

Public



# Statement of Accounts 2014-15

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# EXPLANATORY FOREWORD

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## Introduction

This Statement of Accounts presents the overall financial position of the Council for the year ended 31 March 2015. 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 10.

Balance Sheet (BS) - This shows the value of all assets and liabilities. Reserves are matched against net assets and liabilities. The statement can be found on page 11.

Cash Flow Statement (CFS) – This statement shows the changes in cash and cash equivalents of the Council. The statement can be found on page 12.

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 13.

Notes to the Accounts – Not a statement, however they provide supplementary information. These begin on page 14.

## Revenue Expenditure

The Council set its budget for 2014-15 on 5 February 2014 and originally planned to spend £515.030m, with funding coming in the form of Government grants of £239.568m, Council Tax of £255.426m, £16.391m of business rates collected locally and £3.645m from use of General Reserve.

The Council has spent £495.243m, against a final budget of £516.425m. Departments have continued to look for ways of working more efficiently and effectively to cut costs and set aside cash for future years when further budget reductions will be needed. This has contributed to departmental underspends of £13.369m, of which £5.987m relates to an underspend on the Public Health fund. The underspends, in the main, are due to staffing reductions and vacancies. The underspends will result in an increase to the Council’s General Reserve although some departments will request to use some of the balance to support one-off projects.

There are further significant underspends on the risk management and debt charges budgets. The underspend on the Risk Management budget largely relates to additional funding received in-year, which is used to maintain the General Reserve, for which there is a planned use of the balance over the medium term, for example, to help meet the

## EXPLANATORY FOREWORD

increasing costs of supporting older people. The underspend on the debt charges budget is due to the slippage in the capital programme.

Requests for the further use of underspends were considered by Cabinet on 7 July 2015.

The table below summarises the outturn position, highlighting the departmental and corporate underspends. It also shows how the Council's expenditure is funded.

	Budget £m	Actual £m	Outturn £m
<b>Controllable:</b>			
Adult Social Care	217.526	216.954	(0.572)
Children and Young People	109.773	107.903	(1.870)
Council Services	40.008	38.947	(1.061)
Highways, Transport and Infrastructure	80.016	77.443	(2.573)
Health and Communities	11.215	4.918	(6.297)
Strategic, Policy, Economic Development and Budget	7.330	6.334	(0.996)
<b>Departmental Outturn</b>	<b>465.868</b>	<b>452.499</b>	<b>(13.369)</b>
Risk Management	6.603	0.000	(6.603)
Debt Charges	52.425	43.659	(8.766)
Interest Receivable	(4.270)	(3.598)	0.672
Levies & Precepts	0.284	0.301	0.017
Corporate Adjustments & Uncontrollable Items	(4.484)	2.383	6.867
<b>Total Outturn Position</b>	<b>516.426</b>	<b>495.244</b>	<b>(21.182)</b>
<b>Transfers to / from reserves:</b>			
RCCO - Capital Funded from Revenue	10.087	10.087	0.000
Transfer to Earmarked reserves	58.134	58.134	0.000
Transfer from Earmarked reserves	(58.474)	(58.474)	0.000
Use of General Reserves	(16.492)	(16.492)	0.000
Contribution into General Reserve	7.435	28.617	21.182
	<b>517.116</b>	<b>517.116</b>	<b>0.000</b>
<b>Financed By:</b>			
Council Tax	(255.427)	(255.427)	0.000
Revenue Support Grant	(126.225)	(126.225)	0.000
Non-Domestic Rates Redistribution	(16.917)	(16.917)	0.000
Business Rates Top-up	(84.135)	(84.135)	0.000
New Homes Bonus	(1.716)	(1.716)	0.000
Local Services Support Grant	(1.178)	(1.178)	0.000
Other General Revenue Grants	(21.014)	(21.014)	0.000
PFI Grant	(10.504)	(10.504)	0.000
	<b>(517.116)</b>	<b>(517.116)</b>	<b>0.000</b>

Spending on schools is paid through the Dedicated Schools Grant (DSG) from Government. The Council received £428.446m in 2014-15.

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From April 2013, the Council has responsibility for Public Health funding. A total of £35.651m was received in 2014-15 in the form of a ring-fenced grant from Government to pay for the services.

The Comprehensive Income and Expenditure Statement shows a deficit on provision of services of £112.013m as it includes both cash transactions and non-cash, such as depreciation.

### **Capital Expenditure**

In 2014-15 the Council's total capital expenditure was £106.596m compared to £85.949m in 2013-14, funded by grants and contributions totalling £72.212m compared to £54.189m the previous year. The Council has also used £24.297m of borrowing, as well as revenue contributions of £10.087m to finance the capital expenditure.

The value of Property, Plant and Equipment Assets (PPE) has increased by £453.049m from the previous year, largely as a result of the revaluation of some schools which is part of the Council's five year rolling programme of revaluations.

Due to recent guidance issued, which aimed to clarify the treatment of schools assets, the Council has had to examine and determine ownership of the schools in the county. This is further explained in the Assumptions Made and Other Estimation Uncertainty note on page 14. As a result of this change, a number of the financial statements have had to be restated.

The underlying borrowing need to finance capital expenditure which is not paid from capital receipts or grants is termed the Capital Financing Requirement (CFR). As at 31 March 2015 the CFR was £492.016m compared to £488.236m in the previous year.

### **Assets and Liabilities**

Cash and Cash Equivalents have decreased by £45.463m. This is largely explained by a £48.464m reduction in Cash Equivalents being off-set by an increase of £6.125m in Current Investments.

The net increase to both Current and Non-Current Debtors is £5.753m. Of this, £1.072m is in relation to payroll services undertaken by the Council on behalf of Newbold School which converted to Outwood Academy Newbold on 1 January 2015 and £1.470m relates to European Regional Development Fund grant outstanding for the Digital Derbyshire project.

The net reduction to Current and Non-Current Borrowing is £28.119m which is as a result of a long-term plan over the past four years to reduce the borrowing required to finance capital expenditure. The result of which is the reduction in interest payable by the Council, leading to a £8.766m underspend on the debt charges budget for the financial year. The Council has not entered into any new debt since September 2010.

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## EXPLANATORY FOREWORD

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Provisions have reduced by £4.076m, £3.219m of which is a reduction in the Insurance Provision. This has been offset against a £3.888m increase in the Insurance Reserve meaning that the Council's ability to respond to significant events is relatively unchanged.

Other Non-Current Liabilities have increased by £208.007m. Of this, there is a £210.719m increase in relation to changes in the valuation of the Pension Liability. The main movements are Actuarial Losses of £175.958m, £23.270m Net Interest Cost and £12.996m Current Service Cost less Employer Contributions Payable.

Net Assets have increased by £261.730m compared to 2013-14. This is largely as a result of the movement in revaluation of Property Plant and Equipment offset against the Pension Liability increase.

### **Reserves**

The total Usable Reserves, which includes the General and Earmarked Reserves, have increased by £22.815m. Whilst the General Reserve balance has increased by £12.126m to £55.201m as at 31 March 2015, largely as a result of departmental underspends, there are commitments against this balance that will be set out in the Revenue Outturn Report.

The Earmarked Reserves balance has reduced by £0.339m compared to the 2013-14 balance. Earmarked Reserves are held for specific purposes and are regularly reviewed by Cabinet as part of the Budget Monitoring cycle.

The Capital Receipts reserve has increased by £2.286m to £13.727m. This is money set aside for capital expenditure.

The Council reviews its reserves at least annually, as set out in the Council's Reserves Policy. A wider review of outstanding balances will take place in Summer 2015. The last review was reported to Cabinet in January 2015.

After adjusting for non-cash items, the Council's General 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.

### **Pensions Liability**

Under International Accounting Standard 19 (IAS19), the Council is required to show the total future costs of pension liabilities for the Local Government Pension Scheme. This is a notional figure, as the Council's budget is constructed on the basis of actual contributions payable.

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The IAS19 notional cost of the LGPS scheme for the financial year is £90.363m and £2.813m for Teachers Pensions. The actual contributions made for the year were £53.684m and £4.731m respectively contributing in a net adjustment to the revenue position of £34.761m.

In addition, actuarial losses on both schemes were £168.026m and £7.932m respectively, contributing towards an increase in the total liability held by the Council of £210.719m to £746.518m at 31 March. The liability is offset by a matching notional reserve ensuring there is no impact on the level of Council Tax.

The debit balance on the Pensions Reserve therefore shows a substantial shortfall between the benefits earned by past and current employees and the resources the Council has set aside to meet them. The Funding Strategy adopted by the Pension Fund will ensure that funding will have been set aside by the time the benefits come to be paid.

### **Outlook**

The Council's Five Year Financial Plan was revised and updated in January 2015. It shows that budget cuts of £146.098m are required over the five year period 2015-16 to 2019-20. There is continued uncertainty around the level of funding available to local authorities beyond 2015-16. Details of the Government's public sector expenditure cuts will not be known until after the Comprehensive Spending Review which is not expected until Autumn 2015, although there may be some indicators in the Government's Summer Budget which will be announced on 8 July 2015. 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 is closely monitored, however lead in times for consultation activity and increased demand on services mean that there is a continued risk of not achieving savings. Where possible this is mitigated with the use of reserve balances.

There continues to be increased demand for services particularly around Adult Care demographic growth. The Five Year Financial Plan sets out plans to support the Adult Care budget over the medium term through the use of the Risk Management budget and one-off support from General Reserves.

The Council reached financial close in August 2014 on the joint waste management contract with Derby City which commits the Council to an investment of £25m when the waste treatment plant comes online in 2016-17.

The final approved Derbyshire Better Care Fund (BCF) Plan documentation was submitted to NHS England on 28th November 2014. This sets out the detail of how the County Council and the five Clinical Commissioning Groups (Erewash; Hardwick; South Derbyshire; North Derbyshire; Tameside and Glossop) combined £61.489m of their money to form the Better Care Fund pooled budget. The pooled budget for 2015-16 started with effect from 1 April. A s.75 framework partnership agreement relating to the commissioning of health and social care services has been signed by all partners.



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## **EXPLANATORY FOREWORD**

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The Diocese of Derby has established a Multi Academy Trust to provide a viable academy option for its primary schools. This could result in the reduction in the number of schools maintained by the Council.

Peter Handford CPFA  
Director of Finance

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## **STATEMENT OF RESPONSIBILITIES**

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### **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.

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## **AUTHORISATION OF ACCOUNTS FOR ISSUE**

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### **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 2015 and of its income and expenditure for the year then ended.

Peter Handford  
Director of Finance  
8 June 2015

The Statement of Accounts were approved by the Audit Committee on 4 August 2015.

Councillor Stuart Brittain  
Chair of the Audit Committee  
4 August 2015

# COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

		Note	2014-15			2013-14 RESTATED		
			Exp £m	Inc £m	Net Exp £m	Exp £m	Inc £m	Net Exp £m
A	Adult Social Care		336.554	(98.257)	238.297	329.099	(89.536)	239.563
B	Central Services to the Public		4.228	(1.943)	2.285	4.642	(1.878)	2.764
C	Children's & Education Services		729.754	(522.535)	207.219	711.755	(515.903)	195.852
D	Corporate & Democratic Core		3.304	(0.337)	2.967	9.199	(0.682)	8.517
E	Cultural & Related Services		22.760	(2.699)	20.061	28.988	(3.306)	25.682
F	Environmental & Regulatory Services		44.780	(3.600)	41.180	43.389	(2.788)	40.601
G	Highways & Transport Services		65.672	(13.235)	52.437	75.678	(10.992)	64.686
H	Planning Services		10.462	(1.799)	8.663	11.270	(0.864)	10.406
I	Public Health		34.353	(36.001)	(1.648)	32.848	(36.893)	(4.045)
J	Non Distributed Costs	11	1.149	0.000	1.149	0.992	0.000	0.992
<b>A-J</b>	<b>Net Cost of Services</b>	<b>9</b>	<b>1,253.016</b>	<b>(680.406)</b>	<b>572.610</b>	<b>1,247.860</b>	<b>(662.842)</b>	<b>585.018</b>
K	Other Operating (Income) & Expenditure	6			93.392			50.359
L	Financing & Investment Income & Expenditure	7			44.082			51.386
M	Taxation & Non-Specific Grants	8			(598.071)			(579.457)
<b>A-M</b>	<b>(Surplus) / Deficit on Provision of Services</b>				<b>112.013</b>			<b>107.306</b>
N	Gain on Revaluation of Fixed Assets	15			(593.838)			(301.795)
O	Loss on Revaluation of Fixed Assets	15			44.134			11.564
P	(Gain) / Loss on Pension Assets	49			175.958			(199.317)
<b>N-P</b>	<b>Other Comprehensive Expenditure</b>				<b>(373.746)</b>			<b>(489.548)</b>
<b>A-P</b>	<b>Total Comprehensive Income</b>				<b>(261.733)</b>			<b>(382.242)</b>

## BALANCE SHEET

1 Apr 2013 RESTATED £m	31 Mar 2014 RESTATED £m		Note	31 Mar 2015 £m
1,745.903	1,956.396	Property Plant & Equipment	15	2,409.445
43.275	41.660	Heritage Assets	17	42.283
2.353	1.647	Intangible Fixed Assets	19	1.179
0.000	0.000	Long Term Investments	23	12.000
36.656	39.286	Non-Current Debtors	21	33.423
<b>1,828.187</b>	<b>2,038.989</b>	<b>Total Non-Current Assets</b>		<b>2,498.330</b>
205.152	180.379	Short Term Investments	23	186.594
1.203	1.524	Assets Held for Sale	20	2.262
2.103	1.445	Inventories	24	1.957
55.151	55.882	Debtors	25	67.497
107.483	135.603	Cash and Cash Equivalents	26	90.137
<b>371.092</b>	<b>374.833</b>	<b>Total Current Assets</b>		<b>348.447</b>
(39.465)	(30.873)	Loans and Borrowing	23	(17.719)
(94.318)	(104.990)	Creditors	27	(100.403)
<b>(133.783)</b>	<b>(135.863)</b>	<b>Total Current Liabilities</b>		<b>(118.122)</b>
(369.412)	(364.239)	Non-Current Borrowing	23	(349.274)
(17.151)	(18.696)	Provisions	28	(14.620)
(786.261)	(620.111)	Other Non-Current Liabilities	29	(828.118)
<b>(1,172.824)</b>	<b>(1,003.046)</b>	<b>Total Non-Current Liabilities</b>		<b>(1,192.012)</b>
<b>892.672</b>	<b>1,274.913</b>	<b>NET ASSETS</b>		<b>1,536.643</b>
271.941	275.523	Usable Reserves	30	298.335
620.731	999.390	Unusable Reserves	32	1,238.308
<b>892.672</b>	<b>1,274.913</b>	<b>TOTAL EQUITY</b>		<b>1,536.643</b>

## CASH FLOW STATEMENT

2013-14 £m		Note	2014-15 £m
<b>(107.306)</b>	<b>Net Surplus or (Deficit) on the provision of services</b>		<b>(112.013)</b>
147.144	Adjustments for non cash movements	44	115.335
18.200	Adjustments for investing and financing activities		25.629
	Net cashflow from:		
58.038	Operating activities	43	28.951
(8.076)	Investing Activities	41	(43.526)
(21.842)	Financing Activities	42	(30.888)
<b>28.120</b>	<b>Movement in Cash &amp; Cash Equivalent</b>		<b>(45.463)</b>
107.485	Cash & Cash Equivalents at the start of the year	26	135.605
<b>135.605</b>	<b>Cash &amp; Cash Equivalents at the end of the year</b>	<b>26</b>	<b>90.142</b>

## MOVEMENT IN RESERVES STATEMENT

	Note	General Fund £m	Earmarked Reserves £m	Unapplied Capital Grants £m	Capital Receipts Reserve £m	Total Usable Reserves £m	Unusable Reserves £m	Total Authority Reserves £m
<b>Balance as at 1 Apr 2013</b>	14	<b>(102.720)</b>	<b>(138.497)</b>	<b>(22.114)</b>	<b>(8.610)</b>	<b>(271.941)</b>	<b>(620.726)</b>	<b>(892.667)</b>
Deficit on the provision of services		107.306	0.000	0.000	0.000	107.306	0.000	107.306
Other Income and Expenditure		0.000	0.000	0.000	0.000	0.000	(489.548)	(489.548)
<b>Total Income and Expenditure</b>		<b>107.306</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>107.306</b>	<b>(489.548)</b>	<b>(382.242)</b>
Accounting & funding basis difference	14	(114.308)	0.000	6.254	(2.831)	(110.885)	110.885	0.000
<b>Net increase before transfers</b>		<b>(7.002)</b>	<b>0.000</b>	<b>6.254</b>	<b>(2.831)</b>	<b>(3.579)</b>	<b>(378.663)</b>	<b>(382.242)</b>
Net Transfers to Earmarked Reserves	31	66.647	(66.647)	0.000	0.000	0.000	0.000	0.000
(Increase) / Decrease in 2013-14		59.645	(66.647)	6.254	(2.831)	(3.579)	(378.663)	(382.242)
<b>Balance as at 31 Mar 2014</b>	14	<b>(43.075)</b>	<b>(205.144)</b>	<b>(15.860)</b>	<b>(11.441)</b>	<b>(275.520)</b>	<b>(999.389)</b>	<b>(1,274.909)</b>
Surplus on the provision of services		112.013	0.000	0.000	0.000	112.013	0.000	112.013
Other Income and Expenditure		0.000	0.000	0.000	0.000	0.000	(373.746)	(373.746)
<b>Total Income and Expenditure</b>		<b>112.013</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>112.013</b>	<b>(373.746)</b>	<b>(261.733)</b>
Accounting & funding basis difference	14	(123.799)	0.000	(8.743)	(2.286)	(134.828)	134.828	0.000
<b>Net increase before transfers</b>		<b>(11.786)</b>	<b>0.000</b>	<b>(8.743)</b>	<b>(2.286)</b>	<b>(22.815)</b>	<b>(238.918)</b>	<b>(261.733)</b>
Net Transfers to Earmarked Reserves	31	(0.339)	0.339	0.000	0.000	0.000	0.000	0.000
(Increase) / Decrease in 2014-15		(12.125)	0.339	(8.743)	(2.286)	(22.815)	(238.918)	(261.733)
<b>Balance as at 31 Mar 2015</b>	14	<b>(55.200)</b>	<b>(204.805)</b>	<b>(24.603)</b>	<b>(13.727)</b>	<b>(298.335)</b>	<b>(1,238.307)</b>	<b>(1,536.642)</b>

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## NOTES TO THE CORE FINANCIAL STATEMENTS

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The values held within the proceeding Notes to the Accounts may vary slightly when compared to the main Statements or each other. This is due to amounts being rounded. 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 (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.

The Policies outline how the Council will account for all income, expenditure, assets and liabilities held and incurred during the 2014-15 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 not been any amendments to the nature of the Accounting Policies published as part of the Statement of Accounts 2013-14. Changes have been made to clarify existing policies and to reflect grammatical changes. The Accounting Policies are shown at Appendix One.

### 2. CRITICAL JUDGEMENTS WHEN APPLYING THE ACCOUNTING STANDARDS

#### **The Council is a Going Concern**

The Council is actively pursuing opportunities to work with other local authorities, including an option to create a Combined Authority with a number of other councils. The Accounting Statements and Notes to the Accounts have been prepared with the view that the Council will continue to operate in its current form, as a single entity, with disregard to any future structural changes that may or may not occur.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 3. ACCOUNTING STANDARDS ISSUED AND NOT YET APPLIED

#### IFRS13 Fair Value Measurement

IFRS 13 (issued in May 2011) is a Standard that requires local authorities to measure their assets and liabilities and provide disclosures where the Code requires or permits fair value measurement. The requirements of the standard will be introduced for local authorities in the 2015-16 Code. It will cover all assets and liabilities subject to fair value assessment, including PPE and Financial Instruments. In the main it is anticipated that the amended requirements of the Code will result in little or no amendment to the financial statements reported as at 31 March 2015, however changes are anticipated in Surplus Assets and Financial Instrument fair values.

**Surplus Assets** (i.e. PPE that is not being used to supply goods and services and does not meet the criteria of assets held for sale) are currently measured at existing use valuation based on their use as an operational asset. However, the 2015-16 Code requires that such assets will be measured at fair value in accordance with IFRS13. The current value of Surplus Assets within the Council's PPE is shown as follows:

	Land & Building		Vehicles, Plant & Equipment		Total PPE		
	GBV	Dpn	GBV	Dpn	GBV	Dpn	NBV
<b>Total PPE</b>	<b>23.115</b>	<b>(0.752)</b>	<b>1.346</b>	<b>(1.021)</b>	<b>24.461</b>	<b>(1.773)</b>	<b>22.688</b>

**Financial Instruments** At 31 March 2015, the Council held 55 non-current and 3 current borrowing loans with the Public Works Loans Board to the total value of £317.470m non-current and £15m current. Using the current valuation method, these loans have a fair value of £448.949m non-current and £15.000m current. Using the revised IFRS 13 methodology these loans would have a fair value of £411.312m and £15.948m respectively.

At 31 March 2015, the Council held 22 assets under Finance Leases, with a liability recognised in the accounts of £4.845m (£4.710m non-current and £0.135m current). Under the discounted cash flow calculation, the fair value of these leases would have been £11.984m (£11.122m non-current and £0.862m current).

At 31 March 2015, the Council had 3 PFI schemes, with a liability recognised in the accounts totalling £79.467m (£76.888m non-current and £2.579m current). Under the discounted cash flow calculation, the fair value of these schemes would have been £112.211m (£104.264m non-current and £7.947m current).

#### IFRIC21 Levies

IFRIC 21 provides guidance on when to recognise a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and those where the timing and amount of the levy is certain.



## NOTES TO THE CORE FINANCIAL STATEMENTS

IFRIC 21 identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation. The Interpretation clarifies that 'economic compulsion' and the going concern principle do not create or imply that an obligating event has occurred.

The changes will not bring about any material changes to the financial position reported at 31 March. Full details of all levies paid by the Council can be found in Note 6.

### 4. PRIOR PERIOD ADJUSTMENTS

#### Accounting for Schools

Local Authority Accounting Practice Bulletin 101 (LAAP 101) provides local authorities with further guidance regarding the accounting treatment of schools with regard to International Financial Reporting Standard 10 (IFRS10) - Consolidated Financial Statements. Under the guidance provided by the LAAP Bulletin, some Voluntary Controlled schools currently on the balance sheet need to be derecognised and some Foundation Schools currently off balance sheet needed to be recognised.

The recognition of the non-current assets outlined above has been deemed to be a change in accounting policy. In compliance with relevant accounting standards, the following tables outline the adjustments that have been made to the opening balance sheet (1 April 2013) and comparative year accounts (2013-14).

