Public

DERBYSHIRE County Council

Improving life for local people

# Statement of Accounts 2015-16

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# NARRATIVE REPORT

## Introduction

This Statement of Accounts presents the overall financial position of the Council for the year ended 31 March 2016. 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.
- Balance Sheet (BS) - This shows the value of all assets and liabilities. Reserves are matched against net assets and liabilities.
- Cash Flow Statement (CFS) – This statement shows the changes in cash and cash equivalents of the Council.
- Movement in Reserves (MiRS) – 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.
- Notes to the Accounts – Not a statement, however they provide supplementary information.

## Revenue Expenditure

The Council set its net budget requirement for 2015-16 on 4 February 2015 and originally planned to spend £498.579m (£515.030m 2014-15), with funding coming in the form of Government non-ring-fenced grants of £209.276m (£239.568m 2014-15), Council Tax of £265.093m (£255.426m 2014-15), £17.576m (£16.391m 2014-15) of business rates collected locally and £6.634m (£3.645m 2014-15) from use of the General Reserve. These figures were higher than those shown in the Council report as additional funding was received as a result of the Final Local Government Finance Settlement announced on 4 February 2015. The Council has spent £483.293m, against a final net budget of £511.456m. The increase in net budget is largely due to additional grant funding received in-year, which, in the main has been allocated to the Risk Management budget. As well as the additional grants received, the Council entered into a business rates pool along with the billing and fire authorities in Derbyshire, as well as Derby City Council, which has resulted in a business rates gain of approximately £1m.

Departments have continued to look for ways of working more efficiently and effectively to cut costs or generate additional income and set aside cash for future years when further budget reductions will be needed. This has contributed to departmental underspends of £10.948m, of which £5.338m and £3.788m relate to underspends on Adult Care and the ring-fenced Public Health Grant respectively. The Adult Care underspend is largely as a result of meeting the new requirements of the Care Act from within existing budgets. The underspends, in the main, are due to staffing reductions, vacancy control and over-recovery of income. The underspends will result in an increase to the Council’s General Reserve although some departments will need to consider whether they will need to use some of the underspends achieved to support one-off projects and help smooth the implementation of future budget reductions. Any decision on the use of underspends in this way are made by Cabinet.

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. The underspend on the Debt Charges budget is mainly due to delays in the implementation of the capital programme.

The table below summarises the outturn position, highlighting the Cabinet Member Portfolio and corporate underspends.

The overspend on the Children and Young People portfolio will be met from an earmarked reserve held specifically to manage and support budget reductions.

| | **Budget £m** | **Actual £m** | **Outturn £m** |
|---|---|---|---|
| **Controllable:** | | | |
| Adult Social Care | 204.205 | 198.867 | (5.338) |
| Children and Young People | 103.907 | 105.254 | 1.347 |
| Council Services | 42.654 | 42.221 | (0.433) |
| Highways, Transport and Infrastructure | 79.715 | 78.302 | (1.413) |
| Health and Communities * | 12.652 | 8.623 | (4.029) |
| Strategic, Policy, Economic Development and Budget | 7.489 | 6.405 | (1.084) |
| **Departmental Outturn** | **450.622** | **439.672** | **(10.950)** |
| Risk Management | 12.931 | 0.000 | (12.931) |
| Debt Charges | 51.845 | 43.269 | (8.576) |
| Interest Receivable | (4.386) | (4.469) | (0.083) |
| Levies & Precepts | 0.303 | 0.305 | 0.002 |
| Corporate Adjustments & Uncontrollable Items | 0.141 | 4.516 | 4.375 |
| **Total Outturn Position** | **511.456** | **483.293** | **(28.163)** |
| **Transfers to / from reserves:** | | | |
| RCCO - Capital Funded from Revenue | 11.128 | 11.128 | 0.000 |
| Net Transfer to Earmarked reserves | 8.621 | 8.621 | 0.000 |
| Use of General Reserves | (47.583) | (47.583) | 0.000 |
| Contribution into General Reserve | 16.246 | 44.409 | 28.163 |
| | **499.868** | **499.868** | **0.000** |
| **Financed By:** | | | |
| Council Tax | (265.093) | (265.093) | 0.000 |
| Revenue Support Grant | (93.241) | (93.241) | 0.000 |
| Non-Domestic Rates Redistribution | (18.663) | (18.663) | 0.000 |
| Business Rates Top-up | (85.743) | (85.743) | 0.000 |
| New Homes Bonus | (2.224) | (2.224) | 0.000 |
| Local Services Support Grant | (0.999) | (0.999) | 0.000 |
| Other General Revenue Grants | (23.401) | (23.401) | 0.000 |
| PFI Grant | (10.504) | (10.504) | 0.000 |
| | **(499.868)** | **(499.868)** | **0.000** |

*The Health and Communities portfolio includes an underspend on the ring-fenced Public Health Grant.

The Council receives two ring-fenced grants which are not shown in the table above as this shows the position net of the impact of the grant and associated spend. Details of these grants are:

- Spending on schools is funded by Dedicated Schools Grant (DSG) from Government. The Council received £446.271m in 2015-16 (£438.055m 2014-15). Note 39 sets out the grant in more detail.

- The Council also has responsibility for Public Health funding. A total of £38.182m was received in 2015-16 (£35.651m 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 £374.520m (£112.013m 2014-15). This is different to the outturn position shown in the previous table as it includes both cash transactions and non-cash items, such as depreciation. The deficit, in the main, relates to the loss on disposal of assets as a result of voluntary controlled (VC) schools being removed from the balance sheet in accordance with the accounting treatment of schools as set out in International Financial Reporting Standard (IFRS10) – Consolidated Financial Statements. Where a school building is owned by the diocese, it is not considered to be within the control of the Council and is therefore not recognised on the balance sheet. The expenditure on the provision of a school's services within diocese owned buildings is, however, included within the CIES.

**Capital Expenditure**

The table below shows that capital expenditure reduced by £12.589m compared to 2014-15.

| | **2014/15 £m** | **2015/16 £m** |
|---|---|---|
| Capital Expenditure | 106.596 | 94.007 |
| **Funded by:** | | |
| Grants and contributions | 72.212 | 56.523 |
| Loans | 24.297 | 25.707 |
| Revenue Contributions | 10.087 | 11.138 |
| Capital Receipts | 0.000 | 0.639 |
| **Total** | **106.596** | **94.007** |

The value of Property, Plant and Equipment Assets (PPE) has decreased by £234.254m from the previous year, largely as a result of change detailed previously concerning the removal of VC schools from the balance sheet.

