19 pandemic, the government has already provided £3.2bn of financial assistance of which the council's share is £1.2m. The government has recently announced a further package of support including an additional £500m of grant and a scheme to compensate councils

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for lost income from fees and charges. Although the details of the scheme are uncertain they will provide additional financial support to the council.

The financial impact of COVID 19 on the council's finances is continuing to emerge and an update on the council's financial position will be included in these accounts prior to the completion of the external audit.

On the basis of the information available and at the date of signing the accounts, the council is in a position to prepare its accounts on a going concern basis.

## Key Performance Indicators

The council monitors and manages its performance using a number of local indicators which have been developed to ensure effective monitoring against the single data set specified by central government. Progress is reported and graded as follows;

- Red – Performance is outside the agreed target and intervention level.
- Amber – Performance is at an acceptable level.
- Green – Performance is on or above target.

The table below shows some of the key performance indicators for 2019/20.

Description	Performance
Overall satisfaction with the council	Green
NNDR collection rates	Green
Council tax collection rates	Amber
Time taken to process housing benefit claims	Green
Major planning applications processed in the prescribed timescale	Green

Details of all of the council's performance indicators can be viewed in the quarterly Performance and Budget Monitoring reports to Council Executive available on the council's website.

# STATEMENT OF RESPONSIBILITY FOR THE STATEMENT OF ACCOUNTS

## The Council's Responsibilities

The council is required to:

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

## The Director of Resources Responsibilities

The Director of Resources is responsible for the preparation of the council'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 United Kingdom (the Code). The accounts should present a true and fair view of the financial position of the council at the accounting date and its income and expenditure for the year ended 31 March 2020.

In preparing this Statement of Accounts the Director of Resources has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code of Practice on Local Authority Accounting;
- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities;
- considered and disclosed all material events up to 20 July 2020.

## Certification of Accounts

I certify that the Statement of Accounts give a true and fair view of the financial position of Erewash Borough Council as at 31<sup>st</sup> March 2020 and its income and expenditure for the year then ended.

  
Ian Sankey BA Hons CPFA  
Director of Resources

Date 20<sup>th</sup> July 2020  


STATEMENT OF RESPONSIBILITY FOR THE STATEMENT OF  
ACCOUNTS

**Audit report to be issued upon  
conclusion of the audit of the  
Statement of Accounts**

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
EREWASH BOROUGH COUNCIL

**Audit report to be issued upon  
conclusion of the audit of the  
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# STATEMENT OF ACCOUNTING POLICIES

## 1. General Principles

The Statement of Accounts summarises the council's transactions for the 2019/20 financial year and its financial position at the end of that year. The council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2018, and those Regulations require the Statement of Accounts to be prepared in accordance with proper accounting practices.

These accounting practices under Section 21 of the Local Government 2003 Act comprise primarily the *Code of Practice on Local Authority Accounting in the United Kingdom 2019/20*, supported by International Financial Reporting Standards (IFRS).

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

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

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

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

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

## 3. Revenue and Expenditure Recognition

Revenue is the gross inflow of economic benefits, cash receivables or other assets, arising from the ordinary operating activities of the council, such as sales of goods, sales of services and interest.

Revenue is recognised and accounted for, in accordance with *IAS 18: Revenue*, in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the council.

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- Revenue from the provision of services is recognised when the council can measure reliably the percentage completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the council.
- Supplies are recorded as expenditure when they are consumed. Where there is a gap between the date supplies are received and their consumption, they are carried as inventories in the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments is accounted for as income on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that may not be collected.
- Revenue from business rates is recognised on a full accruals basis. The surplus or deficit on the Collection Fund is allocated in full between Erewash Borough Council (the billing authority) and the precepting authorities at the end of the year, even though it will be distributed to, or recovered from, the relevant authorities in a subsequent financial year. The difference between the accrued income included in the Comprehensive Income and Expenditure Statement and the estimated income share or demand, is reversed out via the Movement in Reserves Statement, and transferred to the Collection Fund Adjustment Account. The Balance Sheet now reflects the Council's share of debtor/creditor balances in respect of income collectable from ratepayers along with balances due to central government and the major preceptors.

## 4. Fair Value Measurement

The council measures some of its non-financial assets such as surplus assets and investment properties at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- a) in the principal market for the asset or liability, or
- b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the authority takes into account a market participant's ability to generate economic benefits by using the asset in its

# STATEMENT OF ACCOUNTING POLICIES

highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The council uses external valuers to provide a valuation of its assets and liabilities in line with the highest and best use definition within the accounting standard. The highest and best use of the asset or liability being valued is considered from the perspective of a market participant.

Inputs to the valuation techniques in respect of the council's fair value measurement of its assets and liabilities are categorised within the fair value hierarchy as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date.

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – unobservable inputs for the asset or liability.

## 5. Property, Plant and Equipment

Property, plant and equipment are tangible assets (i.e. assets with physical substance) that are held for use in the supply of goods and services, for administrative purposes and are expected to be used during more than one financial year. Only land and property transactions costing more than £10,000 and £3,500 in respect of the acquisition of vehicles, plant and equipment have been capitalised. Any costs below these limits are not capitalised as they are not considered to be material to the fair presentation of the financial position.

### Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the council and the cost of the item can be measured reliably.

Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred to the relevant service segment in the Comprehensive Income and Expenditure Statement.

Where a component is replaced or enhanced, the carrying amount of the old component is derecognised to avoid double counting and the new component reflected in the carrying amount, subject to the recognition principles, as set out above, being met.

### Measurement

An item of property, plant and equipment is initially measured at cost, comprising:

- the purchase price;
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management;

# STATEMENT OF ACCOUNTING POLICIES

- the initial estimate of the costs of dismantling and removing the item and restoring it at the site on which it is located.

The cost of property, plant and equipment acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance, in which case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the council.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Subsequently, items of property, plant and equipment are carried in the Balance Sheet using the following measurement bases:

- Land and buildings: Fair value (the amount that would be paid for land and buildings in their existing use);
- Items of a specialised nature (where no market-based evidence is available): Depreciated replacement cost;
- Infrastructure assets and community assets: Depreciated historical cost;
- Non-property assets with short useful lives and/or low values: Depreciated historical cost;
- All other classes of property, plant and equipment: Fair value (the amount for which an asset could be exchanged in an arms-length transaction).

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

All items within a class of property, plant and equipment are revalued simultaneously to avoid selective revaluations and are revalued at intervals of no more than five years. Valuations are undertaken on a rolling basis by professionally qualified valuers who also consider the valuation of assets not being revalued to ensure valuations are kept up to date.

Where the carrying amount of an item of property, plant and equipment is increased as a result of a revaluation, the increase is recognised in the Revaluation Reserve, unless the increase is reversing an impairment loss or a revaluation decrease on the same asset, previously charged to the Comprehensive Income and Expenditure Statement.

Where decreases in value are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against the balance (up to the amount of the accumulated gains)

# STATEMENT OF ACCOUNTING POLICIES

- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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

## Impairment

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

Where impairment losses are identified, they are accounted for by:

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

Where an impairment loss is subsequently reversed, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised. Any excess of the impairment loss reversed above this carrying amount is charged to the Revaluation Reserve.

## Depreciation

Depreciation applies to all items of property, plant and equipment with the exception of assets under construction, community assets and land without a determinable finite useful life. The methods of depreciation that reflect the pattern in which the future economic benefits or service potential of different items of property, plant and equipment are expected to be consumed, are determined as follows:

- *buildings (including components)*: Straight-line allocation over the life of the property (between 7 and 81 years);
- *vehicles, plant and equipment*: Straight-line allocation over the life of the asset (between 2 and 25 years);
- *infrastructure*: Straight-line allocation over the life of asset (between 10 and 20 years);
- *community assets*: Not depreciated as their life is non-determinable;
- *land, surplus assets not held for sale (land) and assets under construction*: are not depreciated;

# STATEMENT OF ACCOUNTING POLICIES

- surplus assets not held for sale (property): Straight-line allocation over the life of the property (between 10 and 45 years).

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

Each major component of an item of property, plant and equipment whose cost is significant in relation to the total cost of the item is depreciated separately and has its own useful life. The Council deems "significant" to be assets with a total valuation of over £200,000, therefore assets less than this are not componentised.

The residual value of an item of property, plant and equipment, its useful life and depreciation method are, as a minimum, reviewed at each financial year end and, if expectations differ from previous reviews or there has been a significant change in the pattern of consumption of the future economic benefits or service potential, the change is accounted for as a change in accounting estimate.

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

## Derecognition

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits or service potential are expected from its use or disposal. The gain or loss arising from derecognition is the difference between the net disposal proceeds (if any) and the asset's carrying amount and is included in the Comprehensive Income and Expenditure Statement.

## **6. Heritage Assets**

These are assets with historical, artistic, scientific, technological, geophysical or environmental qualities held and maintained for their contribution to knowledge and culture.

The council holds a range of Heritage Assets:

- Civic regalia – comprises the various chains of office associated with the ceremonial functions of the council and the office of mayor (including deputies);
- Art collection – This includes collections which have been donated from various sources over a number of years;
- Monuments and other assets – This covers a range of items including a fountain and ornamental gates that are considered significant to the heritage of the borough

# STATEMENT OF ACCOUNTING POLICIES

Civic regalia are held on the balance sheet at insurance value and the art collection is held at market value where available, but if not, insurance value. All the council's heritage assets are considered to have an indefinite life and therefore depreciation is not charged. The civic regalia and art collection are revalued at intervals of no more than five years.

## 7. Investment Property

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

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arms-length. Properties are not depreciated but are revalued according to market conditions.

A gain or loss arising from a change in the fair value of an investment property is credited or debited in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment applies to a gain or loss on the disposal of an investment property.

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

## 8. Intangible Assets

An intangible asset is an identifiable non-monetary asset without physical substance. It is controlled by the council as a result of past events and it is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the council. The most common class of intangible asset in local authorities is computer software. Intangible assets are measured initially at cost and carried at amortised cost.

The depreciable amount of an intangible asset with a finite useful life is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

The amortisation method used reflects the expected pattern of use of the economic benefits. If the pattern cannot be determined reliably, the straight-line method is used.

# STATEMENT OF ACCOUNTING POLICIES

The amortisation period and method is reviewed at least at the end of each reporting period. An intangible asset with an indefinite life is not amortised, but is tested for impairment annually and any losses are charged to the relevant service lines in the Comprehensive Income and Expenditure Statement. The useful life of the asset is reviewed annually.

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

## **9. Revenue Expenditure Funded from Capital under Statute (REFCUS)**

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

## **10. Charges to Revenue for Non-Current Assets**

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

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

The council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. Depreciation, revaluation and impairment losses and amortisations are therefore removed by the contribution in the General Fund Balance by way of an adjusting transaction between the Capital Adjustment Account and the Movement in Reserves Statement.

## **11. Inventories**

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

# STATEMENT OF ACCOUNTING POLICIES

The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

## 12. Debtors

Debtors are not recognised when the council becomes committed to supply goods or services, but when the ordered goods or services have actually been delivered or rendered. Debtors are recognised and measured at fair value of the consideration receivable when revenue has been recognised.

The council is required to distinguish between long term debtors (payable for periods of more than one year) and short term debtors (payable within one year).

## 13. Assets Held For Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an asset held for sale.

## 14. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with any financial institution repayable without penalty on notice of not more than twenty four hours. Cash equivalents are highly liquid investments held for the purpose of meeting short-term cash commitments rather than for investment or other purposes that are readily convertible to known amounts of cash with insignificant risk of change in value.

## 15. Creditors

Creditors are not recognised when the council becomes committed to purchase the goods or services, but when the ordered goods or services have been delivered or rendered. Creditors are recognised at fair value of the consideration payable.

The council is required to distinguish between long term creditors (payable for periods of more than one year) and short term creditors (payable within one year).

## 16. Provisions, Contingent Liabilities and Contingent Assets

### Provisions

Provisions are made where an event has taken place that gives the council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.

# STATEMENT OF ACCOUNTING POLICIES

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year in which the council becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at 31<sup>st</sup> March each year. Where it becomes less than probable that a transfer of economic benefits will be required or a lower than anticipated settlement is made, the provision is reversed and recognised as income for the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from a third party, the reimbursement is only recognised as income for the relevant service if it is certain that it will be received when the council settles the obligation.

## Contingent Liabilities

A contingent liability arises where an event has taken place that gives the council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events, not wholly within the control of the council. A contingent liability may also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

A contingent liability is not recognised in the Balance Sheet but is disclosed as a note to the Statement of Accounts.

## Contingent Assets

A contingent asset arises where an event has taken place that gives the council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events, not wholly within the control of the council.

A contingent asset is not recognised in the Balance Sheet but is disclosed as a note to the Statement of Accounts where it is probable that there will be an inflow of economic benefits or service potential.

## **17. Reserves**

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

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

# STATEMENT OF ACCOUNTING POLICIES

## 18. Financial Instruments

A financial instrument is any contract that gives rise to a financial liability of one entity and a financial asset of another entity. The term 'financial instrument' therefore covers both financial liabilities and financial assets. Typical financial liabilities include creditors, borrowings and financial guarantees. Typical financial assets include bank deposits, debtors, loans receivable and advances.

### Financial Liabilities

A financial liability is recognised on the Balance Sheet when the council becomes a party to the contractual provisions of a financial instrument and is initially measured at fair value and carried at amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective rate of interest is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

Derecognition is the term used for the removal of a liability from the Balance Sheet. A financial liability is derecognised when it is extinguished – i.e. when the obligation specified in the contract is discharged or cancelled or expires.

### Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. There are three main classes of financial assets measured at:

- Amortised cost,
- Fair value through profit or loss (FVPL), and
- Fair value through other comprehensive income (FVOCI).

### **Financial Assets Measured at Amortised Cost**

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

However, the council has made a number of loans to employees in the form of car loans or bike loans at less than market rate (soft loans). The present value of the interest foregone is not material so no adjustments to the Statement of Accounts are made for this.

# STATEMENT OF ACCOUNTING POLICIES

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

## Expected Credit Loss Model

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

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

## **Financial Assets Measured at Fair Value through Profit or Loss**

Financial Assets that are measured at fair value through profit or loss are recognised on the Balance Sheet when the council becomes a party to the contractual provisions of the financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services. The council does not hold any financial assets that are measured at fair value through profit and loss.

## **19. Government Grants and Contributions**

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

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

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

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

# STATEMENT OF ACCOUNTING POLICIES

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

## 20. Leases

Leases are classified as finance leases where the term of the lease transfers substantially all the risks and rewards incidental to the ownership of a leased item of property, plant or equipment from the lessor or the lessee. All other leases are classified as operating leases.

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

### Arrangements Containing a Lease

An arrangement comprising a transaction that does not take the legal form of a lease but conveys a right to use an item of property, plant and equipment in return for a payment or series of payments, may be accounted for as though the arrangement is, or contains, a lease. Determining whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception and requires an assessment as to whether its fulfilment is dependent on the use of a specific asset and conveys a right to use the asset. If it is determined that an arrangement is, or contains, a lease, the lease is classified as a finance lease or an operating lease, as appropriate.

### The Council as Lessee

#### Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the patterns of payments (e.g. there is a rent free period at the commencement of the lease).

### The Council as Lessor

#### Operating Leases

Where the council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight line basis over the life of the lease even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the basis of rental income. The depreciation policy for depreciable

# STATEMENT OF ACCOUNTING POLICIES

leased items of property, plant and equipment is consistent with the depreciation policy for other similar assets.

## 21. Overheads and Support Services

The cost of overheads and support services are charged to service segments in accordance with the authority's arrangements for accountability and financial performance.

## 22. Joint Operations

Joint operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the council in conjunction with other joint operators involve the use of assets and resources of those joint operators. In relation to its interest in a joint operation, the council as a joint operator recognises:

- its assets, including its share of any assets held jointly
- its liabilities, including its share of any liabilities incurred jointly
- its revenue from the sale of its share of the output arising from the joint operation
- its expenses, including its share of any expenses incurred jointly.

## 23. VAT

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

## 24. Employee Benefits

### Benefits Payable During Employment

Short-term employee benefits (other than termination benefits) are those due to be settled wholly within 12 months after the end of the reporting period. They include such benefits as wages and salaries, paid annual leave and paid sick leave and non-monetary benefits (i.e. benefits in kind) for current employees and are recognised as an expense for services in the year in which the employee renders service to the council.

An accrual is made for accumulating compensated absences, which are the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

# STATEMENT OF ACCOUNTING POLICIES

## Termination Benefits

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

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

## Post-Employment Benefits

Employees of the council are members of The Local Government Pensions Scheme which is accounted for as a defined benefit scheme.

- The liabilities of the Derbyshire County Council pension fund attributable to the council are included in the Balance Sheet on an actuarial basis using the projected unit method – 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, employees turnover rates, etc. and projected earnings for current employees.
- Liabilities are discounted to their value at current prices using a discount rate determined by reference to market yields at the Balance Sheet date on high quality corporate bonds. The currency and term of the corporate bonds are consistent with the currency and estimated term of the post-employment benefit obligations. The interest cost is computed by multiplying the discount rate as determined at the start of the period by the present value of the defined benefit obligation throughout that period, taking account of any material changes in the obligation.
- The assets of the Derbyshire County Council pension fund attributable to the council are included in the Balance Sheet at their fair value. The fair value of scheme assets is deducted in determining the defined benefit liability. When no market price is available, the fair value of scheme assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the scheme assets and the maturity or expected disposal date of those assets. Scheme assets exclude unpaid contributions due from the council to the fund and are reduced by any liabilities of the fund that do not relate to employee benefits, for example, trade and other payables and liabilities resulting from derivative financial instruments.

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

# STATEMENT OF ACCOUNTING POLICIES

## **Service Cost comprising:**

- Current service cost – the increase in liabilities as a result of years of service earned this year, allocated in the Comprehensive Income and Expenditure Statement to the services for which the employee worked.
- Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years, debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.
- Net interest on the net defined benefit liability (asset), i.e. net interest expense for the council – the change during the period in the net defined benefit liability (asset) that arises from the passage of time is charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit liability (asset) at the beginning of the period, taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

## **Re-measurements comprising:**

- The return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset), is charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Actuarial gains and losses – changes in the net position liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions, are charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

## **Contributions Paid:**

- Cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

## **Discretionary Benefits**

The council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the

# STATEMENT OF ACCOUNTING POLICIES

award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

## 25. Exceptional Items

When items of income and expense are material, their nature and amount are disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or as a Note to the Statement of Accounts, depending on how significant the items are to an understanding of the council's financial performance.

## 26. Events after the Balance Sheet Date

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

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

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

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

The council is required to disclose information relating to the impact of an accounting change on the financial statements as a result of the adoption by the Code of a new standard that has been issued, but is not yet required to be adopted by the council. Full adoption will be required for the 2020/21 financial statements. However, the council is required to make a disclosure in the 2019/20 financial statements of the estimated effect of the standard.

### **Amendments to IAS 28 – Investments in Associates and Joint Ventures**

The amendments to IAS 28 clarify that an entity shall apply IFRS 9 including its impairment requirements, to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied. It is anticipated that the amendments to IAS 28 are unlikely to have an impact on the council's financial statements.

### **Amendments to IAS 19 – Employee Benefits**

The amendments to IAS19 Employee Benefits are that if a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement. In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. It is anticipated that the amendments to IAS19 are unlikely to have an impact on the council's financial statements.

### **Annual Improvements to IFRS Standards 2015-17 Cycle**

The International Accounting Standards Board (IASB) have made amendments to the following four IFRS's as a result of the IASB's annual improvements project.

### **Amendments to IFRS3 – Business Combinations**

The amendments to IFRS3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. It is anticipated that the amendments to IFRS3 are unlikely to have an impact on the council's financial statements.

### **Amendments to IFRS11 – Joint Arrangements**

The amendments to IFRS11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business. It is anticipated that the amendments to IFRS11 are unlikely to have an impact on the council's financial statements.

### **Amendments to IAS12 – Income taxes**

The amendments clarifies the requirements to recognise all income tax consequences of dividends where the transactions or events that generate distributable profits are recognised. It is anticipated that the amendments to IAS12 are unlikely to have an impact on the council's financial statements.

### **Amendments to IAS23 – Borrowing Costs**

The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings. It is anticipated that the amendments to IAS23 are unlikely to have an impact on the council's financial statements.

# CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

## Critical Judgements

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

- (i) There is a high degree of uncertainty about future levels of funding for local government. However, the council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the council might be impaired as a result of a need to close facilities and reduce levels of service provision.
- (ii) The depreciation periods applied to non-current assets are set out in the accounting policies section of the statement. There is a possibility that the actual depreciation differs from this so that there may be a misstatement in the accounts.
- (iii) The council has to take a judgement on when a potential future loss ceases to be a contingent liability and instead be matched by a provision in the Balance Sheet. An assessment is made by senior managers of the likelihood that events will come to fruition and at what point a provision should be made. Contingent liabilities are reviewed annually to assess the relevant treatment.
- (iv) The council holds a number of fixed assets for investment purposes. These are defined as assets which are held by the council solely to earn rentals or for capital appreciation or both. If any asset is held for these reasons but also for any additional purpose, then they have not been classified as investments. Further details of the council's investment properties are included in note 15 page 78.

# ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

## Key Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Balance Sheet at 31<sup>st</sup> March 2020 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Depreciation of non-current assets. The length of time over which non-current assets are fully depreciated is set out in the accounting policies section of the statement. This is based on an average life span of each asset. However, in practice, assets may depreciate at different rates and so there is the possibility that the depreciation charged to some assets may be mis-stated.	If the useful life of assets is reduced depreciation increases and the carrying amount of the assets falls.
Provisions	The Balance Sheet amounts for provisions are based on the best information available to form an estimate of the likely financial impact.	It is estimated that the annual depreciation charge for buildings would increase by £79,600 for each year that useful lives have to be reduced.
Pensions Liability	The council's outstanding pensions liability is based on advice provided to the Derbyshire County Council Pension Fund by their actuaries. The actuary's forecasts are based on future assumptions about a wide variety of variables, such as the longevity of pensioners receiving pensions, the future size of the workforce contributing to the scheme, and the future returns on the assets of the fund.	There is a possibility that the amount of the provision is inadequate to fund the actual liability when realised. The effect of such would be that additional resources may have to be drawn from revenue reserves in order to fully fund the actual expenditure.

## ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Debtors	The debtors figure in the Balance Sheet is shown net of provision for bad debts which is currently 17% of gross debtors. The council consider that this is sufficient even in the current economic climate. However, if collection rates were to deteriorate then this provision would need to be reviewed.	If collection rates were to deteriorate, a 10% rise in doubtful debts would require an additional £137,700 to be set aside as an allowance.

## EXPENDITURE AND FUNDING ANALYSIS

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, council tax and business rates) by the council in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2019/20	Adjustments between the Funding and Accounting Basis						Net Expenditure in the Comprehensive Income and Expenditure Statement £'000	
	Net Expenditure as reported to Council Executive £'000	Adjustments (Note 1) £'000	Net Expenditure Chargeable to the General Fund £'000	Adjustments for Capital Purposes (Note 2) £'000	Net charge for Pension Adjustments (Note 3) £'000	Other Differences (Note 4) £'000		
Resources	8,394	299	8,693	1,269	727	31	2,027	10,720
Community Services	4,598	0	4,598	148	390	(1)	537	5,135
Non-directorate	123	5	128	78	71	6	155	283
<b>Net Cost of Services</b>	<b>13,115</b>	<b>304</b>	<b>13,419</b>	<b>1,495</b>	<b>1,188</b>	<b>36</b>	<b>2,719</b>	<b>16,138</b>
Other Income and Expenditure			(12,129)	(537)	1,223	127	813	(11,316)
<b>(Surplus) or Deficit on Provision of Services</b>			<b>1,290</b>	<b>958</b>	<b>2,411</b>	<b>163</b>	<b>3,532</b>	<b>4,822</b>
Opening General Fund			8,543					
Plus Surplus or (Less Deficit) on General Fund in Year			(1,290)					
<b>Closing General Fund Balance</b>			<b>7,253</b>					

## EXPENDITURE AND FUNDING ANALYSIS

2018/19 - Restated	Adjustments between the Funding and Accounting Basis						Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
	Net Expenditure as reported to Council Executive £'000	Net Expenditure Chargeable to the General Fund £'000	Adjustments for Capital Purposes £'000	Net charge for Pension Adjustments £'000	Other Differences £'000	Total adjustments £'000	
Resources	8,694	272	943	740	(1)	1,682	10,648
Community Services	4,458	0	490	310	(3)	797	5,255
Non-directorate	97	4	41	21	2	64	165
<b>Net Cost of Services</b>	<b>13,249</b>	<b>276</b>	<b>1,474</b>	<b>1,071</b>	<b>(2)</b>	<b>2,543</b>	<b>16,068</b>
Other Income and Expenditure		(11,906)	(909)	1,128	(1,317)	(1,098)	(13,004)
<b>(Surplus) or Deficit on Provision of Services</b>		<b>1,619</b>	<b>565</b>	<b>2,199</b>	<b>(1,319)</b>	<b>1,445</b>	<b>3,064</b>
Opening General Fund		10,162					
Plus Surplus or (Less Deficit) on General Fund in Year		(1,619)					
<b>Closing General Fund Balance</b>		<b>8,543</b>					

### Note 1 – Adjustments

This column details transactions reported to Council Executive, but which are reported below Net Cost of Services in the Comprehensive Income and Expenditure Account. The transactions within Resources all relate to income, expenditure and changes in fair value of investment properties. The transactions within Non-directorate are in relation to interest income.

# EXPENDITURE AND FUNDING ANALYSIS

## Note 2 – Adjustments for Capital Purposes

This column adds in depreciation and impairment and revaluation gains and losses in the service line, and for:

- **Other operating expenditure** – adjusts for capital disposals with a transfer of income on disposals of assets and the amounts written off for those assets.
- **Financing and investment income and expenditure** – the statutory charges for capital financing and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- **Taxation and non-specific grant income and expenditure** – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The taxation and non-specific grant income and expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

## Note 3 – Net Charge for Pension Adjustments

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

- **For services** this represents the removal of the employer pension contributions made by the council as allowed by statute and the replacement with current service costs and past service costs.
- For **Financing and investment income and expenditure** the net interest on the defined benefit liability is charged to the Comprehensive Income and Expenditure Statement.

## Note 4 – Other Differences

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

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

# COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

2018/19 - Restated			2019/20			Note
Gross Exp £'000	Income £'000	Net Exp £'000	Gross Exp £'000	Income £'000	Net Exp £'000	
39,704	(29,056)	10,648	Resources	35,278	(24,558)	10,720
7,558	(2,303)	5,255	Community Services	7,510	(2,375)	5,135
1,469	(1,304)	165	Non-directorate	1,686	(1,403)	283
<b>48,731</b>	<b>(32,663)</b>	<b>16,068</b>	<b>Net Cost of Services</b>	<b>44,474</b>	<b>(28,336)</b>	<b>16,138</b>
<i>Other operating expenditure:</i>						
336	Parish Council precepts					352
	(Gains) losses on the disposal of non					
(39)	current assets					134
(427)	Income relating to non asset disposals					(286)
<i>Financing and investment income and expenditure:</i>						
1,128	Net interest on the net defined benefit liability					1,223
(110)	Interest income					(136)
	Income, expenditure and changes in the fair value of investment property					
27	(275)	(248)		40	(115)	(75)
<i>Taxation and non specific grant income:</i>						
(6,359)	Council tax income					(6,584)
(6,118)	NNDR income and expenditure					(4,769)
(841)	Non ring fenced government grants					(739)
(326)	Capital grants and contributions					(436)
<b>3,064</b>	<b>(Surplus) or Deficit on the Provision of Services</b>					<b>4,822</b>
<b>(1,787)</b>	<b>(Surplus) or deficit on the revaluation of non current assets</b>					<b>(5,157)</b>
<b>5,286</b>	<b>Remeasurement of the net defined benefit liability</b>					<b>(16,168)</b>
<b>3,499</b>	<b>Other Comprehensive Income and Expenditure</b>					<b>(21,325)</b>
<b>6,563</b>	<b>Total Comprehensive Income and Expenditure</b>					<b>(16,503)</b>

## MOVEMENT IN RESERVES STATEMENT

The Movement in Reserves Statement shows the movement from the start of the year to the end of the year on the different reserves held by the council, analysed into ‘usable reserves’ (i.e. those that can be applied to fund expenditure or reduce local taxation) and ‘other’ reserves. The Statement shows how the movements in year of the council’s reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The Net Increase/ Decrease line shows the statutory General Fund Balance movements in the year following those adjustments.

Full details of the Movement in Reserves Statement are shown in note 8 to the financial statements on page 66.

The opening balance adjustment for 2019/20 is in respect of an adjustment to the Bramcote Bereavement Services Joint Committee crematorium repairs and renewals capital reserve.

## MOVEMENT IN RESERVES STATEMENT

	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Capital Reserve £'000	Total General Fund Reserves £'000	Usable Capital Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Council Reserves £'000
<b>Movement in Reserves during 2019/20</b>									
Balance at 31 <sup>st</sup> March 2019	5,704	2,146	693	8,543	3,187	760	12,490	(14,737)	(2,247)
Opening balance adjustment	5	0	(5)	0	0	0	0	0	0
Total Comprehensive Income and Expenditure	(4,822)	0	0	(4,822)	0	0	(4,822)	21,325	16,503
Adjustments between Accounting Basis and Funding Basis under Regulations (note 7)	3,532	0	0	3,532	(251)	236	3,517	(3,517)	0
Transfers (from) to Earmarked Reserves	816	(782)	(34)	0	0	0	0	0	0
Net Increase (Decrease) in 2019/20	(474)	(782)	(34)	(1,290)	(251)	236	(1,305)	17,808	16,503
<b>Balance at 31<sup>st</sup> March 2020</b>	<b>5,235</b>	<b>1,364</b>	<b>654</b>	<b>7,253</b>	<b>2,936</b>	<b>996</b>	<b>11,185</b>	<b>3,071</b>	<b>14,256</b>
<b>Purpose Analysis</b>									
-Capital	0	0	654	654	2,936	996	4,586	39,823	44,409
-Revenue	5,235	1,364	0	6,599	0	0	6,599	(36,752)	(30,153)
	<b>5,235</b>	<b>1,364</b>	<b>654</b>	<b>7,253</b>	<b>2,936</b>	<b>996</b>	<b>11,185</b>	<b>3,071</b>	<b>14,256</b>
<b>Movement in Reserves during 2018/19</b>									
Balance at 31 <sup>st</sup> March 2018	5,550	3,833	779	10,162	2,704	454	13,320	(8,659)	4,661
Opening balance adjustment	0	0	0	0	0	0	0	(345)	(345)
Total Comprehensive Income and Expenditure	(3,064)	0	0	(3,064)	0	0	(3,064)	(3,499)	(6,563)
Adjustments between Accounting Basis and Funding Basis under Regulations (note 7)	1,445	0	0	1,445	483	306	2,234	(2,234)	0
Transfers (from) to Earmarked Reserves	1,773	(1,687)	(86)	0	0	0	0	0	0
Net Increase (Decrease) in 2018/19	154	(1,687)	(86)	(1,619)	483	306	(830)	(5,733)	(6,563)
<b>Balance at 31<sup>st</sup> March 2019</b>	<b>5,704</b>	<b>2,146</b>	<b>693</b>	<b>8,543</b>	<b>3,187</b>	<b>760</b>	<b>12,490</b>	<b>(14,737)</b>	<b>(2,247)</b>

# BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the council. The net assets of the council (assets less liabilities) are matched by the reserves held by the council. Reserves are reported in two categories.

The first category of reserves are usable reserves, i.e. those reserves that the council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use.

The second category of reserves is those that the council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

<b>Restated 31<sup>st</sup> March 2019 £'000</b>	<b>31st March 2020 £'000</b>	<b>31st March 2020 £'000</b>
		<b>Note</b>
<b>Property Plant and Equipment</b>		
28,821 Other Land and Buildings	14	<b>33,107</b>
2,256 Vehicles, Plant, Furniture and Equipment	14	<b>1,957</b>
678 Infrastructure Assets	14	<b>607</b>
0 Assets Under Construction	14	<b>6</b>
<b>31,755 Total Property Plant and Equipment</b>		<b>35,677</b>
<b>Other Long-term Assets</b>		
593 Heritage Assets	15	<b>593</b>
2,872 Investment Properties	15	<b>2,779</b>
404 Long-term Debtors	20	<b>746</b>
<b>3,869 Total Other Long-term Assets</b>		<b>4,118</b>
<b>35,624 Long-term Assets</b>		<b>39,795</b>
<b>Current Assets</b>		
136 Inventories	19	<b>142</b>
4,669 Short-term Debtors	20	<b>5,971</b>
358 Assets Held for Sale	15	<b>358</b>
13,510 Cash and Cash Equivalents	21	<b>12,883</b>
<b>18,673 Total Current Assets</b>		<b>19,354</b>
<b>54,297 Total Assets</b>		<b>59,149</b>

# BALANCE SHEET

<b>Restated 31st March 2019 £'000</b>		<b>31st March 2020 £'000</b>	<b>31st March 2020 £'000</b>
		<i>Note</i>	
	<b>Current Liabilities</b>		
(5,039)	Short-term Creditors	22	<b>(7,156)</b>
(1,246)	Provisions	23	<b>(1,236)</b>
(6,285)	<b>Total Current Liabilities</b>		<b>(8,392)</b>
48,012	<b>Total Assets less Current Liabilities</b>		<b>50,757</b>
	<b>Long-term Liabilities</b>		
	Liability Relating to Defined Benefit Pension Schemes	32	<b>(36,501)</b>
(50,259)	<b>Total Long-term Liabilities</b>		<b>(36,501)</b>
(2,247)	<b>Net Liabilities</b>		<b>14,256</b>
	<b>Financed by:</b>		
	<b>Usable Reserves</b>		
5,704	General Fund Balance	8	<b>5,235</b>
2,146	Earmarked Revenue Reserves	9	<b>1,364</b>
3,187	Usable Capital Receipts Reserve	8	<b>2,936</b>
693	Capital Reserves	9	<b>654</b>
760	Capital Grants Unapplied Account	8	<b>996</b>
12,490			<b>11,185</b>
	<b>Unusable Reserves</b>		
13,760	Revaluation Reserve	10	<b>18,344</b>
21,850	Capital Adjustment Account	10	<b>21,479</b>
4	Collection Fund Adjustment Account	10	<b>(124)</b>
(50,259)	Pensions Reserve	10	<b>(36,501)</b>
	Short-term Accumulating Compensated Absences	10	<b>(127)</b>
(92)			<b>3,071</b>
(14,737)			
(2,247)	<b>Total Reserves</b>		<b>14,256</b>

## CASH FLOW STATEMENT

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

<b>Restated 2018/19 £'000</b>	<b>2019/20 £'000</b>
3,064 Net deficit or (surplus) on the provision of services	4,822
(5,804) Adjustments to net surplus or deficit on the provision of services for non-cash movements	(4,524)
612 Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	157
<b>(2,128) Net Cash flow from Operating Activities</b>	<b>455</b>
(360) Investing Activities	172
<b>(2,488) Net (Increase) or Decrease in Cash and Cash Equivalents</b>	<b>627</b>
Cash and cash equivalents at the beginning of the reporting period	(13,510)
13,510 Cash and cash equivalents at the end of the reporting period	12,883
<b>2,488 Net (Decrease) or Increase in Cash and Cash Equivalents</b>	<b>(627)</b>

Full details of the above are shown in note 24 to the financial statements page 95.

# NOTES TO THE ACCOUNTS

## 1. Restatement of the 2018/19 Statement of Accounts – reporting structure

The council has made the following adjustments to the previously published figures for 2018/19 following an internal reorganisation of the council's reporting structure. The Operational Services Directorate has been reconfigured across the Resources Directorate and the Community Services Directorate. It is important to note that the amendments are all for presentational purposes and the financial position of the council has not changed compared to the previously published figures for 2018/19.

The impact of the restructure on the presentation of the Comprehensive Income and Expenditure Statement is detailed in the table below.

	2018/19		
	Gross Exp £'000	Income £'000	Net Exp £'000
Resources	32,154	(26,004)	6,150
Operational Services	11,108	(4,542)	6,566
Community Services	2,599	(813)	1,786
Non-directorate	1,458	(1,304)	154
<b>Net Cost of Services</b>	<b>47,319</b>	<b>(32,663)</b>	<b>14,656</b>

	Restated 2018/19		
	Gross Exp £'000	Income £'000	Net Exp £'000
Resources	38,290	(29,056)	9,234
Community Services	7,571	(2,303)	5,268
Non-directorate	1,458	(1,304)	154
<b>Net Cost of Services</b>	<b>47,319</b>	<b>(32,663)</b>	<b>14,656</b>

The impact of the restructure on the presentation of the Expenditure and Funding Analysis Statement is detailed in the table below.

## NOTES TO THE ACCOUNTS

	Net Expenditure as reported to Council Executive £'000		Net Expenditure Chargeable to the General Fund £'000	Adjustments between the Funding and Accounting Basis				Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
	Adjustments £'000	Adjustments £'000		Adjustments for Capital Purposes £'000	Net charge for Pension Adjustments £'000	Other Differences £'000	Total adjustments £'000	
2018/19								
Resources	5,139	272	5,411	251	472	16	739	6,150
Operational Services	6,502	0	6,502	1,046	(961)	(21)	64	6,566
Community Services	1,511	0	1,511	136	138	1	275	1,786
Non-directorate	97	4	101	41	10	2	53	154
<b>Net Cost of Services</b>	<b>13,249</b>	<b>276</b>	<b>13,525</b>	<b>1,474</b>	<b>(341)</b>	<b>(2)</b>	<b>1,131</b>	<b>14,656</b>
<b>2018/19 - Restated</b>								
Resources	8,694	272	8,966	943	(674)	(1)	268	9,234
Community Services	4,458	0	4,458	490	323	(3)	810	5,268
Non-directorate	97	4	101	41	10	2	53	154
<b>Net Cost of Services</b>	<b>13,249</b>	<b>276</b>	<b>13,525</b>	<b>1,474</b>	<b>(341)</b>	<b>(2)</b>	<b>1,131</b>	<b>14,656</b>

The comparative figures for 2018/19 in Note 5 to the accounts, Segmental Income and Expenditure, have been restated to reflect the change in reporting structure.

The reorganisation of the council's reporting structure has no impact on the Movement in Reserves Statement, Balance Sheet or the Cash Flow Statement.

# NOTES TO THE ACCOUNTS

## 2. Prior Period Adjustment – Leisure Services Employee Benefits (Post-Employment Benefits)

The council has made a prior period adjustment to the previously published Statement of Accounts for 2018/19 in respect of Employee Benefits (Post-Employment Benefits).

On 1 February 2019 the council outsourced the management of leisure services to Parkwood Leisure Limited. This involved the transfer of staff to Legacy Leisure Limited (subcontractor to Parkwood) under Transfer of Undertakings (Protection of Employment) Regulations (TUPE). At the 31 March 2019 a Deed of Variation to the contract with Legacy Leisure Limited to confirm a pass through arrangement in respect of the leisure services element of the Pension Fund had not been completed. The Derbyshire Pension Fund actuary therefore treated the assets and liabilities relating to leisure services employees as a bulk transfer.

The Deed of Variation was subsequently completed after 31 March 2019. The Deed of Variation states that; ‘the Authority shall accept and retain responsibility for the liabilities under the Fund attributable to the Contractor or any Sub-Contractor’. The Pension Fund actuary has subsequently confirmed that there is now a pass-through arrangement between the council and Legacy Leisure Limited. The pass-through arrangements means that the risks and obligations of the assets and liabilities relating to leisure services employees remains with the council. A prior period adjustment is therefore required to reverse the bulk transfer and restate the assets and liabilities of the pension scheme at 31 March 2019 to also include those attributable to leisure services employees.

The impact of the adjustment for leisure services employee benefits on the Balance Sheet is detailed in the table below.

	Restated	
	31st March 2019 £'000	31st March 2019 £'000
<b>Total Assets less Current Liabilities</b>	<b>48,012</b>	<b>48,012</b>
Liability Relating to Defined Benefit Pension Scheme	(47,950)	(49,660)
<b>Net Assets/(Liabilities)</b>	<b>62</b>	<b>(1,648)</b>
<b>Financed by:</b>		
<b>Usable Reserves</b>	<b>12,490</b>	<b>12,490</b>
Pension Reserve	(47,950)	(49,660)
Other Unuseable Reserves	35,522	35,522
<b>Total Unuseable Reserves</b>	<b>(12,428)</b>	<b>(14,138)</b>
<b>Total Reserves</b>	<b>62</b>	<b>(1,648)</b>

## NOTES TO THE ACCOUNTS

The impact of the adjustment for leisure services employee benefits on the Comprehensive Income and Expenditure Statement is detailed in the table below.

	2018/19 – Restated (for Note 1)			2018/19 – Restated (for Notes 1 and 2)		
	Gross Exp £'000	Net Exp £'000		Gross Exp £'000	Net Exp £'000	
Resources	38,290	(29,056)	9,234	39,704	(29,056)	10,648
Community Services	7,571	(2,303)	5,268	7,558	(2,303)	5,255
Non-directorate	1,458	(1,304)	154	1,458	(1,304)	154
<b>Net Cost of Services</b>	<b>47,319</b>	<b>(32,663)</b>	<b>14,656</b>	<b>48,720</b>	<b>(32,663)</b>	<b>16,057</b>
<i>Other operating expenditure:</i>						
Parish Council precepts			336			336
(Gains) losses on the disposal of non current assets			(39)			(39)
Income relating to non asset disposals			(427)			(427)
<i>Financing and investment income and expenditure:</i>						
Net interest on the net defined benefit liability			1,111			1,116
Interest income			(110)			(110)
Income, expenditure and changes in the fair value of investment property	27	(275)	(248)	27	(275)	(248)
<i>Taxation and non specific grant income:</i>						
Council tax income			(6,359)			(6,359)
NNDR income and expenditure			(6,118)			(6,118)
Non ring fenced government grants			(841)			(841)
Capital grants and contributions			(326)			(326)
<b>(Surplus) or Deficit on the Provision of Services</b>			<b>1,635</b>			<b>3,041</b>
(Surplus) or deficit on the revaluation of non current assets			(1,787)			(1,787)
Remeasurement of the net defined benefit liability			4,751			5,055
<b>Other Comprehensive Income and Expenditure</b>			<b>2,964</b>			<b>3,268</b>
<b>Total Comprehensive Income and Expenditure</b>			<b>4,599</b>			<b>6,309</b>

## NOTES TO THE ACCOUNTS

The impact of the adjustment for leisure services employee benefits on the Movement in Reserves Statement is detailed in the table below.

Movement in Reserves during 2018/19	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Capital Reserve £'000	Total General Fund Reserves £'000	Usable Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Council Reserves £'000
Balance at 31 <sup>st</sup> March 2019	5,550	3,833	779	10,162	2,704	454	13,320	(8,659)	4,661
Total Comprehensive Income and Expenditure	(1,635)	0	0	(1,635)	0	0	(1,635)	(2,964)	(4,599)
Adjustments between Accounting Basis and Funding Basis under Regulations (note 7)	16	0	0	16	483	306	805	(805)	0
Transfers (from) to Earmarked Reserves	1,773	(1,687)	(86)	0	0	0	0	0	0
Net Increase (Decrease) in 2019/20	154	(1,687)	(86)	(1,619)	483	306	(830)	(3,769)	(4,599)
<b>Balance at 31<sup>st</sup> March 2020</b>	<b>5,704</b>	<b>2,146</b>	<b>693</b>	<b>8,543</b>	<b>3,187</b>	<b>760</b>	<b>12,490</b>	<b>(12,428)</b>	<b>62</b>
<b>Restated for Note 2</b>									
<b>Movement in Reserves during 2018/19</b>									
Balance at 31 <sup>st</sup> March 2018	5,550	3,833	779	10,162	2,704	454	13,320	(8,659)	4,661
Total Comprehensive Income and Expenditure	(3,041)	0	0	(3,041)	0	0	(3,041)	(3,268)	(6,309)
Adjustments between Accounting Basis and Funding Basis under Regulations (note 7)	1,422	0	0	1,422	483	306	2,211	(2,211)	0
Transfers (from) to Earmarked Reserves	1,773	(1,687)	(86)	0	0	0	0	0	0
Net Increase (Decrease) in 2018/19	154	(1,687)	(86)	(1,619)	483	306	(830)	(5,479)	(6,309)
<b>Balance at 31<sup>st</sup> March 2019</b>	<b>5,704</b>	<b>2,146</b>	<b>693</b>	<b>8,543</b>	<b>3,187</b>	<b>760</b>	<b>12,490</b>	<b>(14,138)</b>	<b>(1,648)</b>

## NOTES TO THE ACCOUNTS

The impact of the adjustment for leisure services employee benefits on the Cash Flow Statement is detailed in the table below.

2018/19 £'000	Restated 2018/19 £'000
1,635 Net deficit or (surplus) on the provision of services	<b>3,041</b>
Adjustments to net surplus or deficit on the (4,375) provision of services for non-cash movements	<b>(5,781)</b>
Adjustments for items included in the net surplus or deficit on the provision of services that are 612 investing and financing activities	<b>612</b>
<b>(2,128) Net Cash flow from Operating Activities</b>	<b>(2,128)</b>
(360) Investing Activities	<b>(360)</b>
<b>Net (Increase) or Decrease in Cash and Cash (2,488) Equivalents</b>	<b>(2,488)</b>
Cash and cash equivalents at the beginning of the (11,022) reporting period	<b>(11,022)</b>
Cash and cash equivalents at the end of the 13,510 reporting period	<b>13,510</b>
<b>Net (Decrease) or Increase in Cash and Cash 2,488 Equivalents</b>	<b>2,488</b>

## NOTES TO THE ACCOUNTS

The impact of the adjustment for leisure services employee benefits on the Expenditure and Funding Analysis and is detailed in the table below.

2018/19 – Restated for Note to the Accounts 1	Adjustments between the Funding and Accounting Basis						Net Expenditure in the Comprehensive Income and Expenditure Statement  £'000	
	Net Expenditure as reported to Council Executive £'000	Adjustments (Note 1) £'000	Net Expenditure Chargeable to the General Fund £'000	Adjustments for Capital Purposes (Note 2) £'000	Net charge for Pension Adjustments (Note 3) £'000	Other Differences (Note 4) £'000	Total adjustments £'000	
Resources	8,694	272	8,966	943	(674)	(1)	268	9,234
Community Services	4,458	0	4,458	490	323	(3)	810	5,268
Non-directorate	97	4	101	41	10	2	53	154
<b>Net Cost of Services</b>	<b>13,249</b>	<b>276</b>	<b>13,525</b>	<b>1,474</b>	<b>(341)</b>	<b>(2)</b>	<b>1,131</b>	<b>14,656</b>
Other Income and Expenditure			(11,906)	(909)	1,111	(1,317)	(1,115)	(13,021)
<b>(Surplus) or Deficit on Provision of Services</b>			<b>1,619</b>	<b>565</b>	<b>770</b>	<b>(1,319)</b>	<b>16</b>	<b>1,635</b>
Opening General Fund			10,162					
Plus Surplus or (Less Deficit) on General Fund in Year			(1,619)					
<b>Closing General Fund Balance</b>			<b>8,543</b>					

## NOTES TO THE ACCOUNTS

2018/19 – Restated for Notes to the Accounts 1 and 2	Adjustments between the Funding and Accounting Basis						Net Expenditure in the Comprehensive Income and Expenditure Statement	
	Net Expenditure as reported to Council Executive £'000	Adjustments (Note 1) £'000	Net Expenditure Chargeable to the General Fund £'000	Adjustments for Capital Purposes (Note 2) £'000	Net charge for Pension Adjustments (Note 3) £'000	Other Differences (Note 4) £'000		
Resources	8,694	272	8,966	943	740	(1)	1,682	10,648
Community Services	4,458	0	4,458	490	310	(3)	797	5,255
Non-directorate	97	4	101	41	10	2	53	154
<b>Net Cost of Services</b>	<b>13,249</b>	<b>276</b>	<b>13,525</b>	<b>1,474</b>	<b>1,060</b>	<b>(2)</b>	<b>2,532</b>	<b>16,057</b>
Other Income and Expenditure			(11,906)	(909)	1,116	(1,317)	(1,110)	(13,016)
<b>(Surplus) or Deficit on Provision of Services</b>			<b>1,619</b>	<b>565</b>	<b>2,176</b>	<b>(1,319)</b>	<b>1,422</b>	<b>3,041</b>
Opening General Fund			10,162					
Plus Surplus or (Less Deficit) on General Fund in Year			(1,619)					
<b>Closing General Fund Balance</b>			<b>8,543</b>					

The following Notes to the Accounts have also been restated for the adjustment to employee benefits: Note 5 Segmental Income and Expenditure; Note 6 Income and Expenditure Analysed by Nature; Note 7 Adjustments between accounting Basis and Funding Basis Under Regulations; Note 8 Movement in Reserves; Note 10 Movement in Reserves Statement – Movement on Unusable Reserves; Note 24 Cash Flow Statement; Note 32 Employee Benefits – Post Employment Benefit.

## NOTES TO THE ACCOUNTS

### 3. Prior Period Adjustment – Bramcote Bereavement Services Joint Committee Employee Benefits (Post-Employment Benefits)

In 2019/20 Bramcote Bereavement Services Joint Committee adopted IAS 19 Employee Benefits and have disclosed the costs of the Local Government Pension Scheme in their accounts for the first time. In line with the requirements of the Code of Practice on Local Authority Accounting 2019/20 comparative figures for 2018/19 have also been included within the accounts.

The following tables reflect the further adjustment for Note 3 compared to the restated position after Note 1 and Note 2 detailed above. The impact of the adjustment for Bramcote Bereavement Services Joint Committee employee benefits on the Balance Sheet is detailed in the table below.

	Restated Notes 1 & 2 31st March 2019 £'000	Restated Notes 1, 2 & 3 31st March 2019 £'000
<b>Total Assets less Current Liabilities</b>	<b>48,012</b>	<b>48,012</b>
Liability Relating to Defined Benefit Pension Scheme	(49,660)	(50,259)
<b>Net Assets/(Liabilities)</b>	<b>(1,648)</b>	<b>(2,247)</b>
<b>Financed by:</b>		
<b>Usable Reserves</b>	<b>12,490</b>	<b>12,490</b>
Pension Reserve	(49,660)	(50,259)
Other Unuseable Reserves	35,522	35,522
<b>Total Unuseable Reserves</b>	<b>(14,138)</b>	<b>(14,737)</b>
<b>Total Reserves</b>	<b>(1,648)</b>	<b>(2,247)</b>

## NOTES TO THE ACCOUNTS

The impact of the adjustment for Bramcote Bereavement Services Joint Committee employee benefits on the Comprehensive Income and Expenditure Statement is detailed in the table below.

	2018/19 – Restated (for Notes 1 and 2)			2018/19 – Restated (for Notes 1, 2 and 3)		
	Gross Exp £'000	Net Exp £'000	Income £'000	Gross Exp £'000	Net Exp £'000	Income £'000
Resources	39,704	(29,056)	10,648	39,704	(29,056)	10,648
Community Services	7,558	(2,303)	5,255	7,558	(2,303)	5,255
Non-directorate	1,458	(1,304)	154	1,469	(1,304)	165
<b>Net Cost of Services</b>	<b>48,720</b>	<b>(32,663)</b>	<b>16,057</b>	<b>48,731</b>	<b>(32,663)</b>	<b>16,068</b>
<i>Other operating expenditure:</i>						
Parish Council precepts			336			336
(Gains) losses on the disposal of non current assets			(39)			(39)
Income relating to non asset disposals			(427)			(427)
<i>Financing and investment income and expenditure:</i>						
Net interest on the net defined benefit liability			1,116			1,128
Interest income			(110)			(110)
Income, expenditure and changes in the fair value of investment property	27	(275)	(248)	27	(275)	(248)
<i>Taxation and non specific grant income:</i>						
Council tax income			(6,359)			(6,359)
NNDR income and expenditure			(6,118)			(6,118)
Non ring fenced government grants			(841)			(841)
Capital grants and contributions			(326)			(326)
<b>(Surplus) or Deficit on the Provision of Services</b>			<b>3,041</b>			<b>3,064</b>
(Surplus) or deficit on the revaluation of non current assets			(1,787)			(1,787)
Remeasurement of the net defined benefit liability			5,055			5,286
<b>Other Comprehensive Income and Expenditure</b>			<b>3,268</b>			<b>3,499</b>
<b>Total Comprehensive Income and Expenditure</b>			<b>6,309</b>			<b>6,563</b>

## NOTES TO THE ACCOUNTS

The impact of the adjustment for Bramcote Bereavement Services Joint Committee employee benefits on the Movement in Reserves Statement is detailed in the table below.

	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Capital Reserve £'000	Total General Fund Reserves £'000	Usable Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Council Reserves £'000
<b>Restated for Note 2</b>									
<b>Movement in Reserves during 2018/19</b>									
Balance at 31 <sup>st</sup> March 2019	5,550	3,833	779	10,162	2,704	454	13,320	(8,659)	4,661
Total Comprehensive Income and Expenditure	(3,041)	0	0	(3,041)	0	0	(3,041)	(3,268)	(6,309)
Adjustments between Accounting Basis and Funding Basis under Regulations (note 7)	1,422	0	0	1,422	483	306	2,211	(2,211)	0
Transfers (from) to Earmarked Reserves	1,773	(1,687)	(86)	0	0	0	0	0	0
Net Increase (Decrease) in 2019/20	154	(1,687)	(86)	(1,619)	483	306	(830)	(5,479)	(6,309)
<b>Balance at 31<sup>st</sup> March 2020</b>	<b>5,704</b>	<b>2,146</b>	<b>693</b>	<b>8,543</b>	<b>3,187</b>	<b>760</b>	<b>12,490</b>	<b>(14,138)</b>	<b>(1,648)</b>
<b>Restated for Notes 2 and 3</b>									
<b>Movement in Reserves during 2018/19</b>									
Balance at 31 <sup>st</sup> March 2018	5,550	3,833	779	10,162	2,704	454	13,320	(8,659)	4,661
Opening balance adjustment	0	0	0	0	0	0	0	(345)	(345)
Total Comprehensive Income and Expenditure	(3,064)	0	0	(3,064)	0	0	(3,064)	(3,499)	(6,563)
Adjustments between Accounting Basis and Funding Basis under Regulations (note 7)	1,445	0	0	1,445	483	306	2,234	(2,234)	0
Transfers (from) to Earmarked Reserves	1,773	(1,687)	(86)	0	0	0	0	0	0
Net Increase (Decrease) in 2018/19	154	(1,687)	(86)	(1,619)	483	306	(830)	(5,733)	(6,563)
<b>Balance at 31<sup>st</sup> March 2019</b>	<b>5,704</b>	<b>2,146</b>	<b>693</b>	<b>8,543</b>	<b>3,187</b>	<b>760</b>	<b>12,490</b>	<b>(14,737)</b>	<b>(2,247)</b>

## NOTES TO THE ACCOUNTS

The impact of the adjustment for Bramcote Bereavement Services Joint Committee employee benefits on the Cash Flow Statement is detailed in the table below.

<b>Restated Note 2 2018/19 £'000</b>	<b>Restated Note 2 and 3 2018/19 £'000</b>
3,041 Net deficit or (surplus) on the provision of services	<b>3,064</b>
Adjustments to net surplus or deficit on the (5,781) provision of services for non-cash movements	<b>(5,804)</b>
Adjustments for items included in the net surplus or deficit on the provision of services that are 612 investing and financing activities	<b>612</b>
<b>(2,128) Net Cash flow from Operating Activities</b>	<b>(2,128)</b>
(360) Investing Activities	<b>(360)</b>
<b>Net (Increase) or Decrease in Cash and Cash Equivalents</b>	<b>(2,488)</b>
Cash and cash equivalents at the beginning of the (11,022) reporting period	<b>(11,022)</b>
Cash and cash equivalents at the end of the 13,510 reporting period	<b>13,510</b>
<b>Net (Decrease) or Increase in Cash and Cash Equivalents</b>	<b>2,488</b>

## NOTES TO THE ACCOUNTS

The impact of the adjustment for Bramcote Bereavement Services Joint Committee employee benefits on the Expenditure and Funding Analysis and is detailed in the table below.

2018/19 – Restated for Notes to the Accounts 1 and 2	Adjustments between the Funding and Accounting Basis						Net Expenditure in the Comprehensive Income and Expenditure Statement	
	Net Expenditure as reported to Council Executive £'000	Adjustments (Note 1) £'000	Net Expenditure Chargeable to the General Fund £'000	Adjustments for Capital Purposes (Note 2) £'000	Net charge for Pension Adjustments (Note 3) £'000	Other Differences (Note 4) £'000		
Resources	8,694	272	8,966	943	740	(1)	1,682	10,648
Community Services	4,458	0	4,458	490	310	(3)	797	5,255
Non-directorate	97	4	101	41	10	2	53	154
<b>Net Cost of Services</b>	<b>13,249</b>	<b>276</b>	<b>13,525</b>	<b>1,474</b>	<b>1,060</b>	<b>(2)</b>	<b>2,532</b>	<b>16,057</b>
Other Income and Expenditure			(11,906)	(909)	1,116	(1,317)	(1,110)	(13,016)
<b>(Surplus) or Deficit on Provision of Services</b>			<b>1,619</b>	<b>565</b>	<b>2,176</b>	<b>(1,319)</b>	<b>1,422</b>	<b>3,041</b>
Opening General Fund			10,162					
Plus Surplus or (Less Deficit) on General Fund in Year			(1,619)					
<b>Closing General Fund Balance</b>			<b>8,543</b>					

## NOTES TO THE ACCOUNTS

2018/19 – Restated for Notes to the Accounts 1, 2 and 3	Adjustments between the Funding and Accounting Basis						Net Expenditure in the Comprehensive Income and Expenditure Statement	
	Net Expenditure as reported to Council Executive £'000	Adjustments (Note 1) £'000	Net Expenditure Chargeable to the General Fund £'000	Adjustments for Capital Purposes (Note 2) £'000	Net charge for Pension Adjustments (Note 3) £'000	Other Differences (Note 4) £'000		
Resources	8,694	272	8,966	943	740	(1)	1,682	10,648
Community Services	4,458	0	4,458	490	310	(3)	797	5,255
Non-directorate	97	4	101	41	21	2	64	165
<b>Net Cost of Services</b>	<b>13,249</b>	<b>276</b>	<b>13,525</b>	<b>1,474</b>	<b>1,071</b>	<b>(2)</b>	<b>2,543</b>	<b>16,068</b>
Other Income and Expenditure			(11,906)	(909)	1,128	(1,317)	(1,098)	(13,004)
<b>(Surplus) or Deficit on Provision of Services</b>			<b>1,619</b>	<b>565</b>	<b>2,199</b>	<b>(1,319)</b>	<b>1,445</b>	<b>3,064</b>
Opening General Fund			10,162					
Plus Surplus or (Less Deficit) on General Fund in Year			(1,619)					
<b>Closing General Fund Balance</b>			<b>8,543</b>					

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The following Notes to the Accounts have also been restated for the adjustment to employee benefits: Note 5 Segmental Income and Expenditure; Note 6 Income and Expenditure Analysed by Nature; Note 7 Adjustments between accounting Basis and Funding Basis Under Regulations; Note 8 Movement in Reserves; Note 10 Movement in Reserves Statement – Movement on Unusable Reserves; Note 24 Cash Flow Statement; Note 32 Employee Benefits – Post Employment Benefit.

# NOTES TO THE ACCOUNTS

## 4. Events after the Balance Sheet Date

The unaudited Statement of Accounts was authorised for issue by the Director of Resources and Deputy Chief Executive on 20 July 2020. Events taking place after this date are not reflected in the Financial Statements or accompanying notes. When events taking place before this date provided information about conditions existing at 31<sup>st</sup> March 2020, the figures in the financial statements and accompanying notes have been adjusted in all material respects to reflect the impact of this information.

## 5. Segmental Income and Expenditure

### Income

Revenue received from external customers on a segmental basis is analysed below:

Income	2018/19 - Restated Income from Services £'000	2019/20 Income from Services £'000
<b>Services</b>		
Resources	(4,245)	(2,419)
Community Services	(1,524)	(1,512)
Non Directorate	(1,304)	(1,403)
<b>Total Income</b>	<b>(7,073)</b>	<b>(5,334)</b>

The Resources segment includes: £911,000 of income from planning and building control services; car parking income of £453,000; and greenspace and street scene income of £406,000. Community Services segment includes £1,150,000 from waste management. Non Directorate includes income from Bramcote Crematorium of £1,403,000.

Income from external customers decreased by £1,739,000 in 2019/20 compared to 2018/19. The main reasons for the change are;

- £1,868,000 – reduction in income from leisure services following the service being outsourced from 1 February 2019;
- £103,000 – increase in income from planning and building control fees;
- £110,000 – increase in fees from Bramcote Crematorium.
- £68,000 – reduction in income from exchequer services

# NOTES TO THE ACCOUNTS

## Expenditure

Material items of expenditure by segment are detailed in the table below.

Expenditure	Resources £'000	Community Services £'000	Non Directorate £'000	Total £'000
<b>2019/20</b>				
Depreciation	1,204	152	42	<b>1,398</b>
Employee costs	8,174	4,667	289	<b>13,130</b>
Bramcote Crematorium	0	0	1,074	<b>1,074</b>
<b>2018/19 - Restated</b>				
Depreciation	1,044	381	41	<b>1,466</b>
Employee costs	10,009	4,428	201	<b>14,638</b>
Bramcote Crematorium	0	0	999	<b>999</b>

## 6. Income and Expenditure Analysed by Nature

The council's expenditure and income is analysed as follows:

	Restated 2018/19 £'000	2019/20 £'000
<b>Income</b>		
Fees, charges and other service income	(7,303)	(5,583)
Interest and investment income	(111)	(136)
Income from council tax	(6,359)	(6,584)
Income from non-domestic rates	(6,118)	(4,769)
Government grants and contributions	(26,057)	(23,437)
<b>Total Income</b>	<b>(45,948)</b>	<b>(40,509)</b>
<b>Expenditure</b>		
Employee benefits expenses	15,766	14,353
Other services expenses	31,983	29,190
Depreciation, amortisation, impairment and REFCUS	1,474	1,495
Precepts and levies	336	352
Investment property revaluations	(81)	93
Gain on disposal of assets	(466)	(152)
<b>Total Expenditure</b>	<b>49,012</b>	<b>45,331</b>
<b>Deficit or (Surplus) on the Provision of Services</b>	<b>3,064</b>	<b>4,822</b>

# NOTES TO THE ACCOUNTS

## 7. Adjustments between Accounting Basis and Funding Basis Under Regulations

This note details the adjustments that are made to the total Comprehensive Income and Expenditure Statement recognised by the council in the year, in accordance with proper accounting practice, to the resources that are specified by statutory provisions as being available to the council to meet future capital and revenue expenditure. The following sets out a description of the reserves that the adjustments are made against.

### General Fund Balance

The General Fund is the statutory fund into which all the receipts of an authority are required to be paid, and out of which all liabilities of the council are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the council is empowered statutorily to spend on its services or on capital investment (or the deficit of resources that the council is required to recover) at the end of the financial year.

### Usable Capital Receipts Reserve

The Usable Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the Balance Sheet date.

### Capital Grants Unapplied

The Capital Grants Unapplied (reserve) holds the grants and contributions received towards capital projects for which the council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

## NOTES TO THE ACCOUNTS

2019/20	Usable Reserves		
	General Fund Balance £'000	Usable Capital Receipts Reserve £'000	Capital Grants Unapplied £'000
<b>Adjustments to the Revenue Resources</b>			
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:			
• Pension costs (transfers to or from the Pensions Reserve)	(2,411)	0	0
• Council Tax and NNDR (transfers to or from the Collection Fund)	(128)	0	0
• Holiday Pay (transfers to or from the Accumulated Absences Reserve)	(35)	0	0
• Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(1,545)	0	0
<b>Total Adjustments to Revenue Resources</b>	<b>(4,119)</b>	<b>0</b>	<b>0</b>
<b>Adjustments between Revenue and Capital Resources</b>			
Transfer of Non-current asset sale proceeds from revenue to the Capital Receipts Reserve	308	78	0
Capital expenditure charged against the General Fund balance (transferred to the Capital Adjustment Account)	43	0	0
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>351</b>	<b>78</b>	<b>0</b>
<b>Adjustments to Capital Resources</b>			
Use of Capital Receipts Reserve to finance capital expenditure	0	173	0
Application of capital grants to finance capital expenditure	236	0	(236)
<b>Total Adjustments to Capital Resources</b>	<b>236</b>	<b>173</b>	<b>(236)</b>
<b>Total Adjustments</b>	<b>(3,532)</b>	<b>251</b>	<b>(236)</b>

## NOTES TO THE ACCOUNTS

	Usable Reserves		
	General Fund Balance £'000	Usable Capital Receipts Reserve £'000	Capital Grants Unapplied £'000
<b>Restated 2018/19</b>			
<b>Adjustments to the Revenue Resources</b>			
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:			
• Pension costs (transfers to or from the Pensions Reserve)	(2,199)	0	0
• Council Tax and NNDR (transfers to or from the Collection Fund)	1,317	0	0
• Holiday Pay (transfers to or from the Accumulated Absences Reserve)	2	0	0
• Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(1,835)	0	0
<b>Total Adjustments to Revenue Resources</b>	<b>(2,715)</b>	<b>0</b>	<b>0</b>
<b>Adjustments between Revenue and Capital Resources</b>			
Transfer of Non-current asset sale proceeds from revenue to the Capital Receipts Reserve	928	(928)	0
Capital expenditure charged against the General Fund balance (transferred to the Capital Adjustment Account)	36	0	0
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>964</b>	<b>(928)</b>	<b>0</b>
<b>Adjustments to Capital Resources</b>			
Use of Capital Receipts Reserve to finance capital expenditure	0	445	0
Application of capital grants to finance capital expenditure	306	0	(306)
<b>Total Adjustments to Capital Resources</b>	<b>306</b>	<b>445</b>	<b>(306)</b>
<b>Total Adjustments</b>	<b>(1,445)</b>	<b>(483)</b>	<b>(306)</b>

# NOTES TO THE ACCOUNTS

## 8. Movement in Reserves

Reserve	Purpose of Reserve
General Fund Balance	Resources available to meet future revenue expenditure.
Earmarked Revenue Reserves	Various discretionary reserves established by the council to fund specific items of revenue expenditure.
Usable Capital Receipts Reserve	Proceeds from non current assets available to meet future capital commitments.
Capital Reserves	Funds set aside to meet known capital commitments.
Capital Grants Unapplied Account	Grants received to fund known capital commitments but which have yet to be applied to meet expenditure.
Revaluation Reserve	Accumulated gains on revaluation of non current assets not realised through sales.
Capital Adjustment Account	Accumulated capital resources set aside to meet past capital expenditure.
Short Term Accumulating Compensated Absences	This is a balancing account to match the liability for untaken staff holiday pay.
Collection Fund Adjustment Account	This shows the adjustment between the actual council tax and NNDR collected and that required by statute to be credited to the Comprehensive Income and Expenditure Statement.
Pensions Reserve	Balancing account to allow the inclusion of the pension's liability in the Balance Sheet.

### Note

The reserves relating to Bramcote Bereavement Joint Committee Services accounts have been consolidated into the council's accounts. Further details of the movement on the reserves are shown in notes 9 and 10 to the financial statements on pages 68-73.

## NOTES TO THE ACCOUNTS

Movement in Reserves	Balance as at 31/03/2018 £'000	Additions during 2018/19 £'000	Restated Expenditure during 2018/19 £'000	Restated Balance as at 31/03/2019 £'000	Opening balance adjustment £'000	Additions during 2019/20 £'000	Expenditure during 2019/20 £'000	Balance as at 31/03/2020 £'000
<b>Usable Reserves</b>								
<b>Revenue Reserve</b>								
General Fund	5,550	154	0	5,704	5	0	(474)	5,235
Other Earmarked General Fund Reserves	3,833	382	(2,069)	2,146	0	396	(1,178)	1,364
<b>Total Revenue Reserves</b>	<b>9,383</b>	<b>536</b>	<b>(2,069)</b>	<b>7,850</b>	<b>5</b>	<b>396</b>	<b>(1,652)</b>	<b>6,599</b>
<b>Capital Reserves</b>								
Capital Reserve	779	0	(86)	693	(5)	0	(34)	654
Usable Capital Receipts Reserve	2,704	928	(445)	3,187	0	308	(559)	2,936
Capital Grants Unapplied Account	454	988	(682)	760	0	1,134	(898)	996
<b>Total Capital Reserves</b>	<b>3,937</b>	<b>1,916</b>	<b>(1,213)</b>	<b>4,640</b>	<b>(5)</b>	<b>1,442</b>	<b>(1,491)</b>	<b>4,586</b>
<b>Total Usable Reserves</b>	<b>13,320</b>	<b>2,452</b>	<b>(3,282)</b>	<b>12,490</b>	<b>0</b>	<b>1,838</b>	<b>(3,143)</b>	<b>11,185</b>
<b>Unusable Reserves</b>								
Revaluation Reserve	12,878	1,981	(1,099)	13,760	0	7,847	(3,263)	18,344
Capital Adjustment Account	22,299	1,756	(2,205)	21,850	0	1,584	(1,955)	21,479
Short-term Accumulating Compensated Absences	(94)	(92)	94	(92)	0	92	(127)	(127)
Collection Fund Adjustment	(1,313)	0	1,317	4	0	74	(202)	(124)
Pension Reserve	(42,429)	0	(7,830)	(50,259)	0	18,618	(4,860)	(36,501)
<b>Total Unusable Reserves</b>	<b>(8,659)</b>	<b>3,645</b>	<b>(9,723)</b>	<b>(14,737)</b>	<b>0</b>	<b>28,215</b>	<b>(10,407)</b>	<b>3,071</b>

## NOTES TO THE ACCOUNTS

### 9. Transfers to/from Earmarked Reserves

The table below shows the amounts set aside from the General Fund balance in earmarked reserves to provide financing for future expenditure, and amounts transferred from earmarked reserves to meet General Fund expenditure. It also shows any transfers to and from the General Fund in respect of capital reserves.

Reserves	Transfers to General Fund during 2018/19		Transfers from General Fund during 2018/19		Balance as at 31/03/2019 £'000	Opening Balance Adjustment 2019/20 £'000	Transfers to General Fund during 2019/20		Balance as at 31/03/2020 £'000
	Balance as at 31/03/2018 £'000	£'000	£'000	£'000			£'000	£'000	
<b>Earmarked Revenue Reserves</b>									
VAT partial exemption	90	(90)	0	0	0	0	0	0	0
Local lottery	69	(69)	0	0	0	0	0	0	0
IT equipment	290	0	0	290	0	(4)	0	0	286
Insurance	470	(73)	0	397	0	(22)	0	0	375
Community safety	76	(48)	0	28	0	(8)	0	0	20
Community consultation	7	(7)	0	0	0	0	0	0	0
New homes bonus scheme	542	(542)	0	0	0	0	0	0	0
Shopmobility	30	(23)	1	8	0	0	0	1	9
Museum purchases	4	0	0	4	0	0	0	0	4
Museum donations	10	0	2	12	0	0	0	2	14
Funding risk	1,757	(772)	325	1,310	0	(1,067)	393	636	
Healthy Lifestyle Hub	31	(21)	0	10	0	(10)	0	0	0
Contract settlement	342	(342)	0	0	0	0	0	0	0
Exchequer services	91	(76)	50	65	0	(65)	0	0	0
Crematorium donations	3	0	0	3	0	0	0	0	3
Crematorium memorialisation	21	(2)	0	19	0	(2)	0	0	17
	3,833	(2,065)	378	2,146	0	(1,178)	396	1,364	
<b>Capital Reserves</b>									
Vehicle and plant	618	(30)	0	588	0	0	0	0	588
VAT partial exemption	52	(52)	0	0	0	0	0	0	0
Crematorium repairs and renewals	109	(4)	0	105	(5)	(34)	0	0	66
	779	(86)	0	693	(5)	(34)	0	0	654

# NOTES TO THE ACCOUNTS

## 10. Movement in Reserves Statement – Movement on Unusable Reserves

### Revaluation Reserve

The Revaluation Reserve contains the gains made by the council arising from increases in the value of its property, plant and equipment, (and intangible assets). The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost;
- used in the provision of services and the gains are consumed through depreciation, or;
- disposed of and the gains are realised.

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

2018/19 £'000	2019/20 £'000
<b>12,878 Balance at 1<sup>st</sup> April</b>	<b>13,760</b>
(312) Opening balance adjustment	0
1,981 Upward revaluation of assets	7,847
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the	
(195) Provision of Services	(2,691)
<b>Surplus (Deficit) on Revaluation of long-term assets not posted to the Surplus or Deficit on the</b>	<b>5,156</b>
<b>1,786 Provision of Services</b>	
Difference between fair value depreciation and	
(423) historical cost depreciation	(572)
(169) Disposals	0
<b>13,760 Balance at 31<sup>st</sup> March</b>	<b>18,344</b>

### Capital Adjustment Account

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

The account also contains accumulated gains and losses on investment properties and gains recognised on donated assets that have yet to be consumed by the council. It also

## NOTES TO THE ACCOUNTS

contains revaluation gains accumulated on property, plant and equipment before 1<sup>st</sup> April 2007, the date that the Revaluation Reserve was created to hold such gains.

The following Note provides details of the sources of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

<b>2018/19</b> <b>£'000</b>	<b>2019/20</b> <b>£'000</b>
<b>22,299 Balance at 1<sup>st</sup> April</b>	<b>21,850</b>
312 Opening balance adjustment	0
<b>Reversal of items relating to capital expenditure shown in the Comprehensive Income and Expenditure Statement:</b>	
(1,466) Charges for depreciation on non current assets	(1,398)
81 Revaluation gains on Investment Properties	(93)
(139) Revaluation losses on Property, Plant and Equipment	(472)
(15) Revaluation losses on Heritage Assets	0
(789) Revenue expenditure funded from capital under statute	(699)
Amounts of non-current assets written off on disposal or sale to the Comprehensive Income and Expenditure Statement	
(463) Statement	(155)
275 Reversal of previous revaluation losses	410
<b>(2,516)</b>	<b>(2,407)</b>
<b>Net written out amount of the cost of non-current assets consumed in the year</b>	
Difference between fair value depreciation and historical cost depreciation	
423 historical cost depreciation	572
169 Disposals	0
<b>592</b>	<b>572</b>
<b>Capital Financing applied in the year:</b>	
Use of capital receipts to finance new capital expenditure	
445 expenditure	173
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement	
682 that have been applied in capital financing	898
0 Use of unapplied grants	(1)
36 Capital expenditure charged against the General Fund	8
Leisure services capital loan	386
<b>1,163</b>	<b>1,464</b>
<b>21,850 Balance at 31<sup>st</sup> March</b>	<b>21,479</b>

# NOTES TO THE ACCOUNTS

## Pensions Reserve

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

Restated 2018/19 £'000	2019/20 £'000
<b>(42,429) Balance at 1<sup>st</sup> April</b>	<b>(50,259)</b>
(345) Opening balance adjustment	0
Actuarial gains or (losses) on pensions assets and (5,286) liabilities	16,169
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure	
(4,546) Statement	(4,860)
Employer's pension contributions and direct payments to 2,347 pensioners payable in the year	2,449
<b>(50,259) Balance at 31<sup>st</sup> March</b>	<b>(36,501)</b>

# NOTES TO THE ACCOUNTS

## Collection Fund Adjustment Account

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

2018/19 £'000	2019/20 £'000
<b>Council Tax</b>	
<b>68 Balance at 1<sup>st</sup> April</b>	<b>80</b>
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	
12	75
<b>80 Balance at 31<sup>st</sup> March</b>	<b>155</b>
 <b>NNDR</b>	
<b>(1,381) Balance at 1<sup>st</sup> April</b>	<b>(76)</b>
Amount by which NNDR income credited to the Comprehensive Income and Expenditure Statement is different from NNDR income calculated for the year in accordance with statutory requirements	
1,305	(203)
<b>(76) Balance at 31<sup>st</sup> March</b>	<b>(279)</b>
<b>4 Total Collection Fund Adjustment Account</b>	<b>(124)</b>

# NOTES TO THE ACCOUNTS

## Short-term Accumulating Compensated Absences Adjustment Account

The Short-term Accumulating Compensated Absences Adjustment Account absorbs the differences that would otherwise have arisen on the General Fund balance from accruing for compensated absences earned but not taken in the year, for example annual leave entitlement carried forward at 31<sup>st</sup> March. Statutory arrangements require that the impact on the General Fund balance is neutralised by transfers to or from the Account.

<b>2018/19 £'000</b>	<b>2019/20 £'000</b>
(94) Balance at 1 <sup>st</sup> April	(92)
94 Settlement or cancellation of accrual made at the end of the preceding year	92
0	0
(92) Amounts accrued at the end of the current year	(127)
<b>(92) Balance at 31<sup>st</sup> March</b>	<b>(127)</b>

## 11. Capital Expenditure

The council's capital expenditure, on an accruals basis, including amounts owed but not paid during the financial year, have been analysed by type of asset and are set out below. The amounts also include revenue expenditure funded from capital under statute (REFCUS).

<b>2018/19 £'000</b>	<b>2019/20 £'000</b>
<b>Type of Asset</b>	
310 Operational land and buildings	149
58 Vehicles, plant, furniture and equipment	154
0 Assets under construction and work in progress	6
0 Infrastructure	63
789 Revenue expenditure funded from capital under statute	699
<b>1,157</b>	<b>1,071</b>
<b>Sources of Finance</b>	
(445) Capital receipts	(173)
(682) Grants and contributions	(898)
(30) Reserves	0
<b>(1,157)</b>	<b>(1,071)</b>
<b>0 Closing Capital Financing Requirement</b>	<b>0</b>

# NOTES TO THE ACCOUNTS

## 12. Capital Commitments

At 31 March 2020, the council had entered into contracts totalling £1.071m (£0.501m 2018/19) to take place in 2020/21. The breakdown is as follows:

Capital Commitments	£'000
Disabled facilities grants	528
Vehicle replacement programme (refuse)	543

## 13. Valuation of Non Current Assets and Long Term Assets

Non current assets are initially recognised at their cost of acquisition or purchase, plus any expenses directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended. Subsequent valuation of assets is based on the following:

- Land and Buildings, and Vehicles, Plant and Equipment - fair value in existing use or historical cost;
- Infrastructure Assets, Community Assets and Assets under Construction - depreciated historic cost;
- Investment Properties - market value;
- Intangible Assets - amortised historic cost.

Plant, furniture and equipment that are normally regarded as forming part of the building service installation have been included in the property valuation figure. However, under International Financial Reporting Standard 16 *Property, Plant and Equipment* significant components within buildings are valued and depreciated separately from the rest of the structure. Assets are only componentised if valued over £200,000 in total.

All valuations of non current assets are based upon a valuation exercise carried out by an external valuer, Guy Harbord of Wilkes Head and Eves LLB, who is a member of the Royal Institute of Chartered Surveyors. To comply with IAS16 *Property, Plant and Equipment* if one asset is chosen to be revalued, then all assets within that category must be revalued i.e. if one car park is revalued then all car parks must be revalued. All of the Council's assets will be revalued over a five year rolling programme.

## NOTES TO THE ACCOUNTS

### 14. Movement on Property, Plant and Equipment

	Other Land and Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure Assets £'000	Surplus Assets not Held for Sale £'000	Assets under Construction £'000	Total £'000
<b>Cost or Valuation at 31<sup>st</sup> March 2019</b>	<b>29,056</b>	<b>9,365</b>	<b>1,851</b>	<b>0</b>	<b>0</b>	<b>40,272</b>
Additions	149	162	63	0	6	380
Derecognition - disposals	(107)	(30)	(39)	0	0	(176)
Revaluation (+/-) recognised in the Revaluation Reserve	4,319	0	0	0	0	4,319
Revaluation (+/-) recognised in the Surplus/Deficit on Provision of Services	(62)	0	0	0	0	(62)
Reclassifications	0	0	0	0	0	0
<b>Cost or Valuation at 31<sup>st</sup> March 2020</b>	<b>33,355</b>	<b>9,497</b>	<b>1,875</b>	<b>0</b>	<b>6</b>	<b>44,733</b>
<b>Cumulative Depreciation at 31<sup>st</sup> March 2019</b>	<b>(235)</b>	<b>(7,109)</b>	<b>(1,173)</b>	<b>0</b>	<b>0</b>	<b>(8,517)</b>
Depreciation charge for the year	(859)	(444)	(95)	0	0	(1,398)
Derecognition - disposals	8	13	0	0	0	21
Depreciation written out to the Revaluation Reserve	838	0	0	0	0	838
Reclassifications	0	0	0	0	0	0
<b>Cumulative Depreciation at 31<sup>st</sup> March 2020</b>	<b>(248)</b>	<b>(7,540)</b>	<b>(1,268)</b>	<b>0</b>	<b>0</b>	<b>(9,056)</b>
<b>Net Book Value at 31<sup>st</sup> March 2020</b>	<b>33,107</b>	<b>1,957</b>	<b>607</b>	<b>0</b>	<b>6</b>	<b>35,677</b>
Net Book Value at 1 <sup>st</sup> April 2019	28,821	2,256	678	0	0	31,755
<b>Asset Financing at 31<sup>st</sup> March 2020</b>	<b>33,107</b>	<b>1,957</b>	<b>607</b>	<b>0</b>	<b>6</b>	<b>35,677</b>
<b>-Owned</b>						

## NOTES TO THE ACCOUNTS

	Other Land and Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure Assets £'000	Surplus Assets not Held for Sale £'000	Assets under Construction £'000	Total £'000
<b>Cost or Valuation at 31<sup>st</sup> March 2018</b>	<b>27,989</b>	<b>9,807</b>	<b>1,842</b>	<b>175</b>	<b>4</b>	<b>39,817</b>
Additions	289	75	9	0	0	373
Derecognition - disposals	(122)	(471)	0	(175)	0	(768)
Revaluation (+/-) recognised in the Revaluation Reserve	809	0	0	0	0	809
Revaluation (+/-) recognised in the Surplus/Deficit on Provision of Services	41	0	0	0	0	41
Reclassifications	50	(46)	0	0	(4)	0
<b>Cost or Valuation at 31<sup>st</sup> March 2019</b>	<b>29,056</b>	<b>9,365</b>	<b>1,851</b>	<b>0</b>	<b>0</b>	<b>40,272</b>
<b>Cumulative Depreciation at 31<sup>st</sup> March 2018</b>	<b>(241)</b>	<b>(6,998)</b>	<b>(1,077)</b>	<b>0</b>	<b>0</b>	<b>(8,316)</b>
Depreciation charge for the year	(773)	(597)	(96)	0	0	(1,466)
Derecognition - disposals	35	440	0	0	0	475
Depreciation written out to the Revaluation Reserve	790	0	0	0	0	790
Reclassifications	(46)	46	0	0	0	0
<b>Cumulative Depreciation at 31<sup>st</sup> March 2019</b>	<b>(235)</b>	<b>(7,109)</b>	<b>(1,173)</b>	<b>0</b>	<b>0</b>	<b>(8,517)</b>
<b>Net Book Value at 31<sup>st</sup> March 2019</b>	<b>28,821</b>	<b>2,256</b>	<b>678</b>	<b>0</b>	<b>0</b>	<b>31,755</b>
Net Book Value at 1 <sup>st</sup> April 2018	27,748	2,809	765	175	4	31,501
<b>Asset Financing at 31<sup>st</sup> March 2019</b>	<b>28,821</b>	<b>2,256</b>	<b>678</b>	<b>0</b>	<b>0</b>	<b>31,755</b>
<b>-Owned</b>						

## NOTES TO THE ACCOUNTS

The council carries out a rolling programme that ensures all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years.

	Other Land and Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure Assets £'000	Assets under construction £'000	Total £'000
<b>Carried at historical cost</b>	<b>0</b>	<b>9,112</b>	<b>1,875</b>	<b>6</b>	<b>10,993</b>
<b>Valued at fair value as at:</b>					
31 <sup>st</sup> March 2016	655	0	0	0	655
31 <sup>st</sup> March 2017	1,308	385	0	0	1,693
31 <sup>st</sup> March 2018	214	0	0	0	214
31 <sup>st</sup> March 2019	1,252	0	0	0	1,252
31 <sup>st</sup> March 2020	29,926	0	0	0	29,926
<b>Cost or Valuation at 31<sup>st</sup> March 2019</b>	<b>33,355</b>	<b>9,497</b>	<b>1,875</b>	<b>6</b>	<b>44,733</b>

## NOTES TO THE ACCOUNTS

### 15. Movement on Investment Properties, Assets Held for Sale, Intangible Assets and Heritage Assets

	Investment Properties £'000	Assets Held for Sale £'000	Intangible Assets £'000	Heritage Assets £'000	Total £'000
<b>Cost or Valuation at 1<sup>st</sup> April 2019</b>	<b>2,872</b>	<b>358</b>	<b>1,187</b>	<b>593</b>	<b>5,010</b>
Additions	0	0	0	0	0
Derecognition - disposals	0	0	0	0	0
Revaluation (+/-) recognised in the Revaluation Reserve	0	0	0	0	0
Revaluation (+/-) recognised in the Surplus/Deficit on Provision of Services	(93)	0	0	0	(93)
Reclassifications	0	0	0	0	0
<b>Cost or Valuation at 31<sup>st</sup> March 2020</b>	<b>2,779</b>	<b>358</b>	<b>1,187</b>	<b>593</b>	<b>4,917</b>
<b>Cumulative Amortisation and Depreciation at 1<sup>st</sup> April 2019</b>	<b>0</b>	<b>0</b>	<b>(1,187)</b>	<b>0</b>	<b>(1,187)</b>
Amortisation charge for the year	0	0	0	0	0
Revaluation (+/-) recognised in the Revaluation Reserve	0	0	0	0	0
Disposals	0	0	0	0	0
Revaluations written out to the Surplus/Deficit on the Provision of Services	0	0	0	0	0
Depreciation on Reclassifications	0	0	0	0	0
<b>Cumulative Amortisation and Depreciation at 31<sup>st</sup> March 2020</b>	<b>0</b>	<b>0</b>	<b>(1,187)</b>	<b>0</b>	<b>(1,187)</b>
<b>Net Book Value at 31<sup>st</sup> March 2020</b>	<b>2,779</b>	<b>358</b>	<b>0</b>	<b>593</b>	<b>3,730</b>
Net Book Value at 1 <sup>st</sup> April 2019	2,872	358	0	593	3,823
<b>Asset Financing at 31<sup>st</sup> March 2020</b>					
- Owned	<b>2,779</b>	<b>358</b>	<b>0</b>	<b>593</b>	<b>3,730</b>

## NOTES TO THE ACCOUNTS

	Investment Properties £'000	Assets Held for Sale £'000	Intangible Assets £'000	Heritage Assets £'000	Total £'000
<b>Cost or Valuation at 1<sup>st</sup> April 2018</b>	<b>2,791</b>	<b>245</b>	<b>1,401</b>	<b>608</b>	<b>5,045</b>
Additions	0	0	0	0	0
Derecognition - disposals	0	(170)	(214)	0	(384)
Revaluation (+/-) recognised in the Revaluation Reserve	0	189	0	0	189
Revaluation (+/-) recognised in the Surplus/Deficit on Provision of Services	81	94	0	(15)	160
Reclassifications	0	0	0	0	0
<b>Cost or Valuation at 31<sup>st</sup> March 2019</b>	<b>2,872</b>	<b>358</b>	<b>1,187</b>	<b>593</b>	<b>5,010</b>
<b>Cumulative Amortisation and Depreciation at 1<sup>st</sup> April 2018</b>	<b>0</b>	<b>0</b>	<b>(1,401)</b>	<b>0</b>	<b>(1,401)</b>
Amortisation charge for the year	0	0	0	0	0
Revaluation (+/-) recognised in the Revaluation Reserve	0	0	0	0	0
Disposals	0	0	214	0	214
Revaluations written out to the Surplus/Deficit on the Provision of Services	0	0	0	0	0
Depreciation on Reclassifications	0	0	0	0	0
<b>Cumulative Amortisation and Depreciation at 31<sup>st</sup> March 2019</b>	<b>0</b>	<b>0</b>	<b>(1,187)</b>	<b>0</b>	<b>(1,187)</b>
<b>Net Book Value at 31<sup>st</sup> March 2019</b>	<b>2,872</b>	<b>358</b>	<b>0</b>	<b>593</b>	<b>3,823</b>
Net Book Value at 1 <sup>st</sup> April 2018	2,791	245	0	608	3,644
<b>Asset Financing at 31<sup>st</sup> March 2019</b>					
- Owned	<b>2,872</b>	<b>358</b>	<b>0</b>	<b>593</b>	<b>3,823</b>

# NOTES TO THE ACCOUNTS

## **Impairments (material items only)**

There were no material impairments during the year for both Operational and Non Operational Non Current Assets.

## **Nature of Intangible Assets**

The Intangible Assets are all purchased computer software.

## **Investment Property**

The following amounts are shown in the Comprehensive Income and Expenditure Statement for Investment Properties:

- direct operating expenditure £39,833
- rental income - £208,110

## **Fair Value Hierarchy**

All the council's investment properties have been value assessed as Level 2 on the fair value hierarchy for valuation purposes (see Accounting Policy 4 Fair Value Measurement p16 for an explanation of the fair value levels).

## **Valuation Techniques Used to Determine Level 2 Fair Value for Investment Property**

The fair value of investment property has been measured using a market approach, which takes into account quoted prices for similar assets in active markets, existing lease terms and rentals, research into market evidence including market rental yields, the covenant strength for existing tenants, and data and market knowledge gained in managing the council's investment asset portfolio. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised as level 2 on the fair value hierarchy.

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

# NOTES TO THE ACCOUNTS

## 16. Heritage Assets: Reconciliation of the Carrying Value

	Art Collection £'000	Civic Regalia £'000	Other Assets £'000	Total Assets £'000
Cost or Valuation at 1 <sup>st</sup> April 2019	222	205	166	593
Revaluation	0	0	0	0
<b>Cost or Valuation at 31<sup>st</sup> March 2020</b>	<b>222</b>	<b>205</b>	<b>166</b>	<b>593</b>
Cost or Valuation at 1 <sup>st</sup> April 2018	222	205	181	608
Revaluation	0	0	(15)	(15)
<b>Cost or Valuation at 31<sup>st</sup> March 2018</b>	<b>222</b>	<b>205</b>	<b>166</b>	<b>593</b>

There were no acquisitions, donations, disposals or impairments of heritage assets during 2019/20 or 2018/19.

### Art Collection

The council's collection of art is reported in the Balance Sheet at market value where available otherwise at the insurance valuation. The council has a large art collection which has been donated from various sources including 'The Howitt Bequest'. Other donated collections include artists John Lally and Norman Whitehead. Some of the collection is displayed publicly at the Erewash Museum and Long Eaton Civic Centre with the remainder in secure storage at Merlin Way.

The art collection was last valued during 2017/18 on the basis of insurance value by Bonhams – independent valuers. Revaluations will be undertaken within a maximum period of 5 years, but will be assessed for impairment on an annual basis. It is considered the collection has an indefinite life and therefore depreciation has not been charged. Restoration is proposed to be carried out on the more important items in the collection in the near future.

### Civic Regalia

The council's civic regalia collection comprises the various chains of office associated with the ceremonial functions of the council and the office of mayor (including deputies), i.e. chains, pendants, mace etc. Some of the items pre-date local government reorganisation in 1974 such as the Sterling Silver Flagons and the mayoral chain. The collection (when not in use) is held in secure storage.

The civic regalia was last valued during 2017/18 on the basis of insurance value by Thomas Fattorini Ltd – independent valuers. Revaluations will be undertaken within a maximum period of 5 years, although the regalia will be assessed for impairment on an annual basis. It is considered the collection has an indefinite life and therefore depreciation has not been charged.

### Other Heritage Assets

The council also holds other heritage assets as follows:

*Erewash Borough Council Statement of Accounts 2019/20*

## NOTES TO THE ACCOUNTS

- Fountain in the market place at Ilkeston
- Bateman Ornamental Gates at West Park, Long Eaton
- Two World War One Death Plaques ('Death Pennies')

Both the Fountain and Bateman Ornamental gates are considered important to the borough with both having been restored at cost by the council. They are both held on the Balance Sheet at the cost of previous restorations and are assessed for impairment on an annual basis. The Death Plaques are held on the Balance Sheet based on the valuation performed by an expert in the field.

The council has also accumulated a number of miscellaneous items (historic and local memorabilia) that have been acquired or donated to the Erewash Museum over many years. It is considered that the value of these items is de minimis. As such they are not held on the asset register as the council considers that the cost of obtaining valuations is not commensurate to the potential benefit to the users of the Statement of Accounts.

### 17. Leasing

#### Assets Held Under Leases (Council as Lessee)

##### Finance Leases

A review of the council's leases undertaken during the year concluded that all the existing leases should continue to be treated as operating rather than finance leases.

##### Operating Leases

The Other Land and Building obligations are in respect of a 99 year lease with an annual rental of £14,000 at Sandiacre Friesland Sports Centre which expires in 2092. There is no sublease income in relation to this lease. The council has no other lease agreements and made no payments in respect of contingent rents or payments in respect of subleases.

The future minimum lease payments that the council is contractually obliged to pay in respect of this lease are set out in the following table.

	2018/19 Other Land & Buildings £'000	2019/20 Other Land & Buildings £'000
Obligations no later than one year	14	14
Obligations between 2 and 5 years	56	56
Obligations later than five years	952	938

# NOTES TO THE ACCOUNTS

## Assets Held For Leases (Council as Lessor)

### Operating Leases

The council owns a number of properties and land which are rented out to other organisations. During the year it received rent of £258,696 (2018/19 £252,190). The future minimum lease payments that the council will receive over the life of the current leases are set out in the table below:

	2018/19 £'000	2019/20 £'000
Receipts no later than one year	244	173
Receipts between two and five years	882	503
Receipts later than five years	1,876	1,784

The high value of lease income receivable later than five years arises from several long term leases, the main ones being: 99 year lease on the Indoor Bowls Centre £734k; 99 year lease for the Squash Courts at Manor Road £345k; 60 year lease on land and buildings on Beauvale Drive, Cotmanhay £335k; 15 year lease for part of Ilkeston Town Hall £37k; 25 year lease on land at Grange Park, Long Eaton (Long Eaton United FC) £65k; 25 year lease on land at Grange Park, Long Eaton (Army Cadets) £64k; 25 year lease for the changing rooms at West Park (Long Eaton Rugby FC) £84k; and a 10 year lease for 64 High Street £57k.

## 18. Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument in another. The term financial instrument covers both financial assets and financial liabilities. Typical financial instruments are:

### Liabilities:

- trade payables and other payables,
- borrowings,
- financial guarantees.

### Assets:

- bank deposits,
- trade receivables,
- loans receivable,
- other receivables and advances,
- investments.

The Code disclosure requirements for financial instruments are largely irrelevant for the council in 2019/20 for the following reasons:

- The council does not use an external fund manager. It manages its investments in-house, supported by external professional treasury advisers.

## NOTES TO THE ACCOUNTS

- The council continues to adopt a prudent and cautious approach to treasury management as set out in its Annual Treasury Management and Investment Strategy. All investments are simple loans to UK banks and building societies, the government's debt management office and other local authorities.

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

	Non Current		Current	
	31 <sup>st</sup> March 2019	31 <sup>st</sup> March 2020	31 <sup>st</sup> March 2019	31 <sup>st</sup> March 2020
	£'000	£'000	£'000	£'000
<b>Financial Liabilities at Amortised Cost</b>				
Creditors	0	0	(2,212)	(2,947)
<b>Total Financial Liabilities</b>	<b>0</b>	<b>0</b>	<b>(2,212)</b>	<b>(2,947)</b>
<b>Financial Assets at Amortised Cost</b>				
Investments	0	0	13,867	13,241
Debtors	42	428	2,227	2,511
<b>Total Financial Assets</b>	<b>42</b>	<b>428</b>	<b>16,094</b>	<b>15,752</b>

The council has made a number of loans to employees in the form of car loans or bike loans at less than market rates (soft loans). The present value of the interest foregone is not material so no adjustments to the Statement of Accounts are made for this.

### Fair Value of Financial Assets and Financial Liabilities

Except for financial assets carried at fair value, all other financial liabilities and financial assets represented by amortised cost and long-term debtors and creditors are carried on the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount;
- The fair value of trade or other receivables is taken to be the invoiced or billed amount.

# NOTES TO THE ACCOUNTS

The fair values calculated are as follows:

	31 <sup>st</sup> March 2019	31 <sup>st</sup> March 2020		
	Carrying amount £000	Carrying amount £000	Carrying amount £000	Fair Value £000
<b>Financial Liabilities</b>				
Short term creditors	(2,212)	(2,212)	<b>(2,947)</b>	<b>(2,947)</b>
<b>Total Financial Liabilities</b>	<b>(2,212)</b>	<b>(2,212)</b>	<b>(2,947)</b>	<b>(2,947)</b>
<b>Financial Assets</b>				
Short term investments	13,867	13,867	<b>13,241</b>	<b>13,241</b>
Short term debtors	2,227	2,227	<b>2,511</b>	<b>2,511</b>
Long term debtors	42	42	<b>428</b>	<b>428</b>
<b>Total Financial Assets</b>	<b>16,136</b>	<b>16,136</b>	<b>16,180</b>	<b>16,180</b>

## Nature and Extent of Risks Arising from Financial Instruments

### Key Risks

The council's activities expose it to a variety of risks relating to its financial instruments. The key risks are:

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

### Overall Procedures for Managing Risk

The council's overall risk management programme focuses on the unpredictability of financial markets, and seeks to minimise potential adverse effects on the resources available to fund services. The procedures for risk management are set out through a legal framework established by the Local Government Act 2003 and the associated regulations. These require the council to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and Investment Guidance issued through the Act. Overall these procedures require the council to manage risk in the following ways:

- by formally adopting the requirements of the CIPFA Treasury Management Code of Practice;
- by the adoption of a Treasury Policy Statement and treasury management clauses within its Financial Regulations;

## NOTES TO THE ACCOUNTS

- by approving annually in advance prudential and treasury indicators for the following three years limiting:
  - The council's overall borrowing,
  - Its maximum and minimum exposures to the maturity structure of its debt,
  - Its management of interest rate exposure; and
- by approving an Investment Strategy for the forthcoming year and setting out its criteria for both investing and selecting investment counterparties in compliance with the government guidance.

These are required to be reported and approved at or before the council's annual council tax setting meeting. These items are reported with the Annual Treasury Management Strategy which outlines the detailed approach to managing risk in relation to the council's financial instrument exposure. Actual performance is also reported to members at Council Executive through the quarterly Treasury Management Service and Prudential Indicators report.

The council maintains written principles for overall risk management as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash through Treasury Management Practices (TMPs). These TMPs are a requirement of the Code of Practice and are reviewed periodically.

### Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the council's customers.

The risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard and Poors Rating Services. The Annual Investment Strategy also considers the maximum amounts and time limits in respect of each financial institution. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above. Additional selection criteria are also applied after this initial test is applied. Details of the Investment Strategy can be found on the council's website.

A key component of the Investment Strategy is the minimum criteria for investment counterparties (both Specified and Non-Specified investments):

- Banks 1 – good credit quality – the council will only use UK banks which have, as a minimum, the following Fitch, Moody's and Standard and Poors credit ratings (where rated):
  - (a) Short term – F1
  - (b) Long term – A
- Banks 2 – Part nationalised UK banks – Royal Bank of Scotland. The bank can be included if they continue to be part nationalised or they meet the ratings in Banks 1 above.
- Banks 3 – The council's own banker (Lloyds) for transactional purposes if the bank falls below the above criteria. In this case balances will be minimised

## NOTES TO THE ACCOUNTS

(Less than £2million) and will be kept liquid.

- Building societies – The council will use all societies which:
  - (a) meet the ratings for banks outlined above; or
  - (b) have assets in excess of £1bn;
- Money Market Funds – AAA (sovereign funds)
- UK Government Debt Management Account Deposit Facility (DMADF)
- Local authorities (including police authorities and fire authorities but excluding parish councils)

Both the Capital Strategy for 2020/21 to 2022/23 and the Investment Strategy for 2020/21 to 2022/23 were approved by Council Executive on 18<sup>th</sup> February 2020 and ratified by full Council on 5<sup>th</sup> March 2020 and are accessible on the council's website.

Counterparties are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings determined by the council.

The council's maximum exposure to credit risk in relation to its investment in banks and building societies of £2,000,000 cannot be assessed generally as the risk of any institution failing to make interest repayments or repay the principal sum, but will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the council's deposits, however there was no evidence at 31<sup>st</sup> March 2020 that this was likely to crystallise.

The following table summarises the council's potential maximum exposure to credit risk, based on experience of default and uncollectability over the last five years, adjusted to reflect current market conditions. The debtors figure relates to debtors beyond their due date, but excludes housing benefit overpayments.

Deposits with Banks and Financial Instruments	Amount at 31 <sup>st</sup> March 2020 A £'000	Historical Risk of Default B %	Adjustment for Market Conditions at 31 <sup>st</sup> March 2020 C %	Estimated Maximum Exposure to Defaults A x C = D £'000
AA rated counterparties*	10,500	0.02	0.00	0
Trade Debtors	340	2.55	2.55	9
	<b>10,840</b>			<b>9</b>

\*The £10.5m the council has invested at year end is with other local authorities for which credit losses are not recognised by CIPFA

No breaches of the council's counterparty criteria occurred during the reporting period and the council does not expect any losses from non-performance by any of its counterparties in relation to deposits or bonds.

## NOTES TO THE ACCOUNTS

The table below shows that £98,000 of the trade debtor's balance of £340,000 is more than one year overdue. An analysis of debtors by age is as follows:

Period Past Due Date	31 <sup>st</sup> March	31 <sup>st</sup> March	31 <sup>st</sup> March
	2018 £'000	2019 £'000	2020 £'000
Less than 3 months	327	224	203
Three to six months	11	32	13
Six months to one year	20	12	26
More than one year	74	85	98
	432	353	340

### Liquidity Risk

The council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the Treasury and Investment Strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Treasury Management Code of Practice. This seeks to ensure that cash is available when needed.

The council has ready access to the money markets to borrow funds in order to cover any day to day cash flow need, and can also access loans from the Public Works Loan Board if necessary. The council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore, no significant risk that the council will be unable to raise finance to meet its commitments under financial instruments.

All financial assets are due within one year.

### Refinancing and Maturity Risk

The council maintains an investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer term risk to the council relates to managing the exposure to replacing financial instruments as they mature. The risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved treasury indicator limits, placed on investments for greater than one year in duration, are the key parameters used to address this risk. The council approved treasury and investment strategies address the main risks and the officer responsible for treasury management assesses the operational risks within the approved parameters. This includes monitoring of the maturity profile of investments to ensure sufficient liquidity is available for the council's day to day cash flow needs, and the spread of longer term investments to provide stability of maturities and returns in relation to the longer term cash flow.

The council has no longer term financial liabilities at 31<sup>st</sup> March 2020. The maturity analysis of financial assets and liabilities is disclosed in the note below.

## NOTES TO THE ACCOUNTS

Maturity Date	Financial Assets		Financial Liabilities	
	31 <sup>st</sup> March 2019 £'000	31 <sup>st</sup> March 2020 £'000	31 <sup>st</sup> March 2019 £'000	31 <sup>st</sup> March 2020 £'000
	Less than 1 year - cash	(1,594)	(2,530)	0
Less than 1 year – debtors and creditors	(2,227)	(2,511)	2,212	2,947
Less than 1 year - other financial instruments	(12,273)	(10,711)	0	0
Between 1 - 2 years	(42)	(428)	0	0
Between 2 - 5 years	0	0	0	0
Between 5 - 10 years	0	0	0	0
Over 10 years	0	0	0	0
<b>Total Financial Assets and Liabilities</b>	<b>(16,136)</b>	<b>(16,180)</b>	<b>2,212</b>	<b>2,947</b>

### Market Risk

There are three elements to market risk:

- interest rate risk,
- price risk,
- foreign exchange risk.

### Interest Rate Risk

The council is exposed to interest rate movements on its investments. Movements in interest rates can have a complex impact on the council, depending upon how variable and fixed rates move across different financial instrument periods. For example, a rise in variable and fixed interest rates would have the following effects:

- investments at variable rates would result in interest credited to the Comprehensive Income and Expenditure Statement increasing,
- investments at fixed rates would see the fair value of assets fall.

The council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From the Strategy a treasury indicator is set which provides maximum limits for fixed and variable rate exposure. The treasury team will monitor the market and forecast interest rates within the year to adjust exposures appropriately.

During the financial year the council did not have any variable rate investments. The council had no long term investments at 31<sup>st</sup> March 2020. No fair value adjustment is therefore required for fixed rate investments.

## NOTES TO THE ACCOUNTS

The table below shows the impact of a 1% increase in interest rates at 31<sup>st</sup> March 2020.

	£'000
Increase in interest receivable (1)	(145)
Impact on Surplus or Deficit on the Provision of Services	(145)

Note (1) - applied to short term and variable rate instruments.

### Equity Price Risk

The council does not directly invest in equity shares. It therefore has no exposure to loss arising from movements in the price of shares. Pension Fund investments are made on the council's behalf by the Derbyshire Pension Fund.

### Foreign Exchange Risk

The council has no financial assets or liabilities denominated in foreign currencies, and therefore, has no exposure to loss arising from movements in exchange rates.

### 19. Inventories

The transport, parks and other inventories only show the net change within the year. These items are kept for service provision purposes only and no trading account is therefore maintained.

	31 <sup>st</sup> March 2018 £'000	Additions £'000	Disposals £'000	31 <sup>st</sup> March 2019 £'000	Additions £'000	Disposals £'000	31 <sup>st</sup> March 2020 £'000
Leisure centres	4	1	(5)	0	0	0	0
Wheeled bins	36	60	(68)	28	61	(57)	32
Recycling bins	4	15	(10)	9	17	(21)	5
	44	76	(83)	37	78	(78)	37
Transport	73	108	(94)	87	57	(49)	95
Parks	6	14	(15)	5	47	(49)	3
Other	6	1	0	7	4	(4)	7
	85	123	(109)	99	108	(102)	105
	129	199	(192)	136	186	(180)	142

# NOTES TO THE ACCOUNTS

## 20. Debtors

This note analyses debtors between short term (less than 12 months) and long term (12 months or longer).

### Short Term Debtors

	31 <sup>st</sup> March 2019 £'000	31 <sup>st</sup> March 2020 £'000
Central government bodies	257	1,662
Other local authorities	1,921	1,833
Other entities and individuals	3,632	3,465
	<hr/>	<hr/>
	5,810	6,960
Payments in advance	157	388
Less provision for bad debts	(1,298)	(1,377)
<b>Total</b>	<hr/>	<hr/>
	4,669	5,971

### Long Term Debtors

	31 <sup>st</sup> March 2019 £'000	31 <sup>st</sup> March 2020 £'000
Other local authorities	362	318
Other entities and individuals	42	428
	<hr/>	<hr/>
	404	746
Less provision for bad debts	0	0
	<hr/>	<hr/>
	404	746

## NOTES TO THE ACCOUNTS

Short term and long term debtors can be analysed as follows:

	31 <sup>st</sup> March 2019 £'000	31 <sup>st</sup> March 2020 £'000
<b>Short Term</b>		
Trade customers	8	9
Related parties	2,775	3,931
Prepayments	157	388
Other amounts	3,027	3,020
Less provision for bad debts	<u>(1,298)</u>	<u>(1,377)</u>
	4,669	5,971
<b>Long Term</b>		
Related parties	404	361
Other amounts	0	385
	404	746

The council maintains three provisions for bad debts namely: general debtors and housing benefit overpayments, council tax debtors and NNDR debtors. The movements on these provisions are shown in the tables below:

	31 <sup>st</sup> March 2019 £'000	31 <sup>st</sup> March 2020 £'000
<b>General Debtors and Housing Benefit Overpayments Bad Debt Provision</b>		
Opening balance	948	951
Additions	9	65
Use in year	<u>(6)</u>	<u>(10)</u>
<b>Closing balance</b>	951	1,006

	31 <sup>st</sup> March 2019 £'000	31 <sup>st</sup> March 2020 £'000
<b>Council Tax Bad Debt Provision</b>		
Opening balance	127	120
Movement due to change in retention percentage	(6)	5
Additions	26	67
Use in year	<u>(27)</u>	<u>(48)</u>
<b>Closing balance</b>	120	144

The provision for council tax bad debts represents the council's share of an overall provision which is divided between the precepting authorities on the basis of their respective share of the council tax income.

# NOTES TO THE ACCOUNTS

	31 <sup>st</sup> March 2019 £'000	31 <sup>st</sup> March 2020 £'000
<b>NNDR Bad debt Provision</b>		
Opening balance	214	227
Movement due to change in retention percentage	53	(46)
Additions	86	105
Use in year	(126)	(59)
<b>Closing balance</b>	<b>227</b>	<b>227</b>

The provision for NNDR debts represents the council's share of an overall provision which is divided between the precepting authorities on the basis of their respective share of the NNDR income.

## 21. Cash and Cash Equivalents

Cash is represented by notes and coins held by the council and deposits available on demand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value.

	31 <sup>st</sup> March 2019 £'000	31 <sup>st</sup> March 2020 £'000
Cash held by the council	1,237	2,172
Short term investments of less than 6 months duration	12,273	10,711
	<b>13,510</b>	<b>12,883</b>

## 22. Creditors

### Short Term Creditors

	31 <sup>st</sup> March 2019 £'000	31 <sup>st</sup> March 2020 £'000
Central government	455	3,586
Other local authorities	2,458	946
NHS organisations	19	9
Other entities and individuals	2,107	2,615
	<b>5,039</b>	<b>7,156</b>

The council does not have any material long term creditors.

*Erewash Borough Council Statement of Accounts 2019/20*

# NOTES TO THE ACCOUNTS

## 23. Provisions

The following tables show both short term and long term provisions.

	Balance 1 <sup>st</sup> April 2019 £'000	Change in retention %	Additions Amounts Used £'000	Balance 31 <sup>st</sup> March 2020 £'000
NNDR provision for appeals	1,246	(249)	471	(230)
	<b>1,246</b>	<b>(249)</b>	<b>471</b>	<b>(230)</b>
				<b>1,236</b>

### NNDR Provision for Appeals

Under the rates retention scheme the council is liable for refunding ratepayers who appeal successfully against the rateable value of their property on the rating list. The Collection Fund included a provision of £2,491,201 in respect of appeals lodged by 31<sup>st</sup> March 2019 of which the council's share of 50% under the 2018/19 100% retention scheme was £1,245,600. Under the Derbyshire Pool scheme for 2019/20 the council retention level reduces to 40% resulting in the provision allocation at 1 April 2019 of £996,480. The level of refunds on successful appeals for the Collection Fund as a whole was £575,800 of which the council's share was £230,320.

A provision, based on the Valuation Office Agency's report has been established for appeals lodged at 31<sup>st</sup> March 2020. Each appeal has been categorised based on the grounds of appeal. A percentage has been applied to these categories based on the past success rate and the impact was then assessed on the rateable value. The largest value appeals by rateable value have been analysed separately based on local knowledge. A provision of £3,091,200 has been included in the Collection Fund at 31<sup>st</sup> March 2020 in respect of these appeals, of which the council's share is £1,236,480.

# NOTES TO THE ACCOUNTS

## 24. Cash Flow Statement

The below table provides more detail on the figures contained within the Cash Flow Statement.

<b>Restated</b>		
<b>2018/19</b>		<b>2019/20</b>
<b>£'000</b>		<b>£'000</b>
3,064	<b>Net (surplus) or deficit on the provision of services</b>	4,822
	<b>Adjust net surplus or deficit on the provision of services for non cash movements</b>	
(1,466)	Depreciation	(1,398)
7	Increase/(decrease) in inventories	6
(1,254)	(Decrease)/increase in debtors	1,723
(9)	Decrease/(increase) in provision for bad debts	(79)
(455)	(Increase)/Decrease in creditors	(2,117)
(2,199)	Net pension liability	(2,411)
(463)	Carrying amount of non current assets sold	(155)
	<b>Other non cash items charged to the net surplus or deficit on the provision of services</b>	
(288)	(Increase) /decrease in provisions	10
427	Capital grants and contributions	287
(306)	Capital grants unapplied	(236)
120	Revaluation (losses)/gains	(62)
82	Movement in the value of investment properties	(92)
(5,804)		(4,524)
	<b>Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities</b>	
110	Proceeds from short term and long term investments	136
	Proceeds from the sale of property, plant and equipment,	
502	investment property, and intangible assets	21
612		157
(2,128)	<b>Net Cash flow from Operating Activities</b>	455
	<b>Investing Activities</b>	
	Purchase of property, plant and equipment, investment	
373	property and intangible assets	380
	Proceeds from the sale of property, plant and equipment,	
(502)	investment property and intangible assets	(21)
(110)	Proceeds from short term and long term investments	(136)
(427)	Other receipts from investing activities	(287)
306	Capital grants unapplied	236
(360)	Net cash outflow from investing activities	172
(2,488)	<b>Net (Increase) / Decrease in Cash and Cash Equivalents</b>	627

## NOTES TO THE ACCOUNTS

### 25. Agency Income and Expenditure

The council has an agency agreement with Derbyshire County Council whereby the council is responsible for amenity maintenance within the borough on behalf of the county council. The county council reimburses the council for this work. A summary of the expenditure incurred in respect of the activity is as follows:

	2018/19 £'000	2019/20 £'000
Amenity maintenance	149	149
Administrative costs	12	12
	<hr/> <b>161</b>	<hr/> <b>161</b>

### 26. Members' Allowances

During 2019/20 a total of £292,464 (2018/19 £286,696) was paid to Members of the council in the form of allowances and expenses. These figures include superannuation and national insurance contributions.

# NOTES TO THE ACCOUNTS

## 27. Officers' Remuneration

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

		Salary £	Benefit in Kind £	Compensation for loss of employment £	Employers' Pension Contribution £	Total £
Chief Executive	<b>2019/20</b>	<b>116,992</b>	<b>1,239</b>	<b>0</b>	<b>34,115</b>	<b>152,346</b>
	2018/19	114,698	1,239	0	30,576	146,513
Director of Resources and Deputy Chief Executive	<b>2019/20</b>	<b>96,346</b>	<b>1,239</b>	<b>0</b>	<b>28,095</b>	<b>125,680</b>
	2018/19	94,457	1,239	0	25,177	120,873
Director of Operational Services*	<b>2019/20</b>	<b>53,510</b>	<b>413</b>	<b>44,686</b>	<b>8,541</b>	<b>107,150</b>
	2018/19	85,966	1,239	0	22,913	110,118
Director of Community Services	<b>2019/20</b>	<b>76,438</b>	<b>1,239</b>	<b>0</b>	<b>22,283</b>	<b>99,960</b>
	2018/19	73,231	1,239	0	19,519	93,989
Head of Personnel	<b>2019/20</b>	<b>63,669</b>	<b>1,239</b>	<b>0</b>	<b>18,566</b>	<b>83,474</b>
	2018/19	62,421	1,239	0	16,638	80,298
Head of Finance	<b>2019/20</b>	<b>63,669</b>	<b>1,239</b>	<b>0</b>	<b>18,567</b>	<b>83,475</b>
	2018/19	62,421	1,239	0	16,638	80,298
Head of Green Space and Street Scene	<b>2019/20</b>	<b>64,739</b>	<b>1,239</b>	<b>0</b>	<b>18,882</b>	<b>84,860</b>
	2018/19	62,421	1,239	0	16,638	80,298
Head of Sport and Leisure Services**	<b>2019/20</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	2018/19	52,018	1,033	0	13,621	66,672
Head of Environment Health and Housing	<b>2019/20</b>	<b>63,491</b>	<b>1,239</b>	<b>0</b>	<b>18,882</b>	<b>83,612</b>
	2018/19	62,421	1,239	0	16,638	80,298
Head of Planning and Regeneration	<b>2019/20</b>	<b>63,669</b>	<b>1,239</b>	<b>0</b>	<b>18,566</b>	<b>83,474</b>
	2018/19	62,421	1,239	0	16,638	80,298
Head of Law and Corporate Governance	<b>2019/20</b>	<b>63,669</b>	<b>1,239</b>	<b>0</b>	<b>18,566</b>	<b>83,474</b>
	2018/19	61,198	1,239	0	16,312	78,749

\* The Director of Operational Services post was deleted during 2019/20.

\*\*On the 1 February 2019 the Head of Sport and Leisure Services was TUPE transferred to Parkwood Leisure Limited.

## NOTES TO THE ACCOUNTS

The number of employees, whose remuneration excluding employer's pension contributions, was £50,000 or more per year are set out below. This note includes senior officers whose remuneration is disclosed above.

	Number of Employees 2018/19	Number of Employees 2019/20
£50,000 – £54,999	2	1
£55,000 – £59,999	0	1
£60,000 – £64,999	6	5
£65,000 – £69,999	0	1
£70,000 – £74,999	1	0
£75,000 – £79,999	0	1
£80,000 – £84,999	0	0
£85,000 – £89,999	1	0
£90,000 – £94,999	0	0
£95,000 – £99,999	1	2
£100,000 – £104,999	0	0
£105,000 – £109,999	0	0
£110,000 – £114,999	0	0
£115,000 – £119,999	1	1
	<b>12</b>	<b>12</b>

The number of exit packages with total cost per band and total cost of redundancies and other departures are set out in the table below:

Exit package cost band (including special payments)	Number of redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20
£0 - £20,000	3	4	2	6	5	10	36,627	<b>59,185</b>
£20,001 - £40,000	0	0	0	0	0	0	0	0
£40,001 - £60,000	0	0	0	0	0	0	0	0
£60,001 - £80,000	0	1	0	0	0	1	0	<b>68,968</b>
£80,001 - £100,000	0	0	0	0	0	0	0	0
£100,001 - £150,000	0	0	0	0	0	0	0	0
Total	<b>3</b>	<b>5</b>	<b>2</b>	<b>6</b>	<b>5</b>	<b>11</b>	<b>36,627</b>	<b>128,153</b>

# NOTES TO THE ACCOUNTS

## 28. External Audit Costs

The council has incurred the following costs in relation to the audit of the Statement of Accounts and certification of grant claims and statutory inspections provided by the council's external auditors, Ernst & Young.

	2018/19 £'000	2019/20 £'000
Fees payable with regard to external audit services carried out by the appointed auditor for the year	44	44
Fees payable for the certification of grant claims and returns for the year	12	12
Fees payable in respect of other services provided during the year	0	0
	<b>56</b>	<b>56</b>

## 29. Grant Income

The council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement.

	2018/19 £'000	2019/20 £'000
<b>Credited to Taxation and Non Specific Grant Income:</b>		
NNDR retention scheme distribution	6,118	<b>4,769</b>
- Revenue Support Grant	0	<b>104</b>
- Other Government Grants	50	<b>144</b>
- New Homes Bonus Scheme	<b>791</b>	<b>491</b>
Non Ring Fenced Government Grants	841	<b>739</b>
Capital Grants and Contributions	326	<b>436</b>
	<b>7,285</b>	<b>5,944</b>
<b>Credited to Services:</b>		
- Council Tax and Housing Benefit Subsidy	23,645	<b>21,197</b>
- Council Tax and Housing Benefit Administration	439	<b>402</b>
- NNDR cost of collection	134	<b>133</b>
- Universal Credit	129	<b>29</b>
- Elections grants	42	<b>30</b>
- Health Development	108	<b>95</b>
- S106 Grant Contributions	66	<b>24</b>
- Community Safety	15	<b>53</b>
- Heritage Lottery Funding	51	<b>38</b>
- Economic Development	6	<b>35</b>
- Homelessness	48	<b>108</b>
- Other	<b>207</b>	<b>118</b>
	<b>24,890</b>	<b>22,262</b>

Grants and contributions may be received in advance of expenditure, or may have conditions attached that have to be met prior to the funds being applied. In addition, the

## NOTES TO THE ACCOUNTS

council occasionally receives donated assets. Where there are no conditions to the donation, it is treated as income in the Comprehensive Income and Expenditure Statement and reversed out to the Capital Adjustment Account. The following table shows the year end balances on these grants.

In the Collection Fund the business rate income was £24,370,000 however, due to the pooling arrangements £14,622,000 was distributed to Central Government, Derbyshire County Council and Derbyshire Fire Authority, leaving £9,748,000 available for the council. This amount is reduced however, by the business rates tariff payable to central government of £6,403,000, resulting in the council receiving a net NNDR retention scheme distribution of £3,345,000. Section 31 grants receivable of £1,672,000, growth distribution payable to the Derbyshire NNDR 100% pilot of £704,000 (off set by the net pool benefit of £73,000) the deficit for the year of £203,000 and other costs and adjustments of £28,000 resulted in the NNDR income for the year as stated in the Comprehensive Income and Expenditure Statement of £4,769,000.

Capital Grants Unapplied	Balance	Grants	Grants	Balance
	31 <sup>st</sup> March	Received	Applied	31 <sup>st</sup> March
	2019 £'000	in Year £'000	in Year £'000	2020 £'000
Disabled facilities grants	755	936	(699)	992
The Old Stables, Dalby House – learning & visitor centre	3	0	0	3
HLF Victoria Park	0	24	(24)	0
Barling Lane	2	100	(101)	1
	760	1,060	(824)	996

### 30. Related Party Transactions

The council is required to disclose material transactions with related parties i.e. 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 an assessment of the extent to which the council might have been constrained in its ability to operate independently, or might have secured the ability to limit another party's ability to bargain freely with the council.

#### Central Government

Central Government has significant influence over the general operations of the council. It is responsible for providing the statutory framework within which the council operates, provides the majority of the funding in the form of grants and prescribes the terms of many of the transactions that the council has with other parties (e.g. council tax charges, housing benefits). Grant receipts at 31<sup>st</sup> March 2020 are shown in note 29 on page 99.

#### Members

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2019/20 is shown in note 26 on page 96. The only matters reported were those where members held positions within charitable or community organisations which received some financial support from the council. Where necessary members declared such interests when relevant to their duties and thus no further disclosure is considered necessary. The register of interests for each council

# NOTES TO THE ACCOUNTS

Member can be found on the council's website using the following link: [councillors and meetings / your councillors](#), and then by clicking on each council Member.

## Officers

Officers of the Council have not declared any related party transactions.

The most significant transactions with related parties are disclosed elsewhere in the Statement of Accounts as follows:

- Capital grants from central government - note 29 page 99;
- Precepts paid to other local authorities - Collection Fund Accounts, pages 114 - 118;
- Superannuation contributions – note 32 page 102.

The following table details the other significant transactions for the period 1<sup>st</sup> April 2019 to 31<sup>st</sup> March 2020 with organisations with which the council has a related party interest.

	2018/19 Receipts £'000	2018/19 Payments £'000	2019/20 Receipts £'000	2019/20 Payments £'000
<b>Revenue</b>				
Bramcote Bereavement Services Joint Committee	(400)	0	(500)	0
Derbyshire County Council, amenity maintenance	(161)	0	(161)	0
Derbyshire County Council, Registrar Services	(9)	0	(9)	0
Concurrent function grants to Parish Councils	0	201	0	192
Other grants to Parish Councils	0	15	0	2
Mid-Derbyshire Citizens Bureau	0	60	0	60
Erewash Partnership	0	87	0	84
Erewash Community Transport	0	6	0	6
Derbyshire Wildlife Trust	0	11	0	11
Draycott Millennium Trust	0	1	0	1
Ilkeston Lions Club	0	2	0	1
Derby and Sandiacre Canal Trust	0	54	0	0
Granby Junior School	0	1	0	0
Larklands Infant School	0	1	0	0
Erewash Canal Preservation & Development Association	0	1	0	0
Derbyshire Economic Partnership	0	0	0	15
Sandiacre Memorial Institute	0	0	0	1
<b>Capital</b>				
East Midlands Housing Agency	(406)	0	(276)	0

Brief details of the nature of the transactions with the organisations are set out below. There are no outstanding material sums relating to the 2019/20 financial year.

Bramcote Bereavement Services Joint Committee (BBSJC) – the council jointly operates Bramcote Crematorium with Broxtowe Borough Council. During the year the council received a payment of £500,000 as a share of the operating surplus.

Grants to parishes in respect of concurrent functions. A number of parish councils within the borough provide services that would otherwise be carried out by the borough council. These are principally grounds maintenance related although they also include some other amenity services. The council pays an agreed annual sum to the parishes for this work.

# NOTES TO THE ACCOUNTS

The council has related party transactions (including the payment of grants) to the following organisations as follows;

- Mid-Derbyshire Citizens Bureau – financial contribution towards operating expenses.
- Erewash Partnership. Financial contribution towards running costs. The membership of this organisation includes over 350 local businesses, Erewash Borough Council, Derbyshire County Council and representatives from the education sector and the community.
- Derbyshire County Council Amenity Maintenance - the council undertakes amenity maintenance for Derbyshire County Council and the payment is a reimbursement for the cost of the work and administrative costs.
- Derbyshire County Council – share of room hire for weddings and rental income from the lease of part of Ilkeston Town Hall and Long Eaton Town Hall for use by the Registrar Services.
- Derbyshire Economic Partnership – contribution towards operating expenses.
- Erewash Community Transport – a contribution towards the operating expenses.
- Derbyshire Wildlife Trust – a contribution towards the upkeep of local wildlife sites.
- Draycott Millennium Green Trust – a grant towards signage on the Green's pathway.
- Draycott Parish Council, and Sandiacre Parish Council– grants of £1,200 each towards the running of summer play schemes at each of the parishes.
- Ilkeston Lions Club – grant towards the costs of Ilkeston Carnival.

## **31. Employment Benefits - Short Term Accumulating Compensated Absences**

As at 31st March a number of the council's employees had not taken their annual leave entitlement or had worked additional hours for which they are entitled to compensatory time off. This represents a liability for the council and under IAS 19 the council is required to disclose the nature of this liability in its Balance Sheet. In order that there is no ultimate impact upon the General Fund balance. The accrual set up in the Balance Sheet is matched by an unusable reserve - the Short Term Accumulating Compensated Absences Reserve. The total of short term accumulating compensated absences for 2019/20 is £127,000 (2018/19, £92,000).

## **32. Employee Benefits – Post-Employment Benefits**

### **Participation in Pension Scheme**

#### Erewash Borough Council employees

As part of the terms and conditions of employment of its officers and other employees, the council makes contributions towards the cost of post-employment benefits. Although these retirement benefits will not be payable until employees retire, the council 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) administered by Derbyshire County Council. The LGPS is a defined benefit statutory scheme, administered in accordance with the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007, the Local Government Pension Scheme (Administration) Regulations 2008 and the Local Government Pension Scheme (Transitional Provisions) Regulations 2008.

## NOTES TO THE ACCOUNTS

This is a funded scheme, meaning that the council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

### Bramcote Bereavement Services Joint Committee (BBSJC) employees

As part of the terms and conditions of its employees, the Joint Committee makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Joint Committee has a commitment to make the payments and disclose them at the time that employees earn their future entitlement.

The Joint Committee participates in the Local Government Pension Scheme, administered locally by Nottinghamshire County Council. This is a funded defined benefit final salary scheme, meaning that both the Joint Committee and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

Arrangements for the award of discretionary post-retirement benefits upon early retirement is an unfunded defined benefit arrangement under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities and cash has to be generated to meet actual pension payments as they fall due.

The Local Government Pension Scheme in Nottinghamshire is operated under a regulatory framework and the governance of the scheme is the responsibility of the Pension Fund Committee at Nottinghamshire County Council. Policy is determined in accordance with the Pensions Fund Regulations.

The principal risks to the Joint Committee of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund balance the amounts required by statute.

### **Leisure Services**

On 1 February 2019 the council outsourced the management of leisure services to Parkwood Leisure Limited. This involved the transfer of staff to Legacy Leisure Limited (subcontractor to Parkwood) under Transfer of Undertakings (Protection of Employment) Regulations. Note 2 to the accounts provides details of the prior period adjustment required to the previously published Statement of Accounts for 2018/19 in relation to employee benefits relating to Leisure Services employees. The contractual arrangement between the council and Legacy Leisure Limited is that a pass through arrangement is in place in relation to the pension membership of the Leisure Services employees. This means that the risks and obligations of the assets and liabilities relating to leisure services employees remains with the council.

### **Transactions Relating to Post-employment Benefits**

The council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge that the council is required to make against the council tax is based on the cash payable in the year. The real cost of retirement benefits, including the gain on settlement detailed above, is reversed out of the General Fund in the Statement of Movement in Reserves, in the line headed 'Adjustment Between Accounting Basis and the

## NOTES TO THE ACCOUNTS

Funding Basis under Regulation'. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the Statement of Movement in Reserves.

	Restated 2018/19			2019/20		
	Funded £'000	Unfunded £'000	Total £'000	Funded £'000	Unfunded £'000	Total £'000
<b>Comprehensive Income and Expenditure Statement</b>						
<b>Net Cost of Services</b>						
Current service cost	(3,418)	0	(3,418)	(3,601)	0	(3,601)
Past service costs	0	0	0	(36)	0	(36)
<b>Financing and Investment Income and Expenditure</b>						
Net interest on the net defined benefit liability	(1,128)	0	(1,128)	(1,223)	0	(1,223)
<b>Total post employment benefit charged to the Surplus or Deficit on the Provision of Services</b>	(4,546)	0	(4,546)	(4,860)	0	(4,860)
<b>Other post employment benefits charged to the Comprehensive Income and Expenditure Statement</b>						
Remeasurement of the net defined benefit liability comprising:						
• Return on plan assets (excluding the amount included in the net interest)	2,732	0	2,732	(5,665)	0	(5,665)
• Actuarial gains and losses arising on changes in demographic assumptions	0	0	0	4,979	0	4,979
• Actuarial gains and losses arising on changes in financial assumptions	(8,053)	0	(8,053)	10,681	0	10,681
• Actuarial gains and losses arising on other experience	35	0	35	6,173	0	6,173
	(5,286)	0	(5,286)	16,168	0	16,168
<b>Total post employment benefits charged to the Comprehensive Income and Expenditure Statement</b>	(9,832)	0	(9,832)	11,308	0	11,308
<b>Statement of Movement in Reserves</b>						
Adjustment between accounting basis and funding basis under regulation	7,568	(83)	7,485	(13,676)	(81)	(13,757)
<b>Actual amount charged against the General Fund balance for pensions in year</b>						
Employer's contributions payable to the scheme	2,264	83	2,347	2,368	81	2,449

## NOTES TO THE ACCOUNTS

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement has not been provided by the actuaries.

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

The amount included in the Balance Sheet arising from the council's obligation in respect of its defined benefits plans are as follows:

	Restated 2018/19			2019/20		
	Funded £'000	Unfunded £'000	Total £'000	Funded £'000	Unfunded £'000	Total £'000
Erewash Borough Council BBSJC (crematorium)	(141,078) (1,329)	(1,186) 0	(142,264) (1,329)	(122,779) (1,261)	(1,004) 0	(123,783) (1,261)
<b>Present value of the defined benefit obligation</b>	<b>(142,407)</b>	<b>(1,186)</b>	<b>(143,593)</b>	<b>(124,040)</b>	<b>(1,004)</b>	<b>(125,044)</b>
Erewash Borough Council BBSJC (crematorium)	92,604 730	0 0	92,604 730	87,875 668	0 0	87,875 668
<b>Fair value of plan assets</b>	<b>93,334</b>	<b>0</b>	<b>93,334</b>	<b>88,543</b>	<b>0</b>	<b>88,543</b>
Erewash Borough Council BBSJC (crematorium)	(48,474) (599)	(1,186) 0	(49,660) (599)	(34,904) (593)	(1,004) 0	(35,908) (593)
<b>Net liability arising from defined benefit obligation</b>	<b>(49,073)</b>	<b>(1,186)</b>	<b>(50,259)</b>	<b>(35,497)</b>	<b>(1,004)</b>	<b>(36,501)</b>

### Reconciliation of the Movements in the Fair Value of Schemes Assets

	Restated 2018/19			2019/20		
	EBC £'000	BBJSC £'000	Total £'000	EBC £'000	BBJSC £'000	Total £'000
<b>Opening fair value of scheme assets</b>	88,709	682	89,391	92,604	730	93,334
Interest income on plan assets	2,291	22	2,313	2,211	18	2,229
Remeasurement gain / (loss): The return on plan assets, excluding the amount included in the net interest expense	2,714	18	2,732	(5,587)	(78)	(5,665)
Contributions from employer	2,326	21	2,347	2,428	21	2,449
Contributions from employees into the scheme	545	7	552	511	7	518
Benefits paid	(3,981)	(20)	(4,001)	(4,292)	(30)	(4,322)
<b>Closing fair value of scheme assets</b>	<b>92,604</b>	<b>730</b>	<b>93,334</b>	<b>87,875</b>	<b>668</b>	<b>88,543</b>

## NOTES TO THE ACCOUNTS

The estimated bid value of the Derbyshire Local Government Pension Scheme fund's assets at 31<sup>st</sup> March 2020 is £4.394 billion (31<sup>st</sup> March 2019 restated £4.630 billion).

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 total contributions made by the council to the Derbyshire Local Government Pension Scheme in 2019/20 was £2,428,000 (2018/19 restated £2,326,000). The total contributions made by the BBJSC to the Nottinghamshire Local Government Pension Scheme in 2019/20 was £21,000 (2018/19 restated £21,000).

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

	Restated 2018/19			2019/20		
	EBC £'000	BBJSC £'000	Total £'000	EBC £'000	BBJSC £'000	Total £'000
<b>Opening balance at 1<sup>st</sup> April</b>	(131,138)	(1,027)	(132,165)	(142,264)	(1,329)	(143,593)
Current service cost	(3,386)	(32)	(3,418)	(3,557)	(44)	(3,601)
Past service cost	0	0	0	(27)	(9)	(36)
Interest cost on defined benefit obligations	(3,407)	(34)	(3,441)	(3,419)	(33)	(3,452)
Contribution from scheme participants	(545)	(7)	(552)	(511)	(7)	(518)
Remeasurement (gains) and losses:						
• Actuarial gains (losses) on liabilities arising on changes in financial assumptions	(7,804)	(249)	(8,053)	10,551	131	10,682
• Actuarial gains (losses) on liabilities arising on changes in demographic assumptions	0	0	0	4,979	0	4,979
• Actuarial gains (losses) on liabilities arising on changes in other experience	35	0	35	6,173	0	6,173
Benefits paid	3,981	20	4,001	4,292	30	4,322
<b>Closing balance at 31<sup>st</sup> March</b>	<u>(142,264)</u>	<u>(1,329)</u>	<u>(143,593)</u>	<u>(123,783)</u>	<u>(1,261)</u>	<u>(125,044)</u>

# NOTES TO THE ACCOUNTS

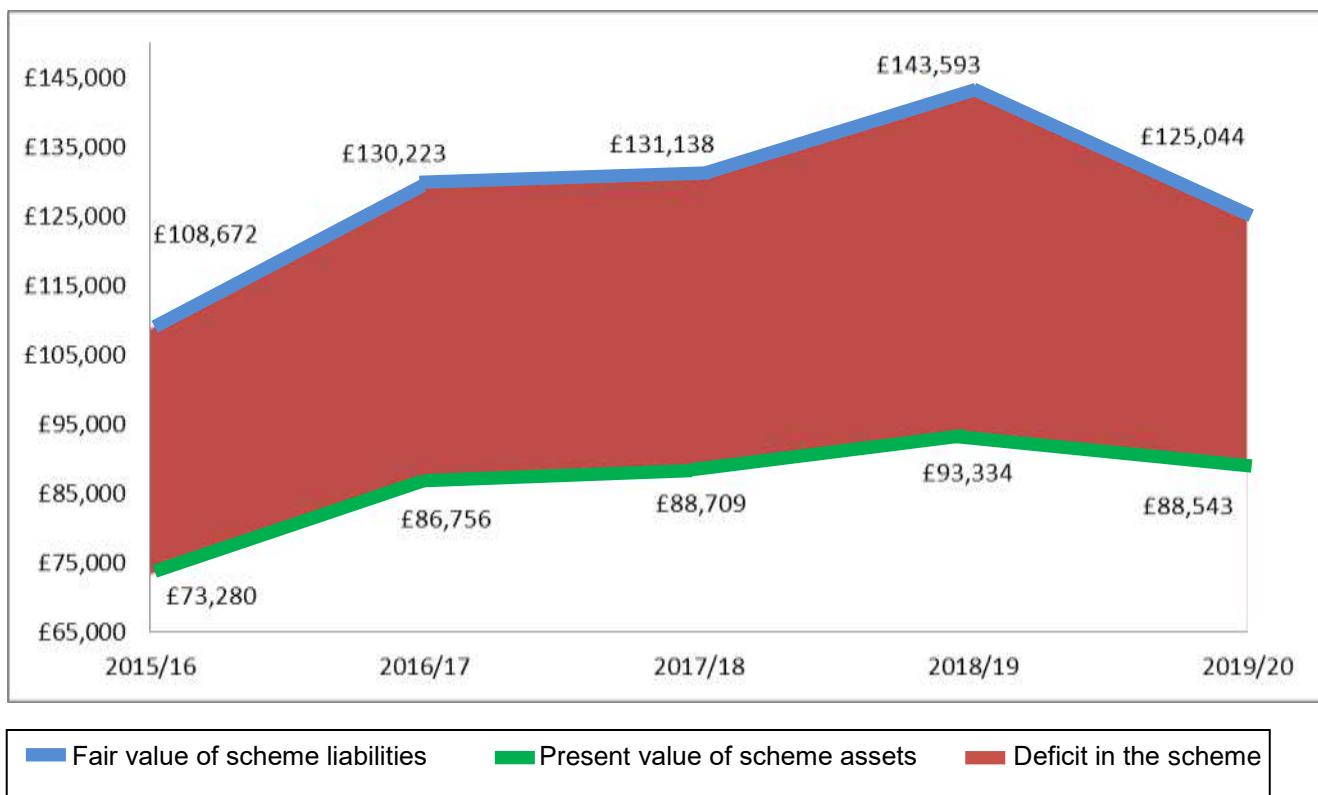
## Schemes History

The movement on the pension schemes' assets and liabilities over the last 5 years is shown below.

	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 * £'000	2019/20 £'000	Restated
Present value of the defined benefit obligation	(108,672)	(130,223)	(131,138)	(143,593)	(125,044)	
Fair value of scheme assets (LGPS)	73,280	86,756	88,709	93,334	88,543	
<b>Surplus / (deficit) in the scheme</b>	<b>(35,392)</b>	<b>(43,467)</b>	<b>(42,429)</b>	<b>(50,259)</b>	<b>(36,501)</b>	

\*The scheme history includes the assets and liabilities in relation to the Bramcote Bereavement Services Joint Committee from 2018/19 onwards, following the adoption in 2019/20 of IAS19 Employee Benefits by the committee.

## Schemes History



The liabilities show the underlying commitments that the council has in the long term to pay post-employment (retirement benefits). The total liability of £36.501m has a substantial impact on the net worth of the council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the council remains healthy. The deficit will be addressed by increasing employer contributions over the remaining working life of employees, as assessed by the scheme actuary on a triennial basis.

# NOTES TO THE ACCOUNTS

## Local Government Pension Scheme assets

The assets of the Local Government Pension Scheme are valued at fair value and consist of the following categories by proportion of the total assets held by the Fund. All of the assets relate to the funded part of the scheme, the unfunded part has no assets to cover its liabilities.

Erewash Borough Council's share of the Derbyshire Local Government Pension Scheme assets was as follows:

Asset Category	Restated 2018/19				2019/20			
	Quoted prices in active markets £'000	Quoted prices not in active market £'000	Total £'000	% of total assets	Quoted prices in active markets £'000	Quoted prices not in active market £'000	Total £'000	% of total assets
<b>Cash and cash equivalent</b>	0	7,356	7,356	8%	0	5,601	5,601	6%
<b>Equity Securities:</b>								
Consumer	5,625	0	5,625	6%	2,396	0	2,396	3%
Manufacturing	5,844	0	5,844	6%	1,371	0	1,371	2%
Energy and utilities	4,093	0	4,093	4%	643	0	643	1%
Financial institutions	4,510	0	4,510	5%	967	0	967	1%
Health and care	2,934	0	2,934	3%	1,383	0	1,383	2%
Information technology	2,212	0	2,212	3%	2,059	0	2,059	2%
Other	9,898	0	9,898	11%	7,285	0	7,285	8%
<i>Total equity</i>	35,116	0	35,116	38%	16,104	0	16,104	19%
<b>Debt Securities</b>								
Corporate bonds	0	9,767	9,767	10%	0	11,120	11,120	13%
UK Government	8,628	0	8,628	9%	8,731	0	8,731	10%
Other	1,803	0	1,803	2%	2,199	0	2,199	2%
<i>Total debt</i>	10,431	9,767	20,198	21%	10,930	11,120	22,050	25%
<b>Private Equity</b>	1,291	1,237	2,528	3%	1,040	1,891	2,931	3%
<b>UK Property</b>	0	7,387	7,387	8%	0	7,723	7,723	9%
<b>Investment funds and unit trusts</b>								
Equities	16,311	0	16,311	18%	26,954	0	26,954	31%
Infrastructure	1,460	2,248	3,708	4%	1,470	5,042	6,512	7%
<i>Total investment funds and unit trusts</i>	17,771	2,248	20,019	22%	28,424	5,042	33,466	38%
<b>Total</b>	64,609	27,995	92,604	100%	56,498	31,377	87,875	100%

# NOTES TO THE ACCOUNTS

Bramcote Bereavement Services Joint Committee's share of the Nottinghamshire Local Government Pension Scheme assets was as follows:

	Restated 2018/19		2019/20	
	Total £'000	% of total ass	Total £'000	% of total ass
Cash and cash equivalents	21	3%	17	3%
Equity instruments	485	66%	451	67%
Gilts	24	3%	22	3%
Other Bonds	67	9%	58	9%
Property	98	14%	85	13%
Infrastructure	35	5%	36	5%
<b>Total Assets</b>	<b>730</b>	<b>100%</b>	<b>669</b>	<b>669</b>

## Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc.

The Derbyshire Local Government Pension Fund liabilities have been assessed by Hymans Robertson LLP, the funds actuaries, based on the latest full valuation of the scheme as at 31<sup>st</sup> March 2019.

The significant assumptions for the Derbyshire Local Government Pension Scheme used by the actuary have been:

Derbyshire local Government Pension Scheme Assumptions	2018/19	2019/20
	%	%
Rate of increase in salaries	3.0	2.6
Rate of increase in pensions	2.5	1.9
Rate of discounting scheme liabilities	2.4	2.3
 Mortality Assumptions		
Longevity at 65 for current pensioners		
- Men	21.9	21.6
- Women	24.4	23.7
Longevity at 65 for future pensioners		
- Men	23.9	22.6
- Women	26.5	25.1
Take up option to convert annual pension into retirement lump sum*	50	50

\* Members of the Local Government Pension Scheme retiring on or after 6<sup>th</sup> April 2006 are permitted to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension. On the advice of the actuaries the council has

## NOTES TO THE ACCOUNTS

assumed that 50% of employees retiring after that date will take advantage of this change to the scheme.

The significant assumptions for the Nottinghamshire Local Government Pension Scheme used by the actuary have been:

<b>Nottinghamshire Local Government Pension Scheme Assumptions</b>	<b>2018/19</b>	<b>2019/20</b>
	%	%
Rate of increase in salaries	3.9	<b>2.9</b>
Rate of increase in pensions	2.4	<b>1.9</b>
Rate of discounting scheme liabilities	2.4	<b>2.4</b>
Mortality Assumptions		
Longevity at 65 for current pensioners		
- Men	21.6	<b>21.8</b>
- Women	24.4	<b>24.4</b>
Longevity at 65 for future pensioners		
- Men	23.3	<b>23.2</b>
- Women	26.2	<b>25.8</b>

### Sensitivity Analysis

The estimation of the defined benefit obligation is sensitive to the actuarial assumptions set out in the tables above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant.

The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practise this is unlikely to occur, and changes in some assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, and on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

<b>Derbyshire Local Government Pension Scheme Change in assumptions at 31<sup>st</sup> March 2020</b>	<b>Approximate % increase to Employer Liability %</b>	<b>Approximate monetary amount £'000</b>
0.5% decrease in real discount rate	9%	<b>10,995</b>
0.5% increase in the salary increase rate	1%	<b>1,152</b>
0.5% increase in the pension increase rate	8%	<b>9,742</b>

## NOTES TO THE ACCOUNTS

<b>Nottinghamshire Local Government Pension Scheme Change in assumptions at 31<sup>st</sup> March 2020</b>	<b>Increase in Assumption £'000</b>	<b>Decrease in Assumption £'000</b>
0.1% decrease in real discount rate	(37)	38
0.1% increase in the salary increase rate	3	(3)
0.1% increase in the pension increase rate	35	(34)

### Impact on the Council's Cash Flows

Funding levels are monitored on an annual basis. The contributions paid are set by the Fund Actuary at each triennial actuarial valuation, or at any other time as instructed by the administering authorities, Derbyshire County Council for Erewash Borough Council and Nottinghamshire County Council for the Bramcote Bereavement Services Joint committee.

During the 2020/21 financial year it is estimated that the council will make contributions totalling £2,121,000 to the Derbyshire Local Government Pension Fund in respect of Erewash Borough Council and £64,000 to the Nottinghamshire local Government Pension Fund in respect of the Bramcote Bereavement Services Joint Committee.

### 33. Contingent Liabilities and Contingent Assets

#### Contingent Liabilities

These relate to pending legal or contractual claims not included in the accounts and guarantees given by the council for repayment of loans taken out by certain associated companies.

#### Leisure Services

The council has entered into a long term contract for the provision of leisure services with Parkwood Leisure Limited. There has been a transfer of council leisure services employees to Legacy Leisure Limited who are the subcontractors for Parkwood on the contract. Parkwood Leisure Limited are providing a parent company guarantee in respect of Legacy Leisure Limited. A pass through arrangement is in place in relation to the pension membership of leisure services employees. This means that the risks and obligations of the assets and liabilities relating to leisure services employees remains with the council.

In the event of the premature termination of the contract due to the insolvency, winding up or liquidation of the contractor, Parkwood has agreed to put in place a £200,000 bond to contribute towards any deficit on the Pension Fund, including redundancy costs. The council is guaranteeing any amount above this figure but have agreed with the pension administrators that any sums due from the authority will be recouped via ongoing changes to the employers' contribution rates rather than as a lump sum.

At the normal end of the contract, if an exit payment is required to be paid to the Pension Fund then agreement has been made via the contract that the council will meet any deficit in the first instance and, as above, the county council has accepted that this can be

## NOTES TO THE ACCOUNTS

recovered through contribution rate changes over the longer term. In mitigation of this, the starting point is one of a fully funded pension position on transfer, the opening contribution rate has been set at a prudent level and there is a full 'pass through' arrangement in place whereby the council is liable for any changes needed to the employers' contribution rate over the life of the contract. The scheme is also 'closed' i.e. not open to new employees. The Pension Fund is revalued on a triennial basis.

The likelihood of any potential liability will be assessed at each balance sheet date during the lifetime of the contract. The likelihood of any liability occurring during the current year has been assessed as remote.

### Contingent Assets

The council does not have any contingent assets.

### 34. Joint Venture - Bramcote Bereavement Services Joint Committee

The role of Erewash Borough Council and Broxtowe Borough Council with regard to the Bramcote Bereavement Services Joint Committee is such that the Crematorium is considered to be a joint operation as defined by IFRS11 *Joint Arrangements*. A joint arrangement is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. Joint control is the contractually agreed sharing of control over an economic activity such that no individual contracting party has control.

Under the terms of the joint arrangement the council has the rights to the assets, and obligations for the liabilities, relating to the arrangement and therefore is classified under IFRS11 as a joint operation.

The council accounts for the joint operation under IFRS11 only for its 50% share of the jointly controlled assets, liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint operation and income that it earns from the joint operation.

The accounts of Bramcote Bereavement Services Joint Committee have been prepared in accordance with The Code of Practice on Local Authority Accounting in the United Kingdom 2019/20. Further information about the accounts can be obtained by contacting the Deputy Chief Executive, Broxtowe Borough Council, Council Offices, Foster Avenue, Beeston, Nottingham NG9 1AB.

## NOTES TO THE ACCOUNTS

### 35. Charitable Stewardship

The council has a stewardship role in a number of charitable accounts which it administers but which are not included in the Balance Sheet. These amounts are summarised below:

2019/20	Opening Balance £'000	Expenditure £'000	Income £'000	Closing Balance £'000
Long Eaton United Charities *	11	0	1	12
Copley Charity	4	(2)	1	3
Mayor's Charity	2	(2)	3	3
	17	(4)	5	18

2018/19	Opening Balance £'000	Expenditure £'000	Income £'000	Closing Balance £'000
Long Eaton United Charities *	10	0	1	11
Copley Charity	4	(1)	1	4
Mayor's Charity	5	(14)	11	2
	19	(15)	13	17

\* The amounts shown above is the cash held at bank for Long Eaton United Charities. In addition the charity has holdings with an investment fund. The holding at 31 March 2020 had a bid market value of £20,170 (31 March 2019 £17,108).

The purposes of the above charities are as follows:

- Long Eaton United Charity - this charitable bequest is used to provide small grants to charities operating in the former Long Eaton Urban District Council area.
- Copley Charity - the charity is the bequest of the late Reverend Copley. Each Christmas an amount is given to aged, sick and other deserving residents of the Ilkeston area. The amount is determined each year by the trustees.
- Mayor's Charity - each year the Mayor has the option to nominate a charity they would like to support during their year in office.

## COLLECTION FUND

### Collection Fund

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the government of council tax and non domestic rates.

2018/19 £'000	2019/20 Non Domestic Rates £'000	2019/20 Council Tax £'000	2019/20 Total £'000
<b>Amounts required by statute to be credited to the Collection Fund</b>			
<b>Income</b>			
(57,786) Council tax receivable		- (61,091)	(61,091)
(25,867) Non domestic rates receivable	(24,935)	-	(24,935)
53 Revised NNDR3 (2016-17) for Transitional Protection Payments	-	-	-
<b>(83,600) Total amount credited to the Collection Fund</b>	<b>(24,935)</b>	<b>(61,091)</b>	<b>(86,026)</b>
<b>Amounts required by statute to be debited to the Collection Fund</b>			
<b>Expenditure</b>			
<b>Precepts and shares from major preceptors and the Council</b>			
- - Central Government	12,185	-	12,185
18,934 - Erewash Borough Council	9,748	6,508	16,256
54,144 - Derbyshire County Council	2,193	43,640	45,833
6,320 - Police and Crime Commissioner for Derbyshire	-	7,145	7,145
2,706 - Derbyshire Fire Authority	244	2,515	2,759
<b>82,104</b>	<b>24,370</b>	<b>59,808</b>	<b>84,178</b>

## COLLECTION FUND

2018/19 £'000	2019/20 Non Domestic Rates £'000	2019/20 Council Tax £'000	2019/20 Total £'000
<b>Contributions to major precepting authorities and the Council in respect of the surplus/(deficit) on the Collection Fund</b>			
(1,514) - Central Government	(164)	-	(164)
(1,146) - Erewash Borough Council	30	2	32
158 - Derbyshire County Council	129	15	144
64 - Police and Crime Commissioner for Derbyshire	-	2	2
(4) - Derbyshire Fire Authority	-	1	1
<b>(2,442)</b>	<b>(5)</b>	<b>20</b>	<b>15</b>
<b>Charges to Collection Fund</b>			
(88) - Increase/(decrease) in provision for bad debts	114	172	286
95 - Increase/(decrease) in provision for appeals	600	-	600
507 - Debts written off	148	436	584
134 - Cost of collection allowance	133	-	133
<b>648</b>	<b>995</b>	<b>608</b>	<b>1,603</b>
<b>80,310 Total Amount Debited to the Collection Fund</b>	<b>25,360</b>	<b>60,436</b>	<b>85,796</b>
<b>(3,290) Net Movement on Collection Fund Balance</b>	<b>425</b>	<b>(655)</b>	<b>(230)</b>
<b>2,845 (Surplus)/deficit brought forward 1<sup>st</sup> April</b>	<b>218</b>	<b>(760)</b>	<b>(542)</b>
<b>(97) Adjustment to opening balance</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2,748 Adjusted (surplus)/deficit 1<sup>st</sup> April</b>	<b>218</b>	<b>(760)</b>	<b>(542)</b>
<b>(542) (Surplus)/deficit carried forward 31<sup>st</sup> March</b>	<b>643</b>	<b>(1,415)</b>	<b>(772)</b>

## COLLECTION FUND

2018/19 £'000		2019/20	2019/20	2019/20
		Non Domestic	Council	Total
	Rates £'000	Tax £'000	Total £'000	
<b>Share of Collection Fund (surplus) / deficit</b>				
164 - Central Government		215	-	215
(4) - Erewash Borough Council		279	(155)	124
(581) - Derbyshire County Council		143	(1,030)	(887)
(91) - Police and Crime Commissioner for Derbyshire		-	(171)	(171)
(30) - Derbyshire Fire Authority		6	(59)	(53)
<b>(542)</b>		<b>643</b>	<b>(1,415)</b>	<b>(772)</b>

# NOTES TO THE COLLECTION FUND

## 1. Council Tax Base

The council's tax base at January 2019, the number of chargeable dwellings in each valuation band net of discounts converted to an equivalent number of Band D dwellings, was calculated as follows:

Valuation band	Number of dwellings per valuation list	Revised number of dwellings after discounts and exemptions	Ratio	Band D equivalent dwellings	Reduction for council tax support	Band D equivalents
A*	49.00	46.50	5/9	25.80	6.10	19.70
A	21,177.00	18,634.50	6/9	12,423.00	2,960.70	9,462.30
B	13,657.50	14,424.25	7/9	9,686.60	882.80	8,803.80
C	7,709.00	7,146.75	8/9	6,352.70	346.50	6,006.20
D	5,004.00	4,739.00	1	4,739.00	110.80	4,628.20
E	2,248.00	2,151.00	11/9	2,629.00	42.90	2,586.10
F	848.00	808.75	13/9	1,168.20	6.80	1,161.40
G	510.00	482.75	15/9	804.60	6.60	798.00
H	13.00	12.75	18/9	25.50	0.00	25.50
<b>Total</b>	<b>51,215.50</b>	<b>48,446.25</b>		<b>37,854.40</b>	<b>4,363.20</b>	<b>33,491.20</b>
Adjustment for Non-Collection 1.5%						(502.40)
						<b>32,988.80</b>
* disabled relief						

The level of council tax is calculated at the beginning of the year and is calculated so as to ensure that the council has sufficient funds to pay for the services that it provides. The amount of tax paid by local residents is based on the value of their property in 1991 assessed by the Valuation Office.

The total required by the Collection Fund is divided by the council tax base. This represents the number of properties in the borough, expressed as equivalent Band D properties.

A provision for bad debts has been established for council tax. The council's share of this provision was £144,000 at 31<sup>st</sup> March 2020 (£120,000 at 31<sup>st</sup> March 2019). The movement on this provision is shown in Note 23 page 94.

# NOTES TO THE COLLECTION FUND

## 2. Council Tax and Non Domestic Rates Precepts

The following table shows the councils and other bodies that have made a demand or precept on the Collection Fund:

2018/19	2019/20		2019/20 Total £'000
	Non Domestic Rates £'000	Council Tax £'000	
Total £'000			
- Central Government	12,185	-	12,185
18,598 Erewash Borough Council	9,748	6,156	15,904
336 Parish Councils	-	352	352
54,144 Derbyshire County Council	2,193	43,640	45,833
6,320 Police and Crime Commissioner for Derbyshire	-	7,145	7,145
2,706 Derbyshire Fire Authority	244	2,515	2,759
<b>82,104</b>	<b>24,370</b>	<b>59,808</b>	<b>84,178</b>

## 3. National Non Domestic Rates

Under the arrangements for uniform business rates, the Council collects National Non Domestic Rates for its area which are based on local rateable values. In 2019/20 Central Government set two rates in the pound: a standard Non-Domestic Rate Multiplier of 50.4p (2018/19 49.3p) and a Small Business Rate Multiplier of 49.1p (2018/19 48.0p).

The total Non Domestic rateable value for Erewash Borough at 31<sup>st</sup> March 2020 was £66.9m (31<sup>st</sup> March 2019 £66.8m). Mandatory relief for empty, charitable and void properties and small business rate relief was £7.3m (2018/19 £6.4m). This resulted in a net yield of £24.9m (2018/19 £25.8m).

A provision for bad debts has been established for Non-Domestic rates. The council's share of this provision was £227,000 at 31<sup>st</sup> March 2020 (£277,000 at 31<sup>st</sup> March 2019). The movement on this provision is shown in Note 23 page 94.

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# GLOSSARY OF TERMS

## **Accounting period**

This is the length of time covered by the accounts. It is normally a period of twelve months commencing on 1<sup>st</sup> April. The end of the accounting period is in the balance Sheet.

## **Accruals**

Income or expenditure relating to goods or services received/provided during the accounting period where payment has not been made or received at the end of the accounting period.

## **Amortisation**

This is charge made to the service revenue accounts each accounting period to reflect the reduction in the value of the intangible assets used in the delivery of services.

## **Asset**

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

## **Audit of Accounts**

An independent examination of the council's financial statements.

## **Balances**

The total level of funds a council has accumulated over the years which are available to support revenue expenditure within the year.

## **Billing Authority**

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

## **Budget**

The spending plans of a council over a specific period of time.

## **Capital Adjustment Account**

An unusable reserve which is charged with the historic cost of creating or enhancing non current assets over the life of those assets. This account also contains the appropriations needed to ensure that any depreciation or impairment losses debited to the Comprehensive Income and Expenditure Statement do not impact on the level of local taxation.

## **Capital Charge**

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

## **Capital Expenditure**

Expenditure on the acquisition of a fixed asset, or expenditure which adds to, and not merely maintains, the value of an existing non current asset.

# GLOSSARY OF TERMS

## **Capital Financing Requirement**

An amount calculated as long term assets less the balances on the capital adjustment account, revaluation reserve, and grants received in advance account. The council is required to make a provision from revenue resources to meet its debt repayment obligations. This is known as the minimum revenue provision (MRP).

## **Capital Programme**

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

## **Capital Receipt**

Money received from the disposal of land and other assets, and from the repayment of grants and loans made by the council.

## **CIPFA**

The Chartered Institute of Public Finance Accountancy helps local authorities to develop and maintain their own codes of governance and discharge their accountability for the proper conduct of public business.

## **Collection Fund**

A fund administered by the council recording receipts from council tax and NNDR and payments to the General Fund and other public authorities.

## **Consistency**

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

## **Creditors**

An amount owed by the council for work done, goods received or services rendered, but for which payment has not been made at the end of the year.

## **Depreciation**

The measure of the wearing out, consumption or other reduction in the useful economic life of a non current asset.

## **Debtors**

Sums of money owed to the council but not received at the end of the year.

## **Defined Benefit Pension Scheme**

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

## **Earmarked Reserve**

A sum set aside for a specific purpose.

# GLOSSARY OF TERMS

## **Emoluments**

Payments received in cash and benefits for employment.

## **Existing Use Value**

The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arms length transaction, disregarding potential alternative uses and any other characteristics of the property that would cause its market value to differ from that needed to replace the remaining service potential at least cost.

## **Fair Value**

The fair value of a non current asset is the price at which it could be exchanged in an arms length transaction less, where applicable, any grants receivable towards the purchase or the use of the asset.

## **Fees and Charges**

Income arising from the provision of services, e.g. the use of leisure facilities.

## **Financial Instruments Adjustment Account**

This account holds the accumulated difference between the financing costs included in the Comprehensive Income and Expenditure Statement and the financing costs required to be charged to the General Fund Balance.

## **Finance Lease**

A lease that transfers substantially all of the risks and rewards of ownership of a non current asset to the lessee. The payments usually cover the full cost of the asset together with a return for the cost of finance.

## **General Fund**

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

## **Government Grants**

Assistance by government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to council, in return for past or future compliance with certain conditions relating to the activities of the council.

## **Heritage Assets**

Assets that the council intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal

## **Housing Benefits**

A system of financial assistance to individuals towards certain housing costs administered by local councils and subsidised by central government.

# GLOSSARY OF TERMS

## **Impairment**

The fall in value upon revaluation of an asset due to a significant decline in the market value, obsolescence, physical damage or a significant change in the statutory or regulatory environment in which the asset operates.

## **Income**

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

## **Infrastructure Assets**

These are non-current assets belonging to the council that cannot be readily sold, do not necessarily have a resale value, and for which a useful life span cannot be readily assessed.

## **International Accounting Standards**

International Accounting Standards are older accounting standards issued by the International Accounting Standards Committee, which were replaced in 2001 by International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board.

## **International Accounting Standards Board**

The Board is an independent group of experts with an appropriate mix of recent practical experience in setting accounting standards, in preparing, auditing, or using financial reports, and in accounting education.

## **International Financial Reporting Interpretations Committee (IFRIC)**

This committee reviews on a timely basis widespread accounting issues that have arisen within the context of current International Financial Reporting Standards (IFRSs). The work of the Interpretations Committee is aimed at reaching consensus on the appropriate accounting treatment and providing authoritative guidance on those issues.

## **International Financial Reporting Standards (IFRS)**

These cover all aspect of accounting practice and set out the correct accounting treatment. They are issued by the International Accounting Standards Board and their application to public sector accounts within the UK is now mandatory.

## **Investments**

A long-term investment is an investment that is intended to be held for use on a continuing basis. Investments should be so classified only where an intention to hold the investment for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment.

## **Investment Properties**

Interest in land and/or buildings in respect of which construction work and development have been completed, or which is held for its investment potential, with rental income being negotiated at arms length.

# GLOSSARY OF TERMS

## **Liabilities**

Amounts due to individuals or organisations which will have to be paid at some time in the future. Current liabilities are usually payable within one year of the Balance Sheet date.

## **Long Term Debtor**

Amounts due to the council more than one year after the Balance Sheet date.

## **Market Value**

The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arms length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

## **Materiality**

An item is material if its omission, non-disclosure or mis-statement in financial statements could be expected to lead to a distortion of the view given by the financial statements.

## **National Non-Domestic Rates (NNDR)**

Rates which are levied on business properties.

## **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.

## **Non Operational Assets**

Non current assets held by the council but not directly occupied, used or consumed in the delivery of services.

## **Operational Assets**

Non current assets held, occupied, used or consumed in the direct delivery of services for which the council has a statutory duty or discretionary power to provide.

## **Operating Leases**

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

## **Post Balance Sheet Events**

Material events which can be either favourable or unfavourable which occur between the Balance Sheet date and the date on which the Statement of Accounts is signed by the responsible financial officer.

## **Precept**

Amounts levied on the council by other councils or public bodies (police commissioner, fire and rescue authorities and parish councils), that cannot directly raise council tax themselves.

## **Prior Year Adjustments**

Those material adjustments applicable to prior years, arising from changes in accounting policies or from the correction of fundamental errors. They do not include normal recurring corrections or adjustments of accounting estimates made in previous years.

# GLOSSARY OF TERMS

## **Property, Plant and Equipment**

Tangible assets that yield benefits to the council and the services it provides for a period of more than one year. Examples include land, buildings and vehicles.

## **Provisions**

Contributions to provisions are amounts charged to the revenue account during the year for costs with uncertain timing where a reliable estimate of the cost can be made.

## **Prudence**

This accounting concept requires that revenue is not anticipated until realisation can be assessed with reasonable certainty. Provision is made for all known liabilities whether the amount is certain or can only be estimated in the light of the information available.

## **Rateable Value**

The annual assumed rental value of a property, which is used to assess the amount of business rate payable.

## **Related Party**

There is a detailed definition of related parties in FRS8. For the council's purposes, related parties are deemed to include the elected members of the council and their partners, the chief officers of the council and companies in which the council has an interest.

## **Reserves**

Surpluses and deficits that have been accumulated over past years. Revenue reserves are available to be spent or earmarked at the discretion of the council. Some capital reserves, such as the revaluation reserve, cannot be used to meet current expenditure.

## **Revaluation Reserve**

A reserve created as a result of the current capital accounting regulations that enables assets to be shown in the accounts at current values.

## **Revenue Expenditure**

Expenditure on the day-to-day running costs of services e.g. employees, premises, supplies and services.

## **Revenue Expenditure Funded from Capital Under Statute (REFCUS)**

Expenditure which may properly be incurred, but does not result in an asset owned by the council. Examples of these are expenditure on items such as improvement grants.

## **Revenue Support Grant (RSG)**

A grant from central government towards the cost of providing services.