Adjustments to the Opening Balance Sheet position:

	Note	01 April 2013			Restated Accounts £m
		Published Accounts £m	Adjustment for VC Schools £m	Adjustment for Foundation Schools £m	
<b>Balance Sheet:</b>					
Land & Building	15	1,310.146	(40.356)	156.515	1,426.305
Vehicles, Plant & Equipment	15	18.069	(0.194)	0.000	17.875
<b>Total PPE</b>	BS	<b>1,629.937</b>	<b>(40.550)</b>	<b>156.515</b>	<b>1,745.902</b>
Revaluation Reserve	15	(246.882)	2.519	0.000	(244.363)
Capital Adjustment Account	15	(962.505)	38.031	(156.515)	(1,080.989)
<b>Total Unusable Reserves</b>	BS	<b>(504.766)</b>	<b>40.550</b>	<b>(156.515)</b>	<b>(620.731)</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

Adjustments to the Comprehensive Income and Expenditure Statement for 2013-14:

	Note	2013-14			Restated Accounts £m
		Published Accounts £m	Adjustment for VC Schools £m	Adjustment for Foundation Schools £m	
<b>CIES:</b>					
REFCUS	14	10.708	4.889	(0.343)	15.254
Depreciation	14	46.274	(6.211)	2.567	42.630
Capital Charges	9	111.856	(1.322)	2.224	112.758
Children & Education Services	CIES	194.949	(1.322)	2.224	195.851
<b>Net Cost of Services (Net)</b>	CIES	<b>584.114</b>	<b>(1.322)</b>	<b>2.224</b>	<b>585.016</b>
Loss on Disposal of Fixed Asset	6	56.306	(5.770)	0.343	50.879
<b>Other Operating (Income) / Expenditure</b>	CIES	<b>55.785</b>	<b>(5.770)</b>	<b>0.343</b>	<b>50.358</b>
<b>(Surplus) / Deficit on Provision of Services</b>	CIES	<b>111.828</b>	<b>(7.092)</b>	<b>2.567</b>	<b>107.303</b>
<b>(Gain) on Revaluation of Fixed Assets</b>	CIES	<b>(330.846)</b>	<b>29.051</b>	<b>0.000</b>	<b>(301.795)</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

Adjustments to the Comparative Balance Sheet (31 March 2014):

	Note	31 March 2014				Restated Accounts £m
		Published Accounts £m	Adjustments Brought Forward from 2012-13 £m	Adjustment for VC Schools £m	Adjustment for Foundation Schools £m	
<b>Balance Sheet:</b>						
Additions	15	38.560		(4.907)	0.343	33.996
Disposals Derecognition (net)	15	(30.657)		5.773	(0.343)	(25.227)
Revaluation Gain / Loss (net)	15	316.484		(28.833)	0.000	287.651
Depreciation Charge	15	(28.553)		6.101	(2.567)	(25.019)
<b>Land &amp; Building</b>	<b>15</b>	<b>1,547.779</b>	<b>116.159</b>	<b>(21.866)</b>	<b>(2.567)</b>	<b>1,639.505</b>
Additions	15	3.061		0.018	0.000	3.079
Disposals (Net Cost & Dpn)	15	(3.745)		(0.003)	0.000	(3.748)
Depreciation Charge	15	(7.542)		0.110	0.000	(7.432)
<b>Vehicles, Plant &amp; Equipment</b>	<b>15</b>	<b>13.026</b>	<b>(0.194)</b>	<b>0.125</b>	<b>0.000</b>	<b>12.957</b>
<b>Total PPE</b>	<b>BS</b>	<b>1,864.740</b>	<b>115.965</b>	<b>(21.741)</b>	<b>(2.567)</b>	<b>1,956.397</b>
Revaluation Reserve	14	(538.971)	2.519	15.664	0.000	(520.788)
Capital Adjustment Account	14	(910.875)	(118.484)	6.078	2.567	(1,020.714)
<b>Total Unusable Reserves</b>	<b>BS</b>	<b>(907.734)</b>	<b>(115.965)</b>	<b>21.742</b>	<b>2.567</b>	<b>(999.390)</b>

### 5. ASSUMPTIONS MADE AND OTHER ESTIMATION UNCERTAINTY

#### PPE Valuation Methodology

Most of the Council's assets are valued using the Depreciated Replacement Cost (DRC) methodology after calculating a Modern Equivalent Asset (MEA) based on the assets existing use. For example, a school would have been valued based on the lowest possible land available to meet the needs of the school and at a cost of building from scratch a modern building to meet the needs of that school. This is the MEA valuation. The value is then reduced to reflect the condition of the actual building compared to the modern new building. This is the DRC.

It is fair to assume that the DRC valuation would not be the same as any proceeds from disposal of an asset, and thus the valuation does not represent the cash worth of the Council's assets. However, the DRC is believed to be the most accurate estimation technique to obtain the value in current use for most of the Council's assets. Any gains or losses on disposal are recognised in the CIES. Full details of the impact of the PPE valuations on the balance sheet position can be found in note 15 which details the carrying value of assets compared to the historical cost paid.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Accounting for Schools

Where a school building is owned by the diocese, it is not considered to be within the control of the Council and therefore should not be recognised on the balance sheet. A school owned by a school trust, the governing body or the local authority is considered to be within the control of that local authority and should therefore be recognised on the balance sheet.

As the LAAP Bulletin was only issued in December 2014, there has been insufficient time to evaluate all of the Council's affected schools to determine ownership arrangements. The local diocese is unable to confirm ownership of the schools. This specifically concerns Voluntary Controlled (VC) schools, whereby all schools had been previously accounted for as assets of the Council. Under the guidance provided by the LAAP Bulletin, some of these schools should be removed.

Under the circumstances, a sample of the VC schools has been used to determine the ownership and value of schools to be adjusted in the Council's accounts. The outcome has been applied across all similar categories of schools. The following tables outline the value of uncertainty in the adjustment made to the Council's accounts:

Value of all VC schools prior to the adjustment:

	31 Mar 2014			31 Mar 2015		
	GBV £m	Dpn £m	NBV £m	GBV £m	Dpn £m	NBV £m
Land	68.625	0.000	68.625	121.627	0.000	121.627
Building	142.569	(12.350)	130.219	193.926	(6.049)	187.877
F&E	7.818	(6.845)	0.973	7.828	(7.483)	0.345
<b>Total</b>	<b>219.012</b>	<b>(19.195)</b>	<b>199.817</b>	<b>323.381</b>	<b>(13.532)</b>	<b>309.849</b>

Estimated value of schools to be removed from the carrying value based on the sample of 10% of VC schools:

	31 Mar 2014			31 Mar 2015		
	GBV £m	Dpn £m	NBV £m	GBV £m	Dpn £m	NBV £m
Land	(17.925)	0.000	(17.925)	(45.832)	0.000	(45.832)
Building	(48.852)	4.553	(44.298)	(50.922)	1.753	(49.169)
F&E	(1.305)	1.237	(0.068)	(1.311)	1.492	0.181
<b>Total</b>	<b>(68.082)</b>	<b>5.790</b>	<b>(62.291)</b>	<b>(98.065)</b>	<b>3.245</b>	<b>(94.820)</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

Carrying value of VC schools in PPE as at 31 March:

	31 Mar 2014			31 Mar 2015		
	GBV £m	Dpn £m	NBV £m	GBV £m	Dpn £m	NBV £m
Land	50.700	0.000	50.700	75.795	0.000	75.795
Building	93.717	(7.797)	85.920	143.004	(4.296)	138.708
F&E	6.513	(5.608)	0.905	6.517	(5.991)	0.526
<b>Total</b>	<b>150.930</b>	<b>(13.405)</b>	<b>137.525</b>	<b>225.316</b>	<b>(10.287)</b>	<b>215.029</b>

### Estimation Uncertainty

Of the sample of schools, two had sufficient documentation to deem that they were under the control of the Diocese and not the Council, and therefore should be removed from the balance sheet.

The value of these schools is:

	31 Mar 2014			31 Mar 2015		
	GBV £m	Dpn £m	NBV £m	GBV £m	Dpn £m	NBV £m
Off Balance Sheet Assets						
Land	0.667	0.000	0.667	2.334	0.000	2.334
Building	2.123	(0.169)	1.954	3.098	(0.119)	2.979
F&E	0.114	(0.085)	0.029	0.114	(0.107)	0.007
<b>Total</b>	<b>2.904</b>	<b>(0.254)</b>	<b>2.650</b>	<b>5.546</b>	<b>(0.226)</b>	<b>5.320</b>

Therefore there is certainty that the true value of VC schools is a maximum value of:

	31 Mar 2014			31 Mar 2015		
	GBV £m	Dpn £m	NBV £m	GBV £m	Dpn £m	NBV £m
Maximum value of VC schools						
Land	67.958	0.000	67.958	119.293	0.000	119.293
Building	140.446	(12.181)	128.265	190.828	(5.930)	184.898
F&E	7.704	(6.760)	0.944	7.714	(7.376)	0.338
<b>Total</b>	<b>216.108</b>	<b>(18.941)</b>	<b>197.167</b>	<b>317.835</b>	<b>(13.306)</b>	<b>304.529</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

Of the sample, three schools had sufficient documentation to deem that they were under the control of the Council not the Diocese, and therefore should remain on the balance sheet. The value of these schools, and subsequently the minimum carrying value of VC schools is:

	31 Mar 2014			31 Mar 2015		
	GBV £m	Dpn £m	NBV £m	GBV £m	Dpn £m	NBV £m
Minimum value of VC schools						
Land	1.276	0.000	1.276	1.019	0.000	1.019
Building	4.654	(0.368)	4.286	2.784	(0.070)	2.714
F&E	0.295	(0.247)	0.048	0.205	(0.205)	0.000
<b>Total</b>	<b>6.225</b>	<b>(0.615)</b>	<b>5.610</b>	<b>4.008</b>	<b>(0.275)</b>	<b>3.733</b>

The true value of VC schools within PPE is between £3.733m (£5.610m 2013-14) and £304.529m (£197.168m 2013-14). Therefore the estimation uncertainty of the carrying value of £215.029m (£137.526m 2013-14) is +98.26% / -41.62% (+95.92% / -43.37% in 2013-14).

### 6. OTHER OPERATING EXPENDITURE

2013-14 RESTATED £m		2014-15 £m
(0.824)	Trading Operations	(0.429)
0.303	Levies & Precepts	0.301
50.880	Loss on Disposal of Fixed Assets	93.520
<b>50.359</b>		<b>93.392</b>

Trading operations relate to a number of industrial estates which operate in a commercial environment. The surplus for the year was achieved with a gross expenditure of £1.064m (£0.627m in 2013-14) offset against rental income of £1.493m (£1.451m in 2013-14).

Levies and precepts predominantly relate to precept payments to the environment agency as shown in the table below.

## NOTES TO THE CORE FINANCIAL STATEMENTS

2013-14 £m		2014-15 £m
	Precepts to the Environment Agency	
0.181	Severn Trent Region	0.179
0.036	North West Region	0.036
0.084	Yorkshire Region	0.083
0.002	Financial Reporting Council Levy	0.002
<b>0.303</b>		<b>0.300</b>

Details of the movements on Fixed Assets, including disposals, are shown in note 15.

### 7. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2013-14 £m		Note	2014-15 £m
25.906	Interest Payable		24.410
(4.004)	Interest Receivable		(3.598)
29.484	Net Pension Costs	49	23.270
<b>51.386</b>			<b>44.082</b>

Interest payable has been itemised in the table below

2013-14 £m		2014-15 £m
19.391	Interest Payable on Capital Borrowing	18.059
5.757	Interest Payable on PFI	5.603
0.597	Interest Payable on Finance Leases	0.587
0.161	Interest Payable on Other Items	0.161
<b>25.906</b>		<b>24.410</b>

Interest receivable has been itemised in the table below

2013-14 £m		2014-15 £m
(2.211)	Interest Receivable on Investments	(2.079)
(1.748)	Interest Receivable on Transferred Debt	(1.484)
(0.014)	Interest Receivable on Finance Leases	(0.010)
(0.023)	Interest Receivable on Cash & Bank Balances	(0.018)
(0.008)	Interest Receivable on Other Items	(0.007)
<b>(4.004)</b>		<b>(3.598)</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 8. TAXATION AND NON-SPECIFIC GRANT INCOME

2013-14 £m		Note	2014-15 £m
(248.040)	Council Tax		(255.427)
(2.812)	Council Tax Freeze Grant		0.000
(148.218)	Revenue Support Grant		(126.225)
(98.579)	Business Rates		(101.052)
(10.504)	Private Finance Initiative Grant	40	(10.504)
(1.306)	New Homes Bonus	40	(1.716)
(1.520)	Local Services Support Grant	40	(1.178)
(20.544)	Other General Revenue Grants	40	(21.014)
(47.934)	Capital Grants	40	(80.955)
<b>(579.457)</b>			<b>(598.071)</b>

### 9. SEGMENTAL REPORTING

The income and expenditure of the Council's Cabinet Member Portfolio 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
<b>Controllable:</b>			
Adult Social Care	217.526	216.954	(0.572)
Children and Young People	109.773	107.903	(1.870)
Council Services	40.008	38.947	(1.061)
Highways, Transport and Infrastructure	80.016	77.443	(2.573)
Health and Communities	11.215	4.918	(6.297)
Strategic, Policy, Economic Development and Budget	7.330	6.334	(0.996)
<b>Total Controllable Outturn</b>	<b>465.868</b>	<b>452.499</b>	<b>(13.369)</b>
<b>Total Uncontrollable Outturn</b>	<b>108.001</b>	<b>108.001</b>	<b>0.000</b>
<b>Total Spend for Departments</b>	<b>573.869</b>	<b>560.500</b>	<b>(13.369)</b>



## NOTES TO THE CORE FINANCIAL STATEMENTS

The total expenditure for the financial year 2014-15 can be analysed into the subjective line items (type of expenditure such as employee costs etc.) as follows:

	Adult Social Care £m	Children and Younger People £m	Council Services £m	Highways, Transport & Infrastructure £m	Health and Communities £m
Employee Costs	78.240	451.368	52.507	20.696	15.717
Premises Costs	1.646	22.191	8.398	1.216	0.888
Transport Costs	3.986	19.064	2.690	1.312	0.249
Supplies & Services	19.736	52.686	12.589	10.914	27.881
Agency Payments	187.279	56.978	7.420	64.541	4.020
Transfer Payments	19.864	1.995	0.000	0.000	0.000
Cross Departmental Charging	4.524	25.198	(33.514)	2.003	1.826
Central Recharges	10.349	12.338	(26.222)	4.715	3.374
Capital Charges	6.672	79.184	4.018	14.280	0.966
<b>Total Expenditure</b>	<b>332.296</b>	<b>721.002</b>	<b>27.886</b>	<b>119.677</b>	<b>54.921</b>
Grants	(0.230)	(489.753)	(10.558)	(2.469)	(37.442)
Contributions	(58.921)	(10.045)	(2.465)	(6.594)	(0.586)
Sales, Fees and Charges	(36.915)	(19.842)	(12.495)	(10.786)	(1.114)
<b>Total Income</b>	<b>(96.066)</b>	<b>(519.640)</b>	<b>(25.518)</b>	<b>(19.849)</b>	<b>(39.142)</b>
<b>Total Reported Spend</b>	<b>236.230</b>	<b>201.362</b>	<b>2.368</b>	<b>99.828</b>	<b>15.779</b>

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

This shows how the Cabinet Member Portfolio reported spend for the year is reconciled back to the Net Cost of Services in the Comprehensive Income and Expenditure Statement. This is because internally some functions are reported by Cabinet Member Portfolio, but the Council is required to present the information differently in the accounts, such as the Trading Operations.

<b>Total Departmental Expenditure</b>	<b>560.500</b>
Trading Operations	0.429
PFI adjustments	2.487
Pensions (IAS19)	11.490
Employee Benefits	(0.616)
Adjustment for VC Schools	(1.681)
<b>Expenditure Reported in the NCS</b>	<b>572.609</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

Strategic Policy, Economic Development and Budget £m	Total Departmental Reported Spending £m	Corporate Adjustments £m	Net Cost of Services Position £m
5.190	623.718	10.874	634.592
0.027	34.366	(0.199)	34.167
0.026	27.327	0.000	27.327
2.715	126.521	(8.882)	117.639
0.094	320.332	0.000	320.332
0.000	21.859	0.000	21.859
(0.037)	(0.000)	0.000	(0.000)
(4.554)	0.000	0.000	0.000
2.957	108.077	(1.681)	106.396
<b>6.418</b>	<b>1,262.200</b>	<b>0.112</b>	<b>1,262.312</b>
(1.207)	(541.659)	10.504	(531.155)
(0.168)	(78.779)	0.000	(78.779)
(0.110)	(81.262)	1.493	(79.769)
<b>(1.485)</b>	<b>(701.700)</b>	<b>11.997</b>	<b>(689.703)</b>
<b>4.933</b>	<b>560.500</b>	<b>12.109</b>	<b>572.609</b>

The restated 2013-14 position was:

	Budget £m	Actual £m	Outturn £m
<b>Controllable:</b>			
Adult Social Care	209.079	215.989	6.910
Children and Young People	107.746	109.620	1.874
Council Services	50.147	48.201	(1.946)
Highways, Transport and Infrastructure	88.911	86.987	(1.924)
Health and Communities	17.793	16.232	(1.561)
Strategic, Policy, Economic Development and Budget	4.867	4.215	(0.652)
<b>Total Controllable Outturn</b>	<b>478.543</b>	<b>481.244</b>	<b>2.701</b>
<b>Total Uncontrollable Outturn</b>	<b>91.157</b>	<b>91.157</b>	<b>0.000</b>
<b>Total Spend for Departments</b>	<b>569.700</b>	<b>572.401</b>	<b>2.701</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

	Adult Social Care £m	Children and Younger People RESTATED £m	Council Services £m	Highways, Transport & Infrastructure £m	Health and Communities £m
Employee Costs	78.392	441.900	53.585	22.670	12.145
Premises Costs	1.872	22.912	10.957	1.926	1.027
Transport Costs	3.893	19.129	2.835	1.886	0.216
Supplies & Services	18.689	48.583	16.926	11.780	29.617
Agency Payments	180.048	52.687	7.649	66.971	2.435
Transfer Payments	18.446	1.819	0.000	0.000	0.000
Cross Departmental Charging	5.286	25.849	(35.421)	1.941	1.825
Central Recharges	9.446	16.575	(28.740)	4.616	2.908
Capital Charges	8.709	70.976	11.997	17.447	2.247
<b>Total Expenditure</b>	<b>324.781</b>	<b>700.430</b>	<b>39.788</b>	<b>129.237</b>	<b>52.420</b>
Grants	(0.342)	(484.090)	(11.953)	(0.494)	(35.690)
Contributions	(50.013)	(6.557)	(1.897)	(6.565)	(1.709)
Sales, Fees and Charges	(37.500)	(20.987)	(11.321)	(10.240)	(0.893)
<b>Total Income</b>	<b>(87.855)</b>	<b>(511.634)</b>	<b>(25.171)</b>	<b>(17.299)</b>	<b>(38.292)</b>
<b>Total Reported Spend</b>	<b>236.926</b>	<b>188.796</b>	<b>14.617</b>	<b>111.938</b>	<b>14.128</b>

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

This shows how the Cabinet Member Portfolio reported spend for the year is reconciled back to the Net Cost of Services in the Comprehensive Income and Expenditure Statement. This is because internally some functions are reported by Cabinet Member Portfolio but the Council is required to present differently in the accounts, such as the Trading Operations.

<b>Total Departmental Expenditure</b>	<b>572.401</b>
Trading Operations	0.824
PFI adjustments	2.486
Pensions (IAS19)	6.222
Employee Benefits	2.181
PPA Foundation Schools	2.224
PPA Voluntary Controlled Schools	(1.322)
<b>Expenditure Reported in the NCS</b>	<b>585.016</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

Strategic Policy, Economic Development and Budget £m	Total Departmental Reported Spending £m	Corporate Adjustments RESTATED £m	Net Cost of Services Position RESTATED £m
9.117	617.809	8.403	626.212
0.057	38.751	0.000	38.751
0.277	28.236	0.000	28.236
3.040	128.635	(7.194)	121.441
0.529	310.319	0.000	310.319
0.000	20.265	0.000	20.265
0.521	0.001	0.000	0.001
(4.805)	0.000	0.000	0.000
0.479	111.855	0.902	112.757
<b>9.215</b>	<b>1,255.871</b>	<b>2.111</b>	<b>1,257.982</b>
(1.929)	(534.498)	10.504	(523.994)
(0.835)	(67.576)	0.000	(67.576)
(0.455)	(81.396)	0.000	(81.396)
<b>(3.219)</b>	<b>(683.470)</b>	<b>10.504</b>	<b>(672.966)</b>
<b>5.996</b>	<b>572.401</b>	<b>12.615</b>	<b>585.016</b>

### 10. AGENCY ARRANGEMENTS

The Council makes payments for Funded Nursing Care to providers on behalf of the Clinical Commissioning Groups (CCG's). The cost of administering the service is fully funded by the CCG's.

2013-14 £m		2014-15 £m
7.947	Payments to Nursing Care Providers	7.977
(7.435)	Recharge to CCG's	(7.939)
(0.079)	Admin Charge to CCG	(0.079)
<b>0.433</b>		<b>(0.041)</b>

### 11. NON DISTRIBUTED COSTS

Non Distributed Costs of £1.149m (2013-14 £0.992m) comprise past service costs relating to post-employment benefits.

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## NOTES TO THE CORE FINANCIAL STATEMENTS

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### 12. 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.

#### **County Council Controlled Companies**

Markham Vale Limited is a private company limited by shares of two ordinary shares of £1. There are two shareholders, both appointed by the Council. There were no transactions with the company during the financial year.

MEGZ Limited is a private company limited by shares of 9,251 ordinary shares, held by the Council. There are three directors of the company who are Chief Officers or Members of the Council; all have been appointed by the Council. There were no transactions with the company during the financial year.

The Derbyshire Environmental Trust Limited is a company limited by guarantee with no share capital. Customer transactions with this organisation in the year totalled £0.067m and vendor transactions totalled £0.006m.

The Cresswell Heritage Trust Limited is a company limited by guarantee with no share capital. The Director of the Trust is a Member who was appointed by the Council. Customer transactions with this organisation in the year totalled £0.113m and vendor transactions totalled £0.007m.

Scape Limited is a private limited company. There are two directors of the company who are a Chief Officer and a Member of the Council; all have been appointed by the Council. Customer transactions with this organisation in the year totalled £0.198m and vendor transactions totalled £0.016m.

**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 9 on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2015 are shown in note 40.

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. Customer transactions in the year totalled £6.458m, of this, £6.209m were with Academy Schools. Vendor transactions totalled £1,535.602m and included the following significant transactions:

Debt Management Office	£1,352.650m
Inland Revenue	£108.797m
Teachers Pensions	£45.477m

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## NOTES TO THE CORE FINANCIAL STATEMENTS

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There were four transactions of £20m which are included within the Debt Management Office transactions stated above, all of which relate to investments made by the Council.

**Other Local Authorities** - typical transactions include, but are not restricted to, investments, repayment of transferred debt, re-imburement of joint project costs and supplies of goods and services. Customer transactions totalled £34.383m and included significant transactions with Derby City Council totalling £21.516m. Vendor transactions totalled £336.558m and included the following significant transactions: -

Greater London Authority	£20.000m
Derbyshire Fire and Rescue Service	£42.729m

**Health Bodies** - typical transactions include, but are not restricted to, investments, re-imburement of joint project costs and supplies of goods and services. Customer transactions with health bodies in the year totalled £48.996m and included significant transactions with NHS Shared Business Services £16.626m, NHS North Derbyshire CCG totalling £14.684m and NHS Southern Derbyshire CCG totalling £9.034m. Vendor transactions totalled £25.632m and included transactions with Derbyshire Community Health Services NHS FT totalling £15.169m.

**Members and Chief Officers** - Council Members and Chief Officers have direct control over the Council's financial and operating policies. The total of Members' allowances paid in 2014-15 is shown in Note 34. During 2014-15 works and services to the value of £0.299m were commissioned from companies in which Members and/or Chief Officers 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 2014-15 are charges from the Corporate Finance Division and other Council departments of £1.947m (2013-14, £1.731m) for expenses incurred in administering the Fund. In addition, interest of £0.001m (2013-14, £0.001m) was paid by the Council to the Fund in 2014-15. At 31 March 2015 the Council owed the Fund £3.002m (2014: the Council owed the Fund £0.297m).

### 13. 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 through a strategic review of its corporate risk register has identified a shortfall in the Insurance Fund to cover uninsured losses. The shortfall will be funded from General Reserves when the estimated costs have been established.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 14. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

Narrative	Note	Usable reserves			
		General Reserve £m	Earmarked Revenue Reserves £m	Unapplied Capital Grants £m	Capital Receipts Reserve £m
<b>BALANCE AS AT 1 APRIL 2014</b>		<b>(43.075)</b>	<b>(205.144)</b>	<b>(15.860)</b>	<b>(11.441)</b>
Comprehensive Income & Expenditure		112.013	0.000	0.000	0.000
Depreciation of fixed assets	15	(50.273)	0.000	0.000	0.000
Impairment of fixed assets	15	(43.060)	0.000	0.000	0.000
Capital Grants	40	80.955	0.000	(80.955)	0.000
Disposal of fixed assets	15	(93.520)	0.000	0.000	(2.166)
REFCUS - Revenue funded by Capital		(13.064)	0.000	0.000	0.000
Employee Benefits		0.616	0.000	0.000	0.000
Retirement benefits	49	(93.176)	0.000	0.000	0.000
Minimum revenue provision		20.517	0.000	0.000	0.000
Principal transferred debt		(1.268)	0.000	0.000	0.000
RCCO - Capital Funded from Revenue		10.087	0.000	0.000	0.000
Proportion of Previous Year Premiums	23	(0.053)	0.000	0.000	0.000
Reversal of effective interest rate	23	0.025	0.000	0.000	0.000
Employer contribution to Pensions	49	58.415	0.000	0.000	0.000
Transfer to Earmarked reserves	31	58.134	(58.134)	0.000	0.000
Transfer from Earmarked reserves	31	(58.474)	58.474	0.000	0.000
Transfer Usable Capital Receipts	46	0.000	0.000	0.000	(0.120)
Financing Capital Spend	18	0.000	0.000	72.212	0.000
<b>BALANCE AT 31 MARCH 2015</b>		<b>(55.201)</b>	<b>(204.804)</b>	<b>(24.603)</b>	<b>(13.727)</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

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
(0.274)	(520.788)	(1,020.714)	0.201	8.953	(2.566)	535.799
0.000	(549.704)	0.000	0.000	0.000	0.000	175.958
0.000	57.967	(7.694)	0.000	0.000	0.000	0.000
0.000	0.000	43.060	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	95.686	0.000	0.000	0.000	0.000
0.000	0.000	13.064	0.000	0.000	0.000	0.000
0.000	0.000	0.000	0.000	(0.616)	0.000	0.000
0.000	0.000	0.000	0.000	0.000	0.000	93.176
0.000	0.000	(20.517)	0.000	0.000	0.000	0.000
0.000	0.000	1.268	0.000	0.000	0.000	0.000
0.000	0.000	(10.087)	0.000	0.000	0.000	0.000
0.000	0.000	0.000	0.053	0.000	0.000	0.000
0.000	0.000	0.000	(0.025)	0.000	0.000	0.000
0.000	0.000	0.000	0.000	0.000	0.000	(58.415)
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
0.120	0.000	0.000	0.000	0.000	0.000	0.000
0.000	0.000	(72.212)	0.000	0.000	0.000	0.000
<b>(0.154)</b>	<b>(1,012.525)</b>	<b>(978.146)</b>	<b>0.229</b>	<b>8.337</b>	<b>(2.566)</b>	<b>746.518</b>



## NOTES TO THE CORE FINANCIAL STATEMENTS

The restated 2013-14 position was:

Narrative	Note	Usable reserves			
		General Reserve RESTATED £m	Earmarked Revenue Reserves £m	Unapplied Capital Grants £m	Capital Receipts Reserve £m
<b>BALANCE AS AT 1 APRIL 2013</b>		<b>(102.720)</b>	<b>(138.497)</b>	<b>(22.114)</b>	<b>(8.610)</b>
Comprehensive Income & Expenditure		107.306	0.000	0.000	0.000
Depreciation of fixed assets	15	(42.630)	0.000	0.000	0.000
Impairment of fixed assets	15	(54.874)	0.000	0.000	0.000
Capital Grants	40	47.934	0.000	(47.934)	0.000
Disposal of fixed assets	15	(50.880)	0.000	0.000	0.000
REFCUS - Revenue funded by Capital		(15.254)	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	49	(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		18.268	0.000	0.000	0.000
Proportion of Previous Year Premiums	23	(0.040)	0.000	0.000	0.000
Reversal of effective interest rate	23	(0.009)	0.000	0.000	0.000
Employer contribution to Pensions	49	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	46	0.000	0.000	0.000	(0.159)
Financing Capital Spend	18	0.000	0.000	54.188	(2.672)
<b>BALANCE AT 31 MARCH 2014</b>		<b>(43.075)</b>	<b>(205.144)</b>	<b>(15.860)</b>	<b>(11.441)</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

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
(0.433)	(244.363)	(1,080.989)	0.152	6.772	(1.275)	699.410
0.000	(290.231)	0.000	0.000	0.000	0.000	(199.317)
0.000	0.023	42.607	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	13.783	37.097	0.000	0.000	0.000	0.000
0.000	0.000	15.254	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	(51.516)	0.000	0.000	0.000	0.000
<b>(0.274)</b>	<b>(520.788)</b>	<b>(1,020.714)</b>	<b>0.201</b>	<b>8.953</b>	<b>(2.566)</b>	<b>535.799</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 15. 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
<b>COST OR VALUATION</b>						
<b>At 1st April 2014</b>	<b>1,723.109</b>	<b>80.232</b>	<b>359.921</b>	<b>1.644</b>	<b>9.810</b>	<b>2,174.716</b>
Additions	38.794	3.134	31.127	0.400	18.877	<b>92.332</b>
Disposals	(58.902)	(1.977)	0.000	0.000	0.000	<b>(60.879)</b>
Disposals derecognition	(33.901)	(0.011)	(17.442)	0.000	0.000	<b>(51.354)</b>
Revaluation Gains to RR*	533.273	0.000	0.000	0.000	0.000	<b>533.273</b>
Revaluation Losses to RR	(44.134)	0.000	0.000	0.000	0.000	<b>(44.134)</b>
Impairment	(39.239)	0.000	0.000	(0.016)	0.000	<b>(39.255)</b>
Transfer within PPE	4.595	0.003	0.000	0.000	(4.598)	<b>0.000</b>
Transfer to Held for Sale	(2.647)	0.000	0.000	0.000	0.000	<b>(2.647)</b>
<b>At 31st March 2015</b>	<b>2,120.948</b>	<b>81.381</b>	<b>373.606</b>	<b>2.028</b>	<b>24.089</b>	<b>2,602.052</b>
<b>DEPRECIATION</b>						
<b>At 1st April 2014</b>	<b>(83.606)</b>	<b>(67.275)</b>	<b>(67.430)</b>	<b>(0.009)</b>	<b>0.000</b>	<b>(218.320)</b>
Charge for year	(33.791)	(6.344)	(9.104)	(0.004)	0.000	<b>(49.243)</b>
Revaluations to RR	60.559	0.000	0.000	0.000	0.000	<b>60.559</b>
Revaluations to I&E	(3.805)	0.000	0.000	0.000	0.000	<b>(3.805)</b>
Disposals	4.911	1.875	0.000	0.000	0.000	<b>6.786</b>
Disposals derecognition	0.984	0.010	9.025	0.000	0.000	<b>10.019</b>
Transfers to Held for Sale	1.397	0.000	0.000	0.000	0.000	<b>1.397</b>
<b>At 31st March 2015</b>	<b>(53.351)</b>	<b>(71.734)</b>	<b>(67.509)</b>	<b>(0.013)</b>	<b>0.000</b>	<b>(192.607)</b>
OPENING VALUE	1,639.503	12.957	292.491	1.635	9.810	1,956.396
<b>CLOSING VALUE</b>	<b>2,067.597</b>	<b>9.647</b>	<b>306.097</b>	<b>2.015</b>	<b>24.089</b>	<b>2,409.445</b>
<b>NATURE OF ASSET HOLDING</b>						
Purchased / Built	1,998.662	9.647	306.098	2.015	24.089	<b>2,340.511</b>
Finance Lease	11.827	0.000	0.000	0.000	0.000	<b>11.827</b>
Donated	9.551	0.000	0.000	0.000	0.000	<b>9.551</b>
Private Finance Initiative	47.556	0.000	0.000	0.000	0.000	<b>47.556</b>
	<b>2,067.596</b>	<b>9.647</b>	<b>306.098</b>	<b>2.015</b>	<b>24.089</b>	<b>2,409.445</b>

\*RR - Revaluation Reserve

## NOTES TO THE CORE FINANCIAL STATEMENTS

The revised 2013-14 position was:

	Land & Buildings REVISED £m	Vehicles, Plant & Equipment REVISED £m	Infrastructure Assets £m	Community Assets £m	Assets Under Construction £m	Property Plant & Equipment REVISED £m
<b>COST OR VALUATION</b>						
<b>At 1st April 2013</b>	<b>1,508.256</b>	<b>80.411</b>	<b>348.918</b>	<b>1.283</b>	<b>16.980</b>	<b>1,955.848</b>
Additions	33.996	3.079	22.918	0.249	8.654	<b>68.896</b>
Disposals	(28.405)	(3.745)	0.000	0.000	0.000	<b>(32.150)</b>
Disposals derecognition	(26.588)	(0.003)	(14.066)	(0.020)	0.000	<b>(40.677)</b>
Revaluation Gains to RR*	279.860	0.000	0.000	0.002	0.000	<b>279.862</b>
Revaluation Losses to RR	(11.782)	0.000	0.000	0.000	0.000	<b>(11.782)</b>
Impairment	(40.224)	0.000	0.000	(0.029)	0.000	<b>(40.253)</b>
Transfer within PPE	10.045	0.624	2.151	0.159	(12.979)	<b>(0.000)</b>
Transfer to Heritage	0.000	0.000	0.000	0.000	(2.845)	<b>(2.845)</b>
Transfer to Held for Sale	(2.049)	(0.134)	0.000	0.000	0.000	<b>(2.183)</b>
<b>At 31st March 2014</b>	<b>1,723.109</b>	<b>80.232</b>	<b>359.921</b>	<b>1.644</b>	<b>9.810</b>	<b>2,174.716</b>
<b>DEPRECIATION</b>						
<b>At 1st April 2013</b>	<b>(81.953)</b>	<b>(62.536)</b>	<b>(65.453)</b>	<b>(0.006)</b>	<b>0.000</b>	<b>(209.948)</b>
Charge for year	(25.019)	(7.432)	(8.816)	(0.009)	0.000	<b>(41.276)</b>
Revaluations	19.573	0.000	0.000	0.006	0.000	<b>19.579</b>
Disposals derecognition	1.361	0.000	6.839	0.000	0.000	<b>8.200</b>
Disposals	1.906	2.559	0.000	0.000	0.000	<b>4.465</b>
Transfers to Held for Sale	0.526	0.134	0.000	0.000	0.000	<b>0.660</b>
<b>At 31st March 2014</b>	<b>(83.606)</b>	<b>(67.275)</b>	<b>(67.430)</b>	<b>(0.009)</b>	<b>0.000</b>	<b>(218.320)</b>
OPENING VALUE	1,426.303	17.875	283.465	1.277	16.980	<b>1,745.900</b>
<b>CLOSING VALUE</b>	<b>1,639.503</b>	<b>12.957</b>	<b>292.491</b>	<b>1.635</b>	<b>9.810</b>	<b>1,956.396</b>
<b>NATURE OF ASSET HOLDING</b>						
Purchased / Built	1,582.254	12.957	292.491	1.635	9.810	<b>1,899.147</b>
Finance Lease	9.339	0.000	0.000	0.000	0.000	<b>9.339</b>
Donated	0.573	0.000	0.000	0.000	0.000	<b>0.573</b>
Private Finance Initiative	47.337	0.000	0.000	0.000	0.000	<b>47.337</b>
	<b>1,639.503</b>	<b>12.957</b>	<b>292.491</b>	<b>1.635</b>	<b>9.810</b>	<b>1,956.396</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

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
<b>COST OR VALUATION</b>						
<b>At 1st April 2014</b>	<b>1,496.046</b>	<b>80.231</b>	<b>359.920</b>	<b>2.612</b>	<b>9.810</b>	<b>1,948.619</b>
Additions	38.797	3.134	31.127	0.400	18.877	92.335
Disposals	(60.726)	(1.977)	0.000	0.000	0.000	(62.703)
Disposals derecognition	(19.731)	(0.011)	(17.442)	0.000	0.000	(37.184)
Transfer within PPE	4.595	0.003	0.000	0.000	(4.598)	0.000
Transfer to Held for Sale	(2.294)	0.000	0.000	0.000	0.000	(2.294)
<b>At 31st March 2015</b>	<b>1,456.687</b>	<b>81.380</b>	<b>373.605</b>	<b>3.012</b>	<b>24.089</b>	<b>1,938.773</b>
<b>DEPRECIATION</b>						
<b>At 1st April 2014</b>	<b>(337.555)</b>	<b>(67.274)</b>	<b>(67.428)</b>	<b>(1.017)</b>	<b>0.000</b>	<b>(473.274)</b>
Charge for year	(61.225)	(6.344)	(9.104)	(0.019)	0.000	(76.692)
Disposals	28.704	1.875	0.000	0.000	0.000	30.579
Disposals derecognition	6.871	0.010	9.025	0.000	0.000	15.906
Transfers to Held for Sale	1.566	0.000	0.000	0.000	0.000	1.566
<b>At 31st March 2015</b>	<b>(361.639)</b>	<b>(71.733)</b>	<b>(67.507)</b>	<b>(1.036)</b>	<b>0.000</b>	<b>(501.915)</b>
OPENING VALUE	1,158.491	12.957	292.492	1.595	9.810	1,475.345
<b>CLOSING VALUE</b>	<b>1,095.048</b>	<b>9.647</b>	<b>306.098</b>	<b>1.976</b>	<b>24.089</b>	<b>1,436.858</b>
<b>NATURE OF ASSET HOLDING</b>						
Purchased / Built	1,046.540	9.647	306.098	1.976	24.089	1,388.350
Finance Lease	4.658	0.000	0.000	0.000	0.000	4.658
Donated	9.551	0.000	0.000	0.000	0.000	9.551
Private Finance Initiative	34.299	0.000	0.000	0.000	0.000	34.299
	<b>1,095.048</b>	<b>9.647</b>	<b>306.098</b>	<b>1.976</b>	<b>24.089</b>	<b>1,436.858</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

The revised 2013-14 position was:

	Land & Buildings £m	Vehicles, Plant & Equipment £m	Infrastructure Assets £m	Community Assets £m	Assets Under Construction £m	Property Plant & Equipment £m
<b>COST OR VALUATION</b>						
<b>At 1st April 2013</b>	<b>1,525.294</b>	<b>80.410</b>	<b>348.917</b>	<b>2.183</b>	<b>16.979</b>	<b>1,973.783</b>
Additions	33.996	3.079	22.918	0.249	8.655	<b>68.897</b>
Disposals	(50.912)	(3.745)	0.000	0.000	0.000	<b>(54.657)</b>
Disposals derecognition	(21.246)	(0.003)	(14.066)	(0.036)	0.000	<b>(35.351)</b>
Transfer within PPE	9.988	0.624	2.151	0.216	(12.979)	<b>0.000</b>
Transfer to Heritage	0.000	0.000	0.000	0.000	(2.845)	<b>(2.845)</b>
Transfer to Held for Sale	(1.074)	(0.134)	0.000	0.000	0.000	<b>(1.208)</b>
<b>At 31st March 2014</b>	<b>1,496.046</b>	<b>80.231</b>	<b>359.920</b>	<b>2.612</b>	<b>9.810</b>	<b>1,948.619</b>
<b>DEPRECIATION</b>						
<b>At 1st April 2013</b>	<b>(307.192)</b>	<b>(62.536)</b>	<b>(65.451)</b>	<b>(0.909)</b>	<b>0.000</b>	<b>(436.088)</b>
Charge for year	(63.584)	(7.431)	(8.816)	(0.032)	0.000	<b>(79.863)</b>
Disposals	25.360	2.559	0.000	0.000	0.000	<b>27.919</b>
Disposals derecognition	7.111	0.000	6.839	0.016	0.000	<b>13.966</b>
Transfer within PPE	0.092	0.000	0.000	(0.092)	0.000	<b>0.000</b>
Transfers to Held for Sale	0.658	0.134	0.000	0.000	0.000	<b>0.792</b>
<b>At 31st March 2014</b>	<b>(337.555)</b>	<b>(67.274)</b>	<b>(67.428)</b>	<b>(1.017)</b>	<b>0.000</b>	<b>(473.274)</b>
OPENING VALUE	1,218.102	17.874	283.466	1.274	16.979	1,537.695
<b>CLOSING VALUE</b>	<b>1,158.491</b>	<b>12.957</b>	<b>292.492</b>	<b>1.595</b>	<b>9.810</b>	<b>1,475.345</b>
<b>NATURE OF ASSET HOLDING</b>						
Purchased / Built	1,118.218	12.957	292.492	1.595	9.810	<b>1,435.072</b>
Finance Lease	4.594	0.000	0.000	0.000	0.000	<b>4.594</b>
Donated	0.573	0.000	0.000	0.000	0.000	<b>0.573</b>
Private Finance Initiative	35.106	0.000	0.000	0.000	0.000	<b>35.106</b>
	<b>1,158.491</b>	<b>12.957</b>	<b>292.492</b>	<b>1.595</b>	<b>9.810</b>	<b>1,475.345</b>

### 16. 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

## NOTES TO THE CORE FINANCIAL STATEMENTS

- 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

### 17. NATURE AND SCALE OF HERITAGE ASSETS

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

	Carrying Value		Historic Cost	
	2013-14 £m	2014-15 £m	2013-14 £m	2014-15 £m
<b>COST OR VALUATION</b>				
<b>At 1st April</b>	<b>43.279</b>	<b>41.660</b>	<b>6.136</b>	<b>9.780</b>
Additions	1.340	0.630	1.340	0.630
Impairment Losses/(reversals) through I&E	(6.708)	0.000	0.000	0.000
Reclassifications	2.845	0.000	2.845	0.000
Revaluation Gains to RR	1.059	0.000	0.000	0.000
Disposals derecognition	(0.155)	(0.007)	(0.541)	(0.035)
<b>At 31st March</b>	<b>41.660</b>	<b>42.283</b>	<b>9.780</b>	<b>10.375</b>
<b>DEPRECIATION</b>				
<b>At 1st April</b>	<b>(0.004)</b>	<b>0.000</b>	<b>(0.332)</b>	<b>(6.748)</b>
Charge for year	(0.097)	0.000	(6.605)	0.000
Depreciation written out to the Revaluation Reserve	0.101	0.000	0.189	0.028
<b>At 31st March</b>	<b>0.000</b>	<b>0.000</b>	<b>(6.748)</b>	<b>(6.720)</b>
OPENING VALUE	43.275	41.660	5.804	3.032
<b>CLOSING VALUE</b>	<b>41.660</b>	<b>42.283</b>	<b>3.032</b>	<b>3.655</b>
<b>NATURE OF ASSET HOLDING</b>				
Purchased / Built	40.141	40.764	2.155	2.778
Donated	1.519	1.519	0.877	0.877
	<b>41.660</b>	<b>42.283</b>	<b>3.032</b>	<b>3.655</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 18. CAPITAL EXPENDITURE AND CAPITAL FINANCING

2013-14 RESTATE £m		2014-15 £m
	<b>Capital Expenditure:</b>	
30.695	Schools	34.659
22.050	Highways Roads and Related	22.580
3.386	Refuse Disposal and Recycling	2.544
0.132	Purchase of Vehicles	1.650
1.007	Countryside	1.449
3.018	Other Environmental Spend	14.709
4.843	Adult Care	12.613
0.547	Software	0.734
1.934	Other Corporate Spend	1.819
2.833	Other Expenditure	0.775
<b>70.445</b>	<b>Total Capital Additions</b>	<b>93.532</b>
0.250	Local Authority Mortgage Scheme (LAMS)	0.000
15.254	Revenue Expenditure Funded from Capital Under Statute	13.064
<b>85.949</b>	<b>Total Capital Expenditure</b>	<b>106.596</b>
	<b>Capital Financing</b>	
12.329	Loans	24.297
18.268	Revenue Contributions	10.087
1.163	Capital Receipts	0.000
54.189	Grants and Contributions	72.212
<b>85.949</b>	<b>Total Capital Financing</b>	<b>106.596</b>



## NOTES TO THE CORE FINANCIAL STATEMENTS

### 19. INTANGIBLE ASSETS

These all relate to purchased software licences

	2013-14 £m	2014-15 £m
<b>COST OR VALUATION</b>		
<b>At 1st April</b>	<b>4.801</b>	<b>5.158</b>
Additions	0.377	0.563
Disposals	(0.020)	0.000
<b>At 31st March</b>	<b>5.158</b>	<b>5.721</b>
<b>DEPRECIATION</b>		
<b>At 1st April</b>	<b>(2.449)</b>	<b>(3.511)</b>
Charge for year	(1.064)	(1.030)
Disposals	0.002	0.000
<b>At 31st March</b>	<b>(3.511)</b>	<b>(4.541)</b>
OPENING VALUE	2.352	1.647
<b>CLOSING VALUE</b>	<b>1.647</b>	<b>1.180</b>

### 20. ASSETS HELD FOR SALE

	CARRYING VALUE			HISTORIC COST			RR £m
	GBV £m	Dpn £m	NBV £m	GBV £m	Dpn £m	NBV £m	
Heanor Relief Rd - Property	0.080	0.000	0.080	0.013	0.000	0.013	0.067
Ringwood Centre	0.913	(0.632)	0.281	0.818	(0.693)	0.125	0.156
Clay Cross Depot	1.191	(0.028)	1.163	0.377	(0.098)	0.278	0.885
<b>Balance as at 31 March 2014</b>	<b>2.183</b>	<b>(0.660)</b>	<b>1.524</b>	<b>1.208</b>	<b>(0.792)</b>	<b>0.416</b>	<b>1.107</b>
<b>Sales during 2014-15:</b>							
Heanor Relief Rd - Property	(0.080)	0.000	(0.080)	(0.013)	0.000	(0.013)	(0.067)
Ringwood Centre	(0.321)	0.142	(0.179)	(1.999)	1.820	(0.179)	0.000
<b>Transferred to Held for Sale 2014-15:</b>							
Home for Children in Care	0.212	0.000	0.212	0.208	(0.003)	0.205	0.007
Land by A617 Glapwell	0.098	0.000	0.098	0.000	0.000	0.000	0.098
Ilkeston Register Office	0.069	0.000	0.069	0.100	(0.051)	0.049	0.020
Danesmoor Infant School	0.347	0.000	0.347	0.314	(0.077)	0.237	0.110
Brendon House HOP	0.347	0.000	0.347	0.158	0.000	0.158	0.189
Ringwood Centre	1.575	(1.398)	0.177	1.514	(1.435)	0.079	0.098
<b>Other Movements 2014-15:</b>							
Ringwood Centre	(2.131)	1.878	(0.253)	0.000	0.000	0.000	(0.253)
<b>Balance as at 31 March 2015</b>	<b>2.299</b>	<b>(0.038)</b>	<b>2.262</b>	<b>1.490</b>	<b>(0.538)</b>	<b>0.952</b>	<b>1.309</b>

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## NOTES TO THE CORE FINANCIAL STATEMENTS

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### 21. NON-CURRENT DEBTORS

31 Mar 2014 £m		31 Mar 2015 £m
31.161	Derby City 1997 Transferred Debt	29.959
1.120	Districts 1997 Transferred Debt	1.031
2.000	Local Authority Mortgage Scheme	2.000
0.440	Loan to Police & Crime Commissioner	0.360
0.146	Vehicle Finance Leases	0.040
4.419	Other Long Term Debtors	0.033
<b>39.286</b>		<b>33.423</b>

### 22. LOCAL AUTHORITY MORTGAGE SCHEME (LAMS)

The Council has entered into two LAMS partnerships; the first directly with Lloyds Bank on 12 March 2013 with a maximum indemnity of £1.750m, the second indirectly with Lloyds Bank as a partnership with Chesterfield Borough Council on 29 May 2013 with the Council contributing £0.250m.

Both schemes are administered through Capita Treasury Solutions Limited. The schemes offer first time buyers the opportunity to acquire a mortgage with a maximum loan value of £142,500 for the first scheme and £114,000 which was raised to £142,500 in August 2014 for the second scheme. The guarantee offered by the Council results in the mortgages attracting a more favourable rate than the borrowers would otherwise have obtained based on their deposit amount.

The indemnity deposit would only be called upon if a borrower defaulted on their mortgage within the first 5 years, and where the sale value following default was less than any outstanding balance on their mortgage. After the initial 5 years, the value of the original deposit not called upon will be returned to the Council. Lloyds Bank pays the Council annual interest on the deposit balance each year.

The direct scheme was fully utilised and closed to new applicants on 17 June 2013; as at 31 March 2015 the scheme is closed and marked as static. This means that there are no further changes to the scheme unless a borrower defaults or until the 5 year period expires. The Councils contribution to the scheme has resulted in 78 first time buyers getting onto the property ladder, with a total house sale value of approximately £8.4m. There is no change since 31 March 2014.

The Chesterfield Borough Council scheme is still open as at 31 March 2015. The scheme has to date supported 23 first time buyers complete on their properties, with a total house sale value of approximately £2.5m. Chesterfield Borough Council contributed £1m into the scheme, resulting in a total indemnity of £1.250m of which £0.483m has been committed (£0.277m was committed at 31 March 2014). The value of the deposited indemnity for both schemes is held as a long term debtor in the Councils balance sheet.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 23. FINANCIAL INSTRUMENTS

Financial Instrument Investments are made up of:

- Current loans and receivables of £186.594m (31 Mar 2014 £180.379m)
- Non-current loans and receivables of £12.000m (None held at 31 Mar 2014)

Financial Instrument Debtors are made up of:

- Non-current loans and receivables of £33.383m (31 Mar 2014 £39.140m)
- Non-current finance lease debtors of £0.040m (31 Mar 2014 £0.146m)
- Current loans and receivables of £52.890m (31 Mar 2014 £40.604m)
- Current finance lease debtors of £0.115m (31 Mar 2014 £0.128m)

Financial Instrument Borrowings are made up of:

- Non-current loans and borrowings of £349.274m (31 Mar 2014 £364.239m)
- Current loans and borrowings of £17.719m (31 Mar 2014 £30.873m)

Other Financial Liabilities are made up of:

- Non-current PFI liability of £76.888m (31 Mar 2014 £79.467m)
- Non-current finance lease liability of £4.711m (31 Mar 2014 £4.846m)
- Current PFI liability of £2.579m (31 Mar 2014 £2.415m)
- Current finance lease liability of £0.135m (31 Mar 2014 £0.124m)
- Current liabilities at contract amounts £74.554m (31 Mar 2014 £79.978m)

#### 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 £24.410m (2013-14 £25.906m)
- Assets, loans and receivables, interest income of £3.598m (2013-14 £4.004m)

This has resulted in a net loss for the year of £20.812m (2013-14 £21.902m).

#### Fair value of Assets and Liabilities carried at Amortised Cost

The fair values calculated are as follows:

##### Long Term Assets

	Carrying Value		Fair Value	
	31 Mar 2015	31 Mar 2014	31 Mar 2015	31 Mar 2014
	£m	£m	£m	£m
Investments - Transferred Debt	31.350	32.721	31.350	32.721
Non-Current Investments	12.000	0.000	12.460	0.000
Long Term Trade Debtors	2.073	6.565	2.073	6.565
<b>Long Term Financial Assets</b>	<b>45.423</b>	<b>39.286</b>	<b>45.883</b>	<b>39.286</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

At 31 March two non-current investments were held in the balance sheet;

- £10m with Derby City Council commenced in September 2014 for four years. This has been valued with a discount rate of 1.27% resulting in a fair value of £10.448m.
- £2m with Newport City Council commenced in February 2015 for 2.5 years. This has been valued with a discount rate of 1.06% resulting in a fair value of £2.012m.

Transferred Debt and Long Term Trade Debtors are not quoted on active markets meaning that fair value cannot be accurately calculated. As such they have been reported at carrying value. Transferred Debt relates to the share of loans owed to the Council by Derby City Council (£29.960m), Chesterfield Borough Council (£1.031m) and Derbyshire Constabulary (£0.359m) at the point of the 1997 reorganisation of Local Government. This is being repaid over a number of years, the largest element is being repaid as a 4% reducing balance schedule. Long Term Trade Debtors in the main (£2.000m) relates to the Council's deposit with Lloyds Bank for the Local Authority Mortgage Scheme. See Note 22 for more information.

### Short Term Assets

	Carrying Value		Fair Value	
	31 Mar 2015 £m	31 Mar 2014 £m	31 Mar 2015 £m	31 Mar 2014 £m
Short Term Investments – Money Markets	186.594	180.379	186.594	180.379
Trade debtors	24.277	20.703	24.277	20.703
<b>Short Term Financial Assets</b>	<b>210.871</b>	<b>201.082</b>	<b>210.871</b>	<b>201.082</b>

### Long Term Liabilities

	Carrying Value		Fair Value	
	31 Mar 2015 £m	31 Mar 2014 £m	31 Mar 2015 £m	31 Mar 2014 £m
Transferred Debt	(4.090)	(4.256)	(4.090)	(4.256)
Public Works Loan Board	(317.470)	(332.274)	(448.949)	(400.556)
Lender Option Borrower Option	(27.714)	(27.709)	(40.893)	(34.900)
<b>Long term borrowing</b>	<b>(349.274)</b>	<b>(364.239)</b>	<b>(493.932)</b>	<b>(439.712)</b>
PFI liability	(76.888)	(79.467)	(76.888)	(79.467)
Finance lease liability	(4.711)	(4.846)	(4.711)	(4.846)
<b>Total Long Term Liabilities</b>	<b>(430.873)</b>	<b>(448.552)</b>	<b>(575.531)</b>	<b>(524.025)</b>

Transferred Debt is not quoted on active markets meaning that fair value cannot be accurately calculated. As such it has been reported at carrying value. Transferred Debt relates to the share of loans owed by the Council to Derby City Council (£3.862m), Chesterfield Borough Council (£0.180m) and Derbyshire Constabulary (£0.048m) at the

## NOTES TO THE CORE FINANCIAL STATEMENTS

point of the 1974 reorganisation of Local Government. This is being repaid over a number of years, the largest element is being repaid as a 4% reducing balance.

Non-Current Public Works Loan Board (PWLB) loans include 55 loans with the PWLB. The earliest start date for these loans was for £10.000m in September 1995 for 24 years. The most recent start date was £5.000m in September 2010 for eight years. The average loan rate across the loans is 4.695%. The average discount rate is 1.868%. Calculation of the fair value has been based on premature repayment rate.

At 31 March the Council held five Lender Option Borrower Option (LOBO) loans;

- £5m commencing in August 2004 for 35 years at a fixed rate of 4.5%. The fair value is £7.022m using a discount rate of 2.755%.
- £5m commencing in February 2005 for 40 years had an introductory interest rate of 3.7% for four years then 4.5% thereafter. A discount of £0.103m applied at the commencement of the loan. At the balance sheet date, the carrying value of the loan was £5.237m, with a fair value of £7.225m using a discount rate of 2.827%.
- £8m in September 2002 for 40 years had an introductory interest rate of 3.6% for four years at which point the rate stepped up to 4.7%. A premium of £1.592m was also payable at the commencement of the loan. The carrying value of the loan was £6.923m, with a fair value of £11.658m using a discount rate of 2.790%.
- Two further loans for £5m in February 2002 and October 2003 both for 40 years. The first had an initial rate of 2.9% for two years when the rate became 4.850%. The second had an introductory rate of 3.2% for four years when the rate changed to 4.875%. The carrying values of the loans are £5.189m and £5.373m and the fair values are £7.408m and £7.580m using discount rates of 2.790% and 2.815%.

PFI and Finance Lease Liabilities are not quoted on active markets meaning that fair value cannot be accurately calculated. For PFI the average interest rate across the three contracts is 6.826%. Further details are held in Note 47. For Finance Leases the average interest rate across the 18 leases is 7.660%. Further details are held in note 46.

### Short Term Liabilities

	Carrying Value		Fair Value	
	31 Mar 2015	31 Mar 2014	31 Mar 2015	31 Mar 2014
	£m	£m	£m	£m
Public Works Loan Board	(15.000)	(5.000)	(15.000)	(5.000)
Temporary Loans	(0.167)	(23.347)	(0.167)	(23.347)
<b>Short term borrowing</b>	<b>(15.167)</b>	<b>(28.347)</b>	<b>(15.167)</b>	<b>(28.347)</b>
Accrued Interest	(2.552)	(2.525)	(2.552)	(2.525)
Trade Creditors	(59.317)	(60.052)	(59.317)	(60.052)
<b>Total Short Term Liabilities</b>	<b>(77.036)</b>	<b>(90.924)</b>	<b>(77.036)</b>	<b>(90.924)</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 24. INVENTORIES

	2013-14			2014-15		
	Allroads Stores £m	Work in Progress £m	Other £m	Allroads Stores £m	Work in Progress £m	Other £m
<b>1 April</b>	<b>0.446</b>	<b>1.038</b>	<b>0.619</b>	<b>0.486</b>	<b>0.351</b>	<b>0.608</b>
Purchase of new stock	1.799	0.000	0.553	1.987	26.623	1.125
Stock issued	(1.727)	(0.687)	(0.562)	(1.770)	(26.181)	(1.213)
Stock written off	(0.032)	0.000	(0.002)	(0.003)	(0.055)	(0.001)
<b>31 March</b>	<b>0.486</b>	<b>0.351</b>	<b>0.608</b>	<b>0.700</b>	<b>0.738</b>	<b>0.519</b>

### 25. DEBTORS

The debtor balance can be analysed into the following categories:

31 Mar 2014 £m		31 Mar 2015 £m
8.971	From Other Local Authorities	11.995
9.228	From NHS Bodies	5.558
5.509	From Government Departments	11.854
28.691	From Other Sundry Debtors	35.265
<b>52.399</b>	<b>Total amount Owed to the Council</b>	<b>64.672</b>
0.116	To Other Local Authorities	0.119
0.000	To NHS Bodies	0.064
0.001	To Government Departments	0.014
3.487	To Other Sundry Debtors	3.581
<b>3.604</b>	<b>Total paid in advance by the Council</b>	<b>3.778</b>
<b>56.003</b>	<b>Total Debtors</b>	<b>68.450</b>
(0.122)	Less Provision for Bad Debts	(0.953)
<b>55.881</b>	<b>Carrying Value of Debtors</b>	<b>67.497</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 26. CASH AND CASH EQUIVALENTS

31 Mar 2014 £m		31 Mar 2015 £m
1.631	County Fund Bank Account Balance	2.549
(5.703)	Adjustment to bank balance for timing	(3.039)
<b>(4.072)</b>	<b>Cash Book for County Fund Account</b>	<b>(0.490)</b>
0.152	Schools Cash Income Account Balance	0.440
<b>0.152</b>	<b>Cash Book for Schools Cash Account</b>	<b>0.440</b>
<b>(3.920)</b>	<b>Total Cash Book Overdraft</b>	<b>(0.050)</b>
5.556	Amounts held by Bank Account Schools	4.759
0.155	Amounts held in Petty Cash Tins	0.154
0.295	Amounts held in Imprest Bank Accounts	0.230
0.007	Amounts held in Other Bank Accounts	0.000
<b>2.093</b>	<b>Total Cash Balance</b>	<b>5.093</b>
50.096	Bank instant-access deposit accounts	20.034
40.000	Money Market Funds	30.000
43.413	Short-term deposits	35.011
<b>135.602</b>	<b>Total Cash and Cash Equivalents</b>	<b>90.138</b>

### 27. CREDITORS

The creditor balance can be analysed into the following categories:

31 Mar 2014 £m		31 Mar 2015 £m
(5.348)	To Other Local Authorities	(4.647)
(3.492)	To NHS Bodies	(3.209)
(13.254)	To Government Departments	(13.310)
(0.297)	To Inter-Group Organisations	(3.002)
(69.227)	To Other Sundry Creditors	(62.201)
<b>(91.618)</b>	<b>Amounts Owing by the Council</b>	<b>(86.369)</b>
(0.306)	From other Local Authorities	(0.371)
(8.206)	From NHS Bodies	(8.902)
(3.064)	From Government Departments	(2.905)
(1.795)	From Other Sundry Creditors	(1.857)
<b>(13.371)</b>	<b>Income in Advance to the Council</b>	<b>(14.035)</b>
<b>(104.989)</b>	<b>Carrying Value of Creditors</b>	<b>(100.404)</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 28. PROVISIONS

	Insurance Fund £m	Voluntary Redundancy £m	Other £m	Total £m
<b>1 April 2013</b>	<b>6.243</b>	<b>7.708</b>	<b>3.200</b>	<b>17.151</b>
New Provisions	6.038	0.000	1.159	7.197
Utilisation of Provision	(2.451)	0.000	(2.146)	(4.597)
Reversal of Provision	0.000	0.000	(1.055)	(1.055)
<b>1 April 2014</b>	<b>9.830</b>	<b>7.708</b>	<b>1.158</b>	<b>18.696</b>
New Provisions	2.885	0.000	0.301	3.186
Utilisation of Provision	(6.105)	0.000	(0.892)	(6.997)
Reversal of Provision	0.000	0.000	(0.265)	(0.265)
<b>31 March 2015</b>	<b>6.610</b>	<b>7.708</b>	<b>0.302</b>	<b>14.620</b>

#### Provision for Voluntary Redundancy

Estimated costs associated with future voluntary redundancies, which include an element for schools. The provision has been created on a global estimation of the cuts required to achieve the savings targets. There is uncertainty around which employees will leave the authority and at what time which will determine the true cost.

#### Insurance Fund 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 14 £m		31 Mar 15 £m
2.129	External premiums	1.319
0.015	General charges and expenses	0.013
(0.333)	Claims paid in the year	0.613
<b>1.811</b>	<b>Total Expenditure</b>	<b>1.945</b>
(0.555)	Income from schools	(0.340)
(4.910)	General fund contribution	(4.672)
(0.129)	Other income	(0.155)
<b>(5.594)</b>	<b>Total Income</b>	<b>(5.167)</b>
<b>(3.783)</b>	<b>Surplus to move to fund balances</b>	<b>(3.222)</b>



## NOTES TO THE CORE FINANCIAL STATEMENTS

31 Mar 14 £m		31 Mar 15 £m
(6.038)	Contribution (to) / from provision	0.554
2.255	Contribution (to) / from reserve	(3.776)
<b>(3.783)</b>	<b>Total moved to fund balances</b>	<b>(3.222)</b>

31 Mar 14 £m	Provision	31 Mar 15 £m
<b>(6.242)</b>	<b>Balance at 1 April</b>	(9.829)
(6.038)	Contribution (to) / from revenue	0.554
2.451	Claims paid and risk management costs	2.665
<b>(9.829)</b>	<b>Balance at 31 March</b>	<b>(6.610)</b>

31 Mar 14 £m	Reserves	31 Mar 15 £m
<b>(15.782)</b>	<b>Balance at 1 April</b>	<b>(13.636)</b>
2.255	Contribution (to) / from revenue	(3.776)
(0.109)	Interest on balances	(0.112)
<b>(13.636)</b>	<b>Balance at 31 March</b>	<b>(17.524)</b>

The total Insurance Fund balance is £24.134m (31 March 2014: £23.465m).

### 29. OTHER NON-CURRENT LIABILITIES

31 Mar 2014 £m		31 Mar 2015 £m
(468.038)	Pensions Liability - LGPS	(672.743)
(67.761)	Pensions Liability - Teachers	(73.775)
(21.587)	PFI Phase 1	(20.635)
(25.859)	PFI Phase 2	(24.962)
(32.021)	PFI - BSF	(31.292)
(3.141)	Finance Lease - Joint Service Centre	(3.112)
(1.704)	Finance Lease - Other Leases	(1.599)
<b>(620.111)</b>	<b>Balance at 31 March</b>	<b>(828.118)</b>

Further information about the leases, PFI scheme and pension liabilities can be found in notes 46, 47 and 49 respectively.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 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 Reserve 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 Statement and Notes 14 and 31.

### 31. TRANSFERS TO / FROM EARMARKED RESERVES

	1 Apr 2013 £m	Transfers In      Out £m     £m		31 Mar 2014 £m	Transfers In      Out £m     £m		31 Mar 2015 £m
<b>Highways, Transport and Infrastructure (HTI)</b>							
Other HTI Reserves	(7.646)	(9.016)	6.322	(10.340)	1.688	0.556	(8.096)
IT Reserve	(1.766)	0.000	(0.149)	(1.915)	0.000	0.670	(1.245)
Road Safety	(1.900)	0.000	0.000	(1.900)	0.000	0.000	(1.900)
Highways DLO	(1.783)	0.000	0.059	(1.724)	0.000	0.702	(1.022)
Commuted Sums	(1.608)	0.000	(0.037)	(1.645)	0.000	1.645	(0.000)
Other HTI Grants	(1.856)	(0.019)	0.451	(1.424)	0.000	0.013	(1.411)
Highways Maintenance	(0.974)	0.000	0.000	(0.974)	(5.026)	0.000	(6.000)
<b>Council Services</b>							
Insurance	(15.782)	(0.109)	2.284	(13.607)	(3.917)	0.000	(17.524)
Other Council Services	(3.837)	(4.853)	1.078	(7.612)	(9.155)	5.613	(11.154)
Council Services Grants	0.000	0.000	0.000	0.000	(0.190)	0.000	(0.190)
Change Management	(5.468)	(0.942)	0.341	(6.069)	(0.570)	0.244	(6.395)
Property DLO	(2.976)	(1.090)	0.000	(4.066)	(0.248)	0.012	(4.302)
PFI Schools	(2.713)	(1.004)	0.349	(3.368)	(1.255)	0.901	(3.722)
Computer Purchasing	(2.674)	(1.208)	0.434	(3.448)	(1.025)	1.067	(3.406)
Derbyshire Property	(2.042)	(0.145)	0.000	(2.187)	(0.004)	0.236	(1.955)
Capital RCCO's	(1.290)	(7.230)	1.290	(7.230)	(11.082)	10.087	(8.225)
Early Retirement Costs	(1.000)	(1.200)	2.200	0.000	0.000	0.000	0.000

## NOTES TO THE CORE FINANCIAL STATEMENTS

	1 Apr 2013 £m	Transfers In      Out £m     £m		31 Mar 2014 £m	Transfers In      Out £m     £m		31 Mar 2015 £m
<b>Health &amp; Communities (H&amp;C)</b>							
Public Health Fund	0.000	(4.562)	0.000	(4.562)	(5.987)	3.888	(6.661)
Other H&C	(0.522)	(2.224)	1.145	(1.601)	(1.875)	1.898	(1.578)
Derbyshire Sports	0.000	0.000	0.000	0.000	(1.131)	0.000	(1.131)
Other H&C Grants	(1.262)	(0.028)	0.902	(0.388)	(0.016)	0.033	(0.371)
<b>Children and Young People</b>							
Schools Balances	(34.390)	(4.187)	0.693	(37.884)	(1.316)	0.475	(38.725)
Dedicated Schools Grant	(24.936)	(6.595)	0.277	(31.254)	(4.582)	8.729	(27.107)
Other Childrens	(7.187)	(15.770)	2.766	(20.191)	(2.407)	7.085	(15.513)
Nursery Placements	0.000	0.000	0.000	0.000	(2.563)	0.000	(2.563)
SEN Reform	0.000	(0.075)	0.000	(0.075)	(1.862)	0.329	(1.608)
Capital Maintenance	(2.000)	0.000	0.926	(1.074)	0.000	0.023	(1.051)
Other Childrens Grants	(4.684)	(1.891)	1.841	(4.734)	(1.806)	1.553	(4.987)
Uni-Fi Initiative	(1.105)	0.000	0.066	(1.039)	0.000	0.298	(0.741)
MST Pilot	(0.900)	0.000	0.242	(0.658)	0.000	0.274	(0.384)
Co-Location	(2.387)	0.000	0.000	(2.387)	0.000	2.387	0.000
<b>Strategic, Policy, Budget and Economic Development (SPB)</b>							
Equal Pay	0.000	(15.200)	0.000	(15.200)	0.000	0.015	(15.185)
Broadband Project	0.000	0.000	(4.856)	(4.856)	0.000	0.000	(4.856)
Derbyshire Challenge	0.000	(0.544)	0.000	(0.544)	(2.046)	0.000	(2.590)
Other SPB	(1.666)	(1.406)	1.899	(1.173)	(0.970)	0.476	(1.667)
Regeneration Unit	(1.084)	(3.800)	4.868	(0.016)	0.000	0.000	(0.016)
<b>Adult Social Care</b>							
Care Homes	0.000	(8.000)	0.000	(8.000)	0.000	6.725	(1.275)
Carers Emergency Fund	0.000	(2.000)	0.000	(2.000)	0.000	1.750	(0.250)
Section 256	(1.000)	0.000	1.000	0.000	0.000	0.000	0.000
Telecare	(0.060)	0.000	0.060	0.000	0.000	0.000	0.000
Other Adult Care	0.000	0.000	0.000	0.000	(0.790)	0.790	0.000
	<b>(138.498)</b>	<b>(93.098)</b>	<b>26.451</b>	<b>(205.145)</b>	<b>(58.135)</b>	<b>58.474</b>	<b>(204.806)</b>

### 32. UNUSABLE RESERVES

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

#### 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.

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## NOTES TO THE CORE FINANCIAL STATEMENTS

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### **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.

### **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 General Reserves to the account in the Movement in Reserves Statement. Over time, the expense is posted back to General Reserves 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 will be charged to the General Reserves 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.

### **Capital Adjustment Account**

This reserve comprises of the timing differences between the financing arrangements for purchasing new or enhancement to the Council's assets and when the utilisation of that asset occurs in the Council's accounts (depreciation). It is not available for future spending.

### **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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 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 £m	Historic Cost £m	Revaluation Reserve £m
<b>31 March 2015</b>				
Property, Plant & Equipment	15	2,409.445	1,436.858	972.587
Heritage Assets	17	42.283	3.655	38.628
Assets Held for Sale	20	2.262	0.952	1.310
		<b>2,453.990</b>	<b>1,441.465</b>	<b>1,012.525</b>
<b>31 March 2014 RESTATED</b>				
Property, Plant & Equipment	15	1,956.396	1,475.345	481.051
Heritage Assets	17	41.660	3.031	38.629
Assets Held for Sale	20	1.524	0.416	1.108
		<b>1,999.580</b>	<b>1,478.792</b>	<b>520.788</b>

### 33. EXTERNAL AUDIT COSTS

2013-14 £m		2014-15 £m
0.174	External Audit Fees	0.167
(0.023)	Audit Commission Rebate	(0.020)
0.004	Fees payable in respect of other services provided	0.004
<b>0.155</b>		<b>0.151</b>

### 34. MEMBERS' ALLOWANCES

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

2013-14 £m		2014-15 £m
0.968	Allowances	0.966
0.066	Expenses	0.053
<b>1.034</b>		<b>1.019</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 35. OFFICERS' REMUNERATION

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

Salary	Employers Pension Contributions	Total Remuneration 2013-14		Salary	Employers Pension Contributions	Total Remuneration 2014-15
£	£	£		£	£	£
114,944	21,299	<b>136,243</b>	Chief Executive	140,749	27,488	<b>168,237</b>
69,043	12,642	<b>81,685</b>	Assistant Chief Executive	85,137	16,627	<b>101,764</b>
19,816	3,672	<b>23,488</b>	Strategic Director of Economy, Transport & Environment	0	0	<b>0</b>
89,472	16,669	<b>106,141</b>	Strategic Director of Economy, Transport & Environment	110,324	0	<b>110,324</b>
112,075	20,767	<b>132,842</b>	Strategic Director of Children & Younger Adults	87,511	16,743	<b>104,254</b>
0	0	<b>0</b>	Strategic Director of Children & Younger Adults	27,022	5,277	<b>32,299</b>
8,855	1,641	<b>10,496</b>	Strategic Director of Adult Care	108,087	21,109	<b>129,196</b>
17,945	3,325	<b>21,270</b>	Strategic Director Health and Communities	108,521	21,194	<b>129,715</b>
90,395	16,750	<b>107,145</b>	Deputy Chief Executive & Strategic Director Policy & Community Safety	0	0	<b>0</b>
0	0	<b>0</b>	Strategic Director of Corporate Resources	106,286	20,758	<b>127,044</b>
87,400	16,195	<b>103,595</b>	Director of Finance	89,927	17,563	<b>107,490</b>
97,970	13,716	<b>111,686</b>	Director of Public Health	98,460	13,784	<b>112,244</b>

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## NOTES TO THE CORE FINANCIAL STATEMENTS

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- 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 post holder previously held the position of Strategic Director of Economy, Transport & Environment.
- 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 Economy, Transport & Environment was appointed Acting Strategic Director of Economy, Transport & Environment Services in July 2013, 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 Strategic Director of Children & Younger Adults was appointed internally following a recruitment and selection process after the previous post holder left the Council in December 2014.
- The previous Strategic Director of Adult Care retired on the 5 March 2014, with the current post holder being appointed on an interim basis from 3 March 2014. At 31 March 2015 the post was undergoing a recruitment and selection process for a permanent post holder. Following the recruitment and selection process, formal approval was received from full Council on 3 June 2015 for a permanent replacement, with the appointment expected to commence in August 2015. The current interim post holder will retire later in the year.
- 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).
- The Strategic Director of Corporate Resources was appointed from April 2014 following a recruitment and selection process.

## NOTES TO THE CORE FINANCIAL STATEMENTS

The Council's employees (other than senior officers in the table above) earning above £50,000 during the year had been paid the following amounts:

2013-14 No of Employees			Remuneration Between:	2014-15 No of Employees		
Teachers	Other	Total		Teachers	Other	Total
151	87	238	£50,000 and £54,999	145	81	226
98	18	116	£55,000 and £59,999	105	15	120
57	17	74	£60,000 and £64,999	63	20	83
23	7	30	£65,000 and £69,999	24	11	35
12	4	16	£70,000 and £74,999	9	4	13
6	5	11	£75,000 and £79,999	6	2	8
3	2	5	£80,000 and £84,999	3	3	6
6	5	11	£85,000 and £89,999	3	1	4
2	2	4	£90,000 and £94,999	1	3	4
2	0	2	£95,000 and £99,999	2	0	2
0	0	0	£100,000 and £104,999	1	0	1
<b>360</b>	<b>147</b>	<b>507</b>		<b>362</b>	<b>140</b>	<b>502</b>

### 36. TERMINATION BENEFITS

The Council has terminated the contracts of a number of employees in 2014-15, incurring liabilities of £0.677m. In 2013-14 the figure was £1.830m. 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	
	2013-14	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14	2014-15
	actual	actual	actual	actual	actual	actual	£m	£m
£0-£20k	55	20	115	89	170	109	1.183	0.321
£20k-£40k	2	1	13	8	15	9	0.372	0.210
£40k-£60k	0	1	1	1	1	2	0.056	0.080
£60k-£80k	0	0	0	1	0	1	0.000	0.065
£200k-£250k	0	0	1	0	1	0	0.219	0.000
	<b>57</b>	<b>22</b>	<b>130</b>	<b>99</b>	<b>187</b>	<b>121</b>	<b>1.830</b>	<b>0.677</b>

### 37. POOLED BUDGETS

The Council administers two pooled budget arrangements as follows:

#### **Integrated Community Equipment Service with Derbyshire County Clinical Commissioning Groups**

The service is being provided by Medequip Assistive Technology Ltd. The agreement was in place until 31 March 2015, with the partners contributing funds equal to 45% and



## NOTES TO THE CORE FINANCIAL STATEMENTS

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 2014 £m		31 Mar 2015 £m
	<b>Funding provided to the pooled budget:</b>	
(1.857)	The Council	(1.857)
(2.269)	The Health Trust	(2.269)
	<b>Expenditure met by the pooled budget</b>	
2.819	The Council	3.317
3.512	The Health Trust	4.054
<b>2.205</b>	<b>Deficit</b>	<b>3.245</b>
0.992	The Council's share of the Deficit	1.460

### **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 2014 £m		31 Mar 2015 £m
	<b>Funding provided to the pooled budget:</b>	
(3.589)	The Council	(3.502)
(1.836)	The Health Trust	(1.716)
	<b>Expenditure met by the pooled budget</b>	
1.766	The Council	2.638
0.869	The Health Trust	1.300
<b>(2.790)</b>	<b>(Surplus)</b>	<b>(1.280)</b>
(1.875)	The Council's share of the (Surplus)	(0.864)

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 38. 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.

2013-14 RESTATED Total £m		2014-15		
		Trust Funds £m	Other Funds £m	Total £m
5.278	Opening Balance	1.199	5.881	7.080
2.010	Add Income	0.135	0.349	0.483
(0.208)	Less Expenditure	(0.125)	(0.126)	(0.250)
<b>7.080</b>	<b>Closing Balance</b>	<b>1.209</b>	<b>6.104</b>	<b>7.313</b>
	<b>The funds are represented by:</b>			
0.064	Investments	0.187	0.000	0.187
7.016	Cash & temporary loans	1.022	6.104	7.126
<b>7.080</b>	<b>Total Assets</b>	<b>1.209</b>	<b>6.104</b>	<b>7.313</b>
0.000	Increase in unrealised profit on investments included in expenditure	0.088	0.000	0.088
68	No of Funds (actual not £m)	53	13	66

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 39. DEDICATED SCHOOLS GRANT (DSG)

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). 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 2014.

The Schools Budget includes elements for a range of educational services provided on a Council-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school. Details of the deployment of the DSG receivable for 2014-15 are as follows:

	2014-15		Total £m
	Central £m	ISB £m	
Final DSG for 2014-15 before Academy Recoupment			502.145
Academy figure recouped for 2014-15			73.699
Total DSG after Academy recoupment for 2014-15			428.446
Brought Forward from 2013-14			30.632
Carry forward to 2014-15 agreed in advance			(21.902)
<b>Agreed initial budgeted distribution in 2014-15</b>	<b>69.777</b>	<b>367.399</b>	<b>437.176</b>
In Year Adjustment	0.879		0.879
<b>Final budgeted distribution for 2014-15</b>	<b>70.656</b>	<b>367.399</b>	<b>438.055</b>
Less Actual Central expenditure	63.850		63.850
Less Actual spend against unallocated ISB		0.000	0.000
Less Actual ISB deployed to Private, Voluntary and Independent Settings for Nursery Education		12.323	12.323
Less Actual ISB deployed to schools		355.076	355.076
<b>Sub Total</b>	<b>6.806</b>	<b>0.000</b>	<b>6.806</b>
Add Carry forward to 2014-15 agreed in advance	21.902	0.000	21.902
<b>Carry-forward to 2015-16</b>	<b>28.708</b>	<b>0.000</b>	<b>28.708</b>

The in-year adjustment is an additional payment received in 2014-15 for Early Years provision during 2013-14 following final calculation of the amount due from the Department for Education.

Actual central expenditure excludes items that have been transferred to an Earmarked Reserve but remain unspent as at the end of the year

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 40. GRANT INCOME

Revenue Grants		2014-15					2013-14	
		Cash Received £m	Prev Yr		New		Income in Ledger £m	Income in Ledger £m
			IIA £m	Dr £m	IIA £m	Dr £m		
Dedicated Schools Grant (DSG)	DfE	429.325	0.000	0.000	0.000	0.000	429.325	434.527
Public Health Grant Allocation	DoH	35.651	0.000	0.000	0.000	0.000	35.651	34.680
Pupil Premium Grant	DfE	25.636	0.044	0.000	(0.004)	0.000	25.676	18.511
Sixth Form Funding	DfE	16.535	0.020	0.000	0.000	0.000	16.555	18.297
Adult and Community Learning	BIS	6.480	0.111	0.000	(0.140)	0.000	6.451	6.688
Universal Free School Meals for Infant Pupils	DfE	5.402	0.000	0.000	0.000	0.000	5.402	
PE and Sport Grant	EFA	3.023	0.000	0.000	(0.003)	0.000	3.020	2.007
Music Service Grant	Arts council	1.110	0.000	0.000	0.000	0.000	1.110	1.160
Other grants	various	7.486	2.841	(0.103)	(2.553)	0.292	7.963	6.693
<b>Total Departmental</b>		<b>530.648</b>	<b>3.016</b>	<b>(0.103)</b>	<b>(2.700)</b>	<b>0.292</b>	<b>531.153</b>	<b>522.563</b>
Education Services Grant		11.815	0.000	0.000	0.000	0.000	11.815	12.326
Business Rates Compensation		2.288	0.000	0.000	0.000	0.000	2.288	
Private Finance Initiative	EFA	10.504	0.000	0.000	0.000	0.000	10.504	10.504
Council Tax Freeze Grant								2.812
Local Services Support Grant		1.178	0.000	0.000	0.000	0.000	1.178	1.520
Local Welfare Assistance Grant		1.828	0.000	0.000	0.000	0.000	1.828	1.855
New Homes Bonus		1.716	0.000	0.000	0.000	0.000	1.716	1.305
Tackling Troubled Families		1.595	0.000	0.000	0.000	0.000	1.595	1.356
Other Grants		3.488	0.000	0.000	0.000	0.000	3.488	6.364
<b>Total Corporate Income</b>		<b>34.412</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>34.412</b>	<b>38.042</b>
<b>Total Grants</b>		<b>565.060</b>	<b>3.016</b>	<b>(0.103)</b>	<b>(2.700)</b>	<b>0.292</b>	<b>565.565</b>	<b>560.605</b>

Other Revenue Grants recognised in the cash flow statement are £565.060m. Grants recognised by departments as part of their outturn as per the segmental reporting note are £531.154m.

## NOTES TO THE CORE FINANCIAL STATEMENTS

Capital Grants		2014-15					2013-14	
		Cash Received £m	Prev Yr Reversal		New Accrual		Income in Ledger £m	Income in Ledger £m
			IIA*	Dr**	IIA*	Dr**		
Highways Capital Maintenance	DfT	13.700	0.000	0.000	0.000	0.000	13.700	17.170
Additional Highways Maintenance	DfT	1.405	0.000	0.000	0.000	0.000	1.405	
Pothole Funding	DfT	2.481	0.000	0.000	0.000	0.000	2.481	
S31 LA Act 2003	DCLG	14.202	0.000	0.000	0.000	0.000	14.202	
Capital Maintenance Grant	EFA	14.097	0.000	0.000	0.000	0.000	14.097	12.436
Ormiston Academy Donation		8.978	0.000	0.000	0.000	0.000	8.978	
Integrated Transport	DfT	6.784	0.000	0.000	0.000	0.000	6.784	4.824
Basic Need Grant	EFA	4.501	0.000	0.000	0.000	0.000	4.501	4.501
Devolved Formula Capital	DFE	2.419	0.000	0.000	0.000	0.000	2.419	2.530
Digital Derbyshire	BDUK	1.408	0.000	0.000	0.000	1.470	2.878	
Pedal Peak Phase Two	DfT	2.518	0.000	0.000	0.000	0.000	2.518	
DECC -Green Deal	DECC							2.192
Adults' Personal Social Services Capital Grant	DOH	1.990	0.000	0.000	0.000	0.000	1.990	1.951
Other Capital Grants	Various	3.368	0.000	(1.975)	0.000	3.609	5.002	2.327
		<b>77.851</b>	<b>0.000</b>	<b>(1.975)</b>	<b>0.000</b>	<b>5.079</b>	<b>80.955</b>	<b>47.931</b>

Capital Grant Cash Received above includes £8.978m donation of land & buildings. This has been deducted from Capital Grants Cash Received reported in the Cash Flow Statement, of £68.873m (Note 41).

Reasons for the major movements in capital grants:

- S31 LA Act 2003 – one-off grant funding for Markham Vale development of Staveley Northern Loop – Enterprise Zone Capital Grant fund £14.2m
- Ormiston Academy Donation – one-off donation of Council assets from the Academy
- Digital Derbyshire – Government initiative to improve the UK's broadband network – the receipt represents the claim to BDUK for initial project costs.
- Pedal Peak Phase Two – Government grants to support and encourage cycling in the Peak District National Park – grant receipt represents claim to DfT towards total grant of £5m.
- Pothole Funding – one-off award grant from DfT from national £200m pothole fund.

\*IIA = Income received in advance, transferred to the following year

\*\*Dr = Income due this year but not yet received.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 41. CASH FLOW – INVESTING ACTIVITIES

2013-14 £m		Note	2014-15 £m
(84.937)	Purchase of Fixed Assets		(98.459)
(225.000)	Purchase of New Investments		(275.059)
3.940	Proceeds from Sale of Fixed Assets		2.637
48.053	Capital Grants Received	40	68.873
249.868	Investments Redeemed		258.481
<b>(8.076)</b>			<b>(43.527)</b>

### 42. CASH FLOW – FINANCING ACTIVITIES

2013-14 £m		Note	2014-15 £m
(100.198)	Repay Amounts Borrowed	23	(53.852)
(5.077)	Principal Repayment on PFI & Leases	46	(2.537)
83.433	New Short Term Loans	23	25.500
<b>(21.842)</b>			<b>(30.888)</b>

### 43. CASH FLOW – OPERATING ACTIVITIES

2013-14 £m		Note	2014-15 £m
(613.367)	Payments to and on behalf of employees		(603.597)
(502.015)	Other Operating Payments		(522.675)
246.749	Council Tax	8	255.427
98.579	Business Rates	8	101.052
148.218	Revenue Support Grant	8	126.225
564.078	Other Revenue Grants	40	565.060
139.658	Other Income		128.210
<b>81.900</b>	<b>Operating Costs of Providing Services</b>		<b>49.702</b>
(21.149)	External Interest Paid		(17.986)
(6.354)	Interest on PFI & Finance Leases		(6.190)
3.642	Interest Received		3.425
<b>58.039</b>			<b>28.951</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

2013-14 RESTATED £m		Note	2014-15 £m
(107.306)	<b>Surplus/(Deficit) on the Provision of Services</b>		(112.013)
	<b>Non Cash Transactions:</b>		
42.630	Depreciation	14	50.273
54.874	Impairment	14	43.060
35.706	Movement in Pension Liability	49	34.761
(1.291)	Adjustment for Collection Fund		0.000
(2.217)	Movement in Revenue Debtors		(3.638)
0.539	Movement in Bad Debt Provision		(0.831)
14.700	Movement in Revenue Creditors		(3.702)
0.658	Movement in Inventories	24	(0.512)
1.545	Movement in Provisions	28	(4.076)
<b>147.144</b>	<b>Total Non Cash Transactions</b>		<b>115.335</b>
	<b>Items Classified Elsewhere</b>		
50.880	Net charge for disposal of fixed assets	6	93.520
15.254	Revenue expenditure funded from capital under statute	14	13.064
(47.934)	Capital Grants	40	(80.955)
<b>58.038</b>			<b>28.951</b>

### 45. MOVEMENT IN CASH RECONCILED TO THE MOVEMENT IN NET DEBT

	2013-14 £m	2014-15 £m	Movement £m
Current Investments	180.379	186.594	6.215
Non Current Investments	0.000	12.000	12.000
Cash and Cash Equivalents	135.603	90.137	(45.466)
Current Borrowing	(30.873)	(17.719)	13.154
Non Current Borrowing	(364.239)	(349.274)	14.965
PFI & Finance Lease Liabilities	(84.313)	(81.600)	2.713
	<b>(163.443)</b>	<b>(159.862)</b>	<b>3.581</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

	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
	<b>(183.093)</b>	<b>(163.443)</b>	<b>19.650</b>

Reconciliation between the cash movement and the movement in net debt for 2014-15 and 2013-14:

2013-14 £m		2014-15 £m
<b>28.120</b>	<b>Decrease/(Increase) in Cash &amp; Cash Equivalents</b>	<b>(45.466)</b>
(250.080)	Investments repaid (and accrued interest)	(257.042)
225.307	New investments (and accrued interest)	275.257
(83.433)	Loans Raised (and interest accrued)	(25.729)
97.198	Loans Repaid (includes accrued interest)	53.848
2.538	Payment of PFI & Lease Principal	2.713
<b>19.650</b>		<b>3.581</b>

### 46. 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:

2013-14 RESTATED				2014-15		
Interest	Liability	MLP		Interest	Liability	MLP
0.587	0.124	0.711	<b>Within 1 year</b>	0.577	0.135	0.712
2.230	0.615	2.845	Within 2 to 5 years	2.175	0.670	2.845
8.396	4.230	12.626	More than 5 years	7.875	4.040	11.915
<b>10.626</b>	<b>4.845</b>	<b>15.471</b>	<b>Total Non-Current</b>	<b>10.050</b>	<b>4.710</b>	<b>14.760</b>
<b>11.213</b>	<b>4.969</b>	<b>16.182</b>		<b>10.627</b>	<b>4.845</b>	<b>15.472</b>



## NOTES TO THE CORE FINANCIAL STATEMENTS

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 (40 in 2013-14);
- 8 local libraries (9 in 2013-14);
- 5 for Youth Information and Clubs (7 in 2013-14);
- 25 for Community and Environmental purposes (28 in 2013-14);
- 21 for miscellaneous use including office accommodation (26 in 2013-14).

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

- 2 Gritters (6 in 2013-14)
- 3 Fire service vehicles (3 in 2013-14)
- 3 Other vehicles including vans (4 in 2013-14)
- 2 Miscellaneous including trailers and platforms (6 in 2013-14)

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

2013-14				2014-15		
PPE	PVE	Total		PPE	PVE	Total
0.584	0.019	0.603	Within 1 year	0.710	0.000	0.710
3.473	0.000	3.473	Within 2 to 5 years	2.104	0.000	2.104
0.459	0.000	0.459	More than 5 years	3.395	0.000	3.395
<b>4.516</b>	<b>0.019</b>	<b>4.535</b>		<b>6.209</b>	<b>0.000</b>	<b>6.209</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

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:

2013-14 £m		2014-15 £m
0.080	Minimum Lease Payment	0.047
(0.061)	Less sublease income	(0.042)
<b>0.019</b>		<b>0.005</b>

### 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 Authority 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;

The numbers of vehicles leased out are:

2013-14		2014-15
45	Vans	20
11	Cars	7
9	Other Vehicles	10
6	Miscellaneous	2

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

2013-14 £m			2014-15 £m	
Gross Investment	Minimum Lease Payment		Gross Investment	Minimum Lease Payment
0.131	0.117	Within 1 year	0.115	0.094
0.144	0.114	Within 2 to 5 years	0.039	0.020
0.000	0.000	More than 5 years	0.000	0.000
0.016	0.000	Unearned finance income	0.007	0.000
<b>0.291</b>		<b>Gross investment</b>	<b>0.161</b>	
0.060		Unguaranteed residual value	0.047	
<b>0.231</b>	<b>0.231</b>	<b>Minimum Lease Payments</b>	<b>0.114</b>	<b>0.114</b>

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:

2013-14 £m				2014-15 £m		
Vehicles	Land & Building	Total		Vehicles	Land & Building	Total
0.023	0.656	0.679	Within 1 year	0.008	0.899	0.907
0.008	1.836	1.844	Within 2 to 5 years	0.000	1.939	1.939
0.000	0.486	0.486	More than 5 years	0.000	5.527	5.527
<b>0.031</b>	<b>2.978</b>	<b>3.009</b>		<b>0.008</b>	<b>8.365</b>	<b>8.373</b>

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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 47. 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. Newbold School became an Academy known as Outwood Academy Newbold on 1 January 2015.
- 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. Bolsover School became an academy on 1 October 2012.

#### 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.

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:

	2013-14			2014-15		
	Ph 1 £m	Ph 2 £m	BSF £m	Ph 1 £m	Ph 2 £m	BSF £m
<b>Unitary Charge Paid</b>						
Delivery of services	2.437	2.533	2.625	2.535	2.902	2.569
Interest Payment	1.621	1.755	2.380	1.564	1.704	2.335
Reduction to Liability	0.833	0.793	0.636	0.890	0.843	0.681
<b>Unitary Charge Paid</b>	<b>4.891</b>	<b>5.081</b>	<b>5.641</b>	<b>4.989</b>	<b>5.450</b>	<b>5.585</b>
<b>Loan Liability B Fwd</b>	(23.310)	(27.495)	(33.337)	(22.477)	(26.702)	(32.701)
Reduction to Liability	0.833	0.793	0.636	0.890	0.843	0.681
<b>Loan Liability C Fwd</b>	<b>(22.477)</b>	<b>(26.702)</b>	<b>(32.701)</b>	<b>(21.587)</b>	<b>(25.859)</b>	<b>(32.020)</b>
Liability in Creditors	(0.890)	(0.843)	(0.681)	(0.952)	(0.897)	(0.730)
Non Current Liabilities	(21.587)	(25.859)	(32.020)	(20.635)	(24.962)	(31.290)
<b>Loan Liability C Fwd</b>	<b>(22.477)</b>	<b>(26.702)</b>	<b>(32.701)</b>	<b>(21.587)</b>	<b>(25.859)</b>	<b>(32.020)</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

Payments remaining to be made under the PFI contract at 31 March are as follows:

	2013-14			2014-15		
	Ph 1 £m	Ph 2 £m	BSF £m	Ph 1 £m	Ph 2 £m	BSF £m
<b>Within one year:</b>						
Service charge	2.535	2.902	2.569	2.437	2.233	2.442
Interest element	1.564	1.704	2.335	1.502	1.650	2.286
Repayment of liability	0.890	0.843	0.681	0.952	0.897	0.730
<b>Within two to five years:</b>						
Service charge	9.747	8.930	9.770	9.747	8.930	9.770
Interest element	5.590	6.243	8.818	5.296	5.992	8.586
Repayment of liability	4.226	3.946	3.246	4.520	4.198	3.478
<b>Within six to ten years:</b>						
Service charge	12.183	11.163	12.212	12.183	11.163	12.212
Interest element	5.109	6.211	9.536	4.611	5.795	9.140
Repayment of liability	7.161	6.526	5.544	7.660	6.943	5.940
<b>Within eleven to fifteen years:</b>						
Service charge	12.183	11.163	12.212	9.945	11.163	12.212
Interest element	2.247	3.845	7.253	1.538	3.278	6.694
Repayment of liability	10.024	8.892	7.827	8.455	9.459	8.385
<b>Within sixteen to twenty years:</b>						
Service charge	0.198	6.433	12.212	0.000	4.201	12.212
Interest element	0.001	0.810	4.030	0.000	0.395	3.241
Repayment of liability	0.176	6.495	11.049	0.000	4.362	11.838
<b>Within 21 years and beyond:</b>						
Service charge	0.000	0.000	3.923	0.000	0.000	1.481
Interest element	0.000	0.000	0.380	0.000	0.000	0.069
Repayment of liability	0.000	0.000	4.355	0.000	0.000	1.650

All of the PFI schools will be handed back to the Council (or the Governors of the School for Academies) 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.

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.

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## NOTES TO THE CORE FINANCIAL STATEMENTS

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### **Property Plant and Equipment**

The schools are recognised on the Council's Balance Sheet, except those which are Academies. 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.

### **48. 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 2014-15 the Council paid £45.477m 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 2014-15 the Council paid £0.322m (£0.346m in 2013-14) to the NHS Pension Scheme in respect of the retirement benefits of these Council employees. The Employer's Contribution rate during 2013-14 and 2014-15 for the NHS Pension Scheme was 14.0%. No further disclosures are required because of the immateriality of the information.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 49. 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:

	<b>LGPS</b>		<b>Teachers</b>	
	<b>2013-14</b>	<b>2014-15</b>	<b>2013-14</b>	<b>2014-15</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Current Service Cost	56.638	68.757	0.000	0.000
Net Interest Cost	26.648	20.457	2.836	2.813
Past Service Costs & Curtailments	0.970	1.149	0.000	0.000
<b>Benefits charged to the CIES</b>	<b>84.256</b>	<b>90.363</b>	<b>2.836</b>	<b>2.813</b>
Actuarial (gains) and losses	(198.921)	168.026	(0.396)	7.932
<b>Total (Gain) / Loss</b>	<b>(114.665)</b>	<b>258.389</b>	<b>2.440</b>	<b>10.745</b>
<b>Movements in Reserves</b>				
Reversal of charges made	(84.256)	(90.363)	(2.836)	(2.813)
Contributions - unfunded benefits	1.965	2.654	0.000	0.000
Employers' contributions payable	44.951	51.030	4.470	4.731

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 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	2014-15 £m	2013-14 £m	2014-15 £m
<b>Opening balance at 1 April</b>	<b>1,936.773</b>	<b>1,875.235</b>	<b>69.791</b>	<b>67.761</b>
Current service cost	56.638	68.757	0.000	0.000
Interest cost	81.564	80.925	2.836	2.813
Contributions by participants	16.382	15.820	0.000	0.000
Actuarial gains and losses	(156.413)	275.539	(0.396)	7.932
Benefits paid	(58.714)	(66.796)	(4.470)	(4.731)
Unfunded benefits paid	(1.965)	(2.654)	0.000	0.000
Past service costs	0.970	1.149	0.000	0.000
<b>Closing balance at 31 March</b>	<b>1,875.235</b>	<b>2,247.975</b>	<b>67.761</b>	<b>73.775</b>

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	2014-15 £m
<b>Opening balance at 1 April</b>	<b>(1,307.154)</b>	<b>(1,407.197)</b>
Expected rate of return	(54.916)	(60.468)
Actuarial gains	(42.508)	(107.513)
Employer Contributions	(44.951)	(51.030)
Contributions by participants	(16.382)	(15.820)
Benefits paid	58.714	66.796
<b>Closing balance at 31 March</b>	<b>(1,407.197)</b>	<b>(1,575.232)</b>

### Scheme History

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 £672.743m 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.



## NOTES TO THE CORE FINANCIAL STATEMENTS

	Present value of liabilities:		Present Value of assets:	Surplus/(deficit) in the Scheme:		Total
	LGPS £m	Discretionary Benefits £m		LGPS £m	Discretionary Benefits £m	
<b>2010-11</b>	1,511.393	60.993	(1,128.753)	382.640	60.993	<b>443.633</b>
<b>2011-12</b>	1,640.288	62.883	(1,145.524)	494.764	62.883	<b>557.647</b>
<b>2012-13</b>	1,936.773	69.791	(1,307.154)	629.619	69.791	<b>699.410</b>
<b>2013-14</b>	1,875.235	67.761	(1,407.197)	468.038	67.761	<b>535.799</b>
<b>2014-15</b>	2,247.975	73.775	(1,575.232)	672.743	73.775	<b>746.518</b>

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2016 is £51.324m.

### 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:

	2013-14	2014-15
Mortality Assumptions:		
Longevity at 65 (current pensioners):		
-Men	22.0	22.0
-Women	24.2	24.2
Longevity at 65 (future pensioners):		
-Men	24.1	24.1
-Women	26.6	26.6
Inflation Rates:		
Increase in salaries (LGPS only)	3.6%	3.3%
Increase in pensions	2.8%	2.4%
Discounting in scheme liabilities	4.3%	3.2%

## NOTES TO THE CORE FINANCIAL STATEMENTS

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 2015:

	Local Government	
	Approximate increase to Employer	Approximate monetary amount £m
0.5% decrease in Real Discount Rate	10%	0.224
1 year increase in member life expectancy	3%	0.067
0.5% increase in the Salary Increase Rate	5%	0.076
0.5% increase in the Pension Increase Rate	6%	0.143

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 2015 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 2015 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 2014 to 31 March 2015 is 11.9% (5.8% 2013-14).

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 %	2014-15 %
Equity investments	69.0	68.0
Debt Instruments:		
Government Bonds	12.0	12.0
Other Bonds	7.0	8.0
Property	5.0	5.0
Cash & Cash Equivalents	6.0	6.0
Other assets	1.0	1.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### History of Experience Gains and Losses

The actuarial gains identified as movements on the Pension Reserve can be analysed into the following categories, measured as a percentage of assets or liabilities at the balance sheet date:

	<b>LGPS</b>		<b>Teachers</b>
	Actuarial (Gain) / Loss on Assets over Total Assets	Actuarial (Gain) / Loss on Liabilities over Total Liabilities	
<b>2010-11</b>	(3.69%)	(3.23%)	1.44%
<b>2011-12</b>	4.78%	3.42%	3.27%
<b>2012-13</b>	(7.64%)	10.95%	11.71%
<b>2013-14</b>	(3.02%)	(8.34%)	(0.58%)
<b>2014-15</b>	(6.83%)	12.26%	10.75%

### Forecast for next year

	<b>Local Government</b>		<b>Teachers Pensions</b>	
	£m	£m	£m	£m
Projected service cost				
Estimated Pay:	272.053		0.000	
Service Cost (% of Pay)	32.8%		n/a	
Implied Service Cost next year:		89.151		0.000
Net Interest Cost		22.085	2.285	
Administration Expenses		0.000	0.000	
<b>Total pension cost recognised</b>		<b>111.236</b>		<b>2.285</b>
Projected Employer contributions				
Normal contributions	51.324		4.731	
<b>Total employer contributions next year</b>		<b>51.324</b>		<b>4.731</b>
Current deficit		672.743		73.775
<b>Projected deficit next year</b>		<b>732.655</b>		<b>71.329</b>

## 50. 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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 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 £283.020m, all of which was deposited in the UK except £10.004m deposited in Sweden, 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 2015 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	30.000	45.004	10.000	0.000
Loans and receivables	0.000	138.016	60.000	0.000
<b>Total financial assets</b>	<b>30.000</b>	<b>183.020</b>	<b>70.000</b>	<b>0.000</b>

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 £24.277m (£20.703m in 2013-14) 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:

	<b>31 Mar 2015 £m</b>	<b>31 Mar 2014 £m</b>
Less than three months	14.872	13.864
Three to six months	1.980	1.254
Six months to one year	2.160	1.201
More than one year	5.265	4.384
<b>Total</b>	<b>24.277</b>	<b>20.703</b>

### 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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

The contractual maturity for Financial Liabilities is as follows:

	<b>31 Mar 2015</b> <b>£m</b>
Less than one year	(15.000)
Between one and two years	(12.500)
Between two and five years	(23.000)
Between five and ten years	(22.983)
More than ten years	(286.702)
<b>Total financial liabilities</b>	<b>(360.185)</b>

### 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:

	<b>Floating rate</b>  <b>£m</b>	<b>Fixed rate</b>  <b>£m</b>	<b>Fixed rate</b>	
			<b>Weighted average int rate (%)</b>	<b>Weighted average period (years)</b>
Financial assets - in sterling	80.004	203.016	71.732%	1
Financial liabilities - in sterling	0.000	(360.185)	100.000%	20

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

	<b>Impact on provision of services</b> <b>£m</b>	<b>Impact on net worth</b> <b>£m</b>
Increase by 1% (100 basis points)	2.710	0.000
Decrease by 1% (100 basis points)	(2.078)	0.000

Statement of Accounts  
Pension Fund  
2014-15

## PENSION FUND ACCOUNTS - EXPLANATORY FOREWORD

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 90 other organisations including academies, charities and some private companies providing services to local councils.

The Fund manages the pensions of almost 90,000 individuals, either active contributors, pensioners or deferred pensioners, receiving over £158m in contributions and this year paying out over £187m in pension benefits, after payment of a group transfer out in respect of the Derbyshire Probation Trust which amounted to £46m. The Fund also manages investment assets of £3.6bn over a full range of asset classes, including equities, gilts, other bonds, property and cash.

### Members' Statistics

	<b>Actuals</b>		
	<b>31.03.2013</b>	<b>31.03.2014</b>	<b>31.03.2015</b>
Contributors	33,586	35,408	38,230
Pensioners and Dependants	24,160	24,913	25,608
Deferred Pensions	23,859	26,559	26,030

### 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:

<b>Council</b>	<b>2014-15</b>	<b>2015-16</b>
	%	%
Derbyshire County	13.5 plus £14,131,000	13.5 plus £14,597,000
Amber Valley Borough	12.0 plus £961,000	12.5 plus £993,000
District of Bolsover	12.9 plus £876,000	12.9 plus £905,000
Chesterfield Borough	13.2 plus £1,811,000	13.2 plus £1,871,000
Derby City	12.5 plus £7,311,000	12.5 plus £7,521,000
Derbyshire Dales	12.6 plus £586,000	12.6 plus £606,000
Erewash Borough	12.1 plus £1,024,000	12.1 plus £1,057,000
High Peak Borough	12.4 plus £1,668,000	12.4 plus £1,723,000
North East Derbyshire	12.7 plus £1,389,000	12.7 plus £1,424,000
South Derbyshire	12.8 plus £616,000	12.8 plus £637,000

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.

## PENSION FUND ACCOUNTS - EXPLANATORY FOREWORD

### Members' Contributions

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

### Investment Policy

During 2014-15 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 2015, compared to those of its specific benchmark, as well as the impact of inflation on Fund returns.

Periods to 31 March 2015	Return		Inflation		Fund Real Return	
	Derbyshire Fund	Benchmark	CPI	RPI	Versus CPI Inflation	Versus RPI Inflation
	% pa	% pa	%	%	%	%
1 Year	12.8	12.6	0.0	0.9	12.8	11.6
3 Years	10.9	10.5	1.5	2.2	9.3	8.1
5 Years	8.7	8.7	2.4	3.1	6.2	5.4
10 Years	8.3	7.9	2.5	3.0	5.7	4.8



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## **PENSION FUND ACCOUNTS - EXPLANATORY FOREWORD**

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On a year by year basis, returns tend to fluctuate significantly according to economic and market conditions. 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 and performed at the benchmark level 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 2015 equity returns to Sterling investors were positive, ranging from 6.6% in the United Kingdom to 27.1% in Japan. A large part of the variance was caused by currency movements but Japan also benefited from a recovery in corporate earnings, a healthier economic outlook and continued monetary easing. Returns from bonds were also positive, with UK gilts returning 13.9%, UK index-linked bonds returning 18.5% and corporate bonds returning 18.6%. Bond returns benefited from renewed concerns about a general slowdown in global growth, geopolitical uncertainties and a lack of inflationary pressure. Property had another strong year, delivering a return of 18.3%, with yields falling in primary and secondary markets but emerging signs of rental growth in prime property.

### **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.

## PENSION FUND ACCOUNTS - EXPLANATORY FOREWORD

	<b>Assumption</b>
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](http://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](http://www.derbyshire.gov.uk/pensions).

**PENSION FUND ACCOUNTS**  
**FUND ACCOUNTS AND NET ASSET STATEMENT**

**PENSION FUND ACCOUNT**

2013-14 £'000		Note	2014-15 £'000
	<b>Contributions and Benefits</b>		
141,702	Contributions	7,24	150,048
7,367	Transfers In	8	8,310
149,069			158,358
(124,890)	Benefits	9,24	(134,571)
(6,880)	Payments to and on Account of Leavers	10	(51,197)
(1,512)	Administrative Expenses	11	(1,635)
(133,282)			(187,403)
<b>15,787</b>	<b>Net (Withdrawals)/ Additions from Dealings with Members</b>		<b>(29,045)</b>
	<b>Return on Investments</b>		
82,408	Investment Income	12	76,118
(4,307)	Taxes on Income	13	(4,716)
114,723	Profits and Losses on Disposal of Investments and Changes in Value of Investments	15	333,499
(5,381)	Investment Management Expenses	14	(4,742)
<b>187,443</b>	<b>Net Return on Investments</b>		<b>400,159</b>
<b>203,230</b>	<b>Net Increase in the Net Assets Available for Benefits During the Year</b>		<b>371,114</b>
3,120,045	Net Assets of The Fund at 1 April		3,323,275
<b>3,323,275</b>	<b>Net Assets of the Scheme Available to Fund Benefits at the Period End</b>		<b>3,694,389</b>

**NET ASSETS STATEMENT**

31.03.2014 £'000		Note	31.03.2015 £'000
3,317,489	Investment Assets	15,16	3,685,695
(6,151)	Investment Liabilities	15,16	(6,387)
15,440	Current Assets	18	17,715
(3,503)	Current Liabilities	19	(2,634)
<b>3,323,275</b>	<b>Net Assets of the Scheme Available to Fund Benefits at the Period End</b>		<b>3,694,389</b>

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# **PENSION FUND ACCOUNTS**

## **NOTES TO THE PENSION FUND ACCOUNTS**

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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 2014-15 (“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.

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# PENSION FUND ACCOUNTS

## NOTES TO THE PENSION FUND ACCOUNTS

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### **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 2015. 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 2015, 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.

## PENSION FUND ACCOUNTS

### NOTES TO THE PENSION FUND ACCOUNTS

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

	2013-14	2014-15
	£'000	£'000
<b>Employers</b>		
Normal	70,325	77,217
Deficit Funding	36,913	36,741
Augmentation	19	-
<b>Members</b>		
Normal	34,445	36,090
	<b>141,702</b>	<b>150,048</b>

Employers' contributions rates payable in 2014-15 were set as part of the 2013 valuation which revealed an overall funding level of 82.5% (2013-14: set as part of the 2010 valuation, overall funding level 81.2%).

#### 8. Transfers in

	2013-14	2014-15
	£'000	£'000
Group transfers in from other schemes	2,989	6,259
Individual transfers in from other schemes	4,378	2,051
	<b>7,367</b>	<b>8,310</b>

## PENSION FUND ACCOUNTS

### NOTES TO THE PENSION FUND ACCOUNTS

The East Midlands Police Collaboration Programme has resulted in a number of functions from the police forces of Leicestershire, Lincolnshire, Northamptonshire and Nottinghamshire transferring to the Derbyshire Constabulary. During 2014-15 group transfer amounts for transferred LGPS members of the Leicestershire, Lincolnshire and Nottinghamshire forces were finalised and a total of £5.782m was received by the Fund. As part of the agreement between the forces, any deficits that arise in the Fund in relation to these group transfers are to be recovered from the respective forces over a seven year period. Payments to the Fund can only be made by the Derbyshire force as a participating employer. Given this, a legal agreement has been drawn up to allow deficit recovery payments from each of the ceding police forces to be made to the Derbyshire force, which in turn will pay the deficit recovery amounts to the Fund.

The Northamptonshire force group transfer in is in the process of being calculated by the Fund's Actuary, with the transfer anticipated to complete in 2015-16. At this stage, the value of the assets and liabilities transferring to the Fund has not been finalised and the Fund's Actuary has confirmed that it is not appropriate to include these assets in the financial statements at 31 March 2015.

Group transfers in also includes a 2014-15 cash receipt of £0.477m from Staffordshire LGPS in respect of the transfer of employees from Staffordshire Moorlands District Council to Derbyshire County Council who are LGPS members.

2013-14 group transfers in relate to cash received in May 2014 in respect of LGPS benefits of past and present employees of Leek College, following this employer's business combination with Derby University.

#### 9. Benefits

	2013-14	2014-15
	£'000	£'000
Pensions	100,310	104,925
Commutation of pensions and lump sum retirement benefits	21,122	25,990
Lump sum death benefits	3,458	3,656
	<b>124,890</b>	<b>134,571</b>

#### 10. Payments to and on account of leavers

	2013-14	2014-15
	£'000	£'000
Refund of contributions	2	140
Group transfers out to other schemes	-	46,437
Individual transfers out to other schemes	6,878	4,620
	<b>6,880</b>	<b>51,197</b>

## PENSION FUND ACCOUNTS

### NOTES TO THE PENSION FUND ACCOUNTS

A major Ministry of Justice reform of the system for the management and rehabilitation of offenders in England and Wales has resulted in services that were delivered by 35 Probation Trusts being delivered instead by 21 Community Rehabilitation Companies and a newly created National Probation Service. Employees transferred from the existing Probation Trusts to these new bodies on 1 June 2014. Under the new arrangements the Greater Manchester Pension Fund (GMPF) will act as the LGPS administering body. Group transfers out relates to the resulting transfer of all members who are past and present employees of the Derbyshire Probation Trust (Trust) to GMPF. During 2014-15, following finalisation of transfer regulations, £46.437m was paid in cash from the Fund to GMPF in respect of the Trust's share of the Fund's assets. All liabilities in relation to the Trust have also transferred to GMPF. This payment has largely contributed to there being a net withdrawal from dealings with members in the Pension Fund Account of £29.045m (2013-14, £15.787m addition).

#### 11. Administrative expenses

	2013-14	2014-15
	£'000	£'000
Administration and processing	1,360	1,543
Actuarial fees	127	63
Audit fee	25	29
	<b>1,512</b>	<b>1,635</b>

Actuarial fees in 2013-14 were higher than average as a result of 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, which took place during that year.

#### 12. Investment income

	2013-14	2014-15
	£'000	£'000
Income from fixed interest securities	9,080	8,305
Dividends from equities	60,486	54,712
Income from index-linked securities	3,412	3,316
Income from pooled investment vehicles	2,261	2,826
Rents from properties	6,365	6,236
Interest on cash deposits	804	723
	<b>82,408</b>	<b>76,118</b>

Additional information in respect of dividends from equities in 2014-15 is provided in Note 15.



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**PENSION FUND ACCOUNTS**  
**NOTES TO THE PENSION FUND ACCOUNTS**

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**13. Taxes on income**

	2013-14	2014-15
	£'000	£'000
Irrecoverable taxation	4,307	4,716

**14. Investment management expenses**

	2013-14	2014-15
	£'000	£'000
Administration, management and custody	5,299	4,665
Performance measurement services	10	29
Legal and other advisory fees	72	48
	<b>5,381</b>	<b>4,742</b>

Administration, management and custody expenses include £0.815m (2013-14: £1.250m) in respect of the refurbishment of investment properties and £0.680m (2013-14: £0.839m) of direct expenses arising from investment properties.

External investment manager fees relating to European investments included within Administration, management and custody expenses have decreased by £0.481m in 2014-15, following changes to the Fund's European portfolio and its management (Note 15).

**PENSION FUND ACCOUNTS**  
**NOTES TO THE PENSION FUND ACCOUNTS**

**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
<b>Investment assets</b>					
Fixed Interest securities	281.754	217.571	(229.710)	24.509	294.124
Equities	1.897.780	506.349	(789.398)	153.807	1.768.538
Index-linked securities	261.640	30.952	(47.062)	45.645	291.175
Pooled investment vehicles	540.099	698.949	(321.175)	117.990	1.035.863
Properties	103.885	-	-	10.040	113.925
Currency hedging contracts	6.959	32.242	(32.399)	(6.802)	-
	<b>3,092,117</b>	<b>1,486,063</b>	<b>(1,419,744)</b>	<b>345,189</b>	<b>3,503,625</b>
Cash deposits & short term loans	207.584				165.984
Other investment balances	17.788				16.086
	<b>3,317,489</b>				<b>3,685,695</b>
<b>Investment liabilities</b>					
Currency hedging contracts	-	403.878	(394.383)	(11.690)	(2.195)
Other investment balances	(6.151)				(4.192)
	<b>(6,151)</b>				<b>(6,387)</b>
	<b>3,311,338</b>				<b>3,679,308</b>

The total of profits and losses on disposal of investments and changes in value of investment assets and investment liabilities has increased the Fund's value by £333.499m during 2014-15. This total includes all increases and decreases in the market value of investments held at any time during the year and profits and losses realised on sales of investments during the year.

Included within the above purchases and sales figures are transaction costs of £0.819m. These comprise stamp duty (£0.419m) and commissions paid to stockbrokers (£0.400m). Costs are also incurred by the Fund through the bid-offer spread on investments within pooled investment vehicles. Such costs are not separately identifiable.

## PENSION FUND ACCOUNTS

### NOTES TO THE PENSION FUND ACCOUNTS

During 2014-15, following a strategic decision by the Pensions and Investment Committee, the Fund sold its entire direct holding of European equities, which were actively managed by the external manager UBS Global Asset Management (UK) Limited (“UBS”). Units were purchased in the UBS Life Europe Ex-UK Equity Tracker Fund, a pooled investment vehicle, which aims to match the performance of the FTSE All-World Developed Europe Ex-UK Index measured in Sterling. The Fund reflects income in its unit price rather than distributing it. This action has resulted in a decrease in external manager investment fees (Note 14), a reduction in dividends from equities (Note 12) and an increase in equities sales and pooled investment vehicles purchases (Note 15) in 2014-15.

At 31 March 2015 the value of the Fund’s investment in the UBS Life Europe Ex-UK Equity Tracker Fund was £338.8m, representing 9.2% of the total value of the Fund’s net assets available for benefits (2014, no single investment holding exceeded 5% of the Fund’s net assets). This holding is categorised as an in-house investment, which is consistent with the categorisation of existing pooled investment vehicles held as stock selection decisions.

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 was one currency hedging contract, with less than six months to expiry, with a gross contract value of £113.043m (2014, four contracts, all with less than six months to expiry, with a gross contract value of £98.923m).

	31.03.2014	31.03.2015
	£'000	£'000
<b>Fixed interest securities</b>		
UK public sector quoted	256,776	274,039
UK corporate quoted	16,053	-
Overseas public sector quoted	8,925	20,085
	<b>281,754</b>	<b>294,124</b>
<b>Equities</b>		
UK quoted	1,083,691	1,161,964
Overseas quoted	814,089	606,574
	<b>1,897,780</b>	<b>1,768,538</b>
<b>Index-linked securities</b>		
UK public sector quoted	172,216	197,498
Overseas public sector quoted	89,424	93,677
	<b>261,640</b>	<b>291,175</b>

**PENSION FUND ACCOUNTS**  
**NOTES TO THE PENSION FUND ACCOUNTS**

	31.03.2014	31.03.2015
	£'000	£'000
<b>Pooled Investment Vehicles</b>		
Property – unquoted	56,346	67,557
Other quoted	351,903	760,216
Other unquoted	131,850	208,090
	<b>540,099</b>	<b>1,035,863</b>
<b>Properties</b>		
UK freehold	65,960	72,225
UK leasehold	37,925	41,700
	<b>103,885</b>	<b>113,925</b>
<b>Cash deposits and short term loans</b>		
Sterling cash deposits	25,699	49,707
Money market funds	59,477	30,000
Other Sterling short term loans	115,000	70,000
Foreign currency	7,408	16,277
	<b>207,584</b>	<b>165,984</b>

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'.

	31.03.2014		31.03.2015	
	£'000	%	£'000	%
In-house	2,635,364	79.6	3,233,197	87.9
Wellington Management International Ltd	359,238	10.8	446,111	12.1
UBS Global Asset Management (UK) Ltd	316,736	9.6	-	-
	<b>3,311,338</b>	<b>100</b>	<b>3,679,308</b>	<b>100</b>

## PENSION FUND ACCOUNTS

### NOTES TO THE PENSION FUND ACCOUNTS

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

<b>Fund</b>	<b>Country of registration of fund manager</b>
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
Fidelity Eurozone Select Real Estate Fund	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

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

	31.03.2014		31.03.2015	
	£'000	%	£'000	%
UK	2,087,321	63.0	2,234,024	60.7
N America	439,828	13.3	560,353	15.2
Europe	337,049	10.2	340,179	9.3
Asia and other	447,140	13.5	544,752	14.8
	<b>3,311,338</b>	<b>100</b>	<b>3,679,308</b>	<b>100</b>

#### 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:

**PENSION FUND ACCOUNTS**  
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	31.03.2014	31.03.2015
	£'000	£'000
<b>Equitable Life Assurance Society</b>		
with profits fund	294	282
unit-linked funds	527	543
building society fund	8	8
<b>Total Equitable Life Assurance Society</b>	<b>829</b>	<b>833</b>
<b>Standard Life</b>		
managed fund	568	649
multi asset managed fund	76	79
protection fund	18	40
ethical fund	82	85
with profits fund	255	267
<b>Total Standard Life</b>	<b>999</b>	<b>1,120</b>
<b>Prudential Assurance Company Ltd</b>		
deposit fund	3,083	3,038
with profits cash accumulation fund	606	1,012
cash fund	23	43
discretionary fund	105	208
fixed interest fund	56	54
global equity fund	48	73
index-linked fund	100	129
international equity fund	25	71
property fund	33	73
retirement protection fund	107	108
socially responsible fund	6	12
UK equity fund	62	67
UK equity (passive) fund	58	100
<b>Total Prudential Assurance</b>	<b>4,312</b>	<b>4,988</b>

**PENSION FUND ACCOUNTS**  
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	31.03.2014	31.03.2015
	£'000	£'000
<b>Clerical Medical</b>		
with profits fund	443	405
unit linked fund	38	56
Total Clerical Medical	481	461
<b>Total AVC Investments</b>	<b>6,621</b>	<b>7,402</b>
<b>Death in Service Cover</b>		
Equitable Life	435	413

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
<b>Value at 1.4.2014</b>	829	4,312	999	481	6,621
<b>Income</b>					
Contributions received	6	1,378	41	18	1,443
Interest and bonuses and change in market value	72	159	95	28	354
Transfers in	-	-	1	-	1
<b>Expenditure</b>					
Life assurance premiums	(1)	-	-	-	(1)
Retirement benefits	(73)	(767)	(16)	(66)	(922)
Transfers out and withdrawals	-	(94)	-	-	(94)
<b>Value at 31.3.2015</b>	<b>833</b>	<b>4,988</b>	<b>1,120</b>	<b>461</b>	<b>7,402</b>

**PENSION FUND ACCOUNTS**  
**NOTES TO THE PENSION FUND ACCOUNTS**

**18. Current assets**

	<b>31.03.2014</b>	<b>31.03.2015</b>
	<b>£'000</b>	<b>£'000</b>
Employers' contributions due	8,817	6,218
Employees' contributions due	1,567	1,659
Group transfer in due	2,989	-
Amounts owed by Derbyshire County Council	297	3,002
Sundry debtors	1,054	1,473
Cash balance	716	5,363
	<b>15,440</b>	<b>17,715</b>

Employers' and employees' contributions due at 31 March 2015 have been received since the year-end, except for Derby City Council shortfall contributions of £0.414m, which are expected to be paid imminently.

**19. Current liabilities**

	<b>31.03.2014</b>	<b>31.03.2015</b>
	<b>£'000</b>	<b>£'000</b>
Unpaid benefits	2,072	1,343
Sundry creditors	1,431	1,291
	<b>3,503</b>	<b>2,634</b>

**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 2014-15 are charges from the Corporate Finance Division and other Council departments of £1.947m (2013-14, £1.731m) for expenses incurred in administering the Fund.

In addition, interest of £0.001m (2013-14, £0.001m) was paid by the Council to the Fund in 2014-15.

At 31 March 2015 the Council owed the Fund £3.002m (2014: £0.297m).

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 34 and 35 of the Council's Statement of Accounts.



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## PENSION FUND ACCOUNTS

### NOTES TO THE PENSION FUND ACCOUNTS

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#### 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 was one such commitment at 31 March 2015 (2014, none).

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

	31.03.2014	31.03.2015
	£'000	£'000
Unquoted investments	7,961	5,563
Other Sterling short-term loans	-	2,000
	<b>7,961</b>	<b>7,563</b>

#### 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

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## PENSION FUND ACCOUNTS

### NOTES TO THE PENSION FUND ACCOUNTS

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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 2014-15 was approved by the Full Council on 5 February 2014.

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 £171.347m (2014, £208.300m) 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.

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## PENSION FUND ACCOUNTS

### NOTES TO THE PENSION FUND ACCOUNTS

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A risk of non-recovery applies to all of the Fund's deposits, but there was no evidence at 31 March 2015 that this was likely to occur. No breaches of the Fund's counterparty criteria occurred during the reporting period. Under new banking arrangements the main operational bank accounts of the Fund and the Council were transferred from the Co-operative Bank to Lloyds Bank on 6 October 2014. At 31 March 2015 the Fund had £5.363m in its operational account with Lloyds Bank. The Fund's Co-operative Bank account was closed on 6 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 3% (2014, 3%) of investment assets at the year end and by selecting large banks as the counterparties. The forward currency contract at the year end was 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 was one currency hedging contract, with less than six months to expiry, with a gross contract value of £113.043m (2014, four contracts, all with less than six months to expiry, with a gross contract value of £98.923m). 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 and US Government securities and certain corporate bond funds. 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.

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## **PENSION FUND ACCOUNTS**

### **NOTES TO THE PENSION FUND ACCOUNTS**

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#### **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.
- The only derivative financial liability held at the year-end was a currency hedging contract, with less than six months to expiry, on which the net liability was £2.195m (2014, none).

#### **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.

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## PENSION FUND ACCOUNTS

### NOTES TO THE PENSION FUND ACCOUNTS

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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 2015 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.

**PENSION FUND ACCOUNTS**  
**NOTES TO THE PENSION FUND ACCOUNTS**

	Value at 31.03.2015		Value on increase	Value on decrease
	£'000	Change %	£'000	£'000
<b>Underlying asset type</b>				
UK Government bonds	274,039	6.23	291,111	256,966
UK corporate bonds	173,636	4.89	182,127	165,145
Overseas bonds	111,567	10.12	122,857	100,276
UK equities	1,191,791	9.85	1,309,183	1,074,400
Overseas equities	1,312,187	9.60	1,438,158	1,186,218
UK index-linked	197,498	7.77	212,844	182,153
Alternatives	59,229	8.19	64,080	54,378
Cash	165,984	0.01	166,001	165,968
Other investment balances	11,894	-	11,894	11,894
Properties (non-financial instruments)	181,483	4.40	189,468	173,497
<b>Total investment assets and liabilities</b>	<b>3,679,308</b>	<b>6.40</b>	<b>3,914,784</b>	<b>3,443,833</b>

**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 2015 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 2015 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 unhedged overseas assets.

	Value at 31.03.2015		Value on increase	Value on decrease
	£'000	Change %	£'000	£'000
<b>Underlying asset type</b>				
Overseas equities	1,312,187	5.67	1,386,583	1,237,792
Overseas cash	16,277	5.67	17,200	15,354
<b>Overseas investment assets</b>	<b>1,328,464</b>	<b>5.67</b>	<b>1,403,783</b>	<b>1,253,146</b>

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**PENSION FUND ACCOUNTS**  
**NOTES TO THE PENSION FUND ACCOUNTS**

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**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 2015 comprises £2,930m in respect of employee members, £813m in respect of deferred pensioners and £1,666m in respect of pensioners. The approximation involved 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 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 above figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value.

	<b>31.03.2014</b>	<b>31.03.2015</b>
	<b>£'000</b>	<b>£'000</b>
Present value of Promised Retirement Benefits	<b>4,481,000</b>	<b>5,409,000</b>

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. These are given below. I estimate that the impact of the change of assumptions to 31 March 2015 is to increase the actuarial present value by £743m.

*Financial assumptions*

My recommended financial assumptions are summarised below:

	<b>31.03.2014</b>	<b>31.03.2015</b>
Inflation/Pensions Increase Rate	2.80%	2.40%
Salary Increase Rate	3.60%	3.30%
Discount Rate	4.30%	3.20%

## PENSION FUND ACCOUNTS

### NOTES TO THE PENSION FUND ACCOUNTS

#### *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.

The assumptions are identical to those used for 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."

Richard Warden FFA

13 May 2015

For and on behalf of Hymans Robertson LLP

## **24. 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 82 Scheduled and 47 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:

	2013-14		2014-15	
	Benefits payable	Contributions receivable	Benefits payable	Contributions receivable
	£'000	£'000	£'000	£'000
Derbyshire County Council	59,217	61,719	66,031	66,687
Scheduled Bodies	61,759	75,658	64,415	77,267
Admission Bodies	3,914	4,325	4,125	6,094
	<b>124,890</b>	<b>141,702</b>	<b>134,571</b>	<b>150,048</b>



**PENSION FUND ACCOUNTS**  
**NOTES TO THE PENSION FUND ACCOUNTS**

	<b>Total contribution rate % of pensionable payroll</b>	
	<b>2014-15</b>	<b>2015-16</b>
<b>Scheduled Bodies</b>		
Derbyshire Probation Trust - to 1 June 2014	10.1	-
Peak District National Park Authority	13.0 plus £204,000	13.0 plus £210,000
Chesterfield Crematorium	17.8 plus £26,000	17.8 plus £27,000
University of Derby	11.7 plus £677,000	11.7 plus £700,000
Chesterfield College	12.9 plus £144,000	12.9 plus £148,000
Derby College <sup>^</sup>	11.7 plus £401,000	12.2 plus £414,000
Derbyshire Police Authority	11.9 plus £1,333,000	11.9 plus £1,377,000
Derbyshire Fire & Rescue	12.2 plus £155,000	12.2 plus £160,000
Derby Homes Limited	12.4 plus £264,000	12.4 plus £272,000
Rykneld Homes	15.0 plus £19,000	15.0 plus £19,000
Landau Forte College	11.3 plus £2,000	11.3 plus £2,000
Allenton Primary - from 1 January 2015	22.8 plus £5,901	22.8 plus £24,300
Al-Madinah School	20.0	20.0
Bishop Lonsdale Church of England Primary School - from 1 June 2014	20.8 plus £1,503	20.8 plus £2,100
Brookfield Academy	13.4 plus £67,000	13.4 plus £69,000
Chellaston Academy	13.4 plus £49,000	13.4 plus £50,000
City of Derby Academy	14.4 plus £40,000	14.4 plus £40,000
Derby Pride Academy	11.5 plus £4,000	11.5 plus £5,000
Dovedale Primary School (Willows Academy Trust) - from 1 November 2014	19.6 plus £750	19.6 plus £1,800
Ecclesbourne Academy	15.2 plus £39,000	15.2 plus £40,000
English Martyrs	14.2 plus £9,000	14.2 plus £9,000
Grampian Primary Academy	13.3 plus £5,000	13.3 plus £6,000
Heanor Gate Science College	14.6 plus £56,000	14.6 plus £57,000
Hope Valley College	14.1 plus £42,000	14.1 plus £43,000
Immaculate Conception Academy Trust - from 1 December 2014	19.6 plus £1,200	19.6 plus £3,900
John Port Academy	13.7 plus £59,000	13.7 plus £61,000
Kirk Hallam Academy	13.0 plus £50,000	13.0 plus £52,000
Landau Forte Moorhead Academy	15.3 plus £14,000	15.3 plus £14,000

**PENSION FUND ACCOUNTS**  
**NOTES TO THE PENSION FUND ACCOUNTS**

	<b>Total contribution rate % of pensionable payroll</b>	
	<b>2014-15</b>	<b>2015-16</b>
Leesbrook School	12.3 plus £74,000	12.3 plus £76,000
Merrill Academy	12.1 plus £40,000	12.1 plus £41,000
Newbold Church of England Primary School - from 1 July 2014	16.1 plus £7,250	16.1 plus £9,000
Newbold Community School - from 1 January 2015	24.7 plus £10,200	24.7 plus £42,108
Pennine Way Junior Academy	13.8 plus £11,000	13.8 plus £12,000
Queen Elizabeth's Grammar School Ashbourne Academy	12.6 plus £69,000	12.6 plus £71,000
Redhill Primary School	14.7 plus £8,000	14.7 plus £9,000
Sawley Infant School (Willows Academy Trust) - from 1 November 2014	17.7 plus £3,315	17.7 plus £8,304
Sawley Junior School (Willows Academy Trust) - from 1 November 2014	19.2 plus £1,000	19.2 plus £2,604
Shardlow Primary School (Willows Academy Trust) - from 1 November 2014	21.1 plus £690	21.1 plus £1,704
Shirebrook Academy	13.9 plus £51,000	13.9 plus £52,000
St Benedict Voluntary Catholic Academy	13.7 plus £96,000	13.7 plus £99,000
St George's Voluntary Catholic Academy	12.8 plus £18,000	12.8 plus £18,000
St John Fisher Catholic Voluntary Academy	14.4 plus £9,000	14.4 plus £10,000
St John Houghton Catholic Voluntary Academy	13.6 plus £30,000	13.6 plus £31,000
St Joseph's Catholic Primary School Voluntary Academy - from 1 October 2014	16.6 plus £702	16.6 plus £1,500
St Mary's Catholic High School Academy Trust	15.5 plus £43,000	15.5 plus £44,000
Staveley Netherthorpe School	13.7 plus £32,000	13.7 plus £34,000
The Bolsover Academy	14.2 plus £34,000	14.2 plus £35,000
The Long Eaton Academy	13.6 plus £54,000	13.6 plus £55,000
The Ormiston Ilkeston Enterprise Academy	13.3 plus £73,000	13.3 plus £75,000
The Ripley Academy - from 1 September 2014	22.2 plus £10,500	22.2 plus £18,708
Turnditch Primary - from 1 March 2015	26.1 plus £120	26.1 plus £1,404
West Park Academy	15.3 plus £55,000	15.3 plus £57,000
William Gilbert Primary - from 1 March 2015	25.2 plus £1,400	25.2 plus £17,604
Woodlands School	12.8 plus £47,000	12.8 plus £49,000
Wyndham Primary Academy (Boulton Primary School)	13.0 plus £10,000	13.0 plus £10,000
Town and Parish Councils - Group 1	22.8	22.8
Town and Parish Councils - Group 2	16.2	16.2

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**PENSION FUND ACCOUNTS**  
**NOTES TO THE PENSION FUND ACCOUNTS**

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^ Stepped rate

**Town and Parish Councils**

<b>Group 1</b>	<b>Group 2</b>
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	North Wingfield Parish Council
Old Bolsover Town Council	Shardlow & Great Wilne Parish Council
Pinxton Parish Council	Tibshelf Parish Council
Shirebrook Town Council	Ticknall Parish Council
Staveley Town Council	Tupton Parish Council
Whaley Bridge Town Council	Wingerworth Parish Council
Whitwell Parish Council	
Wirksworth Town Council	

**PENSION FUND ACCOUNTS**  
**NOTES TO THE PENSION FUND ACCOUNTS**

The following Admission Bodies also participate:

	<b>Total contribution rate % of pensionable payroll</b>	
	<b>2014-15</b>	<b>2015-16</b>
4 Children	15.5	15.5
ABM Catering Ltd (Derby Moor School)	26.9	26.9
ABM Catering Ltd (Gayton Primary School)	14.4	14.4
Dales Housing Ltd	16.4 plus £105,000	16.4 plus £108,000
Active Nation	19.9 plus £2,000	19.9 plus £2,000
APCOA Parking Services (UK) Ltd - to 18 February 2015	3.3	3.3
Apollo Property Services Group Ltd - to 31 December 2014	26.2 plus £9,000	26.2 plus £9,000
Arvato Government Services Ltd (Derbyshire Dales)	15.0	15.0
Arvato Government Services (Sefton) Ltd	23.9 plus £15,000	23.9 plus £16,000
Aspens Services Ltd	23.1	23.1
Balfour Beatty Power Networks Ltd	24.4	24.4
Balfour Beatty (Derby BSF)	18.4	18.4
Barnados	19.4 plus £1,000	19.4 plus £1,000
Belper Leisure Centre Ltd	22.8 plus £19,000	22.8 plus £20,000
Brookwood	19.6	19.6
Bulloughs - to 17 August 2014	18.4	18.4
Chesterfield Care Group	19.3 plus £3,000	19.3 plus £3,000
Churchill Contractor Services	18.1	18.1
Clean Slate (UK) Ltd (Ashgate) - to August 2014	12.3	12.3
Clean Slate (UK) Ltd (City Schools)	22.8	22.8
Clean Slate (UK) Ltd (Pottery)	23.4	23.4
Compass Contract Services (UK) Ltd	10.3	10.3
Compass Services Ltd (DCC)	20.4	20.4
Cream Catering	22.2	22.2
Dell Corporation Ltd	13.9	13.9
Derby County Community Trust	16.4	16.4

**PENSION FUND ACCOUNTS**  
**NOTES TO THE PENSION FUND ACCOUNTS**

	<b>Total contribution rate % of pensionable payroll</b>	
	<b>2014-15</b>	<b>2015-16</b>
Derby Museums & Arts Trust	20.9	20.9
Derbyshire Coalition for Inclusive Living (DCIL)	26.7 plus £14,000	26.7 plus £15,000
Derbyshire Student Residences Ltd	21.6 plus £2,000	21.6 plus £2,000
Elior UK plc	27.0	27.0
Elite Cleaning and Environmental Services	26.9	26.9
EMH Homes	14.1 plus £131,000	14.1 plus £135,000
European Electronique Ltd	13.4	13.4
Futures Homescape Ltd	13.8 plus £54,000	13.8 plus £55,000
Initial Catering Services Ltd	22.8	22.8
Initial Facilities Management Ltd	26.2	26.2
Kier Ltd	22.9 plus £3,000	22.9 plus £3,000
Leisure Amber Valley BC	18.2	18.2
Leisure High Peak BC	13.1	13.1
Macintyre Care Ltd	2.0	2.0
Mitie Facilities Services Ltd	24.9	24.9
NIC Services Group Ltd (Derby College)	17.6	17.6
Northgate Information Solutions UK Ltd (South Derbys DC)	23.5	23.5
Nottingham Community Housing Association - to June 2014	20.9	20.9
SIV Enterprises Ltd	4.6	4.6
Superclean Services Wothorpe Ltd (Fire)	11.2	11.2
Tramway Museum Society	24.0 plus £14,000	24.0 plus £14,000
Veolia (Amber Valley Refuse)	24.7	24.7
Veolia (Chesterfield Refuse)	26.5	26.5
Veolia Ltd (contract with High Peak BC)	0.0	0.0
Vinci Construction UK	19.2	19.2
Vinci UK Ltd (Norwest Holst Ltd)	28.7	28.7

# Annual Governance Statement

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# ANNUAL GOVERNANCE STATEMENT

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## **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 6 of the Accounts and Audit Regulations 2015 in relation to the publication of an annual governance statement. 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 2015 and up to the date of the Statement of Accounts being certified by the Director of Finance.

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# ANNUAL GOVERNANCE STATEMENT

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

### *Policy and Plans*

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 2015.

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 the responsibility of 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 ongoing review. The Authority's political structure and the roles and responsibilities of Cabinet Members are also detailed on the Council's 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



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## ANNUAL GOVERNANCE STATEMENT

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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 and the 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

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## ANNUAL GOVERNANCE STATEMENT

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Members in relation to 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 was completed and revised regulations agreed by Council which were implemented 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 was undertaken by PricewaterhouseCoopers in 2014 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 considered by the Committee can be accessed via the County Council's website.

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## ANNUAL GOVERNANCE STATEMENT

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### *Member Development*

The Authority continues to review its arrangements for Member training and development through the Member Development Working Group as recommended by an Improvement and Scrutiny review. This has overseen and implemented a structured framework for Member development and induction. The Council has recently introduced a Member Development Strategy and in June the Council committed to achieving the externally assessed Councillor Development Charter to assist in the development of elected Members and to provide refresher and update briefings as required by 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 ongoing 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 workforce development activity are undertaken to continuously improve learning and development plans. The corporate e-induction is updated to ensure it continues to support this framework. The management competency framework is currently under review to ensure that it is fully aligned to the priorities of the Council Plan and this framework.

### *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 and Your Derbyshire magazine.

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, 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 deliver more than each body can achieve separately and provide those services which meet the needs of local people.

### *Future Challenges*

The Council has approved a revised Five Year Financial Plan which identified the need to make further significant savings over the period 2015-16 to 2019-20 and, as part of

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## ANNUAL GOVERNANCE STATEMENT

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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 implemented a monthly "Performance Clinic" approach during 2014-15 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. This approach is to be widened in 2015-16 to include more detailed recording of the achievement of performance targets leading to improved reporting to Members.

The achievement of budget reductions of the size facing the Council requires a considerable transformation in approach to service delivery. An Innovation Programme is being developed 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 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.

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. Whilst we recognise the need to refresh this process in the medium term, opportunities have been identified to further strengthen present arrangements which include:-

- Implementation of Governance Matrices;
- Consideration of the governance implications arising from the Report of Inspection of Rotherham Metropolitan Borough Council (Casey Report) published by the Department for Communities and Local Government.

The responsibility for monitoring progress in this regard is undertaken by the Governance Group.

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 those opportunities for improvement highlighted above so as to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements which were

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## **ANNUAL GOVERNANCE STATEMENT**

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identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

**Ian Stephenson**  
**Chief Executive**

4 August 2015

**Councillor Anne Western**  
**Leader of the Council**

4 August 2015

On behalf of Derbyshire County Council

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**AUDITOR'S OPINION**

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## AUDITOR'S OPINION

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### **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 2015 on pages 10 to 108. 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 2014/15.

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<sup>1</sup>. 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.

<sup>1</sup>References in this report to the Audit Commission Act 1998 are saved transitionally for the purposes of the audit of the 2014/15 accounts.

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## AUDITOR'S OPINION

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### **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 2015 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 2015 and the amount and disposition of the fund's assets and liabilities as at 31 March 2015; and;
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

### **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 109 to 116 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.



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## AUDITOR'S OPINION

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### **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 2014, 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 2015.

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.

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## AUDITOR'S OPINION

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### **Conclusion**

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2014, 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 2015.

### **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

16 September 2015

### 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 2014-15 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 this document.

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.

### **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 2014-15 (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 the same. Any amounts outstanding (payment or receipt) at the year-end date is held as a creditor or debtor after netting off the amounts either due or 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;

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## APPENDIX ONE

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- 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 Council's financial statements for one or more prior periods. For the error to be a previous year adjustment, it would need to have arisen 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.

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 significant, 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.

Errors which are found and are not significant (this includes material errors) will not result in a prior year adjustment and will be corrected as a current year entry. In addition, errors as a result of information which was not known to the Council, or could not have reasonably been obtained by the Council when the accounts were authorised for issue will also be treated as an in year adjustment.

### 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.

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

Where there is a material post balance sheet event before the date the accounts are authorised for issue, 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 be 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***

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. They are not recognised in the Balance Sheet but disclosed in a note to the accounts.

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

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

## 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

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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-minimus 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 of 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. To ensure there is no 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 as 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 provided by 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:

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### ➤ **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 asset to be 25% of the total asset base. A component would be recognised if its expenditure in a given financial year exceeds 25% of the total value of the significant asset and has a substantially different life to the overall asset:

- Combined Group containing Flat Roof & Mechanical Engineering (Internal Works i.e. boiler system)
- Land
- Temporary Buildings (sheds / portacabins)
- 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?

To be a Community Asset, 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.

#### ○ Vehicles, Plant and Equipment Assets and Assets Under Construction.



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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.

- Non-Operational (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.**

Assets that 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 all of the following criteria have been met:

- 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 which do not meet all of the criteria set out as assets Held for Sale will be classified as surplus. If at a later point in time the asset no longer meets the criteria of Held for Sale, 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.

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It is possible that assets meeting the criteria to be Held for Sale; may undergo a change in circumstance beyond the control of the Council resulting in the sale being 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 a differing base. 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, Plant and Equipment, IT Hardware and Assets Under Construction within PPE are held at historic cost (not valued).
- **Infrastructure Assets** – the Council recognises Infrastructure Assets at Depreciated Historical Cost.

The code of Practice on Transport Infrastructure assets 2010 requires these assets to be valued on a Depreciated Replacement Cost valuation basis.

The conversion to DRC was originally due in 2012-13, however has been delayed by central government and is now not applicable until 2016-17. The Council would have been in a position to convert to a DRC basis for the original deadline.

- **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

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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. Where there is evidence of impairment to Heritage Assets eg where an item has suffered a physical deterioration or where there is a doubt to the authenticity of a piece of art, any impairment is recognised and measured in accordance with the Authority's general policies on impairment.
- **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 is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains). 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

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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-minimus 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
  - Modular Buildings – 25 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
  - Fixtures and Fittings – 10 years
  - IT Hardware – 5 years
  - Vehicles – 3 to 10 years
- **Infrastructure Assets**
  - Carriage ways – 40 years
  - Footways and cycle tracks – 40 years
  - Structures – 40 years
  - Lighting – 25 years
  - Traffic management – 25 years
  - 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

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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.

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## APPENDIX ONE

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- 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.

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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 are 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, Accumulating Absences** – The Council allows employees to earn time off in one period with the resulting cost to the Council in a later period



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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.

If an employee were to leave the Council, cash payment would be made for entitlements such as annual leave; this leave is termed vesting. Where no cash payment would be due, the leave is termed non-vesting.

In order to correctly reflect the cost of time owed to staff, 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 time cost value of all accumulating leave owed to employees. Vesting leave will be charged in full; however non-vesting leave has been adjusted to reflect the turnover of staff.

- **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-accumulating Absences** – are periods of leave that cannot be carried forward for use in future periods. Examples include Maternity Leave, Special Leave, Sick Leave and Jury Service. The Council does not recognise non-accumulating compensated absences until the time that the absence occurs.
- **Non-monetary Benefits** – Where employees have non-monetary benefits (e.g. retirement benefits or life insurance), the associated cost of providing that benefit has been charged to the Comprehensive Income and Expenditure Statement.

### 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

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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 such as mortality rates and employee turnover rates, and projections of earnings for current employees.

Pension liabilities are measured using the projected unit method, discounted using the rate 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 within the relevant service area dependant on staff employed at the Council. The current service cost includes an allowance for administration expenses
- 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 Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- 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
- 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
- Interest Income on Plan 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
- 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.
- Employer Contributions – cash paid by the Council to the Pension Fund.

In relation to retirement benefits, statutory provisions require the General Reserve 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

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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 (referred to as grants for the purposes of this policy) 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.

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 within Other Operating (Income) and Expenditure in the Comprehensive Expenditure and Income Statement.

### 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.

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. Where payment is not expected for more than 365 days after the balance sheet date, the provision has been discounted using the rate of a high quality corporate bond.

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.

The Council publishes a separate Reserves Policy document, which is reviewed by Cabinet at least annually.

### 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 and Business Rates Recognition**

Council Tax and Business Rates income included in the Comprehensive Income and Expenditure Statement includes the Council's share of accrued 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 Reserve is taken to the Collection Fund Adjustment Account and reported in the Movement in Reserves Statement.

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### 1.38. ***Inventories and Work in Progress***

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

### 1.39. ***Provisions for bad and doubtful debts***

The Council maintains a bad debt provision 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.

## TREASURY MANAGEMENT

### 1.40. ***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.

### 1.41 ***Cash and Cash Equivalents***

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are

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highly liquid investments that mature in no more than three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in the value.

### 1.42 **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.

### 1.43 **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

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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).

#### 1.44 ***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.



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## GLOSSARY OF TERMS

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### **AA rated corporate bonds**

Financial indicator of very good quality, low risk debt securities. These are assigned by credit rating agencies such as Moody's, Standard & Poor's and Fitch Ratings to have letter designations (such as AAA, B, CC).

### **Account**

A group of expenditure items or balances with similar qualities will be summated into an 'account' balance such as an individual reserve account, or revenue expenditure account.

### **Accounting Basis**

The basis on which the Council is required to present the accounts to be compliant with International Financial Reporting Standards.

### **Accounting Policies**

The Councils document outlining how it will account for all of its operations.

### **Accounting Principles**

Commonly accepted set of concepts or assumptions that have to be followed when producing financial statements.

### **Accounting Standard**

Statutory guidelines which explain how to treat financial activities in the financial statements. See International Financial Reporting Standards (IFRS).

### **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.

### **Accumulating Absences**

Types of leave which employees are entitled to each year; which if untaken in one financial year will be added to the entitlement for the following year.

### **Acquired / Acquisition**

Operations or assets which have become the responsibility of the Council, such as through purchase, a Government reorganisation, donation or merger.

### **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.

### **Actuaries**

An actuary is a professional who deals with the financial impact of risk and uncertainty. Actuaries provide assessments of financial systems and balances.

### **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.

### **Annual Leave**

Yearly entitlement of paid time off for Council staff.

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## GLOSSARY OF TERMS

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### **Asset Register**

Listing of all property (for example land, buildings, furniture, infrastructure, software) owned by the Council. The register holds all financial information relating to the asset.

### **Assets**

Right or other access to future economic benefits.

### **Assets Held For Sale**

Non-Current Assets which meet the relevant criteria to be classified as held for sale.

### **Assets Under Construction**

Property (buildings) which is currently being built or changed to the degree that it would be classed as a different property.

### **Associates**

An entity (including partnerships) which is not a subsidiary or joint venture, where the Council has significant influence.

### **Authorised For Issue**

The date which the financial statements have been certified by External Audit and signed the relevant Officers and Members of the Council.

### **Available For Sale**

Financial assets that have a quoted market price and/or do not have fixed or determinable payments.

### **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.

### **Bias**

Influence or direction

### **Billing Authorities**

Councils who are responsible for issuing Council Tax Invoices and collection of income from local residents. The relevant share of that income is then transferred to the Council.

### **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.

### **Borrowing Requirement**

The amount required to be loaned from Money Markets or other financial institutions or Councils in order to support capital expenditure.

### **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.

### **Business Rates**

Local property taxation issued to businesses, similar to Council Tax on residential properties. Also known as National Non Domestic Rates (NDR).

### **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.

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## GLOSSARY OF TERMS

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### **Capital**

Assets which have a long term value to the Council such as Buildings.

### **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 Appreciation**

Increase in the worth of assets over time due to changes in market conditions or enhancements to the asset.

### **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 Flows**

Monies received or paid either as cash or bank transactions. Cash inflow denotes money received, cash outflow denotes money paid.

### **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.

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## GLOSSARY OF TERMS

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### **Chartered Institute of Public Finance And Accountancy (CIPFA)**

The main authority on accountancy and financial management for the public services in the UK.

### **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).

### **Comparative Year**

The previous year to that which is being reported.

### **Component Accounting**

The concept that individual parts of an asset (such as land, brick building, roof, sheds) should be treated differently in the financial statements dependent on the expected useful life or value of those individual parts. The concept expects that some parts of an asset require repair or replacement sooner than others.

### **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.

### **Condition**

A requirement which must be met for an asset or liability to be recognised by the Council. For example, a donation which can only be spent within a specific service area such as museums or to support children.

### **Constitution**

The document that sets out how the Council operates, how decisions are made and the procedures which are followed.

### **Contingent Assets And Liabilities**

Potential income or 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.

### **Contributions**

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## GLOSSARY OF TERMS

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Income received by the council which is not a grant, donation, fine, or in direct exchange for goods or services.

### **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.

### **Creditors**

Represents the amount that the Council owes other parties.

### **Current Service Cost**

The current service cost is the increase in the value of the pension schemes future pension liabilities arising from the employees on-going membership of the pension scheme.

### **Current Year Entry**

A transaction which has occurred in the financial year being reported.

### **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.

### **Debt Outstanding**

The remaining principal balance owed on a loans or investments at a given point in time.

### **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

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## GLOSSARY OF TERMS

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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.

### **Department For Education**

Central Government Department, responsible for education and children's services in England.

### **Depreciation (Dpn)**

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 either by sale, destruction or other form of disposal.

### **Discount**

An allowance received through the early repayment of debt.

### **Discounted Cash Flow**

A method of analysing future cash flows, by removing the impact time has on the value of money, and producing an equivalent current value (present value).

### **Discretionary Benefits**

Benefits given to employees which are not statutorily obliged.

### **Disposal**

Operations or assets which have left the responsibility of the Council, such as through sale, a Government reorganisation, donation or merger

### **Donated Assets**

Assets which have been acquired at below market cost.

### **Dowry**

One off payment made as donation, contribution or pre-payment of an obligation.

### **Earmarked Reserves**

Reserve balances which have been set aside for future spending in a specific area.

### **Economic Life**

The period of time that an asset is deemed to have a value, before wear and tear is to a degree that the asset has no worth.

### **Economic Substance**

True nature of a transaction or contract regardless of the legal nature.

### **Effective Rate**

The interest rate embedded within a contract or lease, allowing for regular annual payments and the time value of money.

### **Employee**

A person who holds an office within the Council, but does not include a person who is an

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## GLOSSARY OF TERMS

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elected Councillor.

### **Employee Benefits**

Monetary or other awards to employees of the Council in exchange for services provided. For example, pay, holidays, and pensions.

### **Employee Costs**

The costs directly associated with employees, including but not exhaustively, salaries and wages, National Insurance contributions and pension costs.

### **Employer Contributions**

The payments made to an employee's pension scheme by the Council.

### **Enhancement Expenditure**

Expenditure which increases the value of an asset.

### **Entity**

Something with a legal status such as the Council, a company, or an individual.

### **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.

### **Events After The Balance Sheet Date**

An event which occurs between 31 March and the date that the accounts are signed which would alter the conclusion reached by any reader of the accounts.

### **Exceptional Items**

Events which are material in terms of the Council's overall expenditure and are not expected to recur frequently or regularly.

### **Existing Use Value (EUUV)**

The value of an asset based on what it is currently being used for. For example, two identical buildings in construction and design may have different values where one is used as a school and another is used as offices.

### **Exit Packages**

The payment made to an employee upon leaving the Council.

### **Expenditure**

Payments made of goods or services.

### **Extraordinary Items**

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

### **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 Income**

Interest receipts

### **Finance Lease**

A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.

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## GLOSSARY OF TERMS

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### **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.

### **Financial Statements**

Published document, consisting of the Balance Sheet, Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Cash Flow Statement and Notes to the Accounts.

### **Financial Year**

The current year being reported upon running from 1 April to 31 March.

### **Five Year Financial Plan**

The Councils Medium Term Financial Plan, setting out the financial projection for the Council over the coming 5 years.

### **Fixed Assets**

Assets that yield benefits to the Council for a period of more than one year, examples include land, buildings and vehicles.

### **Flexi-Time**

Time owed to employees who have worked above the contracted hours.

### **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.

### **Gain**

Where income exceeds expenditure.

### **General Fund Balance**

The reserve held by the Council for general purposes, i.e. against which there are no specific commitments.

### **General Reserve**

The reserve held by the Council for general purposes, i.e. against which there are no specific commitments.

### **General Revenue Government Grants**

Grant income received from Central Government (or Government Department) which is not restricted in its use.



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## GLOSSARY OF TERMS

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### **Going Concern**

The going concern accounting concept assumes that the organisation will not significantly curtail the scale of its operation in the foreseeable future.

### **Goods Or Services**

Supplies required by the Council to perform its operations. Examples of goods; paper, bricks or light bulbs, and services; electricity, petrol or agency staff.

### **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).

### **Gross Book Value (GBV)**

Cost or value of assets before depreciation is applied.

### **Group Accounts**

Where a Council has a controlling interest in another organisation, group accounts have to be produced. These accounts report the financial position of all of the group entities.

### **Hire Purchase**

A contract for the provision of an asset which becomes the property of the lessee at the end of the contract period.

### **Historic Cost**

The cash paid in obtaining an asset in its current form. Inclusive of purchase price and enhancement expenditure.

### **HM Revenue & Customs**

Her Majesty's Revenue and Customs is a non-ministerial department of the UK Government responsible for the collection of taxes, the payment of some forms of state support, and the administration of other regulatory regimes including the national minimum wage.

### **HM Treasury**

Her Majesty's Treasury, sometimes referred to as the Exchequer, or more informally the Treasury, is the United Kingdom government department responsible for developing and executing the British government's public finance policy and economic policy.

### **IFRIC**

International Financial Reporting Interpretation Committee.

### **Immateriality**

Immateriality is an expression of the relative insignificance or unimportance of a particular matter in the context of the financial statements as a whole.

### **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.

### **Inception**

The point in time which something began such as a project, contract or lease.

### **Income**

Cash flows into the Council.

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## GLOSSARY OF TERMS

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### **Income In Advance**

Income received before the point at which an obligation to receive it has occurred.

### **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.

### **Interest Accrued**

Accrued interest is the interest on a bond or loan that has accumulated since the principal investment or since the previous coupon payment if there has been one already.

### **Interest Payable**

The amount of interest due for payment within a financial year.

### **Interest Rate**

The rate at which interest is calculated on a loan or investment.

### **Interest Receivable**

The amount of interest due for receipt within a financial year.

### **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.

### **International Public Sector Accounting Standards (IPSAS)**

Public Sector regulations outlining the method of accounting for activities.

### **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.

### **Joint Venture**

An organisation which the Council has partial control and ownership, but decisions require the consent of all participants.

### **Landfill Allowance Trading Scheme**

Cap and trade scheme aimed at improving reducing the level of waste taken to landfill and encourage alternative refuse processes.

### **Lease**

Financial contract for the continuing use of an asset.

### **Lease Interest**

The interest rate inherent within a lease allowing for regular rental payments and an

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## GLOSSARY OF TERMS

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adjustment for the time value of money.

### **Lease Payments**

Regular payment made in exchange for the use of an asset.

### **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 Government Pension Scheme (LGPS)**

The pension scheme operated by the Council on behalf of employees and other organisations.

### **Long Term Debtor**

Income due in more than 365 days of the balance sheet date.

### **Long Term Liability**

Payment due in more than 365 days of the balance sheet date.

### **Loss**

Where expenditure exceeds income.

### **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.

### **Maternity Leave**

Statutory time off due to pregnant women and new mothers.

### **Members' Allowances**

Allowances paid to members in association with their roles and responsibilities.

### **Minimum Lease Payments**

The minimum which will be paid or received over the life of a lease agreement.

### **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).

### **Misstatement**

An error whereby something was included in the accounts wrongly.

### **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

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## GLOSSARY OF TERMS

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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 Operating Expenditure**

The cost of operational items which are not direct services, such as disposing of the Councils assets, after allowing for specific income received.

### **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.

### **Non-Accumulating Absences**

Types of leave an employee may take in a financial year, which if are not taken do not get added to the following year's entitlement. For example Sick Leave.

### **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-Vesting**

An obligation which cannot be settled by a monetary payment

### **Notes To The Accounts**

A set of supplementary comments, tables and information which further explains the main Financial Statements.

### **Obligation**

The requirement to transfer economic benefits.

### **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.

### **Operational**

The normal activities of the Council.

### **Outflow**

This represents cash leaving the Council.

### **Past Service Cost**

Past service cost is the change in the present value of defined benefit obligations caused

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## GLOSSARY OF TERMS

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by employee service in prior periods.

### **Payment In Advance**

A payment made which is before the point of any obligation.

### **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.

### **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.

### **Pre-Payments**

See payment in advance

### **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.

### **Property, Plant And Equipment Assets (PPE)**

Assets with a long Term value and physical substance such as buildings, land, IT equipment or vehicles.

### **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.

### **Prudent**

A cautious approach to present the Financial Statements without significant risk of failure to achieve the assets presented.

### **Public Works Loans Board (PWLB)**

A Government agency which provides longer term loans to local authorities at favourable

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## GLOSSARY OF TERMS

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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 either by purchase, construction or other form of acquisition.

### **Reserves**

Sums are set aside in reserves for future purposes rather than to fund past events.

### **Residual**

The remaining value in an asset at the end of a contract or lease.

### **Retirement Benefits**

Remuneration package received by employees after their retirement from the Council.

### **Retrospectively**

Changes made to previous years accounts to alter the treatment which has previously been reported.

### **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. See Royal Institute Or Chartered Surveyors (RICS)

### **Risk**

The chance of an asset not coming to fruition or a liability being greater than anticipated.

### **Royal Institute Or Chartered Surveyors (RICS)**

An international organisation who represent everything professional and ethical in land, property and construction

### **Salaries And Wages**

Payments made to employees in exchange for service worked at the Council.

### **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.

### **Service Expenditure Reporting Code of Practice (SERCOP)**

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## GLOSSARY OF TERMS

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CIPFA guidelines on reporting revenue expenditure.

### **Service Level Agreements**

Contract of service.

### **Settlement**

Lump sum payment to extinguish future pension rights.

### **Short Term Benefits**

Employee benefits earned and consumed during employment.

### **Significant**

A measure of materiality where the value is deemed to be almost all of the total value in question.

### **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.

### **Spot Yields**

A calculation of the projected return on bonds if held to maturity.

### **Staff**

See employee

### **Statute**

Set out in legislation

### **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.

### **Tangible**

Physical, can be touched.

### **Tenant**

The person or organisation that is occupying an asset under lease.

### **Termination Benefits**

Employee benefits paid upon termination of employment such as redundancy.

### **The Code**

CIPFA guidelines on accounting within Local Government.

### **Trading Operations**

A service run in a commercial style and environment, providing services that are mainly funded from fees and charges levied on customers.

### **Transactions**

Individual items of income or expenditure.

### **Transferred Debt**

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## GLOSSARY OF TERMS

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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**

Balances which are not available to support future spending

**Usable**

Balances which are available to support future spending

**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.

**Vesting**

Obligation due which can be paid in cash.

**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.



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## CONTACT US

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