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 2016 the CFR was £498.590m compared to £494.016m in the previous year.

## Assets and Liabilities

Cash and Cash Equivalents have decreased by £28.919m. This is largely explained by a £25m reduction in Money Market Funds and Short-term deposits.

The net decrease to both Current and Non-Current Debtors is £8.515m.

The net reduction to Current and Non-Current Borrowing is £15.045m which is as a result of a long-term plan over the past five years to reduce the borrowing required to finance capital expenditure. The Council has not entered into any new debt since September 2010. Interest payable by the Council is an £8.576m underspend on the debt charges budget for the financial year, largely as a result of slippage to the capital programme. The Council will review its Minimum Revenue Provision in 2016-17, details outlining the review were reported to the Cabinet Member for Strategic Policy, Economic Development and Budget on 15 December 2015.

Other Non-Current Liabilities have reduced by £121.263m. Of this, there is a £118.360m reduction in relation to changes in the valuation of the Pension Liability. The main movements are Actuarial Gains of £173.737m (Actuarial Loss £175.958m 2014-15), £24.381m (£23.270m 2014-15) Net Interest Cost and £33.409m (£12.996m 2014-15) Current Service Cost less Employer Contributions Payable.

Net Assets have decreased by £107.550m compared to 2014-15. This is largely as a result of the removal of some schools which are owned by the diocese offset against the Pension Liability increase.

## Cash Flow

The Council’s cash flow does not highlight any significant changes for investing and financing activities, although there was £38m less income from investments redeemed compared to 2014-15.

Operating activities shows a reduction of £12m in respect of payments to employees, off-set by an increase in operating expenses of £6.5m. The significant change in operating income relates to a £33m reduction in the Council’s Revenue Support Grant as a result of the Government’s austerity measures.

Interest payable and receivable were generally unchanged compared to 2014-15.

Further reductions in the Council’s Revenue Support Grant (RSG) over the medium term were confirmed by the Government in December 2015, confirming that the Council will receive no RSG in 2020-21. Council Tax income will increase by 3.99% per annum, should the Council choose to implement the Adult Social Care precept of 2%, in addition to the assumed general increase of 1.99%.

In the event that more schools convert to academy status, there will be a loss of funding through the Dedicated Schools Grant and loss of income for traded services.

Given the significant cuts to public expenditure and in particular to local government funding, the Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term to either use internal resources, or to borrow short-term loans instead.

By doing so, the Council is able to reduce net borrowing costs and reduce overall treasury risk. The benefits of internal borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise. The Council will monitor this 'cost of carry' and breakeven analysis. Its output may determine whether the Council borrows additional sums at long-term fixed rates in 2016-17 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

In addition, the Council may borrow short-term loans (normally for up to 35 days) to cover unexpected cash flow shortages.

**Reserves**

The total Usable Reserves, which includes the General and Earmarked Reserves, have increased by £14.721m. The General Reserve balance is £52.028m as at 31 March 2016 (£55.201m 31 March 2015). There are commitments against this balance that are set out in the Revenue Outturn Report 2015-16.

The Earmarked Reserves balance has increased by £8.623m compared to the 2014-15 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 £2.222m to £15.949m. This is money set aside to meet capital expenditure.

The Council reviews its reserves at least annually, as set out in the Council's Reserves Policy. The last review was reported to Cabinet in January 2016.

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.

The IAS19 notional cost of the LGPS scheme for the financial year is £112.018m (£90.363m 2014-15) and £2.288m (£2.813m 2014-15) for Teachers Pensions. The actual contributions made for the year were £54.324m (£53.684m 2014-15) and £4.605m (£4.731m 2014-15) respectively contributing in a net adjustment to the revenue position of £55.377m (£34.761m 2014-15).

In addition, actuarial gains on both schemes were £168.066m (£168.026m actuarial loss 2014-15) and £5.671m (£7.932m actuarial loss 2014-15) respectively, contributing towards a decrease in the total liability held by the Council of £118.360m to £628.158m 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.

The Council has received an update from its actuary, Hymans Robertson, regarding the impact of the EU Referendum. As the briefing outlines, despite some uncertainty in the short-term, LGPS funds have the advantage of being long term investors. The briefing confirms that measurement will not be impacted as the actuary used market conditions as at 31 March 2016.

**Local Enterprise Partnership**

D2N2 is the Local Enterprise Partnership (LEP) for Derby, Derbyshire, Nottingham and Nottinghamshire. It plays a central role in deciding local economic priorities and undertaking activities to drive economic growth and create local jobs. It is a locally owned partnership between the public and private sectors. It is managed by a Board made up of the constituent councils, including Derbyshire County Council and private sector representatives. The LEP's key role is to decide local economic priorities and undertake activities that drive economic growth and deliver local jobs within Derbyshire and Nottinghamshire.

Due to the legal status of the LEP, it cannot hold funds so requires a public sector organisation to manage and co-ordinate the finances on its behalf, effectively acting as the Accountable Body for a specific funding stream. The Council made a successful bid to be the Accountable Body for the LEP's Local Growth Deal grant with effect from 1 April 2015. The Local Growth Fund grant is approximately £180m over the next six years. In 2015/16, the grant allocation was £39.050m. The grant has been allocated to a total of 13 projects in the Derbyshire/Nottinghamshire region, after successful grant bids were received and approved by the LEP's Investment and Infrastructure Board.

The Local Growth Fund income and expenditure is accounted and administered independently from the Council's accounts and therefore, do not form part of the main statements which appear later in this Statement of Accounts. This is in accordance with the principles set out in the Local Authority Accounting Code of Practice where the Council is acting as an intermediary and is therefore following the agent principle as set out in section 2.6.2.1 of the Code.

As part of its accountable body role, the Council administers a grant of £0.033m, from the Careers and Enterprise Company in respect of the Enterprise Adviser Network, which has been used to meet the costs of the Enterprise co-ordinators. Both this grant and the Local Growth Fund grant are identified separately on the Council's financial ledger and have met the requirements of the grant conditions.

**Economy, Efficiency and Effectiveness**

Service pressures, such as demographic growth, contribute to create demand in excess of Government grant support, which since 2010 has been cut significantly. The Council adopts a proactive approach in response to these funding cuts by identifying future pressures and associated risks, developing and implementing plans to address them. This includes the development of a programme of budget cuts over the medium term in order to achieve a balanced budget.

Successive Financial Plans have identified the need to make significant budget reductions. By 2021 it is estimated that the Council will have reduced its budget by £278m since 2010.

The level of budget reductions required over the next five year period remains significant. The achievement of a balanced budget is dependent on the Council meeting its budget reduction target annually. Whilst General Reserves over the period of the Five Year Financial Plan remain at prudent risk assessed levels which is expected to be between £20m - £30m.

The Council Plan continues to reflect the priorities of the Council. It sets out how the Council is focussing effort on the four Council priorities:

- Working in Partnership
- Innovation and Transformation
- Thriving Communities
- Income Generation and Maximisation

Details of the Council's key achievements during 2015-16 and the five key pledges which enable the Council to demonstrate how services contribute to better outcomes for local people are set out in the Perfomance section below.

**Outlook**

The Council's Five Year Financial Plan (FYFP) was revised, updated and reported to Council in February 2016. It shows that budget cuts of £109m are required over the five year period 2016-17 to 2020-21. Progress against 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 in respect of Adult Care demographic growth and costs associated with the implementation of the National Living Wage. The FYFP sets out plans to support the Adult Care budget over the medium term through the Adult Social Care precept. The Plan assumes that the use of the Better Care Fund will support the base budget, although the conditions around the use of the grant are still awaited. The focus for support from Council resources is likely to shift towards Safeguarding Services for Children as the Better Care Fund and additional precept help to alleviate pressures in Adult Care.

The Local Government Finance Settlement announced by the Government in December 2015, provides an offer to local authorities of a further three year funding agreement up to 2019-20. The intention is that these multi-year settlements provide funding certainty and stability to enable more proactive planning of service delivery, support strategic collaboration with local partners and enable planned use of reserves. If the Council decides to accept the offer, it is required to publish an efficiency plan and formal acceptance of the offer by 14 October 2016.

The Government has announced that it will allow local authorities to retain 100% of the business rates collected in their area. This will be subject to consultation over the coming months. To ensure that the reforms are fiscally neutral, local government will need to take on extra responsibilities and functions at the point that full localisation occurs as currently more is raised from business rates than spent locally.

The Government will also need to take account of future events such as the transfer of functions to local government, transfers of responsibility for functions between local authorities, mergers between local authorities and any other unforeseen events. However, barring exceptional circumstances and subject to the normal statutory consultation process for the local government finance settlement, the Government has guaranteed the amounts announced as part of the Local Government Finance Settlement 2016-17.

The Five Year Financial Plan will be revised in the coming months which will form the basis of the publication of the Council's efficiency plan, should the Council wish to accept the multi-year funding offer from the Government.

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 fully operational which is expected to be in 2017-18.

Whilst the Government has withdrawn its policy to force all schools to academies by 2022, its revised plan is to still see all schools converting to academies, together with plans to introduce powers to force underperforming schools in local authorities to convert to academy status. Schools converting to academy status have financial implications for the Council in terms of loss of trading income and funding. Academies have charity status and therefore are entitled to 85% business rate relief which results in a reduction of the Council's share of locally collected business rates. Furthermore, where a school converts to an academy, and its budget is in deficit, the Council has to meet the costs of the deficit.

From 1 April 2016, the Council will be adopting the requirements of the CIPFA Code of Practice on Transport Infrastructure Assets. The purpose of the Code is to support an asset management based approach to the provision of financial information about local authority transport infrastructure assets, which can include anything from a street lamp to a surface layer on a road. The Council's 2016/17 Accounting Policies have been updated accordingly to reflect this change. The introduction of the Code will have a significant impact on the Council's balance sheet. It is estimated that the Council's non-current assets will increase by £9bn as a result.

**Property Development Company**

The Council has established a Development Company with the following aims and objectives:

- To generate a source of revenue income and capital investment return
- To make effective use of the Council's land
- To create employment opportunities within Derbyshire, including for apprentices and the Council's care leavers
- To maintain ethical and environmental standards in specification, development and construction of properties

The Development Company should help the Council meet the pressures of the current financial climate. An initial business case has been developed based on three suitable pilot sites.

**Devolution**

The Council continues to work with Government, other local authorities in Derbyshire and Nottinghamshire to progress with a North Midlands devolution deal, however, it appears unlikely to progress in the short to medium term. The proposal sets out ten key benefits it for the residents and businesses of Derbyshire and Nottinghamshire:

- 55,000 new private sector jobs
- 77,000 extra homes
- An Investment Fund over 30 years to provide infrastructure such as roads and bridges
- Adult skills provision that better meets the needs of businesses
- A joint transport fund to spend on key transport improvements
- A better co-ordinated, public transport system with "Oyster" style smart ticketing
- More responsive and co-ordinated business support for growth
- The creation of substantially more apprenticeship opportunities
- More people entering through better targeted local programmes

- Journey times to London of less than 90 minutes by train

**Performance**

The Council Plan sets out the Council's medium term aims and objectives, structured around five key pledges, which are:

- A Derbyshire that works – building a strong economy that creates jobs, grows businesses and provides a future for our young people.
- A healthy Derbyshire – defending the NHS and tackling inequalities.
- A safer Derbyshire – fighting crime and building stronger communities.
- A Derbyshire that cares – practical support for children and families and high-quality council-run services for the elderly, disabled and their carers.
- A local Derbyshire – putting communities at the heart of decision-making.

The Plan was recently refreshed and updated with the Council's key achievements in 2015/16. These include:

- Developed the Devolution Deal prospectus with local authorities in Derbyshire and Nottinghamshire, which aims to secure a £900m investment fund to support economic development over the next 30 years
- Established further new businesses at Markham Vale Business and Development Park bringing an estimated 470 new job opportunities
- Invested £6m in road maintenance and repaired in excess of 34,000 potholes
- Reduced the number of people killed or seriously injured on Derbyshire roads, through education campaigns for cyclists, motorcyclists and older drivers
- Rolled out fibre broadband through the Digital Derbyshire programme, taking the total fibre enabled areas to over 70,000 premises, exceeding the planned target
- Provided career advice to over 3,000 residents through our career coaches
- Supported 708 private sector businesses to employ 80 local people in an apprenticeship
- Helped over 3,000 people to gain a new qualification through our Adult Community Education Service
- Delivered 58,730 NHS Health checks across Derbyshire
- Launched the new integrated Derbyshire Sexual Health Service and delivered sexual health services to 19,000 people
- Provided support and guidance to 500 victims of financial abuse
- Stopped over 8,000 nuisance phone calls to vulnerable Derbyshire residents
- Responded to 1,120 adults under our responsibility to safeguard people with care and support needs who may be at risk of abuse by others
- Resolved hundreds of complex claims for benefits referred by the Citizen's Advice Bureau and brought in over £18m to the Derbyshire local economy in unclaimed benefits through the Council's Welfare Rights Service
- Diverted 44,521 tonnes of extra waste from landfill in 2015 and increased recycling and composting rates

- Reduced energy consumption by installing 3,300 LED street lights across the county
- Implemented a volunteer Flood Warden scheme to provide on the spot response during flood events and publish a flood risk strategy for Derbyshire
- Improved outcomes for a further 270 families through the Troubled Families initiative
- Increased the percentage of two year olds receiving free child care with around 7 out of 10 two year olds currently accessing their free entitlement
- Continued to maintain a comparatively low number of children in care ensuring children and young people are helped to stay at home wherever possible
- Supported schools to increase the attainment of pupils at Key Stage 2 and at GCSE
- Delivered or commissioned personal care at home for over 3,500 older adults
- Opened further Extra Care schemes in Alfreton, Clay Cross and Long Eaton to provide independent living accommodation with on-site support for older people
- Agreed a new Accommodation Strategy that retains 18 Direct Care Homes for Older People, thereby retaining 14 homes previously earmarked for closure
- Increased access to supported living through 10 new schemes and reviewed the support needs of 520 people with a learning disability to ensure that each person's support plans are personalised
- Increased the number of safe places from 51 to 105 and the number of Safe Place Cards carried by people with Learning Disabilities from 145 to 359
- Supported 66 forum meetings involving 2,400 older people to facilitate their contribution to service development and other issues of importance to the older community
- Continued to deliver our Call Derbyshire service responding to over 340,000 calls and further developed the Council's website which is the eighth most visited council website in the country
- Provided free eBooks, eAudiobooks and eMagazines to all users of Derbyshire libraries
- Secured £1m from the Heritage Lottery Fund to refurbish Buxton Museum and Art Gallery

Over the next two years the Council needs to cut its budget by £70m. This is on top of £170m of cuts the Council has already made to services since 2010. The Council continues to look at ways to save money and generate income whilst trying to protect and deliver services suitable for the residents of the county. The Council is examining modern and innovative ways of providing services, as well as looking at additional income by maximising the use of its buildings.

Peter Handford B.A. (Hons), CPFA
**Director of Finance**

# STATEMENT OF RESPONSIBILITIES

**The Council's Responsibilities**
The Council is required to:

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

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

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

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

The Director of Finance has also:

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

## AUTHORISATION OF ACCOUNTS FOR ISSUE

**Certificate of Director of Finance**
I certify that the accounts give a true and fair view of the financial position of the Council at 31 March 2016 and of its income and expenditure for the year then ended.

Peter Handford
Director of Finance
3 June 2016

The Statement of Accounts were approved by the Audit Committee on 21 July 2016.

Councillor Stuart Brittain
Chair of the Audit Committee
21 July 2016

# COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

| | | Note | 2014-15 | | | 2015-16 | | |
|---|---|---|---|---|---|---|---|---|
| | | | Exp £m | Inc £m | Net Exp £m | Exp £m | Inc £m | Net Exp £m |
| A | Adult Social Care | | 336.554 | (98.257) | 238.297 | 338.309 | (112.644) | 225.665 |
| B | Central Services to the Public | | 4.228 | (1.943) | 2.285 | 4.183 | (2.007) | 2.176 |
| C | Children's & Education Services | | 729.754 | (522.535) | 207.219 | 754.126 | (524.695) | 229.431 |
| D | Corporate & Democratic Core | | 3.304 | (0.337) | 2.967 | 8.961 | (0.438) | 8.523 |
| E | Cultural & Related Services | | 22.760 | (2.699) | 20.061 | 22.180 | (2.534) | 19.646 |
| F | Environmental & Regulatory Services | | 44.780 | (3.600) | 41.180 | 46.317 | (3.428) | 42.889 |
| G | Highways & Transport Services | | 65.672 | (13.235) | 52.437 | 66.664 | (11.717) | 54.947 |
| H | Planning Services | | 10.462 | (1.799) | 8.663 | 19.648 | (2.224) | 17.424 |
| I | Public Health | | 34.353 | (36.001) | (1.648) | 43.350 | (39.522) | 3.828 |
| J | Non Distributed Costs | 11 | 1.149 | 0.000 | 1.149 | 0.203 | 0.000 | 0.203 |
| **A-J** | **Net Cost of Services** | **9** | **1,253.016** | **(680.406)** | **572.610** | **1,303.941** | **(699.209)** | **604.732** |
| K | Other Operating (Income) & Expenditure | 6 | | | 93.392 | | | 287.072 |
| L | Financing & Investment Income & Expenditure | 7 | | | 44.082 | | | 43.736 |
| M | Taxation & Non-Specific Grants | 8 | | | (598.071) | | | (561.020) |
| **A-J +K +L +M** | **(Surplus) / Deficit on Provision of Services** | | | | **112.013** | | | **374.520** |
| N | Gain on Revaluation of Fixed Assets | 15 | | | (593.838) | | | (280.490) |
| O | Loss on Revaluation of Fixed Assets | 15 | | | 44.134 | | | 187.260 |
| P | (Gain) / Loss on Pension Assets | 49 | | | 175.958 | | | (173.737) |
| **N-P** | **Other Comprehensive Expenditure** | | | | **(373.746)** | | | **(266.967)** |
| | **Total Comprehensive Income** | | | | **(261.733)** | | | **107.553** |

# BALANCE SHEET

| 31 Mar 2015 £m | | Note/ Statement | 31 Mar 2016 £m |
|---|---|---|---|
| 2,409.445 | Property Plant & Equipment | 15 | 2,175.190 |
| 42.283 | Heritage Assets | 17 | 42.357 |
| 1.180 | Intangible Assets | 19 | 0.822 |
| 12.000 | Long Term Investments | 23 | 44.000 |
| 33.423 | Non-Current Debtors | 21 | 32.749 |
| **2,498.331** | **Total Non-Current Assets** | | **2,295.118** |
| 186.594 | Short Term Investments | 23 | 180.226 |
| 2.264 | Assets Held for Sale | 20 | 0.750 |
| 1.957 | Inventories | 24 | 2.749 |
| 67.496 | Debtors | 25 | 59.655 |
| 90.136 | Cash and Cash Equivalents | 26 | 61.217 |
| **348.447** | **Total Current Assets** | | **304.597** |
| (17.719) | Loans and Borrowing | 23 | (15.139) |
| (100.403) | Creditors | 27 | (96.378) |
| **(118.122)** | **Total Current Liabilities** | | **(111.517)** |
| (349.274) | Non-Current Borrowing | 23 | (336.809) |
| (14.620) | Provisions | 28 | (15.440) |
| (828.119) | Other Non-Current Liabilities | 29 | (706.856) |
| **(1,192.013)** | **Total Non-Current Liabilities** | | **(1,059.105)** |
| **1,536.643** | **NET ASSETS** | | **1,429.093** |
| 298.338 | Usable Reserves | MiRS | 313.059 |
| 1,238.309 | Unusable Reserves | MiRS | 1,116.033 |
| **1,536.643** | **TOTAL EQUITY** | | **1,429.093** |

# CASH FLOW STATEMENT

| 2014-15 £m | | Note | 2015-16 £m |
|---|---|---|---|
| **(112.013)** | **Net Surplus or (Deficit) on the provision of services** | | **(374.520)** |
| 115.335 | Adjustments for non cash movements | 44 | 171.749 |
| 25.629 | Adjustments for investing and financing activities | | 239.321 |
| | Net cashflow from: | | |
| 28.951 | Operating activities | 43 | 36.550 |
| (43.526) | Investing Activities | 41 | (53.977) |
| (30.888) | Financing Activities | 42 | (11.495) |
| **(45.463)** | **Movement in Cash & Cash Equivalent** | | **(28.922)** |
| 135.605 | Cash & Cash Equivalents at the start of the year | 26 | 90.142 |
| **90.142** | **Cash & Cash Equivalents at the end of the year** | **26** | **61.220** |

# MOVEMENT IN RESERVES STATEMENT

| | Note | General Fund £m | Earmarked Revenue Reserves £m | Unapplied Capital Grants £m | Capital Receipts Reserve £m | **Total Usable Reserves £m** | Unusable Reserves £m | **Total Authority Reserves £m** |
|---|---|---|---|---|---|---|---|---|
| | | **A** | **B** | **C** | **D** | **A+B+C+D** | **E** | **A+B+C+D+E** |
| **Balance as at 1 Apr 2014** | **14** | **(43.075)** | **(205.144)** | **(15.860)** | **(11.441)** | **(275.520)** | **(999.389)** | **(1,274.909)** |
| Deficit 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)** |
| **Total Income and Expenditure** | | **112.013** | **0.000** | **0.000** | **0.000** | **112.013** | **(373.746)** | **(261.733)** |
| Accounting & funding basis difference | 14 | (123.799) | 0.000 | (8.743) | (2.286) | (134.828) | 134.828 | **0.000** |
| **Net increase before transfers** | | **(11.786)** | **0.000** | **(8.743)** | **(2.286)** | **(22.815)** | **(238.918)** | **(261.733)** |
| Net Transfers to Earmarked Reserves | 31 | (0.340) | 0.340 | 0.000 | 0.000 | 0.000 | 0.000 | **0.000** |
| (Increase) / Decrease in 2014-15 | | (12.126) | 0.340 | (8.743) | (2.286) | (22.815) | (238.918) | **(261.733)** |
| **Balance as at 31 Mar 2015** | **14** | **(55.201)** | **(204.804)** | **(24.603)** | **(13.727)** | **(298.335)** | **(1,238.307)** | **(1,536.642)** |
| Deficit on the provision of services | | 374.520 | 0.000 | 0.000 | 0.000 | 374.520 | 0.000 | **374.520** |
| Other Income and Expenditure | | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | (266.967) | **(266.967)** |
| **Total Income and Expenditure** | | **374.520** | **0.000** | **0.000** | **0.000** | **374.520** | **(266.967)** | **107.553** |
| Accounting & funding basis difference | 14 | (379.968) | 0.000 | (7.053) | (2.222) | (389.243) | 389.243 | **0.000** |
| **Net increase before transfers** | | **(5.448)** | **0.000** | **(7.053)** | **(2.222)** | **(14.723)** | **122.276** | **107.553** |
| Net Transfers to Earmarked Reserves | 31 | 8.621 | (8.621) | 0.000 | 0.000 | 0.000 | 0.000 | **0.000** |
| (Increase) / Decrease in 2015-16 | | 3.173 | (8.621) | (7.053) | (2.222) | (14.723) | 122.276 | **107.553** |
| **Balance as at 31 Mar 2016** | **14** | **(52.028)** | **(213.425)** | **(31.656)** | **(15.949)** | **(313.059)** | **(1,116.033)** | **(1,429.089)** |
| **Statement Reference** | | | | | | **Balance Sheet** | **Balance Sheet** | |

The values held within the proceeding Notes to the Accounts may vary slightly when compared to the main Statements or other notes. 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 2015-16 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.

The Accounting Policies have been updated to reflect the introduction of International Financial Reporting Standard 13 – Fair Value Measurement, which changes the way the fair value of Surplus Assets is assessed. Surplus Assets are held at market value from 2015-16 but were previously held at value in operational use. The Accounting Policies are shown at Appendix One.

## 2. CRITICAL JUDGEMENTS WHEN APPLYING THE ACCOUNTING STANDARDS

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

## 3. ACCOUNTING STANDARDS ISSUED AND NOT YET APPLIED

Amendments to IAS 1 – Presentation of Financial Statements, including changes to the format of the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and the introduction of the new Expenditure and Funding Analysis are presentational and are not expected to result in any material changes to the accounts.

Other minor changes due to Annual Improvement to IFRS cycles, IFRS11 – Joint Arrangements, IAS16 Property, Plant and Equipment, IAS38 Intangible Assets and IAS19 Employee Benefits are minor changes and not expected to have a material effect on the accounts.

The Code requires implementation of these changes from 2015-16 and there is therefore no impact on the Statement of Accounts.

## 4. PRIOR PERIOD ADJUSTMENTS

There are no prior period adjustments.

## 5. ASSUMPTIONS MADE AND OTHER ESTIMATION UNCERTAINTY

**Fair value estimations**
Where Level 1 inputs are not available (see Accounting Policies), the Council uses its appropriately qualified valuers to identify the most appropriate valuation techniques to determine fair value. Information about the valuation techniques and inputs used in determining the fair value of the Council's assets and liabilities are set out in the accounting policies and relevant disclosures.

**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. In determining who controls the school, the Council has examined numerous documents to establish whether the school should be treated as on or off Balance Sheet. The accounting treatment of schools follows the appropriate IFRS requirements, namely IAS16 Property - Plant and Equipment and IAS17 – Leases. A significant change in estimation technique has taken place this year. In 2015-16 all schools were examined to assess control. In 2014-15 a sample of schools was examined, with the outcome from the sample applied across all similar categories of schools.

**Waste**
RRS Waste Contract creditor for £1.459m and corresponding Derby City Council debtor for £0.433m which are based on actual tonnages for April –February and unconfirmed March tonnages. The recycling credits creditor, £1.837m, for which quarter 4 is based

on previous period tonnages. These estimates are all expected to be within +/- 3% which is net £0.043m.

**Business Rates**

Local authorities are liable for an element of any successful appeal against business rates charged to businesses in 2015-16 and earlier years. The billing authorities have made provisions to recognise the best estimate of the amount that businesses have been overcharged, for which the Council's proportionate share, approximately £1.6m, has been reflected through the Collection Fund adjustment account.

Some NHS trusts are claiming that they are eligible for an 80% discount on business rates. No claims have been made in respect of Derbyshire NHS trusts from which the Council receives a share of business rates.

## 6. OTHER OPERATING EXPENDITURE

| **2014-15 £m** | | **2015-16 £m** |
|---|---|---|
| (0.429) | Trading Operations | (0.988) |
| 0.301 | Levies & Precepts | 0.305 |
| 93.520 | Loss on Disposal of Fixed Assets | 287.755 |
| **93.392** | | **287.072** |

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 £0.350m (2014-15: £1.064m) offset against rental income of £1.338m (2014-15: £1.493m).

Levies and precepts predominantly relate to precept payments to the Environment Agency as shown in the table below.

| **2014-15 £m** | | **2015-16 £m** |
|---|---|---|
| | Precepts to the Environment Agency | |
| 0.179 | Severn Trent Region | 0.179 |
| 0.036 | North West Region | 0.037 |
| 0.083 | Yorkshire Region | 0.087 |
| 0.002 | Financial Reporting Council Levy | 0.002 |
| **0.300** | | **0.305** |

Details of the movements on Fixed Assets, including disposals, are shown in note 15. In the main, the loss on disposal of fixed assets relate to the removal of voluntary controlled schools being removed from the Balance Sheet (£223.497m).

## 7. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

| 2014-15 £m | | Note | 2015-16 £m |
|---|---|---|---|
| 24.410 | Interest Payable | | 23.697 |
| (3.598) | Interest Receivable | | (4.342) |
| 23.270 | Net Pension Costs | 49 | 24.381 |
| **44.082** | | | **43.736** |

Interest payable has been itemised in the table below

| 2014-15 £m | | 2015-16 £m |
|---|---|---|
| 18.059 | Interest Payable on Capital Borrowing | 17.433 |
| 5.603 | Interest Payable on PFI | 5.438 |
| 0.587 | Interest Payable on Finance Leases | 0.577 |
| 0.161 | Interest Payable on Other Items | 0.249 |
| **24.410** | | **23.697** |

Interest receivable has been itemised in the table below

| 2014-15 £m | | 2015-16 £m |
|---|---|---|
| (2.079) | Interest Receivable on Investments | (2.728) |
| (1.484) | Interest Receivable on Transferred Debt | (1.509) |
| (0.010) | Interest Receivable on Finance Leases | (0.006) |
| (0.018) | Interest Receivable on Cash & Bank Balances | (0.092) |
| (0.007) | Interest Receivable on Other Items | (0.007) |
| **(3.598)** | | **(4.342)** |

## 8. TAXATION AND NON-SPECIFIC GRANT INCOME

| 2014-15 £m | | Note | 2015-16 £m |
|---|---|---|---|
| (255.427) | Council Tax | | (262.668) |
| (126.225) | Revenue Support Grant | | (93.241) |
| (101.052) | Non-Domestic Rates Redistribution | | (104.406) |
| (10.504) | Private Finance Initiative Grant | 40 | (10.504) |
| (1.716) | New Homes Bonus | 40 | (2.224) |
| (1.178) | Local Services Support Grant | 40 | (0.999) |
| (21.014) | Other General Revenue Grants | 40 | (23.401) |
| (80.955) | Capital Grants | 40 | (63.577) |
| **(598.071)** | | | **(561.020)** |

## 9. SEGMENTAL REPORTING

The Code of Practice on Local Authority Accounting requires that authorities analyse the financial performance of their operations in the Comprehensive Income and Expenditure Statement using the service analysis included in the Service Reporting Code of Practice. This is to ensure consistency of reporting across all authorities. However, it is recognised that authorities review financial performance according to how an authority has been managed with information corresponding with that used by management in making decisions. The Council's financial management information is reported on the basis of individual Cabinet Member Portfolio. The table below illustrates the amounts presented to the Cabinet meeting in the annual outturn report.

| Budget 2014/15 £m | Actual 2014/15 £m | Outturn 2014/15 £m | | Budget 2015/16 £m | Actual 2015/16 £m | Outturn 2015/16 £m |
|---|---|---|---|---|---|---|
| | | | **Controllable:** | | | |
| 217.526 | 216.954 | (0.572) | Adult Social Care | 204.205 | 198.867 | (5.338) |
| 109.773 | 107.903 | (1.870) | Children and Young People | 103.907 | 105.254 | 1.347 |
| 40.008 | 38.947 | (1.061) | Council Services | 42.654 | 42.221 | (0.433) |
| 80.016 | 77.443 | (2.573) | Highways, Transport and Infrastructure | 79.715 | 78.302 | (1.413) |
| 11.215 | 4.918 | (6.297) | Health and Communities | 12.652 | 8.623 | (4.029) |
| 7.330 | 6.334 | (0.996) | Strategic, Policy, Economic Development and Budget | 7.489 | 6.405 | (1.084) |
| **465.868** | **452.499** | **(13.369)** | **Total Controllable Outturn** | **450.622** | **439.672** | **(10.950)** |
| **108.001** | **108.001** | **0.000** | **Total Uncontrollable Outturn** | **131.704** | **131.704** | **0.000** |
| **573.869** | **560.500** | **(13.369)** | **Departments** | **582.326** | **571.376** | **(10.950)** |

**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.

| **Total Departmental Expenditure** | **571.376** |
|---|---|
| Trading Operations | 0.988 |
| PFI adjustments | 2.487 |
| Pensions (IAS19) | 30.996 |
| Adjustment for VC schools | 3.002 |
| Employee Benefits | (4.118) |
| **Expenditure Reported in the NCS** | **604.731** |

The total expenditure for the financial year 2015-16 can be analysed into the subjective line items (type of expenditure such as employee costs etc.) as follows:

| | **Adult Care £m** | **Children and Young People £m** | **Council Services £m** | **Highways, Transport & Infrastructure £m** | **Health and Communities £m** |
|---|---|---|---|---|---|
| Employee Costs | 79.102 | 450.401 | 53.225 | 19.967 | 14.050 |
| Premises Costs | 1.645 | 21.924 | 7.673 | 1.398 | 0.907 |
| Transport Costs | 4.026 | 18.650 | 2.722 | 1.075 | 0.219 |
| Supplies & Services | 19.597 | 50.678 | 13.733 | 10.505 | 35.887 |
| Agency Payments | 182.320 | 62.114 | 8.220 | 65.522 | 5.218 |
| Transfer Payments | 20.455 | 2.434 | 0.000 | 0.000 | 0.000 |
| Cross Departmental Charging | 3.899 | 24.494 | (32.778) | 1.417 | 3.081 |
| Central Recharges | 8.889 | 13.036 | (25.566) | 4.831 | 3.378 |
| Capital Charges | 8.932 | 84.771 | 6.913 | 21.437 | 0.718 |
| **Total Expenditure** | **328.865** | **728.502** | **34.142** | **126.152** | **63.458** |
| Grants | (3.277) | (491.694) | (10.703) | (1.222) | (40.015) |
| Contributions | (69.598) | (10.482) | (2.787) | (6.384) | (1.514) |
| Sales, Fees and Charges | (37.372) | (19.682) | (12.088) | (10.509) | (1.108) |
| **Total Income** | **(110.247)** | **(521.858)** | **(25.578)** | **(18.115)** | **(42.637)** |
| **Total Reported Spend** | **218.618** | **206.644** | **8.564** | **108.037** | **20.821** |

| Strategic Policy and Budget £m | Total Departmental Reported Spending £m | Corporate Adjustments £m | Net Cost of Services Position £m |
|---|---|---|---|
| 5.210 | 621.955 | 26.878 | 648.833 |
| 0.006 | 33.553 | (0.121) | 33.432 |
| 0.024 | 26.716 | 0.000 | 26.716 |
| 3.060 | 133.460 | (8.246) | 125.214 |
| (0.055) | 323.339 | 0.000 | 323.339 |
| 0.000 | 22.889 | 0.000 | 22.889 |
| (0.114) | (0.001) | 0.000 | (0.001) |
| (4.567) | 0.001 | 0.000 | 0.001 |
| 6.994 | 129.765 | 3.002 | 132.767 |
| **10.558** | **1,291.677** | **21.513** | **1,313.190** |
| (1.621) | (548.532) | 10.504 | (538.028) |
| (0.233) | (90.998) | 0.000 | (90.998) |
| (0.012) | (80.771) | 1.338 | (79.433) |
| **(1.866)** | **(720.301)** | **11.842** | **(708.459)** |
| **8.692** | **571.376** | **33.355** | **604.731** |

The 2014-15 position was:

| | 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 |
| **Total Expenditure** | **332.296** | **721.002** | **27.886** | **119.677** | **54.921** |
| 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) |
| **Total Income** | **(96.066)** | **(519.640)** | **(25.518)** | **(19.849)** | **(39.142)** |
| **Total Reported Spend** | **236.230** | **201.362** | **2.368** | **99.828** | **15.779** |

**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.

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

| 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 |
| **6.418** | **1,262.200** | **0.112** | **1,262.312** |
| (1.207) | (541.659) | 10.504 | (531.155) |
| (0.168) | (78.779) | 0.000 | (78.779) |
| (0.110) | (81.262) | 1.493 | (79.769) |
| **(1.485)** | **(701.700)** | **11.997** | **(689.703)** |
| **4.933** | **560.500** | **12.109** | **572.609** |

## 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.

| 2014-15 £m | | 2015-16 £m |
|---|---|---|
| 7.977 | Payments to Nursing Care Providers | 7.550 |
| (7.939) | Recharge to CCG's | (8.237) |
| (0.079) | Admin Charge to CCG | (0.079) |
| **(0.041)** | | **(0.766)** |

## 11. NON DISTRIBUTED COSTS

Non Distributed Costs of £0.203m (2014-15: £1.149m) comprise past service costs relating to post-employment benefits.

## 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 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 9,751 ordinary shares, all are held by the Council. There are three directors of the company who are Strategic Directors 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 £0.066m and vendor transactions totalled £0.003m.

The Creswell 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 £0.029m and vendor transactions totalled £0.095m.

Scape Limited is a private limited company. The Council has two directors on the company Board. These are the Director of Property and an elected Member of the Council; both were appointed by the Council. Customer transactions with this organisation in the year totalled £0.053m and vendor transactions totalled £0.004m.

**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 2016 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, pension contributions paid and teaching services. Customer transactions in the year totalled £8.461m, of this, £8.116m were with academy schools. Vendor transactions totalled £336.560m and included the following significant transactions:

| | |
|---|---|
| Debt Management Office | £146.900m |
| Inland Revenue | £105.953m |
| Teachers Pensions | £46.008m |

| | |
|---|---|
| Public Works Loan Board | £31.000m |

The transactions taken place with the Debt Management Office stated above, all relate to investments made by the Council.

**Other Local Authorities -** typical transactions include, but are not restricted to, investments, repayment of transferred debt, re-imbursement of joint project costs and supplies of goods and services. Customer transactions totalled £35.441m and included significant transactions with Derby City Council totalling £23.603m. Vendor transactions totalled £203.815m and included the following significant transactions:

| | |
|---|---|
| London Borough of Dagenham | £20.000m |
| Birmingham City Council | £20.000m |
| Lancashire County Council | £20.004m |

**Health Bodies -** typical transactions include, but are not restricted to re-imbursement of joint project costs and supplies of goods and services. Customer transactions with health bodies in the year totalled £58.739m and included significant transactions with NHS North Derbyshire CCG of £24.320m, NHS Southern Derbyshire CCG totalling £18.501m, NHS Erewash CCG totalling £5.909m and NHS Hardwick CCG totalling £5.443m. Vendor transactions totalled £28.964m and included transactions with Derbyshire Community Health Services NHS Foundation Trust totalling £20.547m.

**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 2015-16 is shown in Note 34. During 2015-16 works and services to the value of £0.886m 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. Until May 2016 the spouse of a Member served as Derbyshire's Police and Crime Commissioner.

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

Included in management expenses in 2015-16 are charges from Derbyshire County Council of £2.019m (2014-15, £1.947m) for expenses incurred in respect of oversight and governance of the Fund, for Fund administration and for management of the Fund's in-house investments.

No interest was paid by the Council to the Fund in 2015-16, following a change in treasury management arrangements in 2014-15 (2014-15, £0.001m).

At 31 March 2016 the Fund owed the Council £1.318m (2015, the Council owed the Fund £3.002m).

## 13. CONTINGENT ASSETS AND LIABILITIES AND SIMILAR COMMITMENTS

The Council has made a provision of £0.500m as a potential payment due as a result of an employment tribunal. This is based on a previously submitted schedule of loss, however, the claimant is now entitled to submit a revised schedule and the liability of the authority is not capped. Therefore, the £0.500m provision could be exceeded.

At 31 March 2016 the Council was committed to make investments totalling £20.000m (four commitments of £5.000m each). There is no provision or creditor for these amounts in the financial statements as the legal obligation to pay was not fulfilled at the year-end. These commitments will be met using funds received from the maturity of earlier investments and therefore have no impact to the financial position reported.

## 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 |
|---|---|---|---|---|---|
| **BALANCE AS AT 1 APRIL 2015** | | **(55.201)** | **(204.804)** | **(24.603)** | **(13.727)** |
| Comprehensive Income & Expenditure | | 374.520 | 0.000 | 0.000 | 0.000 |
| | | | | | |
| Depreciation of fixed assets | 15-17 19 | (54.304) | 0.000 | 0.000 | 0.000 |
| Impairment of fixed assets | 15-17 19 | (63.320) | 0.000 | 0.000 | 0.000 |
| Capital Grants | 40 | 63.577 | 0.000 | (63.577) | 0.000 |
| Disposal of fixed assets | 6 | (287.755) | 0.000 | 0.000 | (2.506) |
| REFCUS - Revenue funded by Capital | 18 | (15.143) | 0.000 | 0.000 | 0.000 |
| Employee Benefits | 22 | 4.118 | 0.000 | 0.000 | 0.000 |
| Collection Fund Adjustment | 44 | (2.424) | 0.000 | 0.000 | 0.000 |
| Retirement benefits | 49 | (114.306) | 0.000 | 0.000 | 0.000 |
| Minimum revenue provision | | 20.717 | 0.000 | 0.000 | 0.000 |
| Principal transferred debt | | (1.145) | 0.000 | 0.000 | 0.000 |
| RCCO - Capital Funded from Revenue | | 11.128 | 0.000 | 0.000 | 0.000 |
| Proportion of Previous Year Premiums | 23 | (0.048) | 0.000 | 0.000 | 0.000 |
| Reversal of effective interest rate | 23 | 0.008 | 0.000 | 0.000 | 0.000 |
| Employer contribution to Pensions | 49 | 58.929 | 0.000 | 0.000 | 0.000 |
| Net Transfer to Reserves | 31 | 8.621 | (8.621) | 0.000 | 0.000 |
| Transfer Usable Capital Receipts | 46 | 0.000 | 0.000 | 0.000 | (0.104) |
| Financing Capital Spend | 18 | 0.000 | 0.000 | 56.524 | 0.388 |
| **BALANCE AT 31 MARCH 2016** | | **(52.028)** | **(213.425)** | **(31.656)** | **(15.949)** |

| 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 |
| **(0.154)** | **(1,012.525)** | **(978.146)** | **0.229** | **8.337** | **(2.566)** | **746.518** |
| 0.000 | (93.230) | 0.000 | 0.000 | 0.000 | 0.000 | (173.737) |
| | | | | | | |
| 0.000 | 15.590 | 38.714 | 0.000 | 0.000 | 0.000 | 0.000 |
| 0.000 | 0.006 | 63.314 | 0.000 | 0.000 | 0.000 | 0.000 |
| 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| 0.000 | 196.101 | 94.160 | 0.000 | 0.000 | 0.000 | 0.000 |
| 0.000 | 0.000 | 15.143 | 0.000 | 0.000 | 0.000 | 0.000 |
| 0.000 | 0.000 | 0.000 | 0.000 | (4.118) | 0.000 | 0.000 |
| 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 2.424 | 0.000 |
| 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 114.306 |
| 0.000 | 0.000 | (20.717) | 0.000 | 0.000 | 0.000 | 0.000 |
| 0.000 | 0.000 | 1.145 | 0.000 | 0.000 | 0.000 | 0.000 |
| 0.000 | 0.000 | (11.128) | 0.000 | 0.000 | 0.000 | 0.000 |
| 0.000 | 0.000 | 0.000 | 0.048 | 0.000 | 0.000 | 0.000 |
| 0.000 | 0.000 | 0.000 | (0.008) | 0.000 | 0.000 | 0.000 |
| 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | (58.929) |
| 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| 0.104 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| 0.000 | 0.254 | (57.166) | 0.000 | 0.000 | 0.000 | 0.000 |
| **(0.050)** | **(893.804)** | **(854.681)** | **0.269** | **4.219** | **(0.142)** | **628.158** |

The 2014-15 position was:

| Narrative | Note | Usable reserves<br>General Reserve<br>£m | Earmarked Revenue Reserves<br>£m | Unapplied Capital Grants<br>£m | Capital Receipts Reserve<br>£m |
|---|---|---|---|---|---|
| **BALANCE AS AT 1 APRIL 2014** | | **(43.075)** | **(205.144)** | **(15.860)** | **(11.441)** |
| Comprehensive Income & Expenditure | | 112.013 | 0.000 | 0.000 | 0.000 |
| | | | | | |
| Depreciation of fixed assets | 15-17 19 | (50.273) | 0.000 | 0.000 | 0.000 |
| Impairment of fixed assets | 15-17 19 | (43.060) | 0.000 | 0.000 | 0.000 |
| Capital Grants | 40 | 80.955 | 0.000 | (80.955) | 0.000 |
| Disposal of fixed assets | 6 | (93.520) | 0.000 | 0.000 | 0.000 |
| REFCUS - Revenue funded by Capital | 18 | (13.064) | 0.000 | 0.000 | 0.000 |
| Employee Benefits | 22 | 0.616 | 0.000 | 0.000 | 0.000 |
| Collection Fund Adjustment | 44 | 0.000 | 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 | (2.166) |
| **BALANCE AT 31 MARCH 2015** | | **(55.201)** | **(204.804)** | **(24.603)** | **(13.727)** |

| 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 | 44.184 | 6.089 | 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 | 13.783 | 79.737 | 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 | 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 | (70.046) | 0.000 | 0.000 | 0.000 | 0.000 |
| **(0.154)** | **(1,012.525)** | **(978.146)** | **0.229** | **8.337** | **(2.566)** | **746.518** |

## 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:

| | Note/ Statement | Land & