Public

Statement of Accounts 2013-14

PETER HANDFORD CPFA
DIRECTOR OF FINANCE

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EXPLANATORY FOREWORD

Introduction

This Statement of Accounts presents the overall financial position of the Council for the year ended 31 March 2014. It has been produced in compliance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Codes of Practice, based on International Financial Reporting Standards (IFRS). IFRS are made up of a combination of many individual accounting standards.

Explanation of the Accounting Statements which follow

Comprehensive Income and Expenditure Statement (CIES) - This shows the cost of providing services in accordance with generally accepted accounting practices. The statement can be found on page 9. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement on page 12.

Balance Sheet (BS) - The Balance Sheet shows the value of all assets and liabilities. Reserves are matched against net assets and liabilities. The statement can be found on page 10.

Cash Flow Statement (CFS) – This statement shows the changes in cash and cash equivalents of the Council. The statement can be found on page 11.

Movement in Reserves (MRS) – This shows the movement on the different reserves held, analysed into ‘usable reserves’ (i.e. those that can be applied to fund expenditure) and ‘unusable’ reserves. The statement can be found on page 12.

Notes to the Accounts – Not a statement, however they provide supplementary information. These begin on page 13.

Revenue Expenditure

The Council set its budget on 6 February 2013, when it was planned to spend £533m on providing services during 2013/14. This would be funded from Council Tax (£246m), government grants (£279m) and use of reserves (£8m). In setting the budget the Council was able to freeze Council Tax for the third consecutive year. In order to set a balanced budget, budget reductions of £26.840m were needed, with departments being set individual budget reduction targets.

From the 1 April 2013, the Council assumed responsibility for Public Health from the NHS. The expenditure for the provision of Public Health services is funded from a ring-fenced grant.

Following, the county council elections in May 2013, the new administration for the Council pledged to review the Council budget. As a result, on 2 October 2013, Council approved changes to funding received since the Council approved the budget in February. It also agreed proposals for budget reductions, to balance the Council’s budget, subject to further consideration of individual proposals by elected members.

Additional grants received in-year included Adoption Reform Grant and Extended Rights to Free School Transport.

The budget position was regularly reported to Members during 2013/14.

The table below shows the final position, after taking into account additional government grants received in-year.

	Budget £m	Actual £m	Outturn £m
Controllable:			
Adult Care	209.079	215.989	6.910
Cultural & Community	13.326	12.440	(0.886)
Children & Younger Adults	107.746	109.620	1.874
Chief Executives	9.334	8.007	(1.327)
Corporate	14.353	14.600	0.247
Corporate Resources	35.802	33.624	(2.178)
Environmental Services	88.912	86.987	(1.925)
Departmental Outturn	**478.552**	**481.267**	**2.715**
Corporate Outturn	115.753	23.695	(92.058)
Total Outturn Position	**594.305**	**504.962**	**(89.343)**
Transfers to / from reserves:			
RCCO - Capital Funded from Revenue	18.268	18.268	0.000
Transfer to Earmarked reserves	93.098	93.098	0.000
Transfer from Earmarked reserves	(26.451)	(26.451)	0.000
Planned use of General Reserves	(70.917)	(70.917)	0.000
Contribution into General Reserve	(78.069)	11.273	89.343
	530.234	**530.234**	**(0.000)**
Financed By:			
Council Tax	(246.423)	(246.423)	0.000
Council Tax Freeze Grant	(2.812)	(2.812)	0.000
Revenue Support Grant	(148.218)	(148.218)	0.000
Non-Domestic Rates Redistribution	(16.378)	(16.378)	0.000
Business Rates Top-up	(82.527)	(82.527)	0.000
New Homes Bonus	(1.306)	(1.306)	0.000
Local Services Support Grant	(1.520)	(1.520)	0.000
Other General Revenue Grants	(20.544)	(20.544)	0.000
PFI Grant	(10.504)	(10.504)	0.000
	(530.232)	**(530.232)**	**(0.000)**

The outturn position shows an overall departmental controllable overspend of £2.715m. Details of the departmental outturn position will be reported to Cabinet later in the year.

Interest payable and receivable were as expected. There were underspends against the Risk Management and debt charges budgets which have contributed to an overall Council underspend.

Reserves

The earmarked reserves balance of £205.144m is an increase of £66.647m compared to 2012-13. This is due to the creation of a number of earmarked reserves, which were previously held as commitments against the General Reserve. As a consequence, the General Reserve balance has reduced by £59.643m when compared to the 2012-13 closing balance. Details of the transfers were reported to Cabinet on 1 October 2013. The level of General Reserves available over the next few years is largely dependent on the achievement of the annual budget reductions target.

After adjusting for non-cash items the Council's General Reserve and Earmarked Reserves remain at robust, risk assessed levels. These levels are key to the delivery of the Council's objectives over the medium term as a means of helping to manage significant potential liabilities and the general reduction in resources. All such risks are regularly reviewed and appear, alongside mitigating actions, on the Council's Strategic and Departmental Risk registers.

Capital Expenditure and Financing

The Capital Programme for 2013-14 was prepared against a clear desire to reduce the proportion of resources used to service debt. Total borrowing used to finance spend in the year was £12.329m compared to £5.506m in 2012-13.

The Council has spent £86.0m on capital schemes during the year, compared to £96.8m in 2012/13. We received grants from Government totalling £47.9m compared to £65.809m in 2012/13. We also borrowed £12.3m and received income from capital receipts and revenue contributions totalling £19.4m.

The underlying borrowing need to finance capital expenditure which is not paid for from receipts or grants is termed the Capital Financing Requirement (CFR). As at 31 March 2014 the CFR was £488.240m compared to £502.501m the previous year.

The difference between the CFR and the actual debt as presented in note 19 is the temporary use of working cash balances held by the Council. The level of capital borrowing is within the Council's Prudential Indicator limits.

The Minimum Revenue Provision ensures that the capital costs are financed. Future capital financing is reliant on the sale of assets, capital grant income and borrowing facilities. The Council does not anticipate that reductions are required to the current capital programme as a result of funding in the future being reduced.

Provisions/Contingencies

Following last summer's announcement by the Government regarding further reductions in local government funding, the Council has stated that 1,600 jobs will be cut to help achieve the £157m budget reductions target.

The Council has for some time been in dialogue with representatives of Derbyshire care home owners who are questioning the level and calculation of fees the Council pays for residential care. The Council is currently in consultation with the care home owners regarding a proposed increase which will be backdated resulting in both one-off and on-going costs to the Council.

Pensions Liability and Assets

Statutory arrangements require benefits earned to be financed as the Council makes contributions to the Pension Fund or eventually pay 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. Full details of the pensions liability can be found in note 54.

How the assets and liabilities of the Council have been affected:

The Property, Plant and Equipment assets have increased by £235m from the previous year. Many of the assets valued in 2013-14, in the Council's agreed five year cycle, are schools and this year the Council has changed its approach to these valuations by adopting residential land values. The reason for this is that the Council would have to compete with residential land developers to acquire the sites and this has therefore increased land values significantly. Also a change in the approach to valuing County Hall this year from Market Value - Existing Use to Depreciated Replacement Cost (DRC) has had an impact on increased building valuations. DRC is used where there is no market-based evidence of fair value because of the specialist nature of the asset and the asset is rarely sold.

This is now the fourth year that Modern Equivalent Asset (MEA) valuations have been used. All assets valued this year have been undertaken on an MEA basis for the first time. This requires an estimation of how much an MEA would cost to build, reduced in value for the actual wear and tear present in the current structure. The MEA asset would look at what type of structure would be built today to provide the service at a level required, thus meaning that the current construction market and number of students in schools will have an impact on the eventual valuation.

Current Economic Climate

The Council's Five Year Financial Plan was updated in July 2013 and identified that budget reductions of £157m were required over the five year period 2013-14 to 2017-18. In order to achieve a balanced budget over the medium term the Council is reliant on the achievement of a programme of budget reductions. Progress against the budget reduction targets will be closely monitored, however lead in times for consultation activity and increased demand on services such as Adult Care demographics mean that there is a continued risk of not achieving a balanced budget.

There is risk and uncertainty about the achievement of reductions; this has been mitigated by the consideration of cuts at the Council meeting on 2 October 2013 that both extended beyond 2015-16 and realistically profiled the achievement of reductions. However, there is still a risk of delay in implementation or indeed an inability to progress a particular reduction for a variety of reasons. Delay can be relatively straight forward to quantify and in global terms can be illustrated by noting that, for instance, an average one month's delay across all the reductions identified would require the use of around £2.5m of General Reserve; costs of this nature are manageable within the context of the resources available. The non- achievement of an indicated reduction is less manageable and as a consequence Strategic Directors have been made aware of the need to bring forward alternate savings, to at least an equal value, should this scenario occur. In-year monitoring of the achievement of budget reductions will be undertaken and any issues reported to the Chief Executive and Director of Finance.

The Council's Five Year Financial Plan will be updated later this year to reflect the most up to date assumptions regarding inflation, services pressures and funding. Details of the Government's public expenditure plans beyond 2015-16 will not be announced until after the next General Election. Whilst the economic forecast is for continued growth in the UK economy, the austerity measures are expected to continue until, at least, the end of the decade.

STATEMENT OF RESPONSIBILITIES

The Council's Responsibilities
The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its Officers has the responsibility for the administration of those affairs. In this Council, that Officer is the Director of Finance;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- Approve the Statement of Accounts.

The Director of Finance's Responsibilities
The Director of Finance is responsible for the preparation of the Council's Statement of Accounts which, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

In preparing this Statement of Accounts, the Director of Finance has:-

- Selected suitable accounting policies and then applied them consistently;
- Made judgments and estimates that were reasonable and prudent;
- Complied with the Code of Practice on Local Authority Accounting.

The Director of Finance has also:

- Kept proper accounting records which were up-to-date;
- Taken reasonable steps for the prevention and detection of fraud and other irregularities;
- Ensured that events after the balance sheet date have been considered.

AUTHORISATION OF ACCOUNTS FOR ISSUE

Certificate of Director of Finance
I certify that the accounts give a true and fair view of the financial position of the Council at 31 March 2014 and of its income and expenditure for the year then ended.

Peter Handford
Director of Finance
13 June 2014

The Statement of Accounts were approved by the Audit Committee on 2 September 2014.

Councillor Ron Mihaly
Chair of the Audit Committee
2 September 2014

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

		Note	2013-14 Exp £m	2013-14 Inc £m	2013-14 Net Exp £m	2012-13 Exp £m	2012-13 Inc £m	2012-13 Net Exp £m
A	Adult Social Care		329.099	(89.536)	239.563	311.950	(82.075)	229.875
B	Central Services to the Public		4.642	(1.878)	2.764	8.207	(5.316)	2.891
C	Children's & Education Services		710.852	(515.903)	194.949	678.262	(506.527)	171.735
D	Corporate & Democratic Core		9.199	(0.682)	8.517	6.116	(0.083)	6.033
E	Cultural & Related Services		28.988	(3.306)	25.682	23.473	(3.753)	19.720
F	Environmental & Regulatory Services		43.388	(2.788)	40.600	38.798	(1.879)	36.919
G	Highways & Transport Services		75.678	(10.992)	64.686	72.090	(10.382)	61.708
H	Planning Services		11.270	(0.864)	10.406	4.380	(0.771)	3.609
I	Public Health		32.848	(36.893)	(4.045)	0.000	0.000	0.000
J	Non Distributed Costs	6	0.992	0.000	0.992	(0.343)	0.000	(0.343)
A-J	**Net Cost of Services**	**10**	**1,246.956**	**(662.842)**	**584.114**	**1,142.933**	**(610.786)**	**532.147**
K	Other Operating (Income) & Expenditure	7			55.785			24.987
L	Financing & Investment Income & Expenditure	8			51.386			41.939
M	Taxation & Non-Specific Grants	9			(579.457)			(609.787)
A-M	**(Surplus) / Deficit on Provision of Services**				**111.828**			**(10.714)**
N	Gain on Revaluation of Fixed Assets	14			(330.846)			(43.384)
O	Loss on Revaluation of Fixed Assets	14			11.782			2.771
P	(Gain) / Loss on Pension Assets	53 /54			(199.317)			128.039
N-P	**Other Comprehensive Expenditure**				**(518.381)**			**87.426**
A-P	**Total Comprehensive Expenditure**				**(406.553)**			**76.712**

BALANCE SHEET

31 Mar 2013 £m		Note	31 Mar 2014 £m
1,629.937	Property Plant & Equipment	14	1,864.740
43.275	Heritage Assets	16	41.660
2.353	Intangible Fixed Assets	18	1.647
36.656	Non-Current Debtors	17	39.286
1,712.221	**Total Non-Current Assets**		**1,947.333**
205.152	Short Term Investments	19	180.379
1.203	Assets Held for Sale	21	1.524
2.103	Inventories	22	1.445
55.151	Debtors	24	55.882
107.483	Cash and Cash Equivalents	26	135.603
371.092	**Total Current Assets**		**374.833**
(39.465)	Loans and Borrowing	19	(30.873)
(94.318)	Creditors	27	(104.990)
(133.783)	**Total Current Liabilities**		**(135.863)**
(369.412)	Non-Current Borrowing	19	(364.239)
(17.151)	Provisions	28	(18.696)
(786.261)	Other Non-Current Liabilities	29	(620.111)
(1,172.824)	**Total Non-Current Liabilities**		**(1,003.046)**
776.706	**NET ASSETS**		**1,183.257**
271.941	Usable Reserves	30	275.523
504.766	Unusable Reserves	32	907.734
776.707	**TOTAL EQUITY**		**1,183.257**

CASH FLOW STATEMENT

2012-13 £m		Note	2013-14 £m
10.714	**Net Surplus or (Deficit) on the provision of services**		**(111.828)**
71.693	Adjustments for non cash movements	36	150.788
(27.267)	Adjustments for investing and financing activities		19.080
	Net cashflow from:		
55.140	Operating activities	34	58.040
(45.280)	Investing Activities	33	(8.077)
(8.523)	Financing Activities	35	(21.842)
1.337	**Movement in Cash & Cash Equivalent**		**28.121**
106.148	Cash & Cash Equivalents at the start of the year	26	107.485
107.485	**Cash & Cash Equivalents at the end of the year**	**26**	**135.606**

MOVEMENT IN RESERVES STATEMENT

	Note	General Fund £m	Earmarked Revenue Reserves £m	Unapplied Capital Grants £m	Capital Receipts Reserve £m	**Total Usable Reserves £m**	Unusable Reserves £m	**Total Authority Reserves £m**
Balance as at 1 Apr 2012	**30**	**(97.997)**	**(136.676)**	**(20.124)**	**(14.537)**	**(269.334)**	**(583.881)**	**(853.215)**
Deficit on the provision of services		(10.714)	0.000	0.000	0.000	(10.714)	0.000	**(10.714)**
Other Income and Expenditure		0.000	0.000	0.000	0.000	0.000	87.227	**87.227**
Total Income and Expenditure		**(10.714)**	**0.000**	**0.000**	**0.000**	**(10.714)**	**87.227**	**76.513**
Accounting & funding basis difference	13	4.170	0.000	(1.990)	5.927	8.107	(8.107)	**0.000**
Net increase before transfers		**(6.544)**	**0.000**	**(1.990)**	**5.927**	**(2.607)**	**79.120**	**76.513**
Net Transfers to Earmarked Reserves	31	1.821	(1.821)	0.000	0.000	0.000	0.000	**0.000**
Increase in 2012-13		(4.723)	(1.821)	(1.990)	5.927	(2.607)	79.120	**76.513**
Balance as at 31 Mar 2013	**30**	**(102.720)**	**(138.497)**	**(22.114)**	**(8.610)**	**(271.941)**	**(504.761)**	**(776.702)**
Surplus on the provision of services		111.828	0.000	0.000	0.000	111.828	0.000	**111.828**
Other Income and Expenditure		0.000	0.000	0.000	0.000	0.000	(518.381)	**(518.381)**
Total Income and Expenditure		**111.828**	**0.000**	**0.000**	**0.000**	**111.828**	**(518.381)**	**(406.553)**
Accounting & funding basis difference	13	(118.832)	0.000	6.254	(2.831)	(115.409)	115.409	**0.000**
Net increase before transfers		**(7.004)**	**0.000**	**6.254**	**(2.831)**	**(3.581)**	**(402.972)**	**(406.553)**
Net Transfers to Earmarked Reserves	31	66.647	(66.647)	0.000	0.000	0.000	0.000	**0.000**
Increase in 2013-14		59.643	(66.647)	6.254	(2.831)	(3.581)	(402.972)	**(406.553)**
Balance as at 31 Mar 2014	**30**	**(43.077)**	**(205.144)**	**(15.860)**	**(11.441)**	**(275.522)**	**(907.733)**	**(1,183.255)**

NOTES TO THE CORE FINANCIAL STATEMENTS

The values held within the proceeding notes to the accounts may vary slightly when compared to the main Statements or to each other. This is due to amounts being rounded, typically to the nearest thousand pounds, however in some cases other levels of rounding may take place. It is not expected that a difference would be in excess of £5,000 in any single case.

1. ACCOUNTING POLICIES

The Accounting Policies for the Council have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Local Authority Accounting. Where there is no specific guidance in the Code, the Council has developed its own accounting policy which is aimed at creating information which is:

- Relevant to the decision making needs of users; and
- Reliable, in that the financial statements:
- Represent fairly the financial position, financial performance and cash flows of the entity;
- Reflect the economic substance of transactions, other events and conditions and not merely the legal form;
- Are neutral i.e. free from bias;
- Are prudent; and
- Are complete in all material respects.

This document outlines how the Council will account for all income, expenditure, assets and liabilities held and incurred during the 2013-14 financial year.

The Accounting Policies of the Council are updated annually to reflect any changes in IFRS, including changes in International Public Sector Accounting Standards (IPSAS), HM Treasury guidance, CIPFA guidance or any other change in statute, guidance or framework impacting on the Council's accounts.

The Accounting Policies of the Council as far as possible have been developed to ensure that the accounts of the Council are understandable, relevant, free from material error or misstatement, reliable and comparable.

There have been no significant changes to the Accounting Policies since those published in the 2012-13 Statement of Accounts.

For clarification, the use of Depreciated Replacement Cost (DRC) to value certain Non-Current Assets in Property Plant and Equipment, where no other valuation method can be used, is not a change in accounting policy but additional information is included here. DRC is a form of cost approach and is defined as "the current cost of replacing an asset with its modern equivalent asset, less deductions for physical deterioration and all relevant forms of obsolescence and optimisation". The value attributed by the DRC method of valuation for schools depends on the continuing use the asset for the provision of the service in question. The valuation cannot be relied upon as an indication of the amount that could be recovered if the service was discontinued and the asset retired.

20% of school assets were revalued using DRC in 2012-13. During 2013-14 the Council revalued a further 20% of its schools using DRC, which resulted in a significant change in their value. This was largely due to a change in the market value of school land. It was considered inappropriate to apply this change across the entire asset class because of significant variations in the types of asset but instead the Council will change the revaluation period for schools to three years and the remaining 60% of schools will be revalued in 2014-15 and 2015-16, i.e. 30% of remaining schools will be revalued in each year.

The Accounting Policies are shown at Appendix One.

2. CRITICAL JUDGEMENTS WHEN APPLYING THE ACCOUNTING STANDARDS

The Council has accounted for Derbyshire Schools in accordance with relevant guidance available. As a result Community and Voluntary Controlled schools are included in the CIES and Balance Sheet. Foundation, Voluntary Aided and Academy schools have been excluded.

3. ACCOUNTING STANDARDS ISSUED AND NOT YET APPLIED

There are no Accounting Standards that have been issued and not yet applied in the preparation of these accounts.

4. ASSUMPTIONS MADE AND OTHER ESTIMATION UNCERTAINTY

There are no significant estimation techniques that have been employed and no other major sources of estimation uncertainty at the end of the reporting period.

5. EVENTS AFTER THE BALANCE SHEET DATE

There have been no events to report.

6. NON DISTRIBUTED COSTS

Non Distributed Costs of £0.992m (2012-13: (£0.343m)) comprise past service costs, curtailments and settlements relating to post-employment benefits.

7. OTHER OPERATING EXPENDITURE

2012-13 £m		Note	2013-14 £m
(0.532)	Trading Operations	38	(0.824)
0.285	Levies & Precepts	41	0.303
25.234	Loss on Disposal of Fixed Assets	14	56.306
24.987			**55.785**

8. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2012-13 £m		Note	2013-14 £m
26.493	Interest Payable	39	25.906
(4.552)	Interest Receivable	40	(4.004)
19.998	Net Pension Costs	54	29.484
41.939			**51.386**

9. TAXATION AND NON-SPECIFIC GRANT INCOME

2012-13 £m		Note	2013-14 £m
(280.583)	Council Tax		(248.040)
(6.995)	Council Tax Freeze Grant	48	(2.812)
(3.739)	Revenue Support Grant		(148.218)
(192.882)	Non-Domestic Rates Redistribution		(98.579)
(10.504)	Private Finance Initiative Grant		(10.504)
(0.840)	New Homes Bonus	48	(1.306)
(2.287)	Local Services Support Grant		(1.520)
(46.148)	Other General Revenue Grants		(20.544)
(65.809)	Capital Grants		(47.934)
(609.787)			**(579.457)**

10. SEGMENTAL REPORTING

The income and expenditure of the Council's directorates against the budgeted amount for the year, as presented to the Cabinet meeting in the annual outturn report was:

	Budget £m	Actual £m	Outturn £m
Controllable:			
Adult Care	209.079	215.989	6.910
Cultural & Community	13.326	12.440	(0.886)
Children & Younger Adults	107.746	109.620	1.874
Health and Community Safety	9.334	8.007	(1.327)
Corporate	14.353	14.600	0.247
Corporate Resources	35.802	33.624	(2.178)
Environmental Services	88.912	86.987	(1.925)
Total Controllable Outturn	**478.552**	**481.267**	**2.715**
Uncontrollable:			
Adult Care	20.937	20.937	0.000
Cultural & Community	5.926	5.926	0.000
Children & Younger Adults	79.176	79.176	0.000
Chief Executives	(7.176)	(7.176)	0.000
Corporate	0.802	0.802	0.000
Corporate Resources	(34.408)	(34.408)	0.000
Environmental Services	25.879	25.879	0.000
Total Uncontrollable Outturn	**91.136**	**91.136**	**0.000**
Total Spend for Departments	**569.688**	**572.403**	**2.715**

The total spend for the year 2013-14 can be analysed into the subjective line items (type of expenditure such as employee costs etc.) by department as follows:

	Adult Care £m	Cultural & Community Service £m	Children & Younger Adults £m	Chief Executives £m	Corporate £m
Employee Costs	78.392	9.288	441.900	11.491	3.185
Premises	1.872	1.026	22.912	0.056	4.466
Transport	3.893	0.168	19.129	0.290	0.510
Supplies & Services	18.689	2.868	48.583	29.179	20.667
Agency Payments	180.048	0.002	52.687	2.955	6.785
Transfer Payments	18.446	0.000	1.819	0.000	0.000
Cross Departmental Charging	5.286	1.394	25.849	0.827	(7.561)
Central Recharges	9.446	2.772	16.575	(4.670)	(1.105)
Capital Charges	8.709	2.247	70.976	0.479	6.279
Total Expenditure	**324.781**	**19.765**	**700.430**	**40.607**	**33.226**
Grants	(0.342)	(0.115)	(484.090)	(37.393)	(11.884)
Contributions	(50.013)	(0.391)	(6.557)	(2.034)	(0.397)
Sales, Fees and Charges	(37.500)	(0.893)	(20.987)	(0.349)	(5.543)
Total Income	**(87.855)**	**(1.399)**	**(511.634)**	**(39.776)**	**(17.824)**
Total Reported Spend	**236.926**	**18.366**	**188.796**	**0.831**	**15.402**

Reconciliation of Departmental Income and Expenditure to the Net Cost of Services in the Comprehensive Income and Expenditure Account

This shows how the departmental reported spend for the year is reconciled back to the Net Cost of Services in the Comprehensive Income and Expenditure Account. This is because internally some functions are reported within a department that the Council is required to present differently in the accounts, such as the trading operations.

	£m
Departmental Outturn	**572.403**
Trading Operations	0.824
PFI adjustments	2.486
Adjustments to Retirement Benefits	6.222
Adjustment for staff holiday owed	2.181
Cost of Services	**584.116**

Corporate Resources £m	Environmental Services £m	Total Departmental Reported Spending £m	Corporate Adjustments £m	Net Cost of Services Position £m
50.400	23.154	617.810	8.403	626.213
6.491	1.929	38.752	0.000	38.752
2.325	1.921	28.236	0.000	28.236
(3.741)	12.390	128.635	(7.194)	121.441
0.864	66.979	310.320	0.000	310.320
0.000	0.000	20.265	0.000	20.265
(27.860)	2.065	(0.000)	0.000	(0.000)
(27.634)	4.616	0.000	(0.000)	0.000
5.719	17.447	111.856	0.000	111.856
6.564	**130.501**	**1,255.874**	**1.209**	**1,257.083**
(0.070)	(0.604)	(534.498)	10.504	(523.994)
(1.500)	(6.685)	(67.577)	0.000	(67.577)
(5.778)	(10.346)	(81.396)	0.000	(81.396)
(7.348)	**(17.635)**	**(683.471)**	**10.504**	**(672.967)**
(0.784)	**112.866**	**572.403**	**11.713**	**584.116**

The 2012-13 position was:

	Budget £m	Actual £m	Outturn £m
Controllable:			
Adult Care	205.692	213.362	7.670
Cultural & Community	12.985	12.249	(0.736)
Children & Younger Adults	129.598	117.368	(12.231)
Chief Executives	12.651	9.890	(2.761)
Corporate	10.345	7.654	(2.691)
Corporate Resources	39.040	36.764	(2.276)
Environmental Services	87.854	83.107	(4.746)
Total Controllable Outturn	**498.165**	**480.394**	**(17.771)**
Total Uncontrollable Outturn	**56.128**	**56.128**	**0.000**
Total Spend for Departments	**554.293**	**536.522**	**(17.771)**

The total spend for the year can be analysed into the subjective line items (type of expenditure such as employee costs etc.) by department as follows:

	Adult Care £m	Cultural & Community Service £m	Children & Younger Adults £m	Chief Executives £m	Corporate £m
Employee Costs	77.635	9.240	440.827	9.169	3.089
Premises	1.913	0.776	22.940	0.108	4.162
Transport	4.252	0.171	18.999	0.264	0.350
Supplies & Services	16.775	2.887	52.897	3.639	17.059
Agency Payments	176.357	0.000	54.572	0.919	5.586
Transfer Payments	15.982	0.000	1.637	0.000	0.000
Cross Departmental Charging	4.637	1.199	27.498	0.091	(6.752)
Central Recharges	10.252	2.663	15.813	(4.211)	(0.522)
Capital Charges	4.681	1.166	42.552	0.102	1.580
Total Expenditure	**312.484**	**18.102**	**677.735**	**10.081**	**24.552**
Grants	(0.698)	(0.132)	(474.271)	(2.420)	(11.801)
Contributions	(46.241)	(0.309)	(8.902)	(0.755)	(0.400)
Sales, Fees and Charges	(35.136)	(0.877)	(20.568)	(1.083)	(5.144)
Total Income	**(82.075)**	**(1.318)**	**(503.741)**	**(4.258)**	**(17.345)**
Total Reported Spend	**230.409**	**16.784**	**173.994**	**5.823**	**7.207**

Reconciliation of Departmental Income and Expenditure to the Net Cost of Services in the Comprehensive Income and Expenditure Account

This shows how the departmental reported spend for the year is reconciled back to the Net Cost of Services in the Comprehensive Income and Expenditure Account. This is because internally some functions are reported within a department that the Council is required to present differently in the accounts, such as the trading operations.

	£m
Departmental Outturn	**536.522**
Remove Trading	0.533
Move PFI Charges and Grant	2.487
Adjustments to Retirement Benefits	(6.076)
VR Provision	3.136
MMI Provision	(2.000)
Adjustment for staff holiday owed	(2.455)
Cost of Services	**532.147**

Corporate Resources £m	Environmental Services £m	Total Departmental Reported Spending £m	Corporate Adjustments £m	Net Cost of Services Position £m
47.909	22.739	610.608	(5.394)	605.214
6.812	2.311	39.022	0.000	39.022
2.262	3.777	30.075	0.000	30.075
5.655	10.714	109.626	(9.485)	100.141
0.258	61.025	298.717	0.000	298.717
0.000	0.000	17.619	0.000	17.619
(29.141)	2.468	0.000	(0.000)	0.000
(28.344)	4.349	0.000	0.000	0.000
2.020	11.135	63.236	0.000	63.236
7.431	**118.518**	**1,168.903**	**(14.879)**	**1,154.024**
(0.233)	(0.232)	(489.787)	10.504	(479.283)
(0.998)	(6.494)	(64.099)	0.000	(64.099)
(6.664)	(9.023)	(78.495)	(0.000)	(78.495)
(7.895)	**(15.749)**	**(632.381)**	**10.504**	**(621.877)**
(0.464)	**102.769**	**536.522**	**(4.375)**	**532.147**

11. RELATED PARTY TRANSACTIONS

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

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 its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other organisations. Grants received from government departments are set out in the subjective analysis in note 10 on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2014 are shown in note 48.

Typical transactions with central government bodies include, but are not restricted to, investments, Pay As You Earn and National Insurance contributions paid over, pension contributions paid over and teaching services. Transactions from central government bodies in the year totalled £0.198m. Transactions to central government bodies totalled £1,819.515m and included the following significant transactions:

Debt Management Office	£1,661.500m
Inland Revenue	£110.795m
Teachers Pensions	£44.530m

The following individually significant transactions are included within the Debt Management Office transactions stated above, all of which relate to investments made by the Council; one transaction of £30m, one transaction of £27.750m and three transactions of £20m.

Other Local Authorities- typical transactions include, but are not restricted to, investments, repayment of transferred debt, re-imbursement of joint project costs and supplies of goods and services. Customer transactions with other local authorities in the year totalled £30.882m and included significant transactions with Derby City Council totalling £21.143m. Vendor transactions totalled £339.568m and included the following significant transactions: -

Glasgow City Council	£61.385m
Derbyshire Fire Authority	£48.632m

Health Bodies- typical transactions include, but are not restricted to, investments, re-imbursement of joint project costs and supplies of goods and services. Customer transactions with other health bodies in the year totalled £21.893m and included significant transactions with NHS North Derbyshire Clinical Commissioning Group (CCG) totalling £11.463m and NHS Southern Derbyshire CCG totalling £6.967m. Vendor transactions totalled £12.217m and included transactions with Derbyshire Community Health Services totalling £10.639m.

Members and Chief Officers- Council Members have direct control over the Council's financial and operating policies. The total of Members' allowances paid in 2013-14 is shown in Note 42. During 2013-14 works and services to the value of £0.026m were commissioned from companies in which members had an interest. The Council also recovered costs of £0.131m from companies in which members had an interest. There was also an agreement for the lease of land to a local charity that a Member had an interest in. There were no material outstanding balances at year end. Contracts were entered into in full compliance with the Council's Standing Orders.

Pension Fund- The Council is the administering authority for the purposes of the Fund under the Local Government Pension Scheme (Administration) Regulations 2008.

Included in administrative expenses and investment management expenses in 2013-14 are charges from the Corporate Finance Division and other Council departments of £1.731m (2012-13, £1.755m) for expenses incurred in administering the Fund.

In addition, interest of £0.001m (2012-13, £0.001m) was paid by the Council to the Fund in 2013-14.

At 31 March 2014 the Council owed the Fund £0.297m (2013: £0.425m).

12. CONTINGENT ASSETS AND LIABILITIES AND SIMILAR COMMITMENTS

The Council implemented the national Single Status Agreement in 2010 to ensure pay equality across relevant staff groups. In common with other authorities, the Council is facing a considerable number of equal pay claims relating to pre single status grading. The Council is in the process of seeking to clarify the extent of its actual liabilities. However, on current estimates the maximum possible cost to the Council would be of the order of £57m.

13. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS

Narrative	Note	Usable reserves: General Reserve £m	Earmarked Revenue Reserves £m	Unapplied Capital Grants £m	Capital Receipts Reserve £m
BALANCE AS AT 1 APRIL 2013	**30**	**(102.720)**	**(138.497)**	**(22.114)**	**(8.610)**
Comprehensive Income & Expenditure		111.828	0.000	0.000	0.000
Depreciation of fixed assets	14	(46.274)	0.000	0.000	0.000
Impairment of fixed assets	14	(54.874)	0.000	0.000	0.000
Capital Grants	48	47.934	0.000	(47.934)	0.000
Disposal of fixed assets	14	(56.306)	0.000	0.000	(3.835)
REFCUS - Revenue funded by Capital	50	(10.708)	0.000	0.000	0.000
Employee Benefits		(2.181)	0.000	0.000	0.000
Collection Fund Adjustment		1.291	0.000	0.000	0.000
Retirement benefits	54	(87.092)	0.000	0.000	0.000
Minimum revenue provision		21.009	0.000	0.000	0.000
Principal transferred debt		(1.236)	0.000	0.000	0.000
RCCO - Capital Funded from Revenue	50	18.268	0.000	0.000	0.000
Proportion of Previous Year Premiums		(0.040)	0.000	0.000	0.000
Reversal of effective interest rate		(0.009)	0.000	0.000	0.000
Employer contribution to Pensions	54	51.386	0.000	0.000	0.000
Transfer to Earmarked reserves	31	93.098	(93.098)	0.000	0.000
Transfer from Earmarked reserves	31	(26.451)	26.451	0.000	0.000
Transfer Usable Capital Receipts		0.000	0.000	0.000	(0.159)
Financing Capital Spend		0.000	0.000	54.188	1.163
BALANCE AT 31 MARCH 2014		**(43.077)**	**(205.144)**	**(15.860)**	**(11.441)**

Unusable reserves						
Deferred Capital Receipts £m	Revaluation Reserve £m	Capital Adjustment Account £m	Financial Instruments Adjustment Account £m	Accumulated Absences Account £m	Collection Fund Adjustment Account £m	Pensions Reserve £m
(0.433)	**(246.882)**	**(962.505)**	**0.152**	**6.772**	**(1.275)**	**699.410**
0.000	(319.064)	0.000	0.000	0.000	0.000	(199.317)
0.000	9.489	36.785	0.000	0.000	0.000	0.000
0.000	0.000	54.874	0.000	0.000	0.000	0.000
0.000	0.000	0.000	0.000	0.000	0.000	0.000
0.000	17.486	42.655	0.000	0.000	0.000	0.000
0.000	0.000	10.708	0.000	0.000	0.000	0.000
0.000	0.000	0.000	0.000	2.181	0.000	0.000
0.000	0.000	0.000	0.000	0.000	(1.291)	0.000
0.000	0.000	0.000	0.000	0.000	0.000	87.092
0.000	0.000	(21.009)	0.000	0.000	0.000	0.000
0.000	0.000	1.236	0.000	0.000	0.000	0.000
0.000	0.000	(18.268)	0.000	0.000	0.000	0.000
0.000	0.000	0.000	0.040	0.000	0.000	0.000
0.000	0.000	0.000	0.009	0.000	0.000	0.000
0.000	0.000	0.000	0.000	0.000	0.000	(51.386)
0.000	0.000	0.000	0.000	0.000	0.000	0.000
0.000	0.000	0.000	0.000	0.000	0.000	0.000
0.159	0.000	0.000	0.000	0.000	0.000	0.000
0.000	0.000	(55.351)	0.000	0.000	0.000	0.000
(0.274)	**(538.971)**	**(910.875)**	**0.201**	**8.953**	**(2.566)**	**535.799**

The 2012-13 position was:

Narrative	Note	Usable reserves: General Reserve £m	Earmarked Revenue Reserves £m	Unapplied Capital Grants £m	Capital Receipts Reserve £m
BALANCE AS AT 1 APRIL 2012	**30**	**(97.997)**	**(136.676)**	**(20.124)**	**(14.537)**
Comprehensive Income & Expenditure		(10.714)	0.000	0.000	0.000
Depreciation of fixed assets	14	(42.180)	0.000	0.000	0.000
Impairment of fixed assets	14	(7.992)	0.000	0.000	0.000
Capital Grants	48	65.809	0.000	(65.809)	0.000
Disposal of fixed assets	14	(25.234)	0.000	0.000	(2.953)
REFCUS - Revenue funded by Capital	50	(13.308)	0.000	0.000	0.000
Employee Benefits		2.455	0.000	0.000	0.000
Collection Fund Adjustment		0.199	0.000	0.000	0.000
Retirement benefits	54	(65.208)	0.000	0.000	0.000
Minimum revenue provision		21.981	0.000	0.000	0.000
Principal transferred debt		(1.517)	0.000	0.000	0.000
RCCO - Capital Funded from Revenue	50	17.925	0.000	0.000	0.000
Proportion of Previous Year Premiums		(0.051)	0.000	0.000	0.000
Reversal of effective interest rate		0.006	0.000	0.000	0.000
Employer contribution to Pensions	54	51.285	0.000	0.000	0.000
Transfer to Earmarked reserves	31	36.667	(36.667)	0.000	0.000
Transfer from Earmarked reserves	31	(34.846)	34.846	0.000	0.000
Transfer Usable Capital Receipts		0.000	0.000	0.000	(0.629)
Financing Capital Spend		0.000	0.000	63.819	9.509
BALANCE AT 31 MARCH 2013		**(102.720)**	**(138.497)**	**(22.114)**	**(8.610)**

Unusable reserves						
Deferred Capital Receipts £m	Revaluation Reserve Restated £m	Capital Adjustment Account Restated £m	Financial Instruments Adjustment Account £m	Accumulated Absences Account £m	Collection Fund Adjustment Account £m	Pensions Reserve £m
(1.062)	**(214.054)**	**(934.670)**	**0.107**	**9.227**	**(1.076)**	**557.647**
0.000	(40.613)	0.000	0.000	0.000	0.000	127.840
0.000	4.528	37.652	0.000	0.000	0.000	0.000
0.000	0.000	7.992	0.000	0.000	0.000	0.000
0.000	0.000	0.000	0.000	0.000	0.000	0.000
0.000	3.257	24.930	0.000	0.000	0.000	0.000
0.000	0.000	13.308	0.000	0.000	0.000	0.000
0.000	0.000	0.000	0.000	(2.455)	0.000	0.000
0.000	0.000	0.000	0.000	0.000	(0.199)	0.000
0.000	0.000	0.000	0.000	0.000	0.000	65.208
0.000	0.000	(21.981)	0.000	0.000	0.000	0.000
0.000	0.000	1.517	0.000	0.000	0.000	0.000
0.000	0.000	(17.925)	0.000	0.000	0.000	0.000
0.000	0.000	0.000	0.051	0.000	0.000	0.000
0.000	0.000	0.000	(0.006)	0.000	0.000	0.000
0.000	0.000	0.000	0.000	0.000	0.000	(51.285)
0.000	0.000	0.000	0.000	0.000	0.000	0.000
0.000	0.000	0.000	0.000	0.000	0.000	0.000
0.629	0.000	0.000	0.000	0.000	0.000	0.000
0.000	0.000	(73.328)	0.000	0.000	0.000	0.000
(0.433)	**(246.882)**	**(962.505)**	**0.152**	**6.772**	**(1.275)**	**699.410**

14. PROPERTY, PLANT AND EQUIPMENT

The value of Property Plant and Equipment (PPE) assets in the Balance Sheet are shown at their carrying valuation, less accumulated depreciation charges. The table below shows the movement in PPE assets during the year:

	Land & Buildings £m	Vehicles, Plant & Equipment £m	Infrastructure Assets £m	Community Assets £m	Assets Under Construction £m	Property Plant & Equipment £m
COST OR VALUATION						
At 1st April 2013	**1,394.694**	**81.731**	**348.918**	**1.283**	**16.980**	**1,843.606**
Additions	38.560	3.061	22.918	0.249	8.654	**73.442**
Disposals	(28.405)	(3.745)	0.000	0.000	0.000	**(32.150)**
Disposals derecognition	(32.632)	0.000	(14.066)	(0.020)	0.000	**(46.718)**
Revaluation Gains to RR*	305.165	0.000	0.000	0.002	0.000	**305.167**
Revaluation Losses to RR	(11.782)	0.000	0.000	0.000	0.000	**(11.782)**
Impairment	(40.224)	0.000	0.000	(0.029)	0.000	**(40.253)**
Transfer within PPE	10.045	0.624	2.151	0.159	(12.979)	**(0.000)**
Transfer to Heritage	0.000	0.000	0.000	0.000	(2.845)	**(2.845)**
Transfer to Held for Sale	(2.049)	(0.134)	0.000	0.000	0.000	**(2.183)**
At 31st March 2014	**1,633.372**	**81.537**	**359.921**	**1.644**	**9.810**	**2,086.284**
DEPRECIATION						
At 1st April 2013	**(84.548)**	**(63.662)**	**(65.453)**	**(0.006)**	**0.000**	**(213.669)**
Charge for year	(28.553)	(7.542)	(8.816)	(0.009)	0.000	**(44.920)**
Revaluations	23.101	0.000	0.000	0.006	0.000	**23.107**
Disposals derecognition	1.975	0.000	6.839	0.000	0.000	**8.814**
Disposals	1.906	2.559	0.000	0.000	0.000	**4.465**
Transfers to Held for Sale	0.526	0.134	0.000	0.000	0.000	**0.660**
At 31st March 2014	**(85.593)**	**(68.511)**	**(67.430)**	**(0.009)**	**0.000**	**(221.543)**
OPENING VALUE	1,310.146	18.069	283.465	1.277	16.980	1,629.937
CLOSING VALUE	**1,547.779**	**13.026**	**292.491**	**1.635**	**9.810**	**1,864.741**
NATURE OF ASSET HOLDING						
Owned	1,491.101	13.027	292.492	1.635	9.810	**1,808.065**
Finance Lease	9.339	0.000	0.000	0.000	0.000	**9.339**
Private Finance Initiative	47.337	0.000	0.000	0.000	0.000	**47.337**
	1,547.777	**13.027**	**292.492**	**1.635**	**9.810**	**1,864.741**

*RR - Revaluation Reserve

The 2012-13 position was:

	Land & Buildings £m	Vehicles, Plant & Equipment £m	Infrastructure Assets £m	Community Assets £m	Assets Under Construction £m	Property Plant & Equipment £m
COST OR VALUATION						
At 1st April 2012	**1,349.880**	**84.786**	**333.971**	**2.020**	**8.199**	**1,778.856**
Additions	41.305	0.348	21.982	2.129	15.529	**81.293**
Revaluation Gains to RR*	45.630	0.000	0.000	0.000	0.000	**45.630**
Revaluation Losses to RR	(4.855)	0.000	0.000	0.000	0.000	**(4.855)**
Impairment	(19.920)	0.000	0.000	0.000	0.000	**(19.920)**
Disposals derecognition	(19.015)	0.000	(7.115)	(0.137)	0.000	**(26.267)**
Disposals	(6.475)	(3.338)	0.000	0.000	0.000	**(9.813)**
Transfer within PPE	9.557	0.000	(0.080)	(2.729)	(6.748)	**0.000**
Transfers to Held for Sale	(1.413)	(0.065)	0.160	0.000	0.000	**(1.318)**
At 31st March 2013	**1,394.694**	**81.731**	**348.918**	**1.283**	**16.980**	**1,843.606**
DEPRECIATION						
At 1st April 2012	**(74.591)**	**(58.641)**	**(60.333)**	**(0.006)**	**0.000**	**(193.571)**
Charge for year	(24.606)	(8.255)	(8.434)	0.000	0.000	**(41.295)**
Revaluations	12.212	0.000	0.000	0.000	0.000	**12.212**
Disposals derecognition	1.652	0.000	3.314	0.000	0.000	**4.966**
Disposals	0.772	3.134	0.000	0.000	0.000	**3.906**
Transfers to Held for Sale	0.013	0.100	0.000	0.000	0.000	**0.113**
At 31st March 2013	**(84.548)**	**(63.662)**	**(65.453)**	**(0.006)**	**0.000**	**(213.669)**
OPENING VALUE	1,275.289	26.145	273.638	2.014	8.199	1,585.285
CLOSING VALUE	**1,310.146**	**18.069**	**283.465**	**1.277**	**16.980**	**1,629.937**
NATURE OF ASSET HOLDING						
Owned	1,218.823	18.067	283.465	1.277	16.980	**1,538.612**
Finance Lease	8.464	0.002	0.000	0.000	0.000	**8.466**
Donated	0.573	0.000	0.000	0.000	0.000	**0.573**
Private Finance Initiative	82.286	0.000	0.000	0.000	0.000	**82.286**
	1,310.146	**18.069**	**283.465**	**1.277**	**16.980**	**1,629.937**

Historic cost values of re-valued assets are:

	Land & Buildings £m	Vehicles, Plant & Equipment £m	Infrastructure Assets £m	Community Assets £m	Assets Under Construction £m	Property Plant & Equipment £m
COST OR VALUATION						
At 1st April 2013	**1,409.150**	**81.730**	**348.917**	**2.183**	**16.979**	**1,858.959**
Additions	38.560	3.061	22.918	0.249	8.655	**73.443**
Disposals derecognition	(21.246)	0.000	(14.066)	(0.036)	0.000	**(35.348)**
Disposals	(50.912)	(3.745)	0.000	0.000	0.000	**(54.657)**
Transfer within PPE	9.988	0.624	2.151	0.216	(12.979)	**0.000**
Transfer to Heritage	0.000	0.000	0.000	0.000	(2.845)	**(2.845)**
Transfer to Held for Sale	(1.074)	(0.134)	0.000	0.000	0.000	**(1.208)**
At 31st March 2014	**1,384.466**	**81.536**	**359.920**	**2.612**	**9.810**	**1,838.344**
DEPRECIATION						
At 1st April 2013	**(308.084)**	**(63.660)**	**(65.452)**	**(0.909)**	**0.000**	**(438.105)**
Charge for year	(61.017)	(7.541)	(8.816)	(0.032)	0.000	**(77.406)**
Disposals derecognition	7.111	0.000	6.839	0.016	0.000	**13.966**
Disposals	25.360	2.559	0.000	0.000	0.000	**27.919**
Transfer within PPE	0.092	0.000	0.000	(0.092)	0.000	**0.000**
Transfers to Held for Sale	0.658	0.134	0.000	0.000	0.000	**0.792**
At 31st March 2014	**(335.880)**	**(68.508)**	**(67.429)**	**(1.017)**	**0.000**	**(472.834)**
OPENING VALUE	1,101.066	18.070	283.465	1.274	16.979	1,420.854
CLOSING VALUE	**1,048.586**	**13.028**	**292.491**	**1.595**	**9.810**	**1,365.510**
NATURE OF ASSET HOLDING						
Owned	1,008.886	13.028	292.491	1.595	9.810	**1,325.810**
Finance Lease	4.594	0.000	0.000	0.000	0.000	**4.594**
Private Finance Initiative	35.106	0.000	0.000	0.000	0.000	**35.106**
	1,048.586	**13.028**	**292.491**	**1.595**	**9.810**	**1,365.510**

The 2012-13 position was:

	Land & Buildings £m	Vehicles, Plant & Equipment £m	Infrastructure Assets £m	Community Assets £m	Assets Under Construction £m	Property Plant & Equipment £m
COST OR VALUATION						
At 1st April 2012	**1,389.137**	**84.785**	**333.970**	**2.962**	**8.198**	**1,819.052**
Additions	41.306	0.348	22.062	2.129	15.529	**81.374**
Disposals derecognition	(23.110)	(3.338)	(7.115)	(0.179)	0.000	**(33.742)**
Disposals	(6.307)	0.000	0.000	0.000	0.000	**(6.307)**
Transfer within PPE	9.477	0.000	0.000	(2.729)	(6.748)	**0.000**
Transfers to Held for Sale	(1.353)	(0.065)	0.000	0.000	0.000	**(1.418)**
At 31st March 2013	**1,409.150**	**81.730**	**348.917**	**2.183**	**16.979**	**1,858.959**
DEPRECIATION						
At 1st April 2012	**(297.755)**	**(58.640)**	**(60.333)**	**(0.951)**	**0.000**	**(417.679)**
Charge for year	(27.842)	(8.254)	(8.433)	0.000	0.000	**(44.529)**
Disposals derecognition	10.567	3.134	3.314	0.042	0.000	**17.057**
Disposals	6.529	0.000	0.000	0.000	0.000	**6.529**
Transfers to Held for Sale	0.417	0.100	0.000	0.000	0.000	**0.517**
At 31st March 2013	**(308.084)**	**(63.660)**	**(65.452)**	**(0.909)**	**0.000**	**(438.105)**
OPENING VALUE	1,091.382	26.145	273.637	2.011	8.198	1,401.373
CLOSING VALUE	**1,101.066**	**18.070**	**283.465**	**1.274**	**16.979**	**1,420.854**

15. HERITAGE ASSETS NOT REPORTABLE IN THE BALANCE SHEET

The Council is unable to place a reliable fair value on the following:

- Colliery Bridge, Shipley Country Park
- Pauls Arm Bridge, Shipley Country Park
- Leawood River Aqueduct
- Northern Retaining Walls & Loading Bay, Cromford Wharf
- Side Walls & Curbs to Canal Basin, Cromford Wharf
- Railway Embankment & Road Bridge, Steeple Grange, Wirksworth
- Cromford Canal - High Peak Pump House
- Middleton Top Engine House (High Peak Trail)
- Sheep Pasture Engine House (High Peak Trail)
- Grin Low Tower (Solomons Temple) Poole's Cavern Country Park, Buxton

- Workshops, Offices and Terminus Cromford & High Peak Junction
- Northern (Gothic) Warehouse, Cromford Wharf
- Leawood Pumphouse, Cromford and High Peak Junction
- Brittain Colliery Headstocks, Ripley
- Brittain Colliery Engine House, Ripley
- Seldon Seen Engine House - Three Valleys Project

16. NATURE AND SCALE OF HERITAGE ASSETS

The Council's Heritage Assets are mainly Museum Assets, Historic Buildings and Structures.

	Carrying Value		Historic Cost	
	2012-13 £m	2013-14 £m	2012-13 £m	2013-14 £m
COST OR VALUATION				
At 1st April	**42.706**	**43.279**	**5.697**	**6.136**
Additions	0.542	1.340	0.542	1.340
Impairment Losses/(reversals) through (CIES)	0.000	(6.708)	0.000	0.000
Reclassifications (From Assets Under Construction)	0.000	2.845	0.000	2.845
Revaluation Gains to Revaluation Reserve	0.134	1.059	0.000	0.000
Disposals derecognition	(0.106)	(0.155)	(0.106)	(0.541)
Transfers to Held for Sale	0.003	0.000	0.003	0.000
At 31st March	**43.279**	**41.660**	**6.136**	**9.780**
DEPRECIATION				
At 1st April	**(0.003)**	**(0.004)**	**(0.331)**	**(0.332)**
Charge for year	(0.001)	(0.097)	(0.001)	(6.605)
Depreciation written out to the Revaluation Reserve	0.000	0.101	0.000	0.189
At 31st March	**(0.004)**	**0.000**	**(0.332)**	**(6.748)**
OPENING VALUE	42.703	43.275	5.366	5.804
CLOSING VALUE	**43.275**	**41.660**	**5.804**	**3.032**
NATURE OF ASSET HOLDING				
Owned	41.756	41.660	4.285	3.032
Donated	1.519	0.000	1.519	0.000
	43.275	**41.660**	**5.804**	**3.032**

17. NON-CURRENT DEBTORS

31 Mar 2013 £m		31 Mar 2014 £m
32.461	Derby City 1997 Transferred Debt	31.208
1.164	Districts 1997 Transferred Debt	1.073
1.750	Local Authority Mortgage Scheme	2.000
0.520	Loan to Police & Crime Commissioner	0.440
0.279	Vehicle Finance Leases	0.146
0.482	Other Long Term Debtors	4.419
36.656		**39.286**

18. INTANGIBLE ASSETS

All Intangibles relate to purchased software licences

	2012-13 £m	2013-14 £m
COST OR VALUATION		
At 1st April	**4.727**	**4.803**
Additions	0.076	0.377
Disposals	0.000	(0.020)
At 31st March	**4.803**	**5.160**
DEPRECIATION		
At 1st April	**(1.402)**	**(2.449)**
Charge for year	(1.047)	(1.064)
Disposals	0.000	0.002
At 31st March	**(2.449)**	**(3.511)**
OPENING VALUE	3.325	2.354
CLOSING VALUE	**2.354**	**1.649**

19. FINANCIAL INSTRUMENTS

Financial Instrument Investments are made up of:

- Current loans and receivables of £180.379m (31 Mar 2013: £205.152m)

Financial Instrument Debtors are made up of:

- Non-current loans and receivables of £39.140m (31 Mar 2013: £36.377m)
- Non-current finance lease debtors of £0.146m (31 Mar 2013: £0.279m)
- Current loans and receivables of £40.604m (31 Mar 2013: £42.336m)
- Current finance lease debtors of £0.128m (31 Mar 2013: £0.155m)

Financial Instrument Borrowings are made up of:
- Non-current loans and borrowings of £364.239m (31 Mar 2013: £369.412m)
- Current loans and borrowings of £30.873m (31 Mar 2013: £39.465m)

Other Financial Liabilities are made up of:
- Non-current PFI liability of £79.467m (31 Mar 2013: £81.881m)
- Non-current finance lease liability of £4.846m (31 Mar 2013: £4.970m)
- Current PFI liability of £2.415m (31 Mar 2013: £2.261m)
- Current finance lease liability of £0.166m (31 Mar 2013: £0.158m)
- Current liabilities at contract amounts £76.551m (31 Mar 2013: £74.731m)

Financial instruments Gains/Losses

The gains and losses recognised in the CIES in relation to financial instruments are:
- Liabilities at amortised cost, interest expense of £25.906m (2012-13: £26.493m)
- Assets, loans and receivables, interest income of £4.004m (2012-13: £4.552m)

This has resulted in a net loss for the year of £21.902m (2012-13: £21.941m).

Fair value of Assets and Liabilities carried at Amortised Cost

The fair value of assets and liabilities carried at amortised cost can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:
- For loans from the Public Works Loans Board (PWLB) and other loans payable, premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures;
- For loans receivable prevailing benchmark market rates have been used to provide the fair value, and accrued interest is included;
- No early repayment or impairment is recognised;
- Where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate to fair value.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

Long Term Assets

	Carrying Value		Fair Value	
	31 Mar 2014 £m	31 Mar 2013 £m	31 Mar 2014 £m	31 Mar 2013 £m
Investments - Transferred Debt	32.721	34.145	32.721	34.145
Long Term Trade Debtors	6.565	2.511	6.565	2.511
Long Term Financial Assets	**39.286**	**36.656**	**39.286**	**36.656**

Short Term Assets

	Carrying Value		Fair Value	
	31 Mar 2014 £m	31 Mar 2013 £m	31 Mar 2014 £m	31 Mar 2013 £m
Short Term Investments – Money Markets	180.379	205.152	180.379	205.152
Trade debtors	20.703	22.199	20.703	22.199
Short Term Financial Assets	**201.082**	**227.351**	**201.082**	**227.351**

Long Term Liabilities

	Carrying Value		Fair Value	
	31 Mar 2014 £m	31 Mar 2013 £m	31 Mar 2014 £m	31 Mar 2013 £m
Transferred Debt	(4.256)	(4.609)	(4.256)	(4.609)
Public Works Loan Board	(332.269)	(337.094)	(400.556)	(436.408)
Lender Option Borrower Option	(27.714)	(27.709)	(34.900)	(31.565)
Long term borrowing	**(364.239)**	**(369.412)**	**(439.712)**	**(472.582)**
PFI liability	(79.467)	(81.882)	(79.467)	(81.882)
Finance lease liability	(4.846)	(4.970)	(4.846)	(4.970)
Total Long Term Liabilities	**(448.552)**	**(456.264)**	**(524.025)**	**(559.434)**

Short Term Liabilities

	Carrying Value		Fair Value	
	31 Mar 2014 £m	31 Mar 2013 £m	31 Mar 2014 £m	31 Mar 2013 £m
Public Works Loan Board	(5.000)	(15.266)	(5.000)	(15.266)
Temporary Loans	(23.347)	(21.641)	(23.347)	(21.641)
Short term borrowing	**(28.347)**	**(36.907)**	**(28.347)**	**(36.907)**
Accrued Interest	(2.525)	(2.557)	(2.525)	(2.557)
Trade Creditors	(64.326)	(60.308)	(64.326)	(60.308)
Total Short Term Liabilities	**(95.198)**	**(99.772)**	**(95.198)**	**(99.772)**

20. LOCAL AUTHORITY MORTGAGE SCHEME (LAMS)

The Council entered into a LAMS partnership with Lloyds TSB on 12 March 2013. This offered first time buyers the opportunity to acquire a mortgage through Lloyds TSB with a reduced level of deposit. The Council has deposited £1.750m with Lloyds to support the scheme. Mortgages have a ceiling value of £142,500 under the scheme. As at 31 March 2014, £1.801m had been committed against the indemnity.

Chesterfield Borough Council is providing a scheme which the Council has agreed to contribute £0.250m of funding. The total indemnity of the scheme is £1.250m of which £0.277m has been committed.

21. ASSETS HELD FOR SALE

	Cost £m	Dpn £m	Carrying Value £m
Held for Sale as at 31 March 2013:			
Breaston Area Business Unit	0.332	(0.007)	0.325
Heath Primary School House	0.107	(0.004)	0.103
Mastin Moor Youth Club	0.140	(0.010)	0.130
South Normanton Ed Centre	0.060	(0.040)	0.020
South Normanton Library	0.007	(0.002)	0.005
Stanton Vale School	0.671	(0.051)	0.620
Balance as at 31 March 2013	**1.317**	**(0.114)**	**1.203**
Sales during 2013-14	(1.317)	0.114	(1.203)
Held for Sale as at 31 March 2014			
Heanor Relief Rd - 1 Whysall Street	0.080	0.000	0.080
Ringwood Centre	0.913	(0.632)	0.281
Clay Cross Depot	1.191	(0.028)	1.163
Balance as at 31 March 2014	**2.184**	**(0.660)**	**1.524**

22. INVENTORIES

	2012-13			2013-14		
	Allroads Stores £m	Work in Progress £m	Other £m	Allroads Stores £m	Work in Progress £m	Other £m
1 April	**0.374**	**1.481**	**0.614**	**0.446**	**1.038**	**0.619**
Purchase of new stock	2.044	70.260	1.187	1.799	0.000	0.552
Stock issued	(1.969)	(70.703)	(1.171)	(1.727)	(0.687)	(0.562)
Stock written off	(0.003)	(0.000)	(0.011)	(0.032)	(0.000)	(0.002)
31 March	**0.446**	**1.038**	**0.619**	**0.486**	**0.351**	**0.607**
Total			**2.103**			**1.444**

23. CONSTRUCTION CONTRACTS

There were no construction contracts of a material value.

24. DEBTORS

The debtor balance can be analysed into the following categories:

31 Mar 2013 £m		31 Mar 2014 £m
11.710	From Other Local Authorities	8.972
3.668	From NHS Bodies	9.228
8.837	From Government Departments	5.509
28.056	From Other Sundry Debtors	28.691
52.271	**Total amount Owed to the Council**	**52.400**
0.011	To Other Local Authorities	0.116
0.000	To Government Departments	0.001
3.529	To Other Sundry Debtors	3.487
3.540	**Total paid in advance by the Council**	**3.604**
55.811	**Total Debtors**	**56.004**
(0.661)	Less Provision for Bad Debts	(0.122)
55.150	**Carrying Value of Debtors**	**55.882**

25. BAD DEBT PROVISION

The bad debt provision has been calculated using trends of debt written off in previous years, based on age of debt and type of debtor. This is then adjusted for any specific circumstances known to the Council in relation to individual debtors. During 2013-14 £0.151m was written off, compared to £0.061m the previous year.

26. CASH AND CASH EQUIVALENTS

31 Mar 2013 £m		31 Mar 2014 £m
1.838	County Fund Bank Account Balance	1.631
(7.074)	Adjustment to bank balance for timing	(5.701)
(5.236)	**Cash Book for County Fund Account**	**(4.070)**
0.361	Schools Cash Income Account Balance	0.152
0.000	Adjustment to bank balance for timing	0.000
0.361	**Cash Book for Schools Cash Account**	**0.152**
(4.875)	**Total Cash Book Balance (Overdraft)**	**(3.918)**
5.570	Amounts held by Bank Account Schools	5.556
0.115	Amounts held in Petty Cash Tins	0.155
0.025	Amounts held in Imprest Bank Accounts	0.028
0.226	Amounts held in Other Bank Accounts	0.273
1.061	**Total Cash Balance (Overdraft)**	**2.094**
57.373	Bank instant-access deposit accounts	50.096
30.046	Money Market Funds	40.000
19.003	Short-term deposits	43.413
107.483	**Total Cash and Cash Equivalents**	**135.603**

27. CREDITORS

The creditor balance can be analysed into the following categories:

31 Mar 2013 £m		31 Mar 2014 £m
(6.925)	To Other Local Authorities	(5.348)
(0.866)	To NHS Bodies	(3.492)
(17.319)	To Government Departments	(13.254)
(0.266)	To Inter-Group Organisations	(0.297)
(60.280)	To Other Sundry Creditors	(69.227)
(85.656)	**Amounts Owing by the Council**	**(91.618)**
(0.245)	From other Local Authorities	(0.306)
(5.221)	From NHS Bodies	(8.206)
(1.538)	From Government Departments	(3.064)
(1.658)	From Other Sundry Creditors	(1.795)
(8.662)	**Income in Advance to the Council**	**(13.371)**
(94.318)	**Carrying Value of Creditors**	**(104.989)**

28. PROVISIONS

	Insurance Provision £m	Educating hospitalised children £m	Post 16 Payments £m	Carbon Reduction £m	MMI £m	Voluntary Redundancy Provision £m	Other £m	Total £m
Balance at 1 April 2012	**(7.849)**	**(0.250)**	**0.000**	**(0.671)**	**(2.000)**	**(4.572)**	**(0.503)**	**(15.845)**
New provisions made	(0.537)	(0.270)	0.000	(0.683)	0.000	(3.136)	(0.341)	**(4.967)**
Provisions Used	2.143	0.250	0.000	0.671	0.161	0.000	0.436	**3.661**
Balance at 1 April 2013	**(6.243)**	**(0.270)**	**0.000**	**(0.683)**	**(1.839)**	**(7.708)**	**(0.408)**	**(17.151)**
New provisions made	(6.038)	0.000	(0.335)	(0.694)	0.000	0.000	(0.130)	**(7.196)**
Provisions Used	2.451	0.270	0.000	0.683	1.178	0.000	0.014	**4.596**
Unused Amounts Reversed	0.000	0.000	0.000	0.000	0.661	0.000	0.394	**1.055**
Balance at 31 March 2014	**(9.830)**	**0.000**	**(0.335)**	**(0.694)**	**0.000**	**(7.708)**	**(0.130)**	**(18.696)**

Carbon Reduction Commitment

The Council is required to purchase allowances to cover the cost of carbon emissions i.e. carbon dioxide produced as energy is used. The provision is measured at the best estimate of expenditure required to purchase allowances which will meet the obligation as at 31 March 2014.

Voluntary Redundancy Provision

Estimated costs associated with future voluntary redundancies, which include an element for schools.

Post 16 Payments
Estimated costs of high needs pupils receiving post 16 education for which the Council pays the shortfall in funding from the Education Funding Agency.

Insurance Provision
The insurance fund meets the estimated ‘excess’ of the Council’s insurance policies, with amounts held in either the insurance provision or the insurance reserve. The provision represents obligations as at 31 March as a result of past claims. The reserve balance covers claims not yet made where a liability is expected to exist.

31 Mar 13 £m		31 Mar 14 £m
4.154	External premiums	2.129
0.019	General charges and expenses	0.015
0.235	Claims paid in the year	(0.333)
4.408	**Total Expenditure**	**1.811**
(0.548)	Income from schools	(0.555)
(4.757)	General fund contribution	(4.910)
(0.193)	Other income	(0.129)
(5.498)	**Total Income**	**(5.594)**
(1.090)	**Surplus to move to fund balances**	**(3.783)**

31 Mar 13 £m		31 Mar 14 £m
(0.537)	Contribution to provision	(6.038)
(0.553)	Contribution (to)/from reserve	2.255
(1.090)	**Total moved to fund balances**	**(3.783)**

31 Mar 13 £m	**Provision**	31 Mar 14 £m
(7.849)	**Balance at 1 April**	(6.242)
(0.537)	Contribution from revenue	(6.038)
2.144	Claims paid and risk management costs	2.451
(6.242)	**Balance at 31 March**	**(9.829)**

31 Mar 13 £m	**Reserves**	31 Mar 14 £m
(15.113)	**Balance at 1 April**	**(15.782)**
(0.553)	Contribution (to)/from revenue	2.255
(0.115)	Interest on balances	(0.109)
(15.781)	**Balance at 31 March**	**(13.636)**

The total insurance fund balance is £23.465m (31 March 2013: £22.023m).

29. OTHER NON-CURRENT LIABILITIES

31 Mar 2013 £m		31 Mar 2014 £m
(629.619)	Pensions Liability - LGPS	(468.038)
(69.791)	Pensions Liability - Teachers	(67.761)
(22.477)	PFI Phase 1	(21.587)
(26.702)	PFI Phase 2	(25.859)
(32.702)	PFI - BSF	(32.021)
(3.167)	Finance Lease - Joint Service Centre	(3.141)
(1.803)	Finance Lease - Other Leases	(1.705)
(786.261)	**Balance at 31 March**	**(620.112)**

Further information about the leases, PFI scheme and pension liabilities can be found in Notes 51, 52, 53 and 54, respectively.

30. USABLE RESERVES

Usable reserves relate to cash backed reserves that are available to finance future services or capital expenditure. Below are details of the Council’s usable reserves and their purpose:

- **General Fund Balance** – revenue reserves available for future service delivery.
- **Revenue Earmarked Reserves** – revenue reserves available for future service delivery, however future spending pressures have been identified for which they will be used.
- **Usable Capital Receipts** – proceeds from the sale of property plant and equipment assets which are available to finance future capital developments.
- **Capital Grants Unapplied** – unused grant receipts for capital developments.

Details of the Council’s usable reserves can be found in the Movement in Reserves Statements and Notes 13 and 31.

31. TRANSFERS TO / FROM EARMARKED RESERVES

Reserve	31 Mar 2012 £m	Transfers In £m	Transfers Out £m	31 Mar 2013 £m	Transfers In £m	Transfers Out £m	31 Mar 2014 £m
Environmental							
Other Env' Reserves	(3.362)	(0.563)	0.647	(3.278)	(9.030)	(1.784)	(14.092)
Waste Royalties	(2.088)	0.000	0.000	(2.088)	0.000	2.088	0.000
Road Safety	0.000	(1.900)	0.000	(1.900)	0.000	0.000	(1.900)
Other Env' Grants	(1.940)	0.000	0.113	(1.827)	0.000	0.468	(1.359)
Highways DLO	(1.859)	0.000	0.076	(1.783)	0.000	0.059	(1.724)
IT Reserve	(0.076)	(1.690)	0.000	(1.766)	0.000	(0.149)	(1.915)
Commuted Sums	(0.975)	(0.633)	0.000	(1.608)	0.000	(0.036)	(1.644)
Section 74 Income	(0.943)	(0.213)	0.000	(1.156)	0.000	(0.281)	(1.437)
Landfill Allowance	(1.003)	(0.001)	0.007	(0.997)	0.000	0.997	0.000
Highways Maintenance	0.000	(0.974)	0.000	(0.974)	0.000	0.000	(0.974)
CORPORATE							
Insurance	(15.113)	(0.669)	0.000	(15.782)	(0.109)	2.284	(13.607)
Change Management	(3.468)	(2.000)	0.000	(5.468)	(0.942)	0.341	(6.069)
PFI Schools	(3.061)	(0.016)	0.363	(2.714)	(1.004)	0.350	(3.368)
Other Corporate	(0.550)	(1.571)	0.100	(2.021)	(19.301)	2.000	(19.322)
Capital RCCO's	(0.120)	(1.290)	0.120	(1.290)	(7.230)	1.290	(7.230)
Early Retirement Costs	(1.000)	0.000	0.000	(1.000)	(1.200)	2.200	0.000
Single Status	(5.233)	0.000	5.233	0.000	0.000	0.000	0.000
Cultural & Community Services							
Other Culture Reserves	(0.539)	(0.113)	0.012	(0.640)	(0.044)	0.198	(0.486)
Other Culture Grants	(0.637)	(0.816)	0.177	(1.276)	(0.043)	0.883	(0.436)
Children & Younger Adults							
Schools Balances	(34.182)	(0.923)	0.714	(34.391)	(4.187)	0.693	(37.885)
Dedicated Schools Grant	(32.901)	(4.185)	12.150	(24.936)	(6.595)	0.277	(31.254)
Other Childrens	(9.493)	(6.312)	5.636	(10.169)	(15.977)	2.766	(23.380)
Capital Maintenance	0.000	(2.000)	0.000	(2.000)	0.000	0.926	(1.074)
Other Childrens Grants	(3.919)	0.000	1.950	(1.969)	0.000	0.292	(1.677)
Uni-Fi Initiative	0.000	(1.105)	0.000	(1.105)	0.000	0.066	(1.039)
MST Pilot	0.000	(0.900)	0.000	(0.900)	0.000	0.242	(0.658)
Surestart Grant	(1.710)	0.000	0.851	(0.859)	0.000	0.859	0.000
Teaching Assistants	(4.286)	0.000	4.286	0.000	0.000	0.000	0.000

Corporate Resources Department							
Derbyshire Property	(1.666)	(0.376)	0.000	(2.042)	(0.145)	0.000	(2.187)
Computer Purchasing	(1.764)	(0.909)	0.000	(2.673)	(1.208)	0.434	(3.447)
Property DLO	(1.346)	(1.863)	0.233	(2.976)	(1.090)	0.000	(4.066)
Other CRD Reserves	(0.492)	(2.978)	0.393	(3.077)	(4.277)	0.742	(6.612)
CHIEF EXECS							
Regeneration Unit	(0.065)	(1.056)	0.036	(1.085)	(3.800)	4.868	(0.017)
Other Chief Execs Reserves	(1.342)	(1.552)	1.205	(1.689)	(6.914)	2.318	(6.285)
Adult Care							
Section 256	(1.000)	0.000	0.000	(1.000)	0.000	1.000	0.000
Telecare	0.000	(0.060)	0.000	(0.060)	0.000	0.060	0.000
Carers Emergency Fund	0.000	0.000	0.000	0.000	(2.000)	0.000	(2.000)
Care Homes	0.000	0.000	0.000	0.000	(8.000)	0.000	(8.000)
Stroke Victims/Carer	(0.133)	0.000	0.133	0.000	0.000	0.000	0.000
Second Homes	(0.412)	0.000	0.412	0.000	0.000	0.000	0.000
	(136.678)	**(36.668)**	**34.847**	**(138.499)**	**(93.096)**	**26.451**	**(205.144)**

32. UNUSABLE RESERVES

The balance of unusable reserves is made up of a number of adjustment accounts. None of the balances are available to finance future spending. The reserves that make up the balance are detailed below.

Revaluation Reserve

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

	Note	Carrying Value	Historic Cost	Revaluation Reserve
		£m	£m	£m
PPE	14	1,864.741	1,365.510	499.231
Heritage Assets	16	41.660	3.031	38.629
Assets Held for Sale	21	1.524	0.416	1.108
Balance on Revaluation Reserve		**1,907.925**	**1,368.957**	**538.968**

Capital Adjustment Account
Note 13 provides details of the source of all the transactions posted to the account, apart from those involving the Revaluation Reserve.

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

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

Financial Instruments Adjustment Account
The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefitting from gains per statutory provisions. The Council uses the account to manage premiums paid and discounts received on early redemption of loans. Premiums are debited and discounts are credited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on Council Tax. In the Council's case the balance on the Account at 31 March 2014 will be charged to the General Fund over the next 40 years.

Pensions Reserve
The Pensions Reserve absorbs the timing differences from the different arrangements for accounting for post-employment benefits and funding benefits in accordance with statute. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as benefits are earned by employees, updating the liabilities to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require a benefit earned to be financed as the Council makes employer's contributions or pays any pensions for which it is directly responsible. The debit balance on the Reserve therefore shows a shortfall in the benefits earned by 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.

Accumulated Absences Account

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

33. CASH FLOW – INVESTING ACTIVITIES

2012-13 £m		Note	2013-14 £m
(100.196)	Purchase of Fixed Assets	50	(84.937)
(205.152)	Purchase of New Investments	19	(225.000)
3.312	Proceeds from Sale of Fixed Assets	7	3.940
63.128	Capital Grants Received	48	48.053
193.628	Investments Redeemed	19	249.868
(45.280)			**(8.076)**

34. CASH FLOW – OPERATING ACTIVITIES

2012-13 £m		Note	2013-14 £m
(595.687)	Payments to and on behalf of employees	10	(613.367)
(460.331)	Other Operating Payments	10	(502.015)
280.384	Council Tax	9	246.749
192.882	Non Domestic Rates Redistribution	9	98.579
3.739	Revenue Support Grant	9	148.218
544.152	Other Revenue Grants	48	564.078
112.382	Other Income	10	139.658
77.521	**Operating Costs of Providing Services**		**81.901**
(20.457)	External Interest Paid	39	(21.149)
(6.507)	Interest on PFI & Finance Leases	39	(6.354)
4.583	Interest Received	40	3.642
55.140			**58.040**

35. CASH FLOW – FINANCING ACTIVITIES

2012-13 £m		Note	2013-14 £m
(70.759)	Repay Amounts Borrowed	19	(100.198)
(4.755)	Principal Repayment on PFI & Leases	51	(5.077)
66.991	New Short Term Loans	19	83.433
(8.523)			**(21.842)**

36. RECONCILIATION OF NET SURPLUS / (DEFICIT) ON THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT TO THE OPERATING ACTIVITIES NET CASH FLOW

2012-13 £m		Note	2013-14 £m
10.714	**Surplus/(Deficit) on the Provision of Services**		**(111.828)**
	Non Cash Transactions:		
42.180	Depreciation	14	46.274
7.992	Impairment	14	54.874
13.923	Adjustments for IAS19	54	35.706
(0.199)	Adjustment for Collection Fund		(1.291)
4.151	Movement in Revenue Debtors		(1.678)
1.975	Movement in Revenue Creditors		14.700
0.366	Movement in Inventories	22	0.658
1.306	Movement in Provisions	28	1.545
71.693	**Total Non Cash Transactions**		**150.788**
	Items Classified Elsewhere		
25.234	Net charge for disposal of fixed assets	7	56.306
13.308	Revenue expenditure funded from capital under statute	50	10.708
(65.809)	Capital Grants	48	(47.934)
55.140			**58.040**

37. MOVEMENT IN CASH RECONCILED TO THE MOVEMENT IN NET DEBT

	2011-12 £m	2012-13 £m	Movement £m
Current Investments	193.628	205.152	**11.524**
Cash and Cash Equivalents	106.147	107.483	**1.336**
Current Borrowing	(21.150)	(39.465)	**(18.315)**
Non Current Borrowing	(384.495)	(369.412)	**15.083**
PFI & Finance Lease Liabilities	(91.453)	(86.851)	**4.602**
	(197.323)	**(183.093)**	**14.230**

	2012-13 £m	2013-14 £m	Movement £m
Current Investments	205.152	180.379	**(24.773)**
Cash and Cash Equivalents	107.483	135.603	**28.120**
Current Borrowing	(39.465)	(30.873)	**8.592**
Non Current Borrowing	(369.412)	(364.239)	**5.173**
PFI & Finance Lease Liabilities	(86.851)	(84.313)	**2.538**
	(183.093)	**(163.443)**	**19.650**

Reconciliation between the cash movement and the movement in net debt for 2013-14 and 2012-13:

2012-13 £m			2013-14 £m
1.336	**Decrease/(Increase) in Cash & Cash Equivalents**		**28.120**
(193.628)	Investments repaid (and accrued interest)	19	(250.080)
205.152	New investments (and accrued interest)	19	225.307
(66.991)	Loans Raised (and interest accrued)	19	(83.433)
63.759	Loans Repaid (includes accrued interest)	19	97.198
4.602	Payment of PFI & Lease Principal	51/52	2.538
14.230			**19.650**

38. TRADING OPERATIONS

The Council has a number of industrial estates and other trading functions that operate in a commercial environment. Trading Operations form part of the Other Operating Income and Expenditure on the Comprehensive Income and Expenditure Statement, full details of which are in Note 7.

2012-13 £m		2013-14 £m
1.361	Gross Expenditure	0.627
(1.894)	Rental Income Received	(1.451)
(0.533)		**(0.824)**

39. INTEREST PAYABLE

2012-13 £m		2013-14 £m
19.710	Interest Payable on Capital Borrowing	19.391
5.901	Interest Payable on PFI	5.757
0.606	Interest Payable on Finance Leases	0.597
0.144	Interest Payable on Transferred Debt	0.133
0.066	Interest Payable on Temporary Borrowing	0.083
0.032	Interest Payable on Contractor Deposits	(0.064)
0.007	Interest Payable to Trust Funds	0.007
0.001	Interest Payable to Pension Fund	0.001
0.026	Interest Payable on Other Items	0.001
26.493		**25.906**

40. INTEREST RECEIVABLE

2012-13 £m		2013-14 £m
(2.671)	Interest Receivable on Investments	(2.211)
(1.826)	Interest Receivable on Transferred Debt	(1.748)
(0.024)	Interest Receivable on Finance Leases	(0.014)
(0.013)	Interest Receivable on Cash & Bank Balances	(0.023)
(0.012)	Interest Receivable on Car Loans	(0.005)
(0.006)	Interest Receivable on Customer Invoices	(0.003)
(4.552)		**(4.004)**

41. LEVIES AND PRECEPTS

2012-13 £m		2013-14 £m
	Precepts to the Environment Agency	
0.175	Severn Trent Region	0.181
0.034	North West Region	0.036
0.074	Yorkshire Region	0.084
0.002	Financial Reporting Council Levy	0.002
0.285		**0.303**

42. MEMBERS’ ALLOWANCES

Payments made to the Council’s elected members during the year were:

2012-13 £m		2013-14 £m
0.953	Allowances	0.968
0.062	Expenses	0.066
1.015		**1.034**

Special Responsibility Allowances paid to the Chair and Vice Chair of Pensions and Investment Committee are excluded from above figures as these were funded by Derbyshire Pension Fund.

43. EXTERNAL AUDIT COSTS

2012-13 £m		2013-14 £m
0.167	External Audit Fees	0.174
(0.018)	Audit Commission Rebate	(0.023)
0.011	Certification of Grant Claims	0.004
0.160		**0.155**

44. OFFICERS' REMUNERATION

Remuneration paid to the Council's senior officers during the year is as follows:

Salary	Employers Pension Contributions	Total Remuneration 2012-13		Salary	Employers Pension Contributions	Compensation for Loss of Employment	Total Remuneration 2013-14
£	£	£		£	£	£	£
151,056	2,322	**153,378**	Chief Executive (Nick Hodgson) (left 2 June 2013)	32,389	0	219,211	**251,600**
0	0	**0**	Chief Executive (from 3 June 2013)	114,944	21,299	0	**136,243**
0	0	**0**	Assistant Chief Executive (from June 2013)	69,043	12,642	0	**81,684**
118,895	21,936	**140,831**	Strategic Director of Environment, Transport and Economy (April to 2 June 2013)	19,816	3,672	0	**23,488**
0	0	**0**	Strategic Director of Environment, Transport and Economy (from June 2013)	89,472	16,669	0	**106,141**
109,373	20,179	**129,552**	Strategic Director of Children & Younger Adults	112,075	20,767	0	**132,842**
118,895	5,484	**124,379**	Strategic Director of Adult Care (retired on 5 March 2014)	110,585	0	0	**110,585**
0	0	**0**	Acting Strategic Director of Adult Care (from 3 March 2014)	8,855	1,641	0	**10,496**
102,674	18,943	**121,617**	Deputy Chief Executive & Strategic Director of Policy & Community Safety (up to 2 February 2014)	90,395	16,750	0	**107,145**
0	0	**0**	Strategic Director of Health and Communties (from 3 February 2014)	17,945	3,325	0	**21,271**
96,474	17,799	**114,273**	Strategic Director of Cultural & Community Services (up to December 2013)	80,395	14,897	55,506	**150,798**

Salary	Employers Pension Contributions	Total Remuneration 2012-13		Salary	Employers Pension Contributions	Compensation for Loss of Employment	Total Remuneration 2013-14
£	£	£		£	£	£	£
0	0	**0**	Interim Strategic Director of Corporate Resources	51,184	0	0	**51,184**
85,323	15,742	**101,065**	Director of Finance	87,400	16,195	0	**103,595**
79,754	14,715	**94,469**	Head of Chief Executive Office (left December 2013)	60,887	11,282	0	**72,170**
0	0	**0**	Director of Public Health	97,970	13,716	0	**111,686**

- The Chief Executive (Nick Hodgson) left the Council on 2 June 2013.
- The current Chief Executive was appointed on a temporary basis in June 2013, with the appointment becoming permanent on 2 October 2013 following a recruitment and selection process.
- The Assistant Chief Executive post was created on a temporary basis in July 2013, with the current post holder becoming permanent in January 2014 following a recruitment and selection process.
- The Deputy Strategic Director of Environmental Services was appointed Acting Strategic Director of Environmental Services in July, following the previous post holder's move to the position of Chief Executive. The appointment was made permanent in December 2013 following a selection and recruitment process.
- The previous Strategic Director of Adult Care was paid up to the 5 Mach 2014, with the current post holder being appointed on 3 March 2014 on an interim six month contract, following a recruitment and selection process.
- The Strategic Director Health and Communities was appointed on 3 February 2014, having previously held the post of Deputy Chief Executive and Strategic Director Policy and Community Safety (this post has now been deleted).
- Strategic Director Cultural and Community Services left employment in December 2013. The post was deleted.
- The Strategic Director of Corporate Resources was appointed on an interim basis in June 2013. The interim appointment has ceased with a permanent appointment being made from April 2014 following a recruitment and selection process.
- The Directors of Property, Transformation, Human Resources, Legal Services and Communications and Access to Services reported to the previous Chief Executive until the appointment of the Interim Strategic Director of Corporate Resources in June 2013, and have therefore been excluded from the above table, as they no longer report directly to the Head of Paid Service or require to be identified separately as in the case of the Director of Finance. Therefore they have been included in employees earning above £50,000 table.

- The Head of the Chief Executive's Office retired in December 2013. The post has been deleted.

The Council's employees other than senior officers earning above £50,000 during the year were paid the following amounts:

2012-13 No of Employees				2013-14 No of Employees		
Teachers	**Other**	**Total**	**Remuneration Between:**	**Teachers**	**Other**	**Total**
163	82	**245**	£50,000 and £54,999	151	87	**238**
119	28	**147**	£55,000 and £59,999	98	18	**116**
45	13	**58**	£60,000 and £64,999	57	17	**74**
25	7	**32**	£65,000 and £69,999	23	7	**30**
10	0	**10**	£70,000 and £74,999	12	4	**16**
8	6	**14**	£75,000 and £79,999	6	5	**11**
6	0	**6**	£80,000 and £84,999	3	2	**5**
3	3	**6**	£85,000 and £89,999	6	5	**11**
1	3	**4**	£90,000 and £94,999	2	2	**4**
2	0	**2**	£95,000 and £99,999	2	0	**2**
382	**142**	**524**		**360**	**147**	**507**

The number of non-teaching employees earning above £50,000 has increased from 142 in 2012-13, to 147 in 2013-14, following the transfer in of employees in the Public Health field; 11 of these earned above £50,000 in 2013-14.

45. TERMINATION BENEFITS

The Council has terminated the contracts of a number of employees in 2013-14, incurring liabilities of £1.830m. In 2012-13 the figure was £1.285m. These are split by banding below:

	Number of compulsory redundancies		Number of other agreed departures		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2012-13 actual	2013-14 actual	2012-13 actual	2013-14 actual	2012-13 actual	2013-14 actual	2012-13 £m	2013-14 £m
£0-£20k	61	55	101	115	162	170	0.874	1.183
£20k-£40k	3	2	11	13	14	15	0.368	0.372
£40k-£60k	0	0	1	1	1	1	0.043	0.056
£200k-£250k	0	0	0	1	0	1	0.000	0.219
	64	**57**	**113**	**130**	**177**	**187**	**1.285**	**1.830**

46. POOLED BUDGETS

The Council administers two pooled budget arrangements as follows:

Integrated Community Equipment Service with Derbyshire County PCT
The service is being provided by Medequip Assistive Technology Ltd. The agreement is in place until 31 March 2015, with the partners contributing funds equal to 45% and 55% of the budget respectively. The same proportions are used to meet any deficit or share any surplus at the end of each financial year.

31 Mar 2013 £m		31 Mar 2014 £m
	Funding provided to the pooled budget:	
(1.878)	The Council	(1.857)
(2.296)	The Health Trust	(2.269)
	Expenditure met by the pooled budget	
2.244	The Council	2.819
2.743	The Health Trust	3.512
0.813	**(Surplus) / Deficit**	**2.205**
0.366	The Council's share of the (Surplus) / Deficit	0.992

Children with complex needs with North Derbyshire, South Derbyshire, Hardwick, Erewash Clinical Commissioning Groups
The CCG's contribute 33%, the remainder is funded by the Council. Any surplus or deficit carries forward to meet next year's contributions as per the partnership agreement, and as such an earmarked reserve is in place to hold the unspent amount.

31 Mar 2013 £m		31 Mar 2014 £m
	Funding provided to the pooled budget:	
(3.471)	The Council	(3.589)
(1.716)	The Health Trust	(1.836)
	Expenditure met by the pooled budget	
3.239	The Council	1.766
1.596	The Health Trust	0.869
(0.352)	**(Surplus) / Deficit**	**(2.790)**
(0.237)	The Council's share of the (Surplus) / Deficit	(1.823)

47. DEDICATED SCHOOLS GRANT (DSG)

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education, the DSG.

An element of DSG is recouped by the Department to fund academy schools in the Council's area. DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget as defined in the School Finance (England) Regulations 2013.

The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

Details of the employment of the DSG receivable for 2013-14 are as follows:

	2013-14		
	Central	Schools	Total
	£m	£m	£m
DSG Figure as issued by Department in July 2013			499.367
Academy figure recouped for 2013/14			64.840
Total DSG after Academy recoupment for 2013/14			434.527
Brought Forward from 2012/13			22.735
Carry forward to 2014/15 agreed in advance			(22.584)
Agreed initial budgeted distribution in 2013/14	61.668	373.010	434.678
Final budgeted distribution for 2013/14	**61.668**	**373.010**	**434.678**
Less Actual Central expenditure	61.117		61.117
Less Actual Individual School Budgets deployed to Private, Voluntary and Independent Settings for Nursery Education		14.746	14.746
Less Actual Individual School Budgets deployed to schools		352.089	352.089
Carry-forward to 2014/15	**0.551**	**6.175**	**6.726**

48. GRANT INCOME

Capital Grants			**Prev Yr Reversal**		**New Accrual**		**Income in Ledger**
		Cash Rcd	**IIA***	**Dr****	**IIA***	**Dr****	
		£m	**£m**	**£m**	**£m**	**£m**	**£m**
Highways Capital Maintenance	DFT	17.170	0.000	0.000	0.000	0.000	17.170
Capital Maintenance Grant	EFA	12.436	0.000	0.000	0.000	0.000	12.436
Integrated Transport	DFT	4.824	0.000	0.000	0.000	0.000	4.824
Basic Need Grant	EFA	4.501	0.000	0.000	0.000	0.000	4.501
Devolved Formula Capital	DFE	2.530	0.000	0.000	0.000	0.000	2.530
DECC - Green Deal	DECC	0.217	0.000	0.000	0.000	1.975	2.192
Adults' Personal Social Services Capital Grant	DOH	1.951	0.000	0.000	0.000	0.000	1.951
Other Capital Grants	Various	4.424	0.214	(2.330)	0.000	0.019	2.327
		48.053	**0.214**	**(2.330)**	**0.000**	**1.994**	**47.931**

*IIA = Income received in advance, transferred to the following year
**Dr = Income due this year but not yet received.

Revenue Grants		Cash Rcd £m	Prev Yr IIA £m	Prev Yr Dr £m	New IIA £m	New Dr £m	Income in Ledger £m
Dedicated Schools Grant (DSG)	DfE	434.527	0.000	0.000	0.000	0.000	434.527
Public Health Grant Allocation	Dept of Health	34.680	0.000	0.000	0.000	0.000	34.680
Pupil Premium Grant	DfE	18.547	0.024	0.000	(0.060)	0.000	18.511
Sixth Form Funding	DfE	18.306	0.012	0.000	(0.020)	0.000	18.297
Adult and Community Learning	BIS	6.612	0.187	0.000	(0.111)	0.000	6.688
PE and Sport Grant	EFA	2.010	0.000	0.000	(0.003)	0.000	2.007
Troubled Families Initiative	DCLG	1.356	0.000	0.000	0.000	0.000	1.356
Music service grant	Arts council	0.911	0.248	0.000	0.000	0.000	1.160
Other grants	various	8.811	0.829	(0.596)	(2.461)	0.111	6.693
Total Departmental		**525.760**	**1.300**	**(0.596)**	**(2.655)**	**0.111**	**523.919**
Education Services Grant		12.326	0.000	0.000	0.000	0.000	12.326
Council Tax Freeze Grant		2.812	0.000	0.000	0.000	0.000	2.812
Local Services Support Grant		1.520	0.000	0.000	0.000	0.000	1.520
Private Finance Initiative	DCLG	10.504	0.000	0.000	0.000	0.000	10.504
Social Fund		1.855	0.000	0.000	0.000	0.000	1.855
New Homes Bonus		1.305	0.000	0.000	0.000	0.000	1.305
Adoption Reform Grant		1.213	0.000	0.000	0.000	0.000	1.213
Council Tax Benefit Localisation		0.956	0.000	0.000	0.000	0.000	0.956
New Homes Holdback		0.843	0.000	0.000	0.000	0.000	0.843
Capitalisation Fund 2013/14		0.781	0.000	0.000	0.000	0.000	0.781
Small Business Rate Relief refund		0.619	0.000	0.000	0.000	0.000	0.619
Local Reform and Community Voices		0.635	0.000	0.000	0.000	0.000	0.635
LACSEG refund		2.241	0.000	(1.633)	0.000	0.000	0.608
Other grants		0.710	0.000	0.000	0.000	0.000	0.710
Total Corporate Income		**38.318**	**0.000**	**(1.633)**	**0.000**	**0.000**	**36.685**
Total Grants		**564.078**	**1.300**	**(2.229)**	**(2.655)**	**0.111**	**560.605**

Other Revenue Grants recognised in the cash flow statement are £564.078m. Grants recognised by departments as part of their outturn as per the segmental reporting note are £523.919m.

49. TRUST FUNDS

Trust funds are made up of donations or bequests made to the Council. These funds are not part of the Council's Accounts.

2012-13 Total £m		2013-14 Trust Funds £m	Other Funds £m	Total £m
5.023	Opening Balance	1.316	3.962	5.278
0.402	Add Income	0.037	1.973	2.010
(0.147)	Less Expenditure	(0.154)	(0.054)	(0.208)
5.278	**Closing Balance**	**1.199**	**5.881**	**7.080**
	The funds are represented by:			
0.063	Investments	0.062	0.002	0.064
0.092	Building Society Deposits	0.000	0.095	0.095
5.123	Cash & temporary loans	1.137	5.784	6.921
5.278	**Total Assets**	**1.199**	**5.881**	**7.080**
0.018	Increase in unrealised profit on investments included in expenditure	0.000	0.000	0.000
78	No of Funds (actual not £m)	53	25	78

50. CAPITAL EXPENDITURE AND CAPITAL FINANCING

2012-13 £m		2013-14 £m
	Capital Expenditure:	
42.036	Schools	35.239
0.185	Other Childrens Spend	0.403
21.350	Highways, Roads and related	22.050
0.178	Purchase of Vehicles	0.132
1.000	Countryside	1.007
4.433	Other Environmental Spend	6.404
4.125	Cultural and Community Services	1.326
4.774	Adult Care	4.843
0.061	Software	0.547
3.559	Other Corporate Spend	3.038
81.701	**Total Capital Additions**	**74.990**
1.750	Local Authority Mortgage Scheme	0.250
13.308	Revenue Expenditure Funded from Capital Under Statute	10.710
96.759	**Total Capital Expenditure**	**85.950**
	Capital Financing	
5.506	Loans	12.329
17.925	Revenue Contributions	18.268
9.510	Capital Receipts	1.163
63.819	Grants and Contributions	54.190
96.759	**Total Capital Financing**	**85.950**

51. LEASE TYPE ARRANGEMENTS

FINANCE LEASES – COUNCIL AS LESSEE
The Council has a number of property assets that were acquired under finance leases. All assets are carried as Property, Plant and Equipment on the Balance Sheet. Note 14 shows the net value of assets held under Finance Leases.

The Minimum Lease Payments (MLP) are made up of the following:

2012-13 £m				2013-14 £m		
Interest	Liability	MLP		Interest	Liability	MLP
0.597	**0.116**	**0.713**	**Within 1 year**	**0.587**	**0.124**	**0.711**
2.281	0.565	2.846	Within 2 to 5 years	2.231	0.615	2.846
6.662	4.405	11.067	More than 5 years	6.124	4.231	10.355
8.943	**4.970**	**13.913**	**Total Non-Current**	**8.355**	**4.846**	**13.201**
9.540	**5.086**	**14.626**		**8.942**	**4.970**	**13.912**

The MLP do not contain rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. Contingent rents on these assets are insignificant.

The Council has a number of sub-let arrangements within the Joint Service Centre as follows:

- First Service Company Ltd commenced 2010-11 for 5 years at £0.035m per year.
- South Normanton Pre School commenced in 2010-11 for 5 years at £0.015m per year.
- Derbyshire Police commenced in 2010-11 for 5 years at £0.008m per year.
- South Normanton Parish Council commenced in 2010-11 for 25 years at £0.004m per year.
- Bolsover District Council commenced 2011-12 for 25 years at £0.021m per year.
- Limes Medical Centre commenced in 2011-12 for 25 years at £0.048m per year.
- DCHS (PCT) commenced in 2011-12 for 25 years at £0.093m per year.
- Horizons (DHNHSFT) commenced in 2011-12 for 3 years at £0.015m per year.

OPERATING LEASES – COUNCIL AS LESSEE
The Council has a number of property assets (PPE) under operating leases including:

- 40 as part of the delivery of education locally (46 in 2012-13);
- 9 local libraries (10 in 2012-13);
- 7 for Youth Information and Clubs (6 in 2012-13);
- 28 for Community and Environmental purposes (29 in 2012-13);
- 26 for miscellaneous use including office accommodation (25 in 2012-13).

The Council also has a number of vehicles (PVE) under operating leases including:

- 6 Gritters (4 in 2012-13)
- 3 Fire service vehicles (3 in 2012-13)
- 0 Mobile Libraries* (3 in 2012-13)
- 4 Other vehicles including vans (4 in 2012-13)
- 6 Miscellaneous including trailers and platforms (6 in 2012-13)

*The Mobile Libraries have been replaced with purchased vehicles following the end of the lease contract.

The MLP due under non-cancellable leases in future years in respect of these properties will be payable over the following periods:

2012-13 £m				2013-14 £m		
PPE	**PVE**	**Total**		**PPE**	**PVE**	**Total**
0.503	0.032	0.535	Within 1 year	0.584	0.019	0.603
3.498	0.019	3.517	Within 2 to 5 years	3.473	0.000	3.473
0.253	0.000	0.253	More than 5 years	0.459	0.000	0.459
4.254	**0.051**	**4.305**		**4.516**	**0.019**	**4.535**

No operational leased buildings are sub-let. Some water ladders and other fire vehicles were acquired by the Council entering into an operating lease. These assets are sub-let to Derbyshire Fire and Rescue Service. The rental expenditure that was charged to the Net Cost of Services in relation to these assets was:

2012-13 £m		2013-14 £m
0.146	Minimum Lease Payment	0.080
(0.096)	Less sublease income	(0.061)
0.050		**0.019**

FINANCE LEASES – COUNCIL AS LESSOR

The Council has three properties that have been leased out upon receipt of a premium. With respect to these leases, there is no further lease income to be received and therefore there is no debtor held in the accounts. Details of the properties are:

- Castleton Former Cross Works leased to Peak District National Park on a 100 year lease commencing in 1987 for a one-off payment of £34,000;
- Grassmoor Golf Centre to Grassmoor Golf Ltd on a 1,000 year lease commencing in 2002 for a one-off payment of £230,000;
- Buxton Magistrates Court, Peak Buildings to the Secretary of State on a 125 year lease commencing in 2005.

The Council leases out vehicles under a finance lease arrangement to the following:

- Derby City Council for provision of public services;
- Derbyshire Dales District Council for the provision of street cleaning;

- Community Transport Schemes for the provision of community services.

The numbers of vehicles leased out are:

2012-13	Vehicle Type	2013-14
53	Vans	45
14	Cars	11
9	Other Vehicles	9
6	Miscellaneous	6

The rental income due to be received over the remaining life of the leases is as follows:

2012-13 £m			2013-14 £m	
Gross Investment in Lease	**Minimum Lease Payments**		**Gross Investment in Lease**	**Minimum Lease Payments**
0.155	0.117	Within 1 year	0.131	0.117
0.279	0.219	Within 2 to 5 years	0.144	0.114
0.000	0.000	More than 5 years	0.000	0.000
0.030	0.030	Unearned finance income	0.016	0.000
0.464		**Gross investment**	**0.291**	
(0.098)		Unguaranteed residual value	(0.060)	
0.366	**0.366**	**Minimum Lease Payments**	**0.231**	**0.231**

The unguaranteed residual value of the asset relates to the estimated value of the vehicles at the end of the lease (i.e. an estimated sale value). The Council has no provisions for unrealised finance lease investments. The minimum lease payments do not contain rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

OPERATING LEASE – COUNCIL AS LESSOR

The Council has a number of properties and vehicles leased out under operating leases, the future minimum lease payments receivable under non-cancellable leases in future years are:

2012-13 £m				2013-14 £m		
Vehicles	Land & Building	Total		Vehicles	Land & Building	Total
0.038	0.723	0.761	Payment due in less than 1 year	0.023	0.656	0.679
0.026	1.996	2.023	Payment due in one to five years	0.008	1.836	1.844
0.000	0.526	0.526	Payment due later than five years	0.000	0.486	0.486
0.065	**3.245**	**3.310**		**0.030**	**2.978**	**3.008**

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

52. PRIVATE FINANCE INITIATIVE (PFI) AND SIMILAR CONTRACTS

There are three PFI schemes in which private sector providers build and maintain accommodation for use by the Council.

- Phase 1 – in 2001 the Council signed a contract for two secondary schools at Tupton and Chapel-en-le Frith. They were completed and occupied in April 2003 under a 26 year contract.
- Phase 2 – during 2004-05 the Council signed a contract for two further schools at Newbold and Long Eaton which became operational in February 2006 under a 26 year contract. Long Eaton School became an Academy on 1 April 2011.
- Phase 3 – Schools provided under the Building Schools for the Future (BSF) programme opened in November 2010 at Bolsover and Springwell (Staveley). These were designed and built as PFI schools and will be operated on a 25 year contract.

All of the PFI schools, excluding Long Eaton, will be handed back to the Council when the relevant contract expires. In the case of the Phase 1 schools this will be on 28 April 2029, for the Phase 2 schools it will be 12 February 2032 and for the BSF schools on 31 October 2035. Long Eaton will become a separate entity on 12 February 2032.

Under the terms of the agreements, the Council is able to terminate the agreements at any time. If this were due to a contractor default the Council is entitled to re-tender the contract, otherwise the contractors would be entitled to compensation. The Council has step in rights if action needs to be taken in connection with the services provided by any of the contractors because of a serious risk to the health or safety of persons or to discharge a statutory duty; and/or because an emergency has arisen.

Payments

The Council makes an agreed payment each year (the unitary charge) which is increased by inflation and can be reduced if the contractor fails to meet availability and performance standards. Payments remaining to be made under the PFI contract at 31 March are as follows:

	2012-13			2013-14		
	Ph 1	Ph 2	BSF	Ph 1	Ph 2	BSF
	£m	£m	£m	£m	£m	£m
Within one year:						
Service charge	1.960	2.233	2.442	2.027	2.311	2.510
Interest element	1.621	1.755	2.380	1.564	1.704	2.335
Repayment of liability	0.833	0.793	0.636	0.890	0.843	0.681
Within two to five years:						
Service charge	7.839	8.930	9.770	8.107	9.245	10.040
Interest element	5.865	6.480	9.034	5.590	6.243	8.818
Repayment of liability	3.951	3.710	3.030	4.226	3.946	3.246
Within six to ten years:						
Service charge	9.798	11.163	12.212	10.134	11.556	12.550
Interest element	5.574	6.603	9.905	5.109	6.211	9.536
Repayment of liability	6.696	6.134	5.174	7.161	6.526	5.544
Within eleven to fifteen years:						
Service charge	9.798	11.163	12.212	10.134	11.556	12.550
Interest element	2.898	4.379	7.774	2.247	3.845	7.253
Repayment of liability	9.372	8.358	7.305	10.024	8.892	7.827
Within sixteen to twenty years:						
Service charge	2.121	8.666	12.212	0.167	6.659	12.550
Interest element	0.172	1.352	4.767	0.001	0.810	4.030
Repayment of liability	2.459	8.500	10.313	0.176	6.495	11.049
Within 21 years and beyond:						
Service charge	0.000	0.000	6.366	0.000	0.000	4.030
Interest element	0.000	0.000	0.871	0.000	0.000	0.380
Repayment of liability	0.000	0.000	6.880	0.000	0.000	4.355

Although the payments that are made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed. The liability outstanding to pay the liability to the contractor for capital expenditure incurred is as follows:

	2012-13			2013-14		
	Ph 1	Ph 2	BSF	Ph 1	Ph 2	BSF
	£m	£m	£m	£m	£m	£m
Unitary Charge Paid						
Delivery of services	2.389	2.097	2.546	2.437	2.533	2.625
Interest Payment	1.676	1.802	2.423	1.621	1.755	2.380
Reduction to Liability	0.778	0.745	0.593	0.833	0.793	0.636
Unitary Charge Paid	**4.843**	**4.644**	**5.562**	**4.891**	**5.080**	**5.641**
Loan Liability B Fwd	(24.088)	(28.240)	(33.931)	(23.310)	(27.495)	(33.338)
Reduction to Liability	0.778	0.745	0.593	0.833	0.793	0.636
Loan Liability C Fwd	**(23.310)**	**(27.495)**	**(33.338)**	**(22.477)**	**(26.702)**	**(32.702)**
Liability in Creditors	(0.833)	(0.793)	(0.636)	(0.890)	(0.843)	(0.681)
Non Current Liabilities	(22.477)	(26.702)	(32.702)	(21.587)	(25.859)	(32.021)
Loan Liability C Fwd	**(23.310)**	**(27.495)**	**(33.338)**	**(22.477)**	**(26.702)**	**(32.702)**

Property Plant and Equipment

The schools are recognised on the Council's Balance Sheet, except for Long Eaton School. Movements in their value over the year are detailed in the analysis of the movement on the Property, Plant and Equipment balance in Note 14.

53. DEFINED CONTRIBUTION PENSION SCHEMES

Teachers' Pension Scheme

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by the Department for Education. The Scheme provides teachers with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The Scheme is a defined benefit scheme which is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Council is not able to identify its share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2013-14 the Council paid £44.530m to Teachers' Pensions in respect of teachers' retirement benefits. The Employer's Contribution rate for the Teachers' Pension Scheme has been 14.1% since 1 January 2007 and remains at this rate to date.

NHS Pension Scheme
Former NHS employees working in the Surestart and Public Health fields that moved to the Council in 2008 and 2013, respectively, and new Public Health staff employed since then, are members of the NHS Pension Scheme, administered by the Department of Health. The Scheme provides these employees with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The Scheme is a multi-employer defined benefit scheme which is unfunded and the Department for Health uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Council is not able to identify its share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme, which is consistent with the NHS method of accounting.

In 2013-14 the County Council paid £0.346m to the NHS Pension Scheme in respect of the retirement benefits of these Council employees. The Employer's Contribution rate during 2013-14 for the NHS Pension Scheme has been 14.0%. No further disclosures are required because of the immateriality of the information.

54. DEFINED BENEFIT SCHEME

The Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The Council participates in two post-employment schemes:

- The Local Government Pension Scheme, administered by Derbyshire County Council – this is a funded defined benefit final salary scheme, meaning the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.
- Arrangements for the award of discretionary post-retirement benefits upon early retirement – this 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 pensions payments as they eventually fall due.

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 the Council is required to make against Council Tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Reserve via the Movement in Reserves Statement.

The following transactions have been made during the year:

	LGPS		Teachers	
	2013-14 £m	Restated 2012-13 £m	2013-14 £m	Restated 2012-13 £m
Current Service Cost (inclusive of admin costs)	56.638	47.147	0.000	0.000
Net Interest Cost	26.648	23.056	2.836	2.785
Past Service Costs (including curtailments)	0.970	0.840	0.000	0.644
Settlements	0.000	(1.827)	0.000	0.000
Benefits charged to the CIES	**84.256**	**69.216**	**2.836**	**3.429**
Actuarial gains and losses	(198.921)	112.231	(0.396)	8.172
	(114.665)	**181.447**	**2.440**	**11.601**
Movements in Reserves Statement:				
Reversal of charges made	(84.256)	(69.216)	(2.836)	(3.429)
Employers' contributions payable	44.951	46.592	4.470	4.693

Assets and Liabilities in Relation to Post-Employment Benefits
Reconciliation of present value of the scheme liabilities (defined benefit obligation):

	Funded liabilities:		Unfunded liabilities:	
	2013-14 £m	Restated 2012-13 £m	2013-14 £m	Restated 2012-13 £m
Opening balance at 1 April	**1,936.773**	**1,640.288**	**69.791**	**62.883**
Current service cost	56.638	46.669	0.000	0.000
Interest cost	81.564	79.331	2.836	2.785
Contributions by scheme participants	16.382	14.718	0.000	0.000
Actuarial gains and losses	(156.413)	212.140	(0.396)	8.172
Benefits paid	(58.714)	(53.698)	(4.470)	(4.693)
Unfunded benefits paid	(1.965)	0.000	0.000	0.000
Past service costs	0.970	0.840	0.000	0.644
Settlements	0.000	(3.515)	0.000	0.000
Closing balance at 31 March	**1,875.235**	**1,936.773**	**67.761**	**69.791**

The expected return on 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.

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

	Local Government 2013-14 £m	Restated 2012-13 £m
Opening balance at 1 April	**(1,307.154)**	**(1,145.524)**
Expected rate of return	(54.916)	(56.275)
Actuarial gains and losses	(42.508)	(99.909)
Employer Contributions	(44.951)	(46.592)
Contributions by scheme participants	(16.382)	(14.718)
Current service cost	0.000	0.478
Benefits paid	58.714	53.698
Settlements	0.000	1.688
Closing balance at 31 March	**(1,407.197)**	**(1,307.154)**

Scheme History

	Present value of liabilities:		Present Value of assets:	Surplus/(deficit) in the Scheme:		
	Local Government Pension Scheme £m	Discretionary Benefits £m	Fair value of assets in the Local Government Pension Scheme £m	Local Government Pension's Scheme £m	Discretionary Benefits £m	**Total £m**
2009-10	1,547.196	63.931	(1,007.387)	539.809	63.931	**603.740**
2010-11	1,511.393	60.993	(1,128.753)	382.640	60.993	**443.633**
2011-12	1,640.288	62.883	(1,145.524)	494.764	62.883	**557.647**
2012-13	1,936.773	69.791	(1,307.154)	629.619	69.791	**699.410**
2013-14	1,875.235	67.761	(1,407.197)	468.038	67.761	**535.799**

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The total liability on the LGPS of £468.038m (2012-13: £629.619m) has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

- the deficit on the Local Government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme Actuary;

- finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2015 is £47.177m.

Basis for Estimating Assets and Liabilities
Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependant on assumptions about mortality rates, salary levels etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, with estimates for the Council Fund being based on the latest full valuation of the scheme as at 31 March 2013.

The principal assumptions used by the Actuary have been:

	Local Government		Teachers Pensions	
	2013-14	2012-13	2013-14	2012-13
Mortality Assumptions:				
Longevity at 65 for a current pensioners:				
-Men	22.0	22.2	22.0	22.2
-Women	24.2	24.8	24.2	24.8
Longevity at 65 for a future pensioners:				
-Men	24.1	24	24.1	24
-Women	26.6	26.8	26.6	26.8
Rate of inflation (CPI)	2.5%	2.4%	2.5%	2.4%
Rate of increase in salaries	3.6%	4.15%	-	-
Rate of increase in pensions	2.8%	2.4%	2.8%	2.4%
Rate of discounting in scheme liabilities	4.3%	4.2%	4.3%	4.2%

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below, showing the impact of a change at 31 March 2014:

	Local Government	
	Approximate increase to Employer	Approximate monetary amount £m
0.5% decrease in Real Discount Rate	9%	0.180
1 year increase in member life expectancy	3%	0.058
0.5% increase in the Salary Increase Rate	3%	0.058
0.5% increase in the Pension Increase Rate	6%	0.120

The Actuary has noted that in order to quantify the impact of a change in the financial assumptions used, the value of the scheme liabilities at 31 March 2014 has been calculated and compared on varying bases. The approach taken is consistent with that adopted to derive the IAS19 figures provided by the Actuary for the accounts. To quantify the uncertainty around life expectancy, the Actuary has calculated the difference in cost to the Employer of a one year increase in life expectancy. For sensitivity purposes, this is assumed to be an increase in the cost of benefits of broadly 3%. In practice the actual cost of a one year increase in life expectancy will depend on the structure of the revised assumption (i.e. if improvements to survival rates predominantly apply at younger or older ages). These figures have been derived based on the membership profile of the Employer as at the date of the most recent actuarial valuation.

The return on the Fund in market value terms for the period to 31 March 2014 is estimated based on actual Fund returns as provided by the Administering Authority and index returns where necessary. The total return for the period from 1 April 2013 to 31 March 2014 is 5.8%.

The Discretionary Benefits arrangements have no assets to cover its liabilities. The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

	2013-14 %	2012-13 %
Equity investments	69.0	67.0
Debt Instruments:		
Government Bonds	12.0	14.0
Other Bonds	7.0	6.0
Property	5.0	5.0
Cash	6.0	7.0
Other assets	1.0	1.0
Total	**100.0**	**100.0**

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pension Reserve in 2013-14 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2014:

		LGPS		Teachers
		Actuarial (Gain) / Loss on Assets Expressed as a Percentage of Total Assets	Actuarial (Gain) / Loss on Liabilities Expressed as a Percentage of Total Liabilities	Actuarial (Gain) / Loss on Liabilities Expressed as a Percentage of Total Liabilities
2013-14	**%**	(3.00)	(8.30)	(0.60)
2012-13 restated	**%**	(7.60)	11.00	11.70
2011-12	**%**	4.80	3.40	3.30
2010-11	**%**	(3.70)	(3.20)	1.30
2009-10	**%**	(20.90)	23.60	15.30

Forecast for next year

	Local Government		Teachers Pensions	
	£m	£m	£m	£m
Projected service cost				
Estimated Pay:	244.787		0.000	
	25.5%		n/a	
Implied Service Cost next year:		62.512		0.000
Net Interest Cost		20.409	2.816	
Administration Expenses		0.000	0.000	
Total pension cost recognised in the CIES		**82.921**		**2.816**
Projected Employer contributions				
Normal contributions	47.177		4.591	
Total employer contributions next year		**47.177**		**4.591**
Current deficit/(surplus)		468.038		67.761
Projected deficit next year		**503.782**		**65.986**

55. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Overall Procedures for Managing Risk

The Council's overall risk management procedures focus on the unpredictability of financial markets, and are structured to implement suitable controls to minimise these risks. The annual Treasury Management Strategy outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported annually to Members.

Detailed information can be found in the annual Treasury Management Strategy which is available on the Council's website.

Credit risk

This 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. The financial institutions' credit ratings are monitored throughout the year and significant changes are reported to Cabinet. The Annual Investment Strategy also imposes a maximum sum to be invested and a maximum duration of each loan for counterparties.

The Council's maximum exposure to credit risk in relation to its investments in banks, building societies and money market funds is £314.218m, all of which was deposited in the UK and is made up as shown in the table below. A risk of non-recovery applies to all of the Council's deposits, but there was no evidence at 31 March 2014 that this was likely to crystallise.

	AAA or equivalent £m	AA or equivalent £m	A or equivalent £m	Rated not strong £m
Cash and cash equivalents	40.000	38.424	55.072	0.014
Loans and receivables	0.000	125.247	55.461	0.000
Total financial assets	**40.000**	**163.671**	**110.533**	**0.014**

The Council's potential maximum exposure to credit risk on other financial assets, based on experience of default, adjusted to reflect current market conditions is £20.703m (£22.199m in 2012-13) this relates purely to trade debtors. Customers for goods and services are vetted, taking into account their financial position, past experience and other factors. The Council does not generally allow credit for its trade debtors. The past due amount can be analysed by age as follows:

	31 Mar 2014 £m	**31 Mar 2013 £m**
Less than three months	13.864	15.992
Three to six months	1.254	1.016
Six months to one year	1.201	0.917
More than one year	4.383	4.274
Total	20.703	22.199

Liquidity risk

The Council manages a comprehensive cash flow management system. This seeks to ensure that cash is available when it is needed. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The contractual maturity for Financial Liabilities is as follows:

	31 Mar 2014 £m
Less than one year	(28.174)
Between one and two years	(15.000)
Between two and five years	(25.500)
Between five and ten years	(29.981)
More than ten years	(289.502)
Total financial liabilities	**(388.157)**

Interest rate risk
Within the Annual Treasury Management Strategy maximum limits are set for fixed and variable interest rate exposure. The interest rate profile of financial assets and liabilities is as follows:

	Floating rate £m	Fixed rate £m	Fixed rate Weighted average int rate (%)	Fixed rate Weighted average period (years)
Financial assets - in sterling	120.096	193.793	61.739%	1
Financial liabilities - in sterling	(50.887)	(337.270)	86.890%	21

A 1% change in interest rates would have the following impact:

	Impact on provision of services £m	Impact on net worth £m
Increase by 1% (100 basis points)	3.139	49.732
Decrease by 1% (100 basis points)	(1.569)	(49.732)

Statement of Accounts
Pension Fund
2013-14

Derbyshire County Council administers the Local Government Pension Scheme ("LGPS") for employees, pensioners and dependents of a variety of bodies in Derbyshire, including Councils, Police and Fire Authorities, the University of Derby, colleges and over 80 other organisations including academies, charities and some private companies providing services to local councils.

The Fund manages the pensions of over 86,000 individuals either active contributors, pensioners or deferred pensioners, receiving over £149m in contributions each year and paying out over £131m in pension benefits. The Fund also manages investment assets of £3.3bn over a full range of asset classes, including equities, gilts, other bonds, property and cash.

Members' Statistics

	Actuals		
	31.03.2012	**31.03.2013**	**31.03.2014**
Contributors	33,151	33,586	35,408
Pensioners and Dependants	23,451	24,160	24,913
Deferred Pensions	23,260	23,859	26,559

Employers' Contributions

Employers pay pension contributions into the Fund. The contribution rates payable by the County, Unitary and District Councils expressed as a percentage of pensionable payroll and fixed cash amounts are:

Council	**2013-14**	**2014-15**
	%	**%**
Derbyshire County	18.53	13.5 plus £14,131,000
Amber Valley Borough	11.5 plus £1,005,800	12.0 plus £961,000
District of Bolsover	11.9 plus £1,041,800	12.9 plus £876,000
Chesterfield Borough	12.2 plus £1,768,800	13.2 plus £1,811,000
Derby City	19.79	12.5 plus £7,311,000
Derbyshire Dales	11.6 plus £595,000	12.6 plus £586,000
Erewash Borough	24.67	12.1 plus £1,024,000
High Peak Borough	11.4 plus £1,319,900	12.4 plus £1,668,000
North East Derbyshire	11.7 plus £1,436,000	12.7 plus £1,389,000
South Derbyshire	22.25	12.8 plus £616,000

The percentage rates determined by the Actuary in the valuation of the Fund at 31 March 2013, for 2014-15 onwards, are intended to cover the cost of future service of active Fund members, with the past service deficit being identified as a fixed cash amount. Amber Valley Borough has elected to pay contributions which will increase over the next three years. In 2013-14 the County Council, Derby City Council and two District Councils paid an all-inclusive rate, including past service deficit contributions, having elected to do this at the actuarial valuation at 31 March 2010. Adjustments are made if the combined contribution rate is insufficient to recover the deficit sum required.

Members' Contributions

For 2013-14 the contribution rates payable by members into the Fund are determined by the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007. The rates are between 5.5% and 7.5% of members' pay, excluding non-contractual overtime, depending on their pay banding.

For 2014-15 the contribution rates payable by members into the Fund will be determined by the Local Government Pension Scheme 2013 Regulations. The rates will be between 5.5% and 12.5% of members' pay, excluding non-contractual overtime, depending on their pay banding.

Investment Policy

During 2013-14 responsibility for policy matters rested with a Pensions and Investment Committee of eight County Councillors, two Derby City Councillors and two Trades Union representatives attending as non-voting members. The Pensions and Investment Committee received advice from the Director of Finance and from two independent external advisers.

Day-to-day management of the Fund is delegated to the Director of Finance and his in-house staff, operating within a policy framework laid down by the Committee. Policy is determined by reference to investment regulations issued under the Superannuation Act, 1972, which require that advice is taken at regular intervals and that the investments are suitably diversified. In addition, the regulations place limitations on investments, for example, the maximum investment in a single holding and in 'unlisted securities' (no more than 10% in each category).

The Fund has a central benchmark asset allocation which is designed to meet the performance requirements for the level of risk agreed by the Pensions and Investment Committee. The Pensions and Investment Committee has a degree of flexibility around the central benchmark allocation and decides the specific allocations (weights) for each asset class at its quarterly meetings. In the table below, the column showing the benchmark return is what would have been achieved via neutrally weighted index returns, whereas the actual Fund returns are a function of both active asset allocation and active stock selection decisions.

The table below shows the Fund's returns over 1, 3, 5 and 10 years to 31 March 2014, compared to those of its specific benchmark, as well as the impact of inflation on Fund returns.

	Return		Inflation		Fund Real Return	
Periods to 31 March 2014	**Derbyshire Fund**	**Benchmark**	**CPI**	**RPI**	**Versus CPI Inflation**	**Versus RPI Inflation**
	% pa	**% pa**	**%**	**%**	**%**	**%**
1 Year	5.7	5.5	1.7	2.5	3.9	3.1
3 Years	7.7	7.6	2.6	3.1	5.0	4.5
5 Years	12.7	12.9	3.1	3.8	9.3	8.6
10 Years	8.2	7.9	2.7	3.3	5.4	4.7

On a year by year basis, returns tend to fluctuate significantly according to economic and market conditions and long-term returns are a more appropriate guide to the performance of the Fund.

The Fund has outperformed against its benchmark for the one, three and ten year periods, but underperformed for the five year period. It is important to note that the Fund returns were comfortably ahead of inflation, delivering real returns over all periods.

In the twelve months to March 2014 equity returns to Sterling investors were mixed, ranging from 17.3% (Europe ex UK) to -10.8% in Emerging Markets, with western markets outperforming those elsewhere. A large part of the variance was because of currency movements. Returns from Bonds were weak with Corporate Bonds returning 2.2% whilst there were negative returns from UK Gilts (-2.6%) and Index Linked Bonds (-3.8%). Property was strong, delivering a return of 14.0%.

Actuarial Position of the Fund

Every three years an actuarial valuation of the Fund is undertaken in accordance with the provisions of the Local Government Pension Scheme (Administration) Regulations 2008. The purpose of the valuation is to determine the solvency of the Fund and to set the level of contributions payable by each participating employer for the following three years. A valuation of the Fund was undertaken as at 31 March 2013 to set the level of employer contributions for the three years commencing 1 April 2014. The Net Assets of the Pension Fund at 31 March 2013 were £3.120bn.

The contributions required in respect of future service have been determined using the "projected unit" method. The full rate of employer's contribution provides for the cost of year-by-year accrual of benefits in respect of current Fund members and the amount required to meet a past service deficiency.

The valuation was undertaken using a market value approach. The assets were valued at their market value with market related discount rates used as the basis for determining the present value of the liabilities. There are a number of assumptions used, which are detailed in the following table.

	Assumption
Asset Out-Performance*	1.60%
Discount Rate (Pre Retirement)	4.60%
Discount Rate (Post Retirement)	4.60%
CPI Price Inflation	2.50%
Real Earnings Inflation (Over CPI Inflation)	0.80%
Salary Increases**	3.30%
Pension Increases (except pre 88 GMP)	2.50%
Revaluation of deferred pension	2.50%

* Asset Out-Performance assumptions represent the expected out-performance of investment returns relative to gilts.
** An allowance is also made for promotional pay increases.

The actuarial value placed on the assets represented 82.5% of the value of the past service liabilities compared with 81.2% at the 2010 valuation. This deficit is being recovered in accordance with the Funding Strategy Statement, which is available on the Council's website at
www.derbyshire.gov.uk/working for us/pensions/investments/funding strategy.

A number of factors, both positive and negative, have impacted on the funding level. The overall funding level has improved because the Fund's value has increased more than the increase in the cash value of the deficit. Actual investment returns were approximately 7% greater than the expected three-year return in the actuarial assumptions, decreasing the deficit. Deficit funding contributions from the contributing employers and the overall impact of demographic experience also reduced the deficit. However, these deficit reductions were more than off-set by a decrease in the real discount rate between 2010 and 2013 which resulted in a large increase in the value of the Fund's liabilities.

Further Information

The Derbyshire Pension Fund Statement of Investment Principles, Funding Strategy Statement, Actuarial Valuation Report, Governance Compliance Statement, Communications Policy Statement, Annual Report and Annual Business Plan are available on the Derbyshire County Council's website at www.derbyshire.gov.uk/pensions.

PENSION FUND ACCOUNT

2012-13 £'000		Note	2013-14 £'000
	Contributions and Benefits		
135,195	Contributions	7,24	141,702
7,604	Transfers In	8	7,367
142,799			149,069
(121,270)	Benefits	9,24	(124,890)
(7,926)	Payments to and on Account of Leavers	10	(6,880)
(1,203)	Administrative Expenses	11	(1,512)
(130,399)			(133,282)
12,400	**Net Additions from Dealings with Members**		**15,787**
	Return on Investments		
74,223	Investment Income	12	82,408
(4,330)	Taxes on Income	13	(4,307)
316,671	Profits and Losses on Disposal of Investments and Changes in Value of Investments	15	114,723
(3,953)	Investment Management Expenses	14	(5,381)
382,611	**Net Return on Investments**		**187,443**
395,011	**Net Increase in the Net Assets Available for Benefits During the Year**		**203,230**
2,725,034	Net Assets of The Fund at 1 April		3,120,045
3,120,045	**Net Assets of the Scheme Available to Fund Benefits at the Period End**		**3,323,275**

NET ASSETS STATEMENT

31.03.2013 £'000 Restated		Note	31.03.2014 £'000
3,122,659	Investment Assets	15,16	3,317,489
(8,185)	Investment Liabilities	15,16	(6,151)
8,315	Current Assets	18	15,440
(2,744)	Current Liabilities	19	(3,503)
3,120,045	**Net Assets of the Scheme Available to Fund Benefits at the Period End**		**3,323,275**

The Pension Fund ("Fund") of Derbyshire County Council is governed in accordance with the various Local Government Pension Scheme Regulations. The Fund is a funded defined benefit final salary scheme, administered locally by the Council on behalf of its own employees (except teachers, former NHS employees and new employees working in Public Health, for whom separate pension arrangements apply), Unitary and District Council employees within Derbyshire and employees of other bodies who are specifically authorised by the Regulations.

The accounts summarise the transactions of the Fund and deal with the net assets at the disposal of the Pensions and Investment Committee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Fund year. The actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS) 19 basis, is disclosed in Note 23 of these accounts.

1. Basis of preparation

The accounts have been prepared in accordance with the Statement of Recommended Practice ("SORP"): Financial Reports of Pension Schemes (Revised May 2007) insofar as it is relevant and follow the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 ("the Code"), which is based upon International Financial Reporting Standards (IFRS), as amended for the UK Public Sector and is issued by the Chartered Institute of Public Finance in Accountancy (CIPFA).

The amount of separately invested Additional Voluntary Contributions ("AVCs") paid by members during the year and their value at the net assets statement date are not included in the Pension Fund financial statements in accordance with regulation 5(2)(c) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998 (S1 1998 No 1831).

2. Accounting policies

Contributions

Employee contributions are accounted for when deducted from members' pay.

Employer normal contributions are accounted for in the period to which the corresponding pay relates.

Other employer contributions are accounted for in accordance with the agreement under which they are paid, or in the absence of an agreement, on a cash basis.

Benefits

Benefits and payments to leavers are accounted for in the period they fall due for payment.

Where a member has a choice about the form of their benefit, the benefit is accounted for and the liability is recognised when the member notifies the Council of their decision as to what form of benefit they will take.

Where a member has no choice about the form of benefit, the benefit is accounted for in the period of leaving/retirement/death, being the period in which the liability to pay the benefit arises.

Transfers
Where past service liabilities do not transfer between schemes until assets/liabilities have been transferred, transfers are accounted for on a cash basis.
Where trustees have agreed to accept past service liabilities in advance of the transfer of funds, the transfer is accounted for in accordance with the terms of the agreement.

Expenses
Administrative and Investment expenses are accounted for on an accruals basis.

Investment income
Dividends from quoted securities are accounted for when the securities are quoted ex-dividend.
Rent is accounted for in accordance with the terms of the lease.
Interest on cash and bonds is accrued on a daily basis.
Income arising on the underlying investments of accumulation funds is accounted for within change in market value of investments.

Foreign currency translation
Overseas assets are translated into Sterling from local currency at the exchange rate ruling at the Balance Sheet date.
Exchange gains and losses are treated as follows:

- those relating to the translation of investments are accounted for as part of change in market value included in the Fund Account;
- those relating to current assets and liabilities are accounted for within the Fund Account under an appropriate heading.

Cash and cash equivalents
Cash comprises cash in hand and on-demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

3. Basis of valuation
Investments are valued on the net assets statement at their market value as at 31 March 2014. Quoted securities are included at closing bid prices.
Fixed interest stocks are valued excluding accrued income.
Unquoted investments are included at fair value estimated by the Trustees, based on the latest financial information available at the year end.

Pooled investment vehicles are included at closing bid price for funds with bid/offer spreads, or if single priced, at the closing price.

Property is included at market value as at 31 March 2014, determined in accordance with the Royal Institution of Chartered Surveyors’ Appraisal and Valuation Standards and the Practice Statement contained therein. The property portfolio was independently valued by Matthews & Goodman LLP, Property Advisers.

Forward foreign exchange contracts are valued by determining the gain or loss that would arise from closing out the contract at the reporting date by entering into an equal and opposite contract on that date. All gains and losses arising on forward foreign exchange contracts are reported within "Profits and losses on disposal of investments and changes in value of investments".

4. Accounting Standards issued and not yet applied

There are no Accounting Standards that have been issued and not yet applied in the preparation of these Pension Fund Accounts.

5. Critical judgements made in applying the accounting policies

In applying the accounting policies in Note 2, it has not been necessary to make any critical judgements about complex transactions or in respect of uncertain future events.

6. Assumptions made and other estimation uncertainty

There are no significant estimation techniques that have been employed and no other major sources of estimation uncertainty at the end of the reporting period.

7. Contributions

	2012-13	2013-14
	£'000	**£'000**
Employers		
Normal	66,702	70,325
Deficit Funding	34,886	36,913
Augmentation	12	19
Members		
Normal	33,595	34,445
	135,195	**141,702**

The rates of employers' contributions payable in 2012-13 and 2013-14 were set as part of the 2010 valuation which revealed an overall funding level of 81%.

8. Transfers in

	2012-13	2013-14
	£'000	**£'000**
Group transfers in from other schemes	-	2,989
Individual transfers in from other schemes	7,604	4,378
	7,604	**7,367**

Group transfers in relates to a cash payment received in May 2014 in respect of the Local Government Pension Scheme benefits of past and present employees of Leek College, following this employer's business combination with Derby University. Leek College was previously an employer with the Staffordshire Pension Fund. The Fund's Actuary has confirmed that it is appropriate to include these assets in the financial statements at 31 March 2014 because the 2013 actuarial valuation data includes the transferred service and calculates liabilities on this basis.

9. Benefits

	2012-13	2013-14
	£'000	£'000
Pensions	95,871	100,310
Commutation of pensions and lump sum retirement benefits	22,118	21,122
Lump sum death benefits	3,281	3,458
	121,270	**124,890**

10. Payments to and on account of leavers

	2012-13	2013-14
	£'000	£'000
Refund of contributions	10	2
Individual transfers out to other schemes	7,916	6,878
	7,926	**6,880**

11. Administrative expenses

	2012-13	2013-14
	£'000	£'000
Administration and processing	1,145	1,360
Actuarial fees	33	127
Audit fee	25	25
	1,203	**1,512**

Actuarial fees increased in 2013-14 because the triennial actuarial valuation of the Fund at 31 March 2013 and a review of the Fund's actuarial processes, following the appointment of Hymans Robertson LLP as the Fund's Actuary, took place during the year.

12. Investment income

	2012-13	2013-14
	£'000	**£'000**
Income from fixed interest securities	9,106	9,080
Dividends from equities	54,171	60,486
Income from index-linked securities	2,988	3,412
Income from pooled investment vehicles	1,895	2,261
Rents from properties	5,138	6,365
Interest on cash deposits	925	804
	74,223	**82,408**

13. Taxes on income

	2012-13	2013-14
	£'000	**£'000**
Irrecoverable taxation	**4,330**	**4,307**

14. Investment management expenses

	2012-13	2013-14
	£'000	**£'000**
Administration, management and custody	3,814	5,299
Performance measurement services	15	10
Legal and other advisory fees	124	72
	3,953	**5,381**

Administration, management and custody expenses include £1.250m (2012-13: £0.342m) in respect of the refurbishment of investment properties and £0.839m (2012-13: £0.553m) of direct expenses arising from investment properties.

External manager investment fees included within Administration, management and custody expenses have increased by £0.373m in 2013-14.

15. Investment assets and liabilities

	Value at 1st April	Purchases & hedging payments	Sales & hedging receipts	Profits & losses on disposal of investments & changes in value of investments	Value at 31st March
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
	Restated				
Investment assets					
Fixed interest securities	293,470	286,117	(280,844)	(16,989)	281,754
Equities	1,767,534	549,593	(538,882)	119,535	1,897,780
Index-linked securities	237,657	223,554	(184,685)	(14,886)	261,640
Pooled investment vehicles	510,063	48,992	(22,383)	3,427	540,099
Properties	96,635	-	-	7,250	103,885
Currency hedging contracts	-	237,437	(242,295)	11,817	6,959
	2,905,359	*1,345,693*	*(1,269,089)*	*110,154*	*3,092,117*
Cash deposits & short term loans	203,762				207,584
Other investment balances	13,538				17,788
	3,122,659				**3,317,489**
Investment liabilities					
Currency hedging contracts	(3,047)	127,956	(129,478)	4,569	-
Other investment balances	(5,138)				(6,151)
	(8,185)				**(6,151)**
	3,114,474				**3,311,338**

The cash deposits and short term loans balance at 31 March 2013 has been restated to recategorise the Fund's operational cash balance from investment to current assets.

The total profits and losses on disposal of investments and changes in value of investment assets and investment liabilities is an increase of £114.723m.

Included within the above purchases and sales figures are transaction costs of £0.787m. These comprise stamp duty (£0.236m) and commissions paid to stockbrokers (£0.551m).

Costs are also incurred by the Fund through the bid-offer spread on investments within pooled investment vehicles. Such costs are not separately identifiable.

The profits and losses on disposal of investments and changes in value of investments during the year comprise all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.

Currency hedging receipts and payments represent the transactions settled during the year on currency hedging contracts. The Fund's objective is to decrease risk in the portfolio by entering into futures positions to match a proportion of assets that are already held in the portfolio without disturbing the underlying assets. At the year end, there were four currency hedging contracts, all with less than six months to expiry, with a gross contract value of £98.923m (2013, two contracts, both with less than six months to expiry, with a gross contract value of £73.977m).

	31.03.2013	31.03.2014
	£'000	**£'000**
Fixed interest securities		
UK public sector quoted	253,846	256,776
UK corporate quoted	16,782	16,053
Overseas public sector quoted	22,842	8,925
	293,470	**281,754**
Equities		
UK quoted	1,019,781	1,083,691
Overseas quoted	747,753	814,089
	1,767,534	**1,897,780**
Index-linked securities		
UK public sector quoted	176,545	172,216
Overseas public sector quoted	61,112	89,424
	237,657	**261,640**
Pooled Investment Vehicles		
Property – unquoted	51,114	56,346
Other quoted	343,786	351,903
Other unquoted	115,163	131,850
	510,063	**540,099**
Properties		
UK freehold	61,325	65,960
UK leasehold	35,310	37,925
	96,635	**103,885**

	31.03.2013	31.03.2014
	£'000	£'000
	Restated	
Cash deposits and short term loans		
Sterling cash deposits	37,454	25,699
Money market funds	42,606	59,477
Other Sterling short term loans	119,500	115,000
Foreign currency	4,202	7,408
	203,762	**207,584**

The proportion of the market value of net investment assets managed in-house and by each external manager at the year end is set out below. Pooled investment vehicles held as stock selection decisions are included under 'in-house'.

	31.03.2013		31.03.2014	
	£'000	%	£'000	%
	Restated			
In-house	2,525,190	81.1	2,635,364	79.6
Wellington Management International Ltd	312,486	10.0	359,238	10.8
UBS Global Asset Management (UK) Ltd	276,798	8.9	316,736	9.6
	3,114,474	**100**	**3,311,338**	**100**

All fund managers operating the pooled investment vehicles are registered in the United Kingdom except for:

Fund	**Country of registration of fund manager**
Partners Group – Global Value 2008 Fund	Channel Islands
Montanaro UK Smaller Companies Fund	Republic of Ireland
Atlantis Asian Fund	Republic of Ireland
Baring Australia Fund	Republic of Ireland
Saracen Growth Fund	Republic of Ireland
FPP Global Emerging Markets Fund	Republic of Ireland
Aberdeen Global Japan Smaller Companies Fund	Luxembourg
Daiwa SBI – Japan Equity Fundamental Active	Luxembourg
J P Morgan Funds Latin American Equity Fund "A"	Luxembourg
Martin Currie Global Funds - Greater China Fund	Luxembourg
Polunin Emerging Markets Developing Countries Fund	Luxembourg

No single investment exceeds 5% of net assets available for benefits at the year end (2013, none).

16. Fund investments by geographical sector (at market value)

	31.03.2013		31.03.2014	
	£'000	%	£'000	%
	Restated			
UK	1,971,158	63.3	2,087,321	63.0
N America	362,444	11.6	439,828	13.3
Europe	312,911	10.1	337,049	10.2
Asia and other	467,961	15.0	447,140	13.5
	3,114,474	**100**	**3,311,338**	**100**

17. Additional Voluntary Contributions

In accordance with Regulation 5(2)(c) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998, the Accounts do not include employees' Additional Voluntary Contributions ("AVCs"). The amounts involved are not material in relation to the size of the overall Pension Fund.

Members may make AVCs which are invested separately from the Fund's assets. These investments are specifically allocated to the provision of additional benefits for those members. These are money purchase arrangements where the member uses the invested amount to provide an additional lump sum or to purchase an annuity or buy additional benefits in the Local Government Pension Scheme.

The total value of funds provided by these contributions was:

	31.03.2013	31.03.2014
	£'000	£'000
Equitable Life Assurance Society		
with profits fund	299	294
unit-linked funds	523	527
building society fund	8	8
Total Equitable Life Assurance Society	*830*	*829*
Standard Life		
managed fund	524	568
multi asset managed fund	61	76
protection fund	24	18
ethical fund	70	82
with profits fund	263	255
Total Standard Life	*942*	*999*

	31.03.2013	31.03.2014
	£'000	**£'000**
Prudential Assurance Company Ltd		
deposit fund	3,254	3,083
with profits cash accumulation fund	231	606
cash fund	7	23
discretionary fund	40	105
fixed interest fund	25	56
global equity fund	24	48
index-linked fund	35	100
international equity fund	8	25
property fund	16	33
retirement protection fund	60	107
socially responsible fund	1	6
UK equity fund	30	62
UK equity (passive) fund	9	58
Total Prudential Assurance	*3,740*	*4,312*
Clerical Medical		
with profits fund	449	443
unit linked fund	32	38
Total Clerical Medical	*481*	*481*
Total AVC Investments	**5,993**	**6,621**
Death in Service Cover		
Equitable Life	**435**	**435**

Death in Service cover is payable by the AVC provider where an employee has opted to pay an extra life insurance sum. The Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 (as amended) increased the death grant payable for contributors from two times to three times their "final pay" (in the case of a part-time employee it is three times their actual pensionable pay). The Inland Revenue limit is four times "final pay", so the maximum amount insurable is, therefore, restricted to an amount equivalent to one times "final pay" and in the case of a part-time contributor, their actual pensionable pay. "Final pay" is defined in the above Regulations.

	Equitable Life £'000	Prudential £'000	Standard Life £'000	Clerical Medical £'000	Total £'000
Value at 1.4.2013	830	3,740	942	481	**5,993**
Income					
Contributions received	8	1,126	42	16	**1,192**
Interest and bonuses and change in market value	52	58	92	37	**239**
Transfers in	-	69	-	-	**69**
Expenditure					
Life assurance premiums	(1)	-	-	-	**(1)**
Retirement benefits	(59)	(678)	(57)	(43)	**(837)**
Transfers out and withdrawals	(1)	(3)	(20)	(10)	**(34)**
Value at 31.3.2014	**829**	**4,312**	**999**	**481**	**6,621**

18. Current assets

	31.03.2013 £'000 Restated	31.03.2014 £'000
Employers' contributions due	5,225	8,817
Employees' contributions due	1,584	1,567
Group transfer in due	-	2,989
Amounts owed by Derbyshire County Council	425	297
Sundry debtors	855	1,054
Cash balance	226	716
	8,315	**15,440**

Employers' and employees' contributions due at 31 March 2014 have been received since the year-end, except for additional Derby City Council shortfall contributions of £1.699m, which are expected to be paid imminently.

The Group transfer in due is referred to in Note 8 of the financial statements.

The Fund's operational cash balance at 31 March 2013 has been recategorised from investment to current assets.

19. Current liabilities

	31.03.2013	31.03.2014
	£'000	**£'000**
Unpaid benefits	1,217	2,072
Sundry creditors	1,527	1,431
	2,744	**3,503**

20. Related party transactions

Derbyshire County Council is the administering authority for the purposes of the Fund under the Local Government Pension Scheme (Administration) Regulations 2008.

Included in administrative expenses and investment management expenses in 2013-14 are charges from the Corporate Finance Division and other Council departments of £1.731m (2012-13, £1.755m) for expenses incurred in administering the Fund.

In addition, interest of £0.001m (2012-13, £0.001m) was paid by the Council to the Fund in 2013-14.

At 31 March 2014 the Council owed the Fund £0.297m (2013: £0.425m).

It has not been possible to apportion, on a reasonable basis, the costs and benefits of key management personnel between the Council and the Fund. However, Members' Allowances and Officers' Remuneration are disclosed in Notes 42 and 44 of the Council's Statement of Accounts.

21. Investment commitments

Unquoted investments commitments are commitments to private equity and infrastructure investments, not yet drawn down by the managers.

The Other Sterling short-term loans commitments are commitments to make short-term investments at the year-end. There is no provision or creditor for these amounts in the financial statements as the legal obligation to pay was not fulfilled at 31 March. These commitments will be met using funds received from the maturity of earlier investments and therefore have no impact on the financial position reported. There are no such commitments at 31 March 2014 (2013, two of £2m each).

At the end of the financial year, investment commitments in respect of future payments were:

	31.03.2013	31.03.2014
	£'000	**£'000**
Unquoted investments	11,744	7,961
Other Sterling short-term loans	4,000	-
	15,744	**7,961**

22. Financial instruments

Many requirements of the financial instruments standards (IAS 39, IAS 32 and IFRS 7), which govern the recognition, measurement, presentation and disclosure of financial instruments, are not applicable to the Fund's accounts, since all material financial instruments are carried in the net assets statement at fair value.

Nature and extent of risks arising from financial instruments

Certain financial risks are a necessary and appropriate component of the investment strategy of the Fund in order for it to achieve the targeted long term rate of return assumed by the Fund Actuary. This rate of return is used in drawing up the Funding Strategy Statement and setting employer contribution rates.

The overall financial risk for the Fund is that its assets could be insufficient to meet its liabilities to pay benefits. At the financial instrument level, the Fund's key risks are:

- **Credit risk** – the risk of the Fund suffering loss due to another party defaulting on its financial obligations;
- **Liquidity risk** – the risk that funds might not be available to meet commitments because the Fund's assets are not readily marketable or easily turned into cash;
- **Market risk** - the risk that the Fund's financial instruments may suffer an adverse change in value, which is common to an entire class of assets or liabilities.

Responsibility for Fund investments has been delegated to the Fund's Pensions and Investment Committee. The Committee delegates day to day responsibility for the management of the Fund to the Director of Finance and appoints managers and advisers to manage investment risk on its behalf. The Fund's overall risk management procedures focus on the unpredictability of financial markets, and are structured to implement suitable controls to minimise these risks.

As required by the Committee's Statement of Investment Principles, the Fund is invested in accordance with strategic Asset Allocation Guidelines, to maximise returns within appropriate levels of risk, taking into account the Fund's liabilities and projected cashflows. These Asset Allocation Guidelines were designed by an independent adviser, following an external asset/liability study.

Economic background, market returns, asset allocation, investment activity, investment strategy and investment performance are monitored and reviewed by the Committee on a quarterly basis. The Committee also receives a quarterly report to monitor specific risk measures associated with managing the fund.

Credit risk

The Fund is primarily exposed to credit risk through its daily treasury management activities and through its forward currency contracts, which address the currency risk on overseas bonds. Credit risk on cash deposits and short term loans arises from deposits with banks, financial institutions and UK government and local authorities. Credit risk on forward currency contracts arises from contracts with large banks.

Treasury activities - The Fund places security of capital and liquidity ahead of investment return. Credit risk on treasury activities is minimised through the Fund's annual Treasury Management 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 & Poor's Ratings Services and are approved counterparties on this basis. Investments with local authorities, the Government's Debt Management Office, UK Treasury Bills and Certificates of Deposit are also permissible. The Fund has agreed maximum loan durations and joint limits for each counterparty.

The limits for financial institutions are based on the above credit assessment and are approved each year. The financial institutions' credit ratings and supplementary information are monitored throughout the year to ensure compliance with the policy.

The Treasury Management Investment Strategy for 2013-14 was approved by the Full Council on 6 February 2013. On 11 March 2013 relevant extracts were approved by the Committee.

The Fund's maximum exposure to credit risk in relation to its treasury/cash deposit investments and operating cash in banks, building societies, money market funds and UK local authorities of £208.300m (2013, £203.988m) cannot be assessed generally, as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare, generally, for such entities to be unable to meet their commitments; the approach to risk assessment taken by the Fund makes this remote.

A risk of non-recovery applies to all of the Fund's deposits, but there was no evidence at 31 March 2014 that this was likely to occur. No breaches of the Fund's counterparty criteria occurred during the reporting period. The Co-operative Bank is the main bank of the Fund and the Council. On 5 April 2013, the credit rating agency Fitch downgraded the Co-operative Bank's credit ratings to a level which was below the Fund's minimum credit criteria for investment counterparties. At that time the Fund's joint limit with the Co-operative Bank was £10m for investment purposes and £10m for operational and liquidity requirements, with a maximum duration of 100 days. As a result of the downgrade, action was taken to reduce the joint limit to £10m for operational and liquidity requirements only, with the funds remaining instantly accessible at all times, and to put in place new banking arrangements. At 31 March 2014 the Fund had £0.716m in an operational account with the Co-operative Bank. No notice is required to withdraw funds from this account. Under new banking arrangements the operational account will be transferred to Lloyds Bank in the year ending 31 March 2015.

Forward currency contracts - Credit risk from forward currency contracts is minimised by limiting the extent of these contracts to managing the currency risk on overseas bonds, the value of which comprise less than 3% (2013, less than 3%) of investment assets at the year end and by selecting large banks as the counterparties. All forward currency contracts at the year end were with Bank of New York Mellon.

The maximum credit risk exposure on forward currency contracts is the full amount of the foreign currency which the Fund pays when the settlement occurs, should the counterparty fail to pay the amount which it is committed to pay the Fund. At the year end, there were four currency hedging contracts, all with less than six months to expiry, with a gross contract value of £98.923m (2013, two contracts, both with less than six months to expiry, with a gross contract value of £73.977m). The Fund does not expect any losses from non-performance by any of its counterparties in relation to these contracts.

Other financial assets - Fixed interest and index-linked securities mainly include investments in UK, US and German Government securities and certain supranational banking organisations, such as the European Investment Bank. The Fund does not expect any losses from non-performance by any of its counterparties in relation to these financial assets.

Market prices generally incorporate credit assessments into valuations and risk of loss is implicitly provided for in the carrying value of the financial assets as they are marked to market. The market value of financial assets represents the Fund's exposure to credit risk in relation to those assets.

The selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur during settlement of transactions.

Liquidity risk

The Fund is not yet mature and is cash flow positive each month in respect of its dealings with members. There is therefore no present requirement to realise assets in order to meet liabilities to pay benefits, as these are more than covered by contributions, and there is net cash available for investment. The Fund does, however, sell investments from time to time as part of normal investment management activities.

The majority of the Fund's investments are readily marketable and may be easily realised, if required. Emphasis is placed on treasury deposits of up to six months' duration to ensure that longer term investment strategy is not compromised by lack of liquidity. Listed equities may also be liquidated at short notice, normally three working days. Holdings of investments which may be less easy to realise are limited. Investment regulations limit investments in unquoted entities to 10% of the Fund and Investment Committee guidelines limit investments in direct property to 7%, private equity to 3% and infrastructure to 3%.

Sufficient funds are retained on instant access accounts to ensure that payment of benefits and the settlement of investment transactions can be made without the need to borrow.

The Fund manages its liquidity position using a comprehensive cash flow management system, as required by the CIPFA Code of Practice.

Maturity analysis for liabilities at the year end:
- There were no financial liabilities within the portfolio at the year end other than those that arose from the trading of investments. Such liabilities fall due within 12 months of the year end.
- There were no derivative financial liabilities held at the year end (2013, two currency hedging contracts, both with less than six months to expiry, on which the net liability was £3.047m).

Market risk

The Fund is exposed to market risk because it is inherent in the investments the Fund makes. It can result from changes in such measures as interest and exchange rates and changes in prices due to factors other than these. This risk cannot be eliminated but it can be reduced.

The objective of market risk management is to manage and control market risk exposure to within acceptable parameters, whilst optimising the return on risk. Excessive volatility in market risk is managed through diversification. The risk reduction arises from the different investments not being perfectly correlated.

The Fund has applied diversification at various levels; that is, diversification between countries, asset classes, sectors and individual securities. Diversification reduces both the upside and downside potential and allows for more consistent performance under a wide range of economic conditions.

Risk of exposure to specific markets is limited by adhering to defined ranges within the asset allocation guidelines, which are monitored and reviewed by the Committee on a quarterly basis.

Interest rate risk – This risk primarily impacts on the valuation of the Fund's bond holdings and to a lesser degree the return it receives on cash held. A rise in interest rates would have the following effects:

- investments at variable rates – the interest income credited to the Fund Account would rise;
- investments at fixed rates – the fair value of the assets would fall.

The Fund has a number of strategies for managing interest rate risk. Interest rates are monitored during the year, by the Fund's in-house and external managers. Within the annual treasury management strategy, maximum limits are set for fixed and variable interest rate exposure. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, subject to liquidity requirements.

Other price risk – Other price risk originates from factors specific to the individual instrument or to its issuer, or from factors affecting all instruments in the market.

The Fund manages price risk by holding bonds, index-linked stocks and property and by holding a diversified equity portfolio spread geographically, across market sectors and across investments. Contracts specify the level of risk to be taken by the external Fund managers investing in overseas equities. These external managers are monitored by in-house managers.

A fund specific benchmark has been drawn up, which is designed to meet the Fund's performance requirements for the level of risk agreed by the Committee. Economic background, asset allocation, recent transactions, investment strategy and performance are monitored by the Committee on a quarterly basis.

The table below quantifies the level of price risk that the Fund's investment assets and liabilities at 31 March 2014 are potentially exposed to. Potential price changes are determined based on the observed historical volatility of asset class returns, for example, 'riskier' assets such as equities display greater potential volatility than bonds. The potential volatilities are consistent with a one standard deviation movement in the change in value of the assets over the last three years. The volatility shown for total investment assets and liabilities incorporates the impact of correlation across asset classes, which dampens volatility, therefore the value on increase/decrease figures of the asset classes will not sum to the total assets figure.

	Value at 31.03.2014 £'000	Change %	Value on increase £'000	Value on decrease £'000
Underlying asset type				
UK Government bonds	256,775	5.88	271,874	241,677
UK corporate bonds	114,750	3.79	119,099	110,401
Overseas bonds	105,308	7.55	113,259	97,358
UK equities	1,124,398	11.72	1,256,178	992,619
Overseas equities	1,114,633	11.83	1,246,494	982,772
UK index-linked	172,215	7.22	184,649	159,781
Alternatives	43,805	8.12	47,362	40,248
Cash	207,584	0.02	207,625	207,542
Other investment balances	11,638	-	11,638	11,638
Properties (non-financial instruments)	160,232	3.34	165,583	154,880
Total investment assets and liabilities	**3,311,338**	**7.55**	**3,561,345**	**3,061,332**

Currency risk - The Fund is exposed to currency risk through its overseas equity shares, its overseas bonds and its foreign currency holdings. The Fund has a negative correlation to exchange rates, which means that the Fund will out-perform if Sterling weakens against the US Dollar and vice-versa.

The table below quantifies the level of currency risk that the Fund's overseas investment assets at 31 March 2014 are potentially exposed to. Currency risk on overseas bonds is managed using forward currency contracts and overseas bonds have therefore been excluded from the table. Potential aggregate currency exposure within the Fund at 31 March 2014 is determined using a currency "basket" based on the Fund's currency mix at that date. The weight of each currency multiplied by the change in its exchange rate relative to Sterling is summed to create the aggregate currency change of the basket. This single outcome is then applied to all overseas assets.

	Value at 31.03.2014 £'000	Change %	Value on increase £'000	Value on decrease £'000
Underlying asset type				
Overseas equities	1,114,633	5.34	1,174,106	1,055,160
Overseas cash	9,381	5.34	9,881	8,880
Overseas investment assets	**1,124,014**	**5.34**	**1,183,987**	**1,064,040**

23. Actuarial Present Value of Promised Retirement Benefits

Below is an extract from the Report of the Actuary, showing the actuarial present value of the Fund's promised retirement benefits, required by the Code. If an actuarial valuation has not been prepared at the date of the financial statements, IAS26 requires the most recent valuation to be used as a base and the date of the valuation disclosed. The valuation is carried out using assumptions in line with IAS19 and not the Pension Fund's funding assumptions.

"Liabilities have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2013. I estimate this liability at 31 March 2014 comprises £2,193m in respect of employee members, £671m in respect of deferred pensioners and £1,617m in respect of pensioners. The approximation used in the roll forward model means that the split of scheme liabilities between the three classes of member may not be reliable. However, I am satisfied that the aggregate liability is a reasonable estimate of the actuarial present value of benefit promises. I have not made any allowance for unfunded benefits. The figures below include both vested and non-vested benefits, although the latter is assumed to have a negligible value.

	31.03.2013	**31.03.2014**
	£'000	**£'000**
Present value of Promised Retirement Benefits	**4,520,000**	**4,481,000**

It should be noted the above figures are appropriate for the Administering Authority only for the preparation of the accounts of the Pension Fund. They should not be used for any other purpose (i.e. comparing against liability measures on a funding basis or a cessation basis).

Assumptions

The assumptions used are those adopted for the Administering Authority's IAS19 report as required by the Code of Practice. I estimate that the impact of the change of assumptions to 31 March 2014 is to decrease the actuarial present value by £81m.

Financial assumptions

My recommended financial assumptions are summarised below:

	31.03.2013	**31.03.2014**
Inflation/Pensions Increase Rate	2.40%	2.80%
Salary Increase Rate	4.15%	3.60%
Discount Rate	4.20%	4.30%

Longevity assumption

The life expectancy assumption is based on the Fund's VitaCurves with improvements in line with the CMI 2010 model, assuming the current rate of improvements has reached a peak and will converge to a long term rate of 1.25% p.a.. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners	22.0 years	24.2 years
Future Pensioners*	24.1 years	26.6 years

*Future pensioners are assumed to be currently aged 45.

These assumptions have changed since the previous IAS26 disclosure for the Fund.

Commutation assumption
An allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 75% of the maximum tax-free cash for post-April 2008 service."

Geoff Nathan FFA
20 May 2014
For and on behalf of Hymans Robertson LLP

24. Subsequent Event

During 2013 the Ministry of Justice announced a major reform of the Probation Service and under new arrangements the Greater Manchester Pension Fund (GMPF) will act as the Local Government Pension Scheme administering body for all members who are past and present employees of the Derbyshire Probation Trust (Trust), which will cease to exist. A phased transitional process was originally due to commence on 1 April 2014 but has now been delayed until 30 June 2014. All liabilities in relation to the Trust will transfer to GMPF, as will the Trust's share of the Derbyshire Pension Fund's assets. The transfer regulations are yet to be finalised and the calculation of amount and timing of the transfer of the assets, which is currently expected to be effected by the transfer of cash only, is yet to be agreed.

25. Participating Employers

The participating employers with active members in the Fund are Derbyshire County Council (which is also the Administering Authority), Derby City Council (Unitary Authority) and 8 District Councils (which are Scheduled Bodies) and a further 69 Scheduled and 50 Admission Bodies. The Unitary and District Councils are listed in the foreword of this Annual Report. Other participating employers are listed on the following page.

The contributions receivable and the benefits payable by the Fund during the year in respect of each type of participating employer were as follows:

	2012-13		2013-14	
	Benefits payable	Contributions receivable	Benefits payable	Contributions receivable
	£'000	£'000	£'000	£'000
Derbyshire County Council	56,639	59,525	59,217	61,719
Scheduled Bodies	61,074	71,100	61,759	75,658
Admission Bodies	3,557	4,570	3,914	4,325
	121,270	**135,195**	**124,890**	**141,702**

	Total contribution rate % of pensionable payroll	
	2013-14	**2014-15**
Scheduled Bodies		
Derbyshire Probation Trust	10.1 plus £435,700	10.1
Peak District National Park Authority	17.08	13.0 plus £204,000
Chesterfield Crematorium	12.8 plus £15,600	17.8 plus £26,000
University of Derby	10.7 plus £651,900	11.7 plus £677,000
Chesterfield College	11.9 plus £133,800	12.9 plus £144,000
Derby College^	11.2 plus £449,400	11.7 plus £401,000
Derbyshire Police Authority	16.1	11.9 plus £1,333,000
Derbyshire Fire & Rescue	11.2 plus £173,100	12.2 plus £155,000
Derby Homes Limited	10.9 plus £258,700	12.4 plus £264,000
High Peak Community Housing Ltd - ceased 30 April 2013	12.2 less £23,700	-
Rykneld Homes	13.5 plus £16,600	15.0 plus £19,000
Landau Forte College	10.3 plus £1,300	11.3 plus £2,000
Brookfield Academy	11.9 plus £58,200	13.4 plus £67,000
Woodlands School	11.3 plus £38,600	12.8 plus £47,000
Chellaston Academy	19.22	13.4 plus £49,000
City of Derby Academy - from 1 June 2013	12.9 plus £30,900	14.4 plus £40,000
Derby Pride Academy	10.0 plus £2,400	11.5 plus £4,000
Ecclesbourne Academy	13.7 plus £42,500	15.2 plus £39,000
English Martyrs - from 1 September 2013	12.7 plus £4,900	14.2 plus £9,000
Grampian Primary Academy	11.8 plus £5,400	13.3 plus £5,000
Heanor Gate Science College	13.1 plus £51,100	14.6 plus £56,000

	Total contribution rate % of pensionable payroll	
	2013-14	2014-15
Hope Valley College	12.6 plus £35,300	14.1 plus £42,000
John Port Academy	12.2 plus £56,200	13.7 plus £59,000
Kirk Hallam Academy	11.5 plus £41,000	13.0 plus £50,000
Landau Forte Moorhead Academy	13.8 plus £11,000	15.3 plus £14,000
Leesbrook School	10.8 plus £59,200	12.3 plus £74,000
Merrill Academy	10.6 plus £35,000	12.1 plus £40,000
Ormiston Enterprise Academy - to 31 August 2013	11.2 plus £27,300	-
Ormiston Ilkeston Academy - to 31 August 2013	12.4 plus £33,900	-
Pennine Way Junior Academy	12.3 plus £7,400	13.8 plus £11,000
Queen Elizabeth's Grammar School Ashbourne Academy	11.1 plus £62,300	12.6 plus £69,000
Redhill Primary School	13.2 plus £6,800	14.7 plus £8,000
Shirebrook Academy	11.3 plus £33,600	13.9 plus £51,000
St Benedict Voluntary Catholic Academy	12.2 plus £82,800	13.7 plus £96,000
St George's Voluntary Catholic Academy	11.3 plus £15,600	12.8 plus £18,000
St John Fisher Catholic Voluntary Academy	12.9 plus £8,700	14.4 plus £9,000
St John Houghton Catholic Voluntary Academy	12.1 plus £26,700	13.6 plus £30,000
St Mary's Catholic High School Academy Trust	14.0 plus £36,500	15.5 plus £43,000
Staveley Netherthorpe School	12.2 plus £28,300	13.7 plus £32,000
The Bolsover Academy	12.7 plus £33,700	14.2 plus £34,000
The Long Eaton Academy	12.1 plus £46,500	13.6 plus £54,000
The Ormiston Ilkeston Enterprise Academy - from 1 September 2013	12.4 plus £61,200	13.3 plus £73,000
West Park Academy	13.8 plus £51,900	15.3 plus £55,000
Wyndham Primary Academy (Boulton Primary School)	11.5 plus £9,900	13.0 plus £10,000
Town and Parish Councils - Group 1	21.8	22.8
Town and Parish Councils - Group 2	15.2	16.2

^ Stepped rate

Town and Parish Councils

Group 1	Group 2
Ashbourne Town Council	Alfreton Town Council
Belper Town Council	Burnaston Parish Council
Clay Cross Parish Council	Codnor Parish Council
Dronfield Town Council	Darley Dale Town Council
Eckington Parish Council	Glapwell Parish Council
Killamarsh Town Council	Heanor & Loscoe Town Council
Matlock Town Council	Kilburn Parish Council
New Mills Town Council	Morton Parish Council - to 7 August 2013
Old Bolsover Town Council	North Wingfield Parish Council
Pinxton Parish Council	Shardlow & Great Wilne Parish Council
Shirebrook Town Council	Tibshelf Parish Council
Staveley Town Council	Ticknall Parish Council
Whaley Bridge Town Council	Tupton Parish Council
Whitwell Parish Council	Wingerworth Parish Council
Wirksworth Town Council	

The following Admission Bodies also participate:

	Total contribution rate % of pensionable payroll	
	2013-14	2014-15
4 Children	11.6	15.5
ABM Catering Ltd (Derby Moor School)	17.0	26.9
ABM Catering Ltd (Gayton Primary School)	12.3	14.4
Dales Housing Ltd	14.9 plus £120,500	16.4 plus £105,000
Active Nation	11.9	19.9 plus £2,000
APCOA Parking Services (UK) Ltd	16.7 less £8,500	3.3
Apollo Property Services Group Ltd	15.5	26.2 plus £9,000
Arvato Government Services Ltd (Derbyshire Dales) - from 1 June 2013	15.0	15.0
Arvato Government Services (Sefton) Ltd	14.5	23.9 plus £15,000
Balfour Beatty Power Networks Ltd	14.2 less £400	24.4
Balfour Beatty (Derby BSF)	15.5	18.4
Barnados	14.5	19.4 plus £1,000
Belper Leisure Centre Ltd	13.0 plus £17,200	22.8 plus £19,000
Brookwood	15.9 less £1,700	19.6
Bulloughs - from 1 April 2013	18.4	18.4
Chesterfield Care Group	14.1 plus £3,800	19.3 plus £3,000
Churchill Contractor Services	14.8	18.1
Clean Slate UK Ltd - ceased 31 December 2013	15.4 less £400	-
Clean Slate (UK) Ltd (Ashgate) - from 1 November 2013	12.3	12.3
Clean Slate (UK) Ltd (City Schools)	17.0	22.8
Clean Slate (UK) Ltd (Pottery)	17.1	23.4
Compass Contract Services (UK) Ltd	15.7	10.3
Compass Services Ltd (DCC)	15.7	20.4
Commission for Social Care Inspection - ceased 31 March 2014	21.4	-
Cream Catering	17.3	22.2
Dell Corporation Ltd	12.6 less £2,400	13.9
Derby County Community Trust - from 1 July 2013	16.4	16.4

	Total contribution rate % of pensionable payroll 2013-14	2014-15
Derby Museums & Arts Trust	14.0	20.9
Derbyshire Coalition for Inclusive Living (DCIL)	15.7 plus £2,300	26.7 plus £14,000
Derbyshire Student Residences Ltd	12.7 plus £8,200	21.6 plus £2,000
Elior UK plc	18.8	27.0
European Electronique Ltd	11.7	13.4
Futures Homescape Ltd	12.3 plus £46,000	13.8 plus £54,000
Initial Catering Services Ltd	16.5 less £800	22.8
Initial Facilities Management Ltd	17.7 plus £2,500	26.2
Kier Ltd	13.8	22.9 plus £3,000
Leisure Amber Valley BC	13.6 less £5,900	18.2
Leisure High Peak BC	13.0 less £16,300	13.1
Macintyre Care Ltd	15.1 less £7,200	2.0
Mitie Facilities Services Ltd	16.2	24.9
NIC Services Group Ltd (Derby College)	16.3	17.6
Northgate Information Solutions UK Ltd (South Derbys DC)	14.3	23.5
Nottingham Community Housing Association	19.4	20.9
SIV Enterprises Ltd	14.6 plus £3,500	4.6
Superclean Services Wothorpe Ltd (Fire)	15.7 less £500	11.2
Three Valleys Housing Ltd	12.6 plus £119,500	14.1 plus £131,000
Tramway Museum Society	10.9 plus £10,200	24.0 plus £14,000
Veolia (Amber Valley Refuse)	15.4	24.7
Veolia (Chesterfield Refuse)	15.9 less £5,500	26.5
Veolia Ltd (contract with High Peak BC)	14.6 less £20,800	0.0
Office Care (Boulton Primary) - ceased 31 August 2013	17.5	-
Vinci Construction UK	15.7	19.2
Vinci UK Ltd (Norwest Holst Ltd)	16.8 less £300	28.7

Annual Governance Statement

Scope of Responsibility

Derbyshire County Council has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised and is responsible for ensuring that its business is conducted in accordance with the law and relevant standards, that public money is safeguarded, properly accounted for and used economically, efficiently and effectively.

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

Derbyshire County Council has approved and adopted a Code of Corporate Governance, which is consistent with the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government* and demonstrates its commitment to corporate governance stating that “good Corporate Governance underpins credibility and confidence in our public services”.

This statement explains how Derbyshire County Council has complied with the Code and also meets the requirements of regulation 4(3) of the Accounts and Audit Regulations 2011 in relation to the publication of a statement on internal control. This code is available on the Authority’s website.

The Purpose of the Governance Framework

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

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

The governance framework has been in place at Derbyshire County Council for the year ended 31 March 2014 and up to the date of the Statement of Accounts being certified by the Director of Finance.

Key Elements of the Governance Framework and their Contribution to Overall Effectiveness

Policy and Plans

The Sustainable Community Strategy for Derbyshire sets out a vision for everyone in Derbyshire to enjoy a good quality of life, both now and in the future. The Strategy provides an overarching guiding framework for partnership working and sets the context for the Authority's Council Plan. The Council Plan sets out key priorities to help the Authority achieve its ambitions and is supported by resource strategies, Departmental Service Plans and other strategies, policies and plans. The Authority monitors and reports on progress on an ongoing basis against a range of identified targets. A new Council Plan was approved by Council in April 2014 and it now reflects the change in political leadership resulting from the elections in 2013.

The Authority operates Financial Regulations and Standing Orders in Relation to Contracts which are subject to annual review by the Audit Committee. Codes of Conduct defining the standards of behaviour for Members and officers have been established and complaints in this arena in relation to Members are monitored by the Standards Committee. The Authority operates an Equality and Diversity Policy, Confidential Reporting Code (whistle blowing policy) and a complaints procedure. In addition the Authority has an Anti-Fraud/Anti-Corruption Strategy Policy Statement which is subject to annual review. The Authority has in place an effective risk management framework and business continuity plans. The Strategic Risk Register is subject to regular review and project specific risk registers are in place for major projects and partnerships which are subject to ongoing review. Emerging risks are identified by the reviews and from ongoing audit work.

Leadership

To ensure effective leadership throughout the Authority Members and officers work together to deliver a common purpose with clearly defined functions and roles. The County Council's Constitution includes details of the roles and responsibilities of the Executive, Committees, full Council and Strategic Directors and Directors and the rules under which they operate. Policy and decision making are facilitated by a clear framework of delegation set out in the Council's Constitution which provides for delegation to officers within the framework laid down by the Authority. The Constitution is subject to review. The Authority's political structure and the roles and responsibilities of Cabinet Members are also detailed on the Authority website.

Strategic Directors and Directors play a key role in implementing policy decisions. The Chief Executive is the designated Head of Paid Service and has overall corporate management and operational responsibility for leading the work of all Council employees providing services across the county. The Director of Legal Services is the designated Monitoring Officer with responsibility for ensuring the lawfulness of decisions taken by the Council, Cabinet, its Committees and officers, providing support and advice on the maintenance of ethical standards and advising the Standards Committee. The Director of Finance is the nominated Section 151 Officer and is responsible for the proper administration of the Authority's financial affairs and certifies the Accounts ready for external audit.

The Authority's Head of Internal Audit carries out an annual review of the Authority's corporate governance arrangements. Based on the evidence from audit work the Head of Internal Audit produces an Annual Report which is considered by the Audit Committee and highlights both significant areas of good practice and those where improvements can be made. The Annual Report includes the formal Assurance Statement by the Head of Internal Audit on the effectiveness of the Authority's systems of internal control. The Authority's assurance arrangements substantially conform to the governance requirements of the Cipfa Statement on the Role of the Head of Internal Audit (2010).

Role of the Audit Committee

The Authority has an Audit Committee which operates in accordance with prescribed terms of reference, its function being defined in the Constitution. It is responsible for ensuring the continued adequacy and effectiveness of the Authority's internal control framework and for undertaking an annual review of the regulatory framework which is comprised of:-

- Financial Regulations and Standing Orders in Relation to Contracts
- Codes of Conduct for both Members and officers
- Confidential Reporting Code (whistle blowing policy)
- Anti-Fraud/Anti-Corruption Strategy Policy Statement

The Audit Committee receives, approves and monitors the Audit Plans for both internal and external audit and receives internal and external audit reports. It also monitors the effectiveness of the Authority's risk management arrangements.

The Audit Committee plays a key role in monitoring and reviewing the effectiveness of the system of internal control, systems established to combat fraud and corruption and ensuring that an adequate risk management framework is in place.

The Internal Control Framework

Derbyshire County Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control.

The Authority has established a Governance Group of senior officers, chaired by the Director of Legal Services, to review and monitor the Authority's governance arrangements. This review is supported by the work of Strategic Directors and Directors which, together with the work of Audit Services, demonstrate that good governance practices are embedded throughout the Authority. Further assurance is provided by the Head of Internal Audit's Annual Report, and also by comments made by the external auditor and other review agencies and inspectorates eg Ofsted, Care Quality Commission.

The Chief Financial Officer

The Authority's financial management arrangements substantially conform to the governance requirements specified in the Cipfa Statement on the Role of the Chief Financial Officer in Local Government (2010). The Director of Finance, as Section 151 Officer, has the key role in assessing and developing financial skills within the Council, supported by the Director of Human Resources. Training has continued throughout the year for staff, especially in relation to the use of the Council's financial systems and for Members in relation to technical pension fund matters and wider financial planning. The Council continues to support staff in the development of more formal qualifications. A formal schedule of training is being developed to cover a four year cycle. A review of Financial Regulations has just been completed and revised regulations agreed by Council for implementation on 1 June 2014 following a period of training and awareness raising.

Role of Audit Services

The effectiveness of the Authority's internal controls is examined in detail through the work of Audit Services. The Unit has a Strategic Audit Plan from which the Annual Audit Plan is formulated based on key risks identified in the Authority's Strategic Risk Register and through consultation with the Chief Executive, Strategic Directors, Directors, external audit and other key stakeholders. The plan is flexed within the year to address emerging risks and to optimize the Authority's Audit resource. Audit findings are reported to the relevant Strategic Directors and Senior Managers, together with recommendations for improvement in the form of prioritized action plans. Checks are undertaken by Audit Services to ensure agreed recommendations have been implemented and regular progress reports on the work of Audit Services are considered by the Audit Committee.

A detailed annual review of the effectiveness of the system of internal audit is a requirement under the Accounts and Audit Regulations and such reviews have previously been conducted in-house by the Director of Finance. These requirements have been extended by the Public Sector Internal Audit Standards which require that an independent, external review is conducted on a five yearly cycle. The first such review has been concluded by Price Waterhouse Coopers and the results reported to the Audit Committee which provided positive assurance on the work of Audit Services.

Audit Services carry out a wide range of audit work on both financial and operational systems within the Authority, including an annual review of Corporate Governance arrangements, and report the outcome of their work on a regular basis. In addition external audit and other external agencies eg Ofsted contribute to the review of the Authority's compliance with its policies, laws and regulations.

Role of Improvement and Scrutiny
Improvement and Scrutiny Committees support the work of the Executive and the Authority as a whole, by reviewing and/or scrutinizing decisions, producing reports and making recommendations and considering the call-in of decisions made prior to implementation. The role of Improvement and Scrutiny is defined in the Constitution and reports produced by the Committees can be accessed via the County Council's website.

Role of Standards Committee
The Standards Committee has a duty to monitor and review the operation of the Constitution and the ethical framework. The Monitoring Officer (Director of Legal Services) has a key role in making recommendations to ensure that the Constitution achieves its purposes. Changes to the Constitution are only made following approval by full Council. The role of Standards Committee is defined in the Constitution and reports issued by the Committee can be accessed via the County Council's website.

Member Development
The Authority has reviewed its arrangements for Member Training and Development and has established a group as recommended by an Improvement and Scrutiny review to oversee and implement a structured framework for Member development and induction. A series of workshops has been implemented to assist in the induction of newly elected Members and to provide refresher training for existing Members.

Staff Development
The Council has continued to support the development of its staff in the provision of generic and specific skills training including supporting the maintenance of professional standards and qualification training.

The Authority has in place a Leadership Job Family which sets out role profiles which link to associated standards, and includes specific reference to financial and risk management, with an emphasis on performance management. This includes the on-going implementation of MyPlan reviews for all staff which serves to ensure that the "golden thread" from the Council Plan to individual objectives is clearly detailed and recognised.

Reviews of staff induction, training and personal development are regularly undertaken to continuously improve training plans. The corporate e-induction is updated regularly and supports this framework. The management competency framework is currently under review to ensure that it is fully aligned to the new vision, values and priorities of the Council Plan.

Consultation and Delivery in Partnership
The Authority's vision and intended outcomes are communicated to citizens through a range of media including the Authority's website, Derbyshire First and the Council Tax leaflet.

The Authority ensures that clear channels of communication are in place with all sections of the community and other stakeholders e.g. employee groups, Citizens' Panel, Youth Council, 50+ Forum, BME Forum, Local Area Fora (where in existence), School Councils and service user groups. Corporate communications are managed by staff of the Chief Executive's Office.

The Authority operates a partnership protocol, toolkit and database; specific requirements of partnership working are defined in Financial Regulations and partnership arrangements are subject to annual review by Audit Services. The Authority believes that by working with other public and voluntary sector organisations it can achieve more than each body can separately and provide those services which meet the needs of local people.

Future Challenges
The Council has identified the need to make significant savings over the period up to 2018-19 and, as part of the achievement of the savings required, reports have been presented to Council and Cabinet detailing much of the reductions necessary. In order to ensure the delivery of savings is achieved the budget monitoring process, agreed by Audit Committee, has been supplemented with additional reporting of progress on the achievement of agreed reductions. The Chief Executive has implemented a monthly "Performance Clinic" approach which involves Strategic Directors reporting progress on the achievement of budget reductions to a group which also includes the Assistant Chief Executive and the Director of Finance.

The achievement of budget reductions of the size facing the Council requires a considerable transformation in approach to service delivery. An Innovation Unit has been created which will act as a focal point to deliver on this agenda with the aim of protecting service delivery whilst delivering new and improved methods of working. The profile of the management of change has been raised through the appointment of an Assistant Chief Executive who has this function as a key part of the role. The new approach to innovation and transformation will continue to be developed over the coming year.

Future Improvements

The reviews of effectiveness undertaken by internal audit have advised that the Authority's overall financial management and corporate governance arrangements are sound subject to the satisfactory, prompt implementation of recommendations made and accepted during the year; no significant governance issues have been raised by this work.

ANNUAL GOVERNANCE STATEMENT

A review of the Authority's governance arrangements has been undertaken in order to produce this statement utilising an objective assessment process recommended by the Chartered Institute of Public Finance and Accountancy. This has highlighted opportunities to further strengthen present arrangements and the responsibility for monitoring progress in this regard is monitored by the Governance Group. A detailed action plan has been formulated to address these areas which includes:-

- Production of a Governance Manual/Matrices

- Performance management information

In adition we will carry out a review of our current arrangements against Cipfa's Audit Committees:Practical Gudance for Local Authorities to ensure compliance with this guidance.

We have been advised on the implications of the results of the review of the effectiveness of the governance framework by the Audit Committee and that a plan to address weaknesses and ensure continuous improvement of the system is in place.

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

Ian Stephenson **Chief Executive**	**Councillor Anne Western** **Leader of the Council**
16 September 2014	16 September 2014

On behalf of Derbyshire County Council

APPENDIX 2

AUTHORITY'S PROCEDURES RELEVANT TO COMPLIANCE WITH INTERNATIONAL AUDITING STANDARDS

ISA 240

Objective

Management assessment of the risk that Financial Statements may be misstated due to fraud and the Council's processes for identifying and responding to these risks.

Procedures in Place

The County Council's control framework which includes:

- Financial Regulations and Procedures
- Standing Orders relating to Contracts
- Strategic Departmental Risk Registers supplemented by Project Risk Registers
- Project Management Toolkit
- Partnership Protocol
- Schemes of Delegation
- Ongoing activities of the Governance Group
- Continuous Internal Audit process driven by Strategic and Annual Audit Plans which are kept under continuous review to reflect changing risk profiles and emerging risks and overseen by the Audit Committee
- Audit Services Audit Manual
- Regular bank reconciliations
- Regular reconciliations of all feeder systems and interfaces
- Budget monitoring procedures
- Procurement controls

Objective

Communication to employees of business practice and ethical behaviour.

Procedures in Place

- Induction process
- Code of Conduct for Employees
- Anti-Fraud/Anti-Corruption Strategy Policy statement
- Confidential Reporting Code
- Workforce articles and payslip messages

- Financial Regulations
- Dnet
- Procedure notes and manuals

Objective

Communication to those charged with governance the processes for identifying and responding to fraud.

Procedures in Place

- Audit Committee Terms of Reference
- Audit Committee training
- Regular review by the Audit Committee of:
    - the Annual Governance Statement, Action Plan and work of the Governance Group
    - Financial Statements
    - detailed progress reports against Plan of the activity of Audit Services
    - Audit Services Annual Report and Assurance Statement
    - External Audit reports
    - the Authority's Strategic Risk Register
    - annual reports on the effectiveness of Internal Audit
    - annual reviews of Financial Regulations and Standing Orders, the Anti-Fraud Anti-Corruption Policy Strategy Statement, Confidential Reporting Code, Codes of Conduct for Officers and members
    - specific reports on the Authority's progress in relation to specific initiatives eg Schools Financial Value Standard and National Fraud Initiative
- Review and approval of Internal and External Audit Plans

Objective

Awareness of any actual or alleged instances of fraud.

Procedures in Place

- Specific requirements of Financial Regulations
- Anti-Fraud Anti-Corruption Strategy Policy statement
- Confidential Reporting Code
- Protocol for consideration of Audit Reports following Special Investigations
- Audit Services Audit Manual
- Membership of National Anti-Fraud Network

- Membership of Better Governance Forum
- Membership of national, regional and County Audit Groups and other professional groupings
- Role of the Monitoring Officer and the Standards Committee
- Audit Services distribute letters to Chief Officers on potential frauds, scams etc.

ISA 250

Objective

Requires that auditors understand how management gain assurance that all relevant laws and regulations are complied with.

Procedures in Place

All Member Reports must include legal considerations which reflect the impact of statutory/regulatory requirements. The Monitoring Officer (Director of Legal Services) has a specific responsibility to ensure that the Authority operates lawfully. Legal officers are present at Member meetings to provide advice and the inclusion in identified posts for office holders to maintain an up-to-date knowledge of appropriate legislation eg Strategic Directors, Director of Finance, Director of Legal Services (Monitoring Officer), Assistant Director of Finance (Audit) & RIPA Monitoring Officer.

ISA 501

Objective

Requires that auditors obtain confirmation from management around the potential for litigation and claims that would affect the Financial Statements.

Procedures in Place

- The Director of Finance seeks specific assurance from the Chief Executive and Director of Legal Services whether or not there are material claims or potential claims which would affect the Financial Statements.
- The Director of Legal Services also raises this as an item at his Departmental Management Team.
- Should the potential for any such claim be identified by Audit Services this would be raised directly with the Director of Finance.
- As part of Audit Services review of insurance the procedures for identifying potential claims/risk exposure and potential mitigation are reviewed.

AUDITOR'S OPINION

Independent auditor's report to the members of Derbyshire County Council

We have audited the financial statements of Derbyshire County Council for the year ended 31 March 2014 on pages 3 to 99. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

This report is made solely to the members of the Authority, as a body, in accordance with Part II of the Audit Commission Act 1998. Our audit work has been undertaken so that we might state to the members of the Authority, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Director of Finance and auditor

As explained more fully in the Statement of the Director of Finance's Responsibilities, the Director of Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Authority's and the Pension Fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Finance; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Explanatory Foreword and the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2014 and of the Authority's expenditure and income for the year then ended;

- give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2014 and the amount and disposition of the fund's assets and liabilities as at 31 March 2014; and

- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

Matters on which we are required to report by exception

The Code of Audit Practice 2010 for Local Government Bodies requires us to report to you if:

- the annual governance statement set out on pages 100 to 109 the annual governance statement which accompanies the financial statements does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or

- the information given in the explanatory foreword and the content of the Annual Report for the financial year for which the financial statements are prepared is not consistent with the financial statements; or

- any matters have been reported in the public interest under section 8 of Audit Commission Act 1998 in the course of, or at the conclusion of, the audit; or

- any recommendations have been made under section 11 of the Audit Commission Act 1998; or

- any other special powers of the auditor have been exercised under the Audit Commission Act 1998.

We have nothing to report in respect of these matters.

Conclusion on Derbyshire County Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's responsibilities

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

Auditor's responsibilities

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2013, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

AUDITOR'S OPINION

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2013, we are satisfied that, in all significant respects, Derbyshire County Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2014.

Certificate

We certify that we have completed the audit of the financial statements of Derbyshire County Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice 2010 for Local Government Bodies issued by the Audit Commission.

John Cornett

for and on behalf of KPMG LLP, Appointed Auditor

Chartered Accountants

St Nicholas House
31 Park Row
Nottingham
NG1 6FQ

17 September 2014

ACCOUNTING POLICIES

Introduction

The accounting policies for Derbyshire County Council (the Council) have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code for Local Authority Accounting (the Code). Where there is no specific guidance in the Code, the Council has developed its own accounting policy which is aimed at creating information which is:

- Relevant to the decision making needs of users; and
- Reliable, in that the financial statements:
  - Represent fairly the financial position, financial performance and cash flows of the entity;
  - Reflect the economic substance of transactions, other events and conditions and not merely the legal form;
  - Are neutral i.e. free from bias;
  - Are prudent; and
  - Are complete in all material respects.

This document outlines how the Council will account for all income, expenditure, assets and liabilities held and incurred during the 2013/14 financial year.

The accounting policies of the Council are updated annually to reflect any changes in IFRS, including changes in International Public Sector Accounting Standards (IPSAS), HM Treasury guidance, CIPFA guidance or any other change in statute, guidance or framework impacting on the authorities accounts.

The accounting policies of the Council as far as possible have been developed to ensure that the accounts of the Council are understandable, relevant, free from material error or misstatement, reliable and comparable. A glossary of terms can be found at the end of the Accounting Policies Statement.

The document has been divided into four distinct categories which are Accounting Principles, Capital Accounting, Revenue Accounting and Treasury Management, with each policy being assigned a policy number.

ACCOUNTING PRINCIPLES

1.1. **Going Concern**

The Council prepares its accounts on the basis that it remains a going concern; that is that there is the assumption that the functions of the Council will continue in operational existence. In the case of a pending local government reorganisation, where assets and liabilities are due to be redistributed, the Council would still account on the basis of going concern as the provision of services would continue in another Council.

1.2. **Accruals Concept**

The Council accounts for income and expenditure in the period to which the service has taken place, rather than when cash payments are received or made.

Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Equally, where cash has been received or paid which is not yet recognised as income or expenditure, a creditor (income in advance) or debtor (payment in advance) is recorded in the Balance Sheet. In both cases the Comprehensive Income and Expenditure Statement is adjusted accordingly.

1.3. **Cost of Services**

Internal support service costs (e.g. Human Resources) are apportioned across the core service areas to represent the total cost of delivering that service to the public, in accordance with the costing principles of the CIPFA Service Expenditure Reporting Code of Practice 2013/14 (SERCOP).

Where possible the full cost of support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council’s status as a multi-functional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on non-operational properties, or any other operational cost that cannot be reasonably attributed to a specific service.

1.4. **Value Added Tax**

Income and expenditure treated as either capital or revenue, excludes any amounts related to VAT. All VAT collected is payable to HM Revenue & Customs and all VAT paid is recoverable from them. Any amounts outstanding (payment or receipt) at the year end date is held as a creditor or debtor after netting off the amounts due / owed.

1.5. **Changes in Accounting Policy**

Where there is a known future change in accounting policy required by the CIPFA Code, the Council will disclose the following in the notes to the accounts:

- The nature of the change in accounting policy;
- The reasons why applying the new accounting policy provides reliable and more relevant information;

- For both the current reporting period, and the previous year comparatives reported, the extent to which the change in accounting policy would have impacted on the financial statements if it had been adopted in that year;
- The amount of adjustment relating to years previous to those reported in the set of financial statements, had the proposed policy been adopted retrospectively;
- If retrospective application is impracticable for a particular period, the circumstances that led to the existence of that condition and a description of how and from when the change in accounting policy has been applied.

The Council will also disclose information relating to an accounting standard which has been issued but not yet adopted.

1.6. **Previous Year Adjustments**

These typically arise from omissions and misstatements in the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:

a) was available when financial statements for those periods were authorised for issue; and
b) could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

Such errors include the effects of mathematical mistakes, misunderstanding in applying accounting policies, oversights or misinterpretations of facts, and fraud.

However, they may also arise for reasons such as changes in Statutory Accounting Standards, which are required to be applied retrospectively.

Where required changes are thought to be material, an adjustment will be entered into the financial statements comparative year balances, and the columns headed 'restated'. In addition full disclosure as to the nature, circumstance and value of the adjustment will be disclosed in the notes to the accounts.

1.7. **Unidentified Income**

All unidentified income received is initially coded to an income suspense account. Individual amounts below £10 are written off due to immateriality. Weekly updates of the content of the suspense accounts are circulated to finance departments, to ensure the balances are cleared quickly. Any items of income below £10,000 which remain unidentified for six months will be written off. Items above £10,000 will be written off after 12 months.

1.8. **Events after the Balance Sheet Date**

Where there is a material post balance sheet event, a disclosure in the notes to the accounts will be included. If this event provides additional evidence of conditions that existed at the Balance Sheet date, and materially affects the amounts to be included in the accounts; adjusting items will have been shown in the accounts.

1.9. **Exceptional and Extraordinary Items**

Exceptional and extraordinary items will have been disclosed separately on the face of the Comprehensive Income and Expenditure Statement and details will be disclosed in the notes to the accounts.

1.10. **Contingent Assets and Liabilities**

Where the Council has a contingent asset or liability this will be disclosed as a note to the accounts.

CAPITAL ACCOUNTING

1.11. **Recognition of Capital Expenditure (de-minimis Policy)**

In accordance with International Accounting Standard 16 (IAS 16), the Council recognises non-current assets when all four of the following tests are met:

- Assets held for use in the production or supply of goods or services, rental to others, or for administrative purposes.
- Assets expected to be used for more than one financial period.
- Assets where it is expected that future economic benefit will flow to the Council.
- Assets where the cost can be measured reliably.

The initial cost of an asset is recognised to be:

- Purchase price, construction cost, minimum lease payments or equivalent including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates.
- Costs associated with bringing the asset to the location and condition necessary for it to be capable of operating in the manner required by management.
- Initial estimate of the costs of dismantling and removing the asset and restoring the site on which it is located, the obligation for which the Council incurred either when the asset was acquired or as a consequence of having used the asset during a particular period for purposes other than producing inventories during that period.

Subsequent enhancement expenditure is treated as capital when:

- The expenditure will substantially increase the market value of the asset.
- The expenditure will substantially increase the extent to which the Council can use the asset for the purpose, or in conjunction with the functions of the Council.

The Council has two levels of de-minimis for recognition of capital expenditure, £10,000 and £500,000:

- Below £10,000 – all expenditure below this level is deemed to be non-enhancing, and therefore is charged to revenue as it is incurred. This includes initial recognition of assets and subsequent asset expenditure.

- Above £500,000 - expenditure meeting the definitions above will be treated as capital expenditure, either as initial recognition or as an enhancement. However, in order to ensure that the subsequent asset expenditure is enhancing the value of the asset, the Council will instruct a valuation of the asset by a Royal Institute or Chartered Surveyors (RICS) qualified valuer, and any impairment or additional enhancement recognised as necessary.
- Any expenditure between £10,000 and below £500,000 will be treated as capital expenditure as the amount is significant enough to increase the useful life of an asset, however is not material enough to warrant individual impairment review, until the time the asset would normally be valued.

Capital Assets are held on the balance sheet as non-current assets, unless otherwise stated.

1.12. **Donated Assets**

These are acquired at below fair value including nil value. When the Council receives a donated non-current asset, the initial recognition of the asset will be at fair value.

Once any condition attached to the donation has been satisfied, the credit which is the difference between any cash payment and fair value will be treated as income in the relevant service in the Comprehensive Income and Expenditure Statement. In order to not impact on Council Tax this will then be reversed in the Movement in Reserves Statement and credited to the Capital Adjustment Account.

Until the condition has been satisfied the credit will be held in a donated asset creditor. If there is no condition, the recognition of the credit in the Comprehensive Income and Expenditure Statement will occur upon acquisition of the asset.

The fair value of an asset will be assessed upon acquisition; this will be a RICS qualified valuer for property assets and another relevant valuation specialist for other types of asset. After initial recognition, donated assets are treated in the same way as similar owned assets.

1.13. **Non-Current Asset Classification**

The Council manages its assets in the following categories:

- **Intangible Assets**

In line with International Accounting Standard 38 (IAS 38), the Council recognises intangible assets as non-monetary assets without physical substance, where that asset meets the capital expenditure criteria set out in Accounting Policy 11.

- **Property, Plant and Equipment Assets**

Property Plant and Equipment Assets are subcategorised into Operational Land & Building, Community Assets, Vehicles Plant & Equipment, Infrastructure Assets, Assets under Construction and Non-Operational Assets.

- Land and/or Buildings Assets.

  These assets are recorded, valued and accounted for based on their significant components in line with IAS 16. The Council recognises a significant component to be:

- Combined Group containing Flat Roof & Mechanical Engineering (Internal Works i.e. boiler system)
- Land
- Temporary Buildings (sheds / portakabins)
- Combined group containing permanent structure, external works (i.e. car park), pitched roof and components of less than 25% of the overall structure value
- Other unique features (e.g. a swimming pool)

- Community Assets

  These are assets that have no determinable useful life and which may, in addition, have restrictions on their disposal. There is little prospect for sale or change of use.

  If the asset is used for a specific operational purpose, it does not qualify as a community asset and should be valued accordingly.

  Test for Community Assets:
  - Is the intent to hold the asset forever?
  - Does the asset have an indeterminable useful life?
  - Are there restrictions on disposal?

  The answers for the first two questions have to be ‘yes’, while an affirmative answer to the third question is not obligatory but may help determine the correct classification.

- Infrastructure Assets.

  These include all tangible (physical) assets required within the Council’s’ road networks. There is no prospect for sale of infrastructure assets; expenditure is only recoverable through continued use of the asset.

  The conversion to component accounting for infrastructure assets was originally due in 2012/13, however has been delayed by Central Government. The Council would have been in a position to convert the infrastructure asset base fully into an IAS 16 compliant component basis for the original deadline.

- Vehicles, Plant and Equipment Assets and Assets Under Construction.

These assets are also classified as Property Plant and Equipment where they do not meet the criteria for Investment Property Assets or Assets Held for Sale. Surplus Assets are treated in line with the policies for the operational assets of that nature.

- Surplus Assets.

Surplus assets are assets which the Council no longer operates from, however they do not meet the definition of held for sale. All surplus assets are treated in the same way as operational assets of the same type (valuation, depreciation, recognition etc). It is expected that this category will diminish in time as the Council rationalises its assets.

- **Investment Property Assets**

These are items of land and / or buildings held by the Council solely for the purpose of rental income generation or capital appreciation or both.

As such where there is a service of the Council being delivered from the property, this is not classified as Investment Property Assets. This includes where the intention of the asset is to generate economic growth to an area such as below market value rental.

Some Assets Under Construction may also be classified as Investment Properties where the intended eventual use is rental income generation or capital appreciation.

- **Heritage Assets**

These are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations are classified as Heritage Assets.

- **Assets Held for Sale**

The Council will classify assets as held for sale where:

- The asset is in the condition required for sale and is vacant.
- The asset's sale is highly probable.
- The asset has been advertised for sale and a buyer sought.
- The completion of the sale is expected within 12 months.

Assets which become non-operational / surplus which do not meet all of the requirements set out as assets Held for Sale will continue to be classified and accounted for as their previous category. In addition, if at a later point in time the asset no longer meets the criteria, it is restored to its previous classification and all transactions which would have occurred shall be retrospectively applied as though the asset had never been held for sale. Investment Properties which become available for sale remain as Investment Properties.

Assets meeting the criteria as Held for Sale are held as current assets on the balance sheet as income is expected within 12 months.

It is possible that assets meet the criteria to be Held for Sale; for example a change in circumstance beyond the control of the Council means that the sale is delayed beyond 12 months. In these instances the Council follows the policies outlined for assets held for sale; however disclosure of the value for these assets is within non-current assets. Due to the circumstances around the definition, it is expected that this will occur very rarely.

1.14. Non-Current Asset Valuation Methodology

The various classifications of assets as outlined in Accounting Policy 13 are valued on differing basis. Where not explicitly stated otherwise, property revaluations are completed by a RICS qualified valuer (who is internal to the Council), on a five year rolling programme i.e. 20% of the Council's assets are revalued at the 1 April for the financial year. However an impairment review to consider if any material degradation or other impairment has occurred during the financial year is then completed at the Balance Sheet date.

Where there is an upward revaluation, the carrying value is increased and the associated credit charged directly to the Revaluation Reserve. This is then reflected in the Comprehensive Income and Expenditure Statement as a revaluation gain. Where there is a revaluation resulting in a lower than carrying amount valuation, this is treated in line with Accounting Policy 15 – impairment of Non-Current Assets.
Valuations are completed as follows:

- **Intangible Assets –** the Council recognises Intangible Assets at cost. The Council will revalue intangible assets annually where there is determinable market value for the asset.

- **Property Plant and Equipment (PPE) –** Property Assets are held at fair value which is the amount that would be paid for the asset in its existing use. This requirement is met by providing a valuation on the basis of Existing Use Value (EUV) in accordance with United Kingdom Practice Statement (UKPS) 1.3 of the RICS Valuation Standards. Where no other valuation method can be used, Depreciated Replacement Cost (DRC) is used.
  Vehicles and Assets Under Construction within PPE are held at historic cost (not valued).

- **Infrastructure Assets –** the Council recognises Infrastructure Assets at DRC.

- **Investment Property Assets –** Investment Properties are annually revalued at fair value which is interpreted as the amount that would be paid for the asset in its highest and best use, i.e. market value. This includes Investment Property Under Construction. The fair value of Investment Property held under a lease is the lease interest.

- **Community Assets –** the Council recognises Community Assets at historic cost.

- **Heritage Assets –** where it is possible to determine a valuation for Heritage Assets, then the Council will recognise the asset in the Balance Sheet at that valuation. All Heritage Assets are disclosed in the notes to the accounts, even where they are not held in the Balance Sheet.

- **Assets Held for Sale –** Assets held for sale are transferred into this category at their carrying amount and are then not revalued.

1.15. **Impairment of Non-Current Assets**

This accounting policy has been created in accordance with IAS 36

Impairment is the amount to which the carrying amount of an asset exceeds the recoverable amount.

At the end of each reporting period the Council assesses whether there is any indication that an asset may be impaired.

The Council recognises impairment as:

- A significant decline (i.e. more than expected as a result of the passage of time or normal use) in an asset's market value during the period;
- Evidence of obsolescence or physical damage of an asset;
- A commitment by the Council to undertake a significant reorganisation; and
- A significant adverse change in the statutory or other regulatory environment in which the Council operates.

Where there has been a previous revaluation taken to the Revaluation Reserve, an impairment up to that value would reverse the previous revaluation. Any further impairment or if there has been no previous revaluation, the impairment is charged to revenue. This is then reversed through the Movement in Reserves Statement and charged to the Capital Adjustment Account.

1.16. **Disposal of Non-Current Assets**

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

Sale proceeds in excess of £10,000 are categorised as Capital Receipts. Receipts are credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the Capital Financing Requirement). Receipts are transferred to the Reserve from the movement in reserves statement. The value of the asset is transferred to the Capital Adjustment Account via the Movement in Reserves Statement.

Sale proceeds below £10,000 are below de-minimis and are credited straight to the Comprehensive Income and Expenditure Statement.

1.17. **Depreciation / Amortisation Methodology**

In order to recognise the total cost of using fixed assets, the Council has a policy to depreciate assets on a straight line basis over their useful economic life, reducing the value of the asset, and charging the relevant revenue service expenditure. However, under statute, depreciation is not chargeable to the tax payer, the Council removes this charge through the Movement in Reserves Statement and charges to the Capital Adjustment Account.

The economic lives of assets are:

- **Intangible Assets –** 5 years.

- **Property Plant and Equipment**
  - Combined Group for Flat Roof and Mechanical Engineering - 20 years
  - Land – not depreciated
  - Temporary Buildings – 15 years
  - Combined group for structure, external works, pitched roof and components of less than 25% of the overall structure value – 40 years
  - Other unique features (i.e. a swimming pool) – as required

- o Fixtures and Fittings - 10 years.
- o Vehicles - 5 years

- **Infrastructure Assets**
  - o Carriage ways – 40 years
  - o Footways and cycle tracks – 40 years
  - o Structures – 40 years
  - o Lighting – 25 years
  - o Traffic management – 25 years
  - o Street furniture – 25 years

- **Investment Property Assets –** not depreciated

- **Community Assets –** Community Assets are depreciated in line with the normal policy for assets of that nature (i.e. land assets are not depreciated). Under rare circumstances it is not possible to determine a useful life (such as works of art) in those instances the asset is not depreciated.

- **Assets Held for Sale –** are not depreciated

The Council charges depreciation on a pro-rata basis during the year i.e. from the month of acquisition to the month of disposal.

1.18. Leases

In line with IFRIC 4, the Council recognises a lease to be any agreement which transfers the right to use an asset for an agreed period in exchange for payment, or a series of payments.

This includes; leases, hire purchase, rental, contracts of service, service level agreements and any other arrangement where the ability to use an asset is conveyed.

1.19. Defining a Finance Lease

A finance lease is where substantially all of the risks and rewards relating to ownership transfer to the lessee.

Tests to give an indication of the transfer of risk and reward are:

- If the lessee will gain ownership of the asset at the end of the lease term (e.g. hire purchase)
- If the lessee has an option to purchase the asset at a sufficiently favourable price that it is reasonably certain, at the inception of the lease, that it will be exercised
- If the lease term is for the major part of the economic life of the asset even if the title is not transferred. Measures to identify this are:
  - The economic life of the asset is deemed to be that which is consistent with the class of asset in the depreciation policy.
  - The Council recognises 'major part' to be 75% of the life of the asset, unless on an individual case basis this would not give a true representation of the substance of the transaction.

- At the inception of the lease, the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset. Measures to identify this are:
    - Fair value of the leased asset is assessed by a RICS qualified valuer.
    - The present value of the minimum lease payments is calculated by discounting at the rate inherent in the lease.
    - If this rate cannot be determined the incremental borrowing rate applicable for that year is used.
    - The Council recognises 'substantially all' to be 75% of the value of the asset, unless on an individual case basis this would not give a true representation of the substance of the transaction.
- The leased assets are of such a specialised nature that only the lessee can use them without major modifications.
- If the lessee cancels the lease, the losses of the lessor, associated with the cancellation are borne by the lessee.
- Gains or losses from the fluctuation in the fair value of the residual accrue to the lessee (e.g. in the form of a rent rebate equalling most of the sales proceeds at the end of the lease).
- The lessee has the ability to continue the lease for a secondary period at a rent that is substantially lower than market rent.

A suitably experienced accountant, with assistance from qualified valuers, will make a judgement based on the level of risk and reward held by the Council as to whether an asset is operating or finance.

1.20. **Defining an Operating Lease**

The Council recognises an operating lease to be a lease which is not a finance lease.

1.21. **Lessee Accounting for a Finance Lease**

Where the Council is tenant in a property, or is, by definition of IFRIC 4, leasing an asset which is deemed under IAS 17 to be a finance lease the Council will recognise that asset within the asset register, and account for that asset as though it were an owned asset.

The initial recognition of the asset is at the fair value of the property, or if lower, the present value of the minimum lease payments. A liability is also recognised at this value, which is reduced as lease payments are made.

1.22. **Lessor Accounting for a Finance Lease**

Where the Council is the lessor for a finance lease, the asset is not recognised in the asset register; however a long term debtor at the present value of minimum lease payments is recognised. Income received is split between capital - credited against the debtor, and finance income – credited to the Comprehensive Income and Expenditure Statement as interest receivable.

1.23. **Lessor Accounting for an Operating Lease**

Where the Council is the lessor for an operating lease, normally the asset is classified as an Investment Property. Any rental income is credited to the relevant service income.

1.24. Service Concession Agreements (Private Finance Initiative (PFI) and other similar contracts)

PFI contracts are agreements to receive services, where the responsibility for making available the fixed assets needed to provide the services passes to the PFI contractor. PFI and similar contracts are assessed against criteria within IFRIC 12 Service Concession Arrangements to determine whether the risks and rewards incidental to ownership lie with the Council or the contractor.

Those which lie with the contractor – payments made during the life of the contract are chargeable to revenue as incurred.

Those which lie with the Council – are recognised as an asset in the Balance Sheet for the construction costs of the asset. Once recognised this asset is treated in line with all capital assets. A corresponding long term liability is also recognised at the construction value. Payments made during the life of the contract are split into finance costs, capital costs and service costs. Determining the split of payments is calculated at the inception of the contract and is based on the inherent interest rate within the original agreement. Finance costs are chargeable to the Comprehensive Income and Expenditure Statement as Interest payable. Capital Costs reduce the level of liability in the Balance Sheet. Service costs are chargeable to the relevant revenue service expenditure. Pre-payments or Dowry payments reduce the level of liability at the start of the contract.

PFI Credits are treated as general revenue government grants.

1.25. Capital Grants and Contributions

The Council recognises capital grants and contributions as being related to capital assets and uses them to fund capital expenditure on those assets. Grants, contributions and donations are recognised as income at the date that the Council has satisfied the conditions of entitlement, and there is reasonable assurance that the monies will be received.

Any grant received before these recognition criteria were satisfied would be held as a creditor. Any grant which had met the recognition criteria but had not been received would be shown as a debtor. This is in line with the Accruals Concept Policy.

Once the recognition criteria above have been satisfied, capital grants are recognised as income in the Comprehensive Income and Expenditure Statement.

In order to not impact on the level of Council Tax, the Council removes the credit from the General Reserves through the Movement in Reserves Statement, and makes a credit to the Capital Grants Unapplied Reserve.

Once expenditure has been incurred on the related asset, the credit is removed from the Capital Grants Unapplied Reserve and credited to the Capital Adjustment Account.

1.26. Revenue Expenditure Funded from Capital Under Statute (REFCUS)

Expenditure incurred that either may be capitalised under statutory provisions or is capital in nature but does not result in the creation of a fixed asset that is owned by the Council. REFCUS is charged as expenditure to the Comprehensive Income and Expenditure Statement in the year, however is financed from existing capital resources or by borrowing. A transfer between the Capital Adjustment Account and the Movement in Reserves Statement then reverses out the impact on the general fund balance.

1.27. Minimum Revenue Provision (MRP)

The Council is not required to raise Council Tax to cover depreciation, impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement.

The Council will provide for 4% of debt outstanding on all debt as at 31 March 2008. On any new debt since this date to provide 4% of the balance on all borrowing unless any unsupported borrowing relates to any significant assets with a life of less than 20 years. In this case an annual amount based on the expected useful life of the individual assets is used and where those assets are vehicles then five year lives are used.

As a result of the changes introduced by International Financial Reporting Standards, some PFI and leased assets now classified as finance leases are being brought onto the Balance Sheet. As a result, the Council has adopted the policy of charging MRP for these assets at the value of the associated loan liability repayment each year, thus mitigating the impact to the General Reserve.

1.28. Capital Reserves

The Council holds Capital Reserves for the purpose of financing capital expenditure. Reserves will be disclosed as either usable (available to fund capital expenditure) or unusable (reserves held as a result of timing differences associated with recognition of capital expenditure and related financing).

Movements in capital reserves are accounted through the Movement in Reserves Statement.

REVENUE ACCOUNTING

1.29. Recognition of Revenue Expenditure

The Council recognises revenue expenditure as expenditure which is not capital.

1.30. Employee Costs

In accordance with IAS 19, the Council accounts for the total benefit earned by employees during the financial year.

Employee Costs are split into 3 categories; short term benefits, termination benefits and pensions costs.

Short Term Employee Benefits

- **Salaries and Wages –** The total salary and wages earned by employees during the financial year is charged to the Comprehensive Income and Expenditure Statement. Where the amount accrued exceeds the amount paid at the 31 March, a creditor will be reflected in the accounts.

- **Leave Owed –** The Council allows employees to earn time off in one period with the resulting cost to the Council in a later period when that time is either taken off or paid to the employee. Examples of this accumulating leave are annual leave, flexi-time and time off in lieu. However, if the employee were to leave the Council, it would only be annual leave in the example above that a cash payment would be made for, this leave is termed vesting. In order to correctly reflect this cost at the point at which it is incurred rather than paid a charge has been made to the Comprehensive Income and Expenditure Statement and a creditor accrual has been reflected in the Balance Sheet. This charge is reflective of the estimated value of all accumulating leave owed to employees, however non-vesting leave has been adjusted to reflect turnover of staff.

- **Non-accumulating Absences –** are periods of leave that cannot be carried forward for use in future periods if the current period entitlement is not used in full. Examples include Maternity Leave, Sick Leave and Jury Service. The Council does not recognise non-accumulating compensated absences until the time that the absence occurs, because employee service does not increase the amount of the benefit.

- **Easter Bank Holiday –** When Good Friday and/or Easter Monday fall in April, the preceding financial year only accounts for 6 or 7 bank holidays rather than the statutory 8. When this occurs a charge is made to the Comprehensive Income and Expenditure Statement and a creditor accrual is reflected in the Balance Sheet.

- **Non-monetary Benefits –** Where employees have non-monetary benefits (e.g. retirement benefits, life insurance, etc), the associated cost of providing that benefit has been charged to the Comprehensive Income and Expenditure Statement.

- **Teachers' Leave –** Derbyshire schools have a fixed Easter Holiday meaning that it is wholly in April each year, this therefore means that a full 3 terms including associated holiday are taken by Derbyshire teachers in each financial year (there are no split holidays whereby only part of a leave period is taken before 31 March); The Council does review the amount charged in the Comprehensive Income and Expenditure Statement to ensure that the charge is reflective of any estimated value for accumulated leave but, as mentioned above, as Derbyshire schools have 3 full terms in a financial year generally no accrual is required for annual leave owed to teachers, an adjustment will be made for bank holiday's.

Termination Benefits

- **Redundancy Costs –** The obligation to pay redundancy costs occurs when there is a formal plan to create redundancies. The plan would include the location, function and approximate number of employees affected; the termination benefits offered; and the time of implementation. When these recognition criteria have been met the Council recognises the costs associated with this in the service revenue expenditure and create a creditor in the Balance Sheet. Where the payable amount is due in more than 12 months from the year end date, the costs are discounted at the rate determined by reference to market yields. In the case of an offer to encourage voluntary redundancy, the Council has recognised the estimated cost based on the expected number of employees taking the offer.

The Council will disclose details of exit packages within the notes to the accounts.

Pensions Costs

- **Teachers' Pension Scheme –** is a defined benefit scheme administered by the Department for Education. The assets and liabilities of the Teachers' Pension Scheme are not attributable to the Council, therefore the Council accounts for the scheme as if it were a defined contribution scheme. This means that the Children and Education Services line in the Comprehensive Income and Expenditure Statement will only include the Council's contributions payable to the scheme.

- **Local Government Pension Scheme –** is a defined benefit scheme. The liabilities of the scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of earnings for current employees.

  Pension liabilities are measured using the projected unit method and discounted at the balance sheet date rate of return on high quality corporate bonds of equivalent term to the liabilities. The discount rate is the weighted average of "spot yields" on AA rated corporate bonds.

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

  - 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 revenue accounts of services for which the employees worked
  - past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Net Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
  - interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to Net Operating Expenditure in the Comprehensive Income and Expenditure Statement

- expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to Net Operating Expenditure in the Comprehensive Income and Expenditure Statement
- gains/losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited to the Net Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Movement in Reserves Statement.
- contributions paid to the Derbyshire County Council Pension Fund – cash paid as employer's contributions to the Pension Fund.

In relation to retirement benefits, statutory provisions require the General Reserves to be charged with the amount payable by the Council to the Pension Fund in the year, not the amount calculated according to the relevant accounting standards. Adjustments are therefore made in the Movement in Reserves Statement.

- **Early Retirement, Discretionary Payments –** the Council has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies which are applied to the Local Government Pension Scheme.

1.31. Lessee Accounting for an Operating Lease

Costs associated with operating leased assets where the Council is the lessee are charged immediately to the Comprehensive Income and Expenditure Statement within the net cost of services on an accruals basis.

1.32. Revenue Grants and Contributions

Grants, contributions and donations are recognised as income at the date that the Council has satisfied the conditions of entitlement, and there is reasonable assurance that the monies will be received. Any grant received before these recognition criteria were satisfied would be held as a creditor (income in advance). Any grant which had met the recognition criteria but had not been received would be shown as a debtor. This is in line with the Accruals Concept Policy.

Revenue grants will either be received to be used only for a specific purpose, or can be used for general purpose. Those for a specific purpose are recognised in the Comprehensive Income and Expenditure Statement within the Net Cost of Services. Those which are for general purpose are shown below net cost of services in the Comprehensive Expenditure and Income Statement, before the net surplus or deficit.

1.33. Provisions

Provisions are made where an event has taken place that gives the Council an obligation that probably requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain. As a result it is expected that the need to create a provision will be few and far between. Before creating a provision (excluding bad debt provisions and insurance provisions) approval should be gained from Technical Section, Corporate Finance.

Provisions are charged to the appropriate service revenue account in the year that the Council recognises an obligation, based on the best estimate of the likely settlement. When payments are eventually made, it is charged to the provision. Estimated settlements are reviewed at the end of each financial year and adjustments with the Comprehensive Income and Expenditure Statement are made as required.

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

The Council does not hold any general provisions.

1.34. Revenue Reserves

The Council holds usable revenue reserves for the purpose of funding future expenditure. The General Reserve represents the balance of reserves to meet short term, unforeseeable expenditure and to enable significant changes in resources or expenditure to be properly managed over the period of the Five Year Financial Plan. Earmarked Reserves represent balances where approval has been received to use the reserve for a specific purpose.

Unusable revenue reserves represent timing differences such as those associated with the recognition of retirement benefits, Council tax income and financial instruments.

Movement in reserves are accounted through the Movement in Reserves Statement.

1.35. Research Costs

Research costs should be treated as revenue expenditure at the point in which they are incurred, and charged to the Comprehensive Income and Expenditure Statement.

1.36. Members Allowances

The Council in exercise of the powers and duties conferred by the Local Authorities (Members' Allowances) (England) Regulations 2003, has established a Members Allowance Scheme, outlining the allowances payable to Members of the Council.

Members are reminded of the need to keep detailed supporting information, such as a diary, about every attendance for which they claim. This information should be available for scrutiny by the Council's Auditors or other relevant persons as and when required. The scheme is updated annually, and full details are available on the Council's website.

The total amount paid in terms of Members Allowances is disclosed in the notes to the accounts.

1.37. Council Tax Recognition

Council tax income included in the Comprehensive Income and Expenditure Statement includes the Council's share of accrued Council tax income recognised by billing authorities in the production of the Collection Fund Statements.

The difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and reported in the Movement in Reserves Statement.

1.38. Landfill Allowance Trading Scheme

The Landfill Allowances Trading Scheme gives rise to:

a) an asset for allowances held
b) LATS grant income
c) a liability for actual landfill usage.

Allowances, allocated by the Department for Environment Food and Rural Affairs (DEFRA) or purchased from another Waste Disposal Authorities (WDA's), shall be recognised as assets and classified as current assets. They shall be measured initially at their fair value. Landfill Allowances are issued free by DEFRA. The recognition of fair value of the allowances issued to WDA's creates a credit which should be accounted for as revenue government grant.

As landfill is used, a liability shall be recognised for actual landfill usage. This liability is treated as a provision, creating revenue expenditure. The liability is discharged by using allowances to meet the liability, paying a cash penalty to DEFRA or a combination of both. The liability shall be measured at the best estimate of the expenditure required to meet the obligation at the reporting date. This will normally be the present market price at the reporting date of the number of allowances needed to cover actual landfill usage for the year.
After initial measurement, the Council shall re-measure the value of Landfill Allowances as the lower of cost or net realisable value.

Where there is no evidence of an active market for Landfill Allowances, for example where the number of allowances issued is greater than that required by authorities, the fair value of the allowances and the net realisable value of the allowances is likely to be nil.

1.39. Stocks and Work in Progress

Stocks are included in the Balance Sheet at the lower of cost and net realisable value. Stock is recorded in terms of average cost. Work in progress is subject to an interim valuation at the year-end and recorded in the Balance Sheet at cost plus any profit reasonably attributable to the works.

1.40. Provisions for bad and doubtful debts

The Council maintains bad debt provisions for any potential non payment of debtors. At each Balance Sheet date the Council makes a two-stage assessment as to whether impairment losses need to be recognised:

- Firstly, whether there is evidence of impairment for individual debtors that are significant, and
- Secondly, whether there is evidence of impairment for groups of similar debtors.

Assessment is made based on the risk of debtors' ability to pay future cash flows due under the contractual terms. This risk is estimated where possible based on historical loss experience, credit rating for a debtor and other impacting factors.

Provisions for bad debts are offset against the debtor amount shown as an asset, the movement in the provision is charged against the relevant service line in the Comprehensive Income and Expenditure Statement.

1.41. Carbon Reduction Commitment

The Council is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme is currently in its introductory phase which will last until 31 March 2014. The Council is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the Council is recognised and reported in the costs of the Council's services and is apportioned to services on the basis of energy consumption.

TREASURY MANAGEMENT

1.42. Definition of Treasury Management Activities

The Council has adopted the following definition of Treasury Management activities: The management of the Council's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the Council.

The Council acknowledges that effective treasury management will provide support towards the achievement of its service objectives. It is therefore committed to the principles of achieving best value in treasury management, and to employing suitable performance measurement techniques, within the context of effective risk management.

1.43. **Financial Liabilities**

Financial liabilities are initially measured at fair value and carried at their amortised cost.

Annual charges to the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable plus any interest accrued to 31 March and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year in the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to Net Operating Expenditure in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate. Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Reserves to be spread over future years.

The Council has a policy of spreading the gain/loss over the term of the replacement loan subject to a minimum period of 10 years with the case of discounts. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Reserves is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

1.44. **Financial Assets**

Financial assets are classified into two types:

1) **Loans and Receivables** – assets that have fixed or determinable payments but are not quoted in an active market

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable plus any interest accrued to 31 March and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement. However, the Council could make loans to organisations at less than market rates (soft loans).

When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Reserves is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Reserves is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Comprehensive Income and Expenditure Statement. Any gains and losses that arise on the derecognition of the asset are credited/debited to the Comprehensive Income and Expenditure Statement.

Investments are represented on the balance sheet depending on their remaining life at the Balance Sheet date:

- Investments entered into for 90 days or less - debited to the cash balance as cash equivalents and represented within the cash flow statement.
- Investments entered into for more than 90, with less than 365 days until maturity – debited to current asset investments
- Investments due to expire in more than 365 days – debited to non-current asset investments

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

Available-for-sale assets are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument.

Values are based on the following principles:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Movement in Reserves Statement. The exception is where impairment losses have been incurred – these are debited to the Comprehensive Income and Expenditure Statement, along with any net gain/loss for the asset accumulated in the Reserve. Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Comprehensive Income and Expenditure Statement. Any gains and losses that arise on de-recognition of the asset are credited/debited to the Comprehensive Income and Expenditure Statement, along with any accumulated gains/losses. Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

1.45. **Interests in Companies and Other Entities**

Where the Council has material interests in companies and other entities that have the nature of subsidiaries, associates and joint ventures, it is required to prepare group accounts. In the Council's own single-entity accounts, the interests in companies and other entities are recorded as investments, i.e. at cost, less any provision for losses.

Accounting Basis
The basis on which the Council is required to present the accounts to be compliant with International Financial Reporting Standards.
Accrual / Accruals Concept
The accruals concept requires that the cost or benefit of a transaction is shown in the period to which the goods or services are received or provided, rather than when the cash is paid or received.
Actuarial Basis
The estimation technique applied when estimating the liabilities to be recognised for defined benefit pension schemes in the financial statements of an organisation.
Actuarial Gains & Losses
Gains and losses as a result of the change in value due to the Actuary's estimation of the fair value of assets & liabilities.
Amortisation
The term used to describe the charge made for the cost of using intangible fixed assets. The charge for the year will represent the amount of economic benefits consumed, also known as wear and tear.
Amortised Cost
The cost of intangible assets reduced by the amount of amortisation charged to date.
Assets
Right or other access to future economic benefits.
Balance Sheet (BS)
Shows all balances including reserves, long-term debt, fixed and net current assets, together with summarised information on the fixed assets held.
Balance Sheet Date
The date at which the Council reports its financial statements. For Derbyshire County Council, this date is 31 March.
Bonds
Investment in certificates of debts issued by a Government or company. These certificates represent loans which are repayable at a future date with interest.
Budget
The financial plan reflecting the Council's policies and priorities over a period of time.
Building Schools for the Future
Building Schools for the Future (BSF) was a Government investment programme in secondary school buildings.
Cabinet
A group of Councillors who provide the executive function of the Council, their decision-making powers are set out in the Council's Constitution.
Cap And Trade Scheme
Schemes where a 'cap' or limit is imposed on authorities for certain activities. Authorities can increase or decrease their limit by 'trading' for allowances.
Capital Adjustment Account
Capital reserve largely comprising of resource applied to capital financing and is not available to the Council to support new investment.

Capital Costs	Reflects the element of annual payment for PFI or Leased assets which is in relation to the reduction in the long term debt associated with the asset.
Capital Expenditure	Expenditure on the acquisition of, or enhancement to fixed assets. This cannot be merely to maintain the value of an existing asset.
Capital Financing	The funding used to pay for capital expenditure during the year.
Capital Financing Requirement	Estimated level of capital investment needed in order to maintain the Council's assets in a state required to continue to deliver the Council's services.
Capital Grant	Grant which is intended to fund capital expenditure.
Capital Grants Unapplied Reserve	Capital reserve reflecting the value of capital grant received where there are no conditions outstanding; however expenditure on the associated asset has not been incurred.
Capital Receipts	Money received from the sale of fixed assets. Subject to certain limitations, this can be used to finance other capital expenditure, or to repay outstanding debt associated with the asset.
Capital Reserves	Reserve balances held for capital purposes.
Capital Starts Programme	New capital schemes that have been approved by Cabinet to commence in the forthcoming year.
Carbon Reduction Commitment	Cap and trade scheme aimed at improving the impact Local Authorities have on Climate Change.
Carrying Amount / Carrying Value	The value which is held in the balance sheet for an item.
Cash Equivalents	Liquid investments (less than 3 months in total term) which can be converted to cash almost immediately.
Cash Flow Statement (CFS)	This consolidated statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.
CIPFA Code	A publication produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) that provides comprehensive guidance on the content of a Council's Statement of Accounts.
Clinical Commissioning Groups (CCG's)	Clinical Commissioning Groups are responsible for arranging emergency and urgent care services within their boundaries, and for commissioning services for any unregistered patients who live in their area.

Collection Fund
The fund maintained by authorities who have responsibility to bill Council Tax and Non-Domestic Rate payers (billing authorities).
Collection Fund Adjustment Account
Revenue reserve to represent the difference between the income received by a Local Council in Council Tax and the amount attributable to them.
Collection Fund Statements
The statutory financial statements produced as part of the Statement of Accounts by authorities who have responsibility to bill Council Tax and Non-Domestic Rate payers (billing authorities).
Community Assets
Assets which are held for the benefit of the community where there is no determinable useful life, such as works of art.
Community Schools
Schools which the Council runs, employs the staff and normally owns and maintains the land and buildings (with the exception of PFI schools).
Comprehensive Income and Expenditure Statement (CIES)
This statement reports the net cost of all the services which the Council is responsible for, and demonstrates how that cost has been financed.
Constitution
The document that sets out how the Council operates, how decisions are made and the procedures which are followed.
Contingent Liability
Potential costs that the Council may incur in the future because of something that happened in the past, but there is no certainty that a cost will occur.
Controllable
Budgets and expenditure which are within the control of the budget manager i.e. salaries, supplies & services and transport costs.
Core Financial Statements
Main Statements which make up the accounts. They comprise of the Comprehensive Income & Expenditure Statement, Balance Sheet, Movement in Reserves Statement and Cash Flow Statement.
Core Service Areas
The services provided by the Council externally, such as education, highway maintenance and adult social care.
Corporate & Democratic Core
Costs associated with the democratic management of the Council such as the Chief Executive’s salary and Members’ Allowances.
Council
The Council comprises all of the democratically elected Councillors who represent the various electoral divisions.
Council Tax
Council Tax is a local taxation that is levied on dwellings within the local Council area and funds all Council services.
Credit
A credit represents income to an account.

GLOSSARY OF TERMS

Creditors
Represents the amount that the Council owes other parties.
Curtailments
Resulting cost related to the predicted reduction in employees service such as from a large number of employee leavers.
Debit
A debit represents expenditure against an account.
Debtors
Represents the amounts owed to the Council by another body.
Dedicated Schools Grant (DSG)
A specific grant paid to Local Authorities to fund the cost of running its schools.
Deficit
Arises when expenditure exceeds income or when expenditure exceeds available budget.
Defined Benefit Scheme
Also known as a Final Salary Scheme. Pension scheme arrangement where the benefits payable to the members are determined by the scheme rules. In most cases there is a compulsory members' contribution but over and above this all costs of meeting the quoted benefits are the responsibility of the employers.
Defined Contribution Pension Scheme
Also known as a Money Purchase Scheme. Pension scheme arrangement where the employer's liability is restricted to the amount that they contribute. Benefits payable to the members depend on the performance of the invested contributions of the members and the employer, the level of contributions invested, the charges deducted by the product provider and the annuity rate at retirement.
De-minimis
A limit set to which capital expenditure is defined i.e. expenditure below this limit is treated as revenue regardless of how it is financed or what it is spent on.
Depreciation
The term used to describe the charge made for the cost of using tangible fixed assets. The charge for the year will represent the amount of economic benefits consumed, also known as wear and tear.
Derecognition
The process upon which assets are no longer deemed to belong to the Council ether by sale, destruction or other form of disposal.
Discount
An allowance received through the early repayment of debt.
Donated Assets
Assets which have been acquired at below market cost.
Earmarked Reserves
Reserve balances which have been set aside for future spending in a specific area.
Economic Substance
True nature of a transaction or contract regardless of the legal nature.
Employee
A person who holds an office within the Council, but does not include a person who is an elected Councillor.

GLOSSARY OF TERMS

Employee Costs	The costs directly associated with employees, including but not exhaustively, salaries and wages, National Insurance contributions and pension costs.
Enhancement Expenditure	Expenditure which increases the value of an asset.
Equities	Ordinary shares in UK and overseas companies traded on a stock exchange. Shareholders have an interest in the profits of the company and are entitled to vote at shareholder's meetings.
Exceptional Items	Events which are material in terms of the Council's overall expenditure and are not expected to recur frequently or regularly.
Fair Value	Usually the amount that would be paid for an asset in an active market, however where there is no market for a certain type of asset (such as schools) other methods to determine fair value are used.
Finance Costs	Reflects the element of annual payment for PFI or Leased assets which is in relation to interest payable on the loan liability.
Finance Lease	A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.
Financial Assets	A right to future economic benefits controlled by the Council.
Financial Instruments	Financial instruments are formally defined in the CIPFA Code as contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity.
Financial Instruments Adjustment Account	Revenue reserve which records the timing differences between the rate at which gains and losses are recognised and the rate at which debits and credits are required to be made against council tax.
Financial Liabilities	An obligation to transfer economic benefits controlled by the Council.
Fixed Assets	Assets that yield benefits to the Council for a period of more than one year, examples include land, buildings and vehicles.
Formula Grant	The general grant paid to Local Authorities by the Government to support the day to day costs of running its services.
Foundation Schools	Schools run by their own governing body, which employs the staff and sets the admissions criteria. Land and buildings are usually owned by the governing body or a charitable foundation.

Funding Basis
The basis with which the Council presents its accounts to show the true impact to Council Tax.
General Fund Balance
The reserve held by the Council for general purposes, i.e. against which there are no specific commitments.
General Reserves / General Fund Balance
The reserve held by the Council for general purposes, i.e. against which there are no specific commitments.
Going Concern
The going concern accounting concept assumes that the organisation will not significantly curtail the scale of its operation in the foreseeable future.
Government Grants
Payment by Government towards the cost of Local Authority services. These are either for particular purposes or services (specific grants) or in aid of local services generally (formula grant).
Grants / Grant Income
Payment towards the cost of Local Authority services. These are either for particular purposes or services (specific grants) or in aid of local services generally (Formula Grant).
Impairment
Impairment of an asset is caused either by a consumption of economic benefits, deterioration in the service provided by an asset, or by a general fall in prices of that particular asset.
Inflow
This represents cash coming into the Council.
Infrastructure Assets
Assets associated with the road networks owned and maintained by the Council.
Intangible Asset
Non-current assets which do not have physical form such as software.
International Accounting Standard (IAS's)
Regulations outlining the method of accounting for activities, IAS's are currently being replaced with International Financial Reporting Standards (IFRS's) issued by the International Accounting Standards Board.
International Financial Reporting Interpretations Committee (IFRIC)
Guidance issued by the committee to assist in the interpretation of IFRS.
International Financial Reporting Standards (IFRS)
Regulations outlining the method of accounting for activities, issued by the International Accounting Standards Board.
Inventories
Fair value of current assets purchased which have not yet been consumed.
Investment Property Assets
Assets held solely for the purposes of rental generation or for increasing the value pre-sale (capital appreciation).

Investments
An asset which is purchased and is expected to increase in value by providing income, capital appreciation or both.
Landfill Allowance Trading Scheme
Cap and trade scheme aimed at improving reducing the level of waste taken to landfill and encourage alternative refuse processes.
Leases
A method of funding expenditure by payment over a defined period of time.
Lessee
The person or organisation that is using or occupying an asset under lease (tenant).
Lessor
The person or organisation that owns an asset under lease (landlord).
Levies & Precepts
Statutory charges made to support the services provided by other organisations.
Liabilities
An obligation to transfer economic benefits. Current liabilities are payable within one year.
Loans and Receivables
Financial assets which are not quoted in an active market and have either a fixed or determinable payment.
Local Authority Central Spend Equivalent Grant (LACSEG)
This grant is paid to Academies to cover the cost of the services that local authorities provide centrally to maintained schools but which Academies must secure independently.
Materiality
Materiality is an expression of the relative significance or importance of a particular matter in the context of the financial statements as a whole.
Members
Elected Councillors responsible for the democratic leadership of the Council.
Members' Allowances
Allowances paid to members in association with their roles and responsibilities.
Minimum Revenue Provision (MRP)
A minimum amount, set by law, which the Council must charge to the income and expenditure account, for debt redemption or for the discharge of other credit liabilities (e.g. finance lease).
Movement in Reserves Statement (MRS)
The statement detailing the movement in the reserves of the Council.
Net Book Value (NBV)
The amount at which fixed assets are included in the balance sheet. It represents historical cost or current value less the cumulative amounts provided for Depreciation or Impairment.
Net Cost of Service
The actual cost of a service to an organisation after taking account of all income received for services provided.
Net Realisable Value
The value that inventories bring to the Council when in their final use i.e. assets due for sale have a net realisable value of their sale price.

Non-Current Assets	
Assets that yield benefits to the Council for a period of more than one year; examples include land, buildings and vehicles.	
Non-Current Debtors	
Amounts owed to the Council which are due for repayment in more than one year from the Balance Sheet date.	
Non-Current Liabilities	
Liabilities that yield obligations by the Council for a period of more than one year, examples include borrowing and pension costs.	
Non-Distributed Costs	
The value of revenue operating expenditure that is not able to be apportioned to one of the Council's core service areas.	
Operating Lease	
A lease where an asset is used only for a small proportion of its economic life.	
Operating Outturn	
Under or overspend achieved by the normal operations of the Council for the year when expenditure is compared to the budget.	
Outflow	
This represents cash leaving the Council.	
Pension Costs	
The benefits paid by the Council which are accrued during the period of employment and paid to ex-employees after retirement.	
Pension Liability	
The cost, calculated by an Actuary, of providing the current members of a pension scheme with retirement benefits as set out in the pension scheme rules.	
Private Finance Initiative (PFI)	
The private finance initiative (PFI) is a way of creating "public–private partnerships" by funding public infrastructure projects with private capital.	
PFI Grant	
The financial support provided to Local Authorities to part fund PFI capital projects.	
Premium	
A payment made in association with the early repayment of debt.	
Present Value	
The representative cost of a transaction if it were to occur today.	
Previous Year Adjustments	
These are material adjustments relating to prior year accounts that are reported in subsequent years and arise from changes in accounting policies or from the correction of fundamental errors.	
Principal	
The amount of repayment to a lender which relates to the reduction in the loan, rather than the interest paid on the loan.	
Prior Period Adjustments	
These are material adjustments relating to prior year accounts that are reported in subsequent years and arise from changes in accounting policies or from the correction of fundamental errors.	

Private Finance Initiative (PFI)
A Government initiative that enables, through the provision of financial support, Authorities to carry out capital projects through partnership with the private sector.
Projected Unit Method
This is a common actuarial funding method to value pension scheme liabilities.
Provision for Bad & Doubtful Debts
A prudent reduction in the reported level of income owed to the Council for non-payment of invoices and other debt.
Provisions
Potential costs that the Council may incur in the future because of something that happened in the past, which are likely or certain to be incurred and a reliable estimate can be made to the costs.
Public Works Loans Board (PWLB)
A Government agency which provides longer term loans to local authorities at favourable interest rates only slightly higher than those at which the Government itself can borrow.
Quoted Market Prices
A method of determining the fair value of financial assets via prices quoted on an active market.
Recognition
The process upon which assets are deemed to belong to the Council ether by purchase, construction or other form of acquisition.
Reserves
Sums are set aside in reserves for future purposes rather than to fund past events.
Revaluation Gain
The increase to the fair value of an asset following a valuation.
Revaluation Reserve
This reserve contains revaluation gains on assets recognised since 1 April 2007 only, the date of its formal implementation.
Revenue Expenditure
Expenditure which is not capital.
Revenue Expenditure Funded from Capital under Statute (REFCUS)
This is expenditure that is classified as capital although it does not result in the creation of a fixed asset.
Revenue Grant
Grant which is not capital.
RICS Valuer
Royal Institute of Chartered Surveyors qualified valuer.
Segmental Reporting
Presentation of financial information based on the internally reported segments of the Council e.g. departments.
Service Concession Arrangements
Arrangements which involve the supply and maintenance of assets and service delivery.

Service Costs
Reflects the element of annual payment for PFI or Leased assets which is in relation to services provided within the contract.
Settlement
Lump sum payment to extinguish future pension rights.
Short Term Benefits
Employee benefits earned and consumed during employment.
Soft Loans
Low interest rate loans.
Specific Grant
A grant awarded to a Council for a specific purpose or service that cannot be spent on anything else.
Straight Line Basis
The method of calculating depreciation via charging the same amount each year over the life of the asset.
Subjective Spend
Analysis of expenditure based on what it has been spent on (i.e. salaries) as opposed to who spent it (i.e. Adult Care).
Surplus
Arises when income exceeds expenditure or when expenditure is less than available budget.
Surplus Assets
Assets which are no longer in operation.
Termination Benefits
Employee benefits paid upon termination of employment such as redundancy.
Trading Operations
A service run in a commercial style and environment, providing services that are mainly funded from fees and charges levied on customers.
Transferred Debt
Loans and investments present at the time of Local Government Reorganisation which subsequently was shared amongst the newly formed Councils.
Treasury Management
Utilisation of cash flows through investments and loans.
Uncontrollable
Budgets and expenditure that are not within the control of a budget manager, for example recharges of back office functions and depreciation.
Unidentified Income
Income received by the Council where the reason for the income is unknown.
Unusable Reserves
Adjustment accounts used to hold the timing differences between when the Council is required to account for a transaction and when the cash payment or receipt actually occurs. These are not available to finance expenditure.
Usable Capital Receipts Reserve
Represents the resources held by the Council that have arisen from the sale of fixed assets that are yet to be spent on other capital projects.

Usable Reserves	
Cash reserves that are available to finance future revenue and capital expenditure.	
Useful Economic Life	
The period with which an asset is expected to be useful to the Council in its current state.	
Value Added Tax	
National taxation charged on goods and services.	
Voluntary-aided schools	
Schools which are mainly religious or 'faith' schools, the governing body employ the staff and set the admission criteria. Buildings and land are normally owned by a charitable foundation.	
Voluntary-controlled schools	
Schools which the Council run, employ staff, set admission criteria and maintain land and buildings. But normally are owned by a charity, who appoints members to the governing body.	
Waste Disposal Authorities	
Authorities with the statutory responsibility for disposal of refuse.	
Work in Progress	
The fair value of incomplete contracts for goods and services which are to be charged to external customers.	

If you require any further assistance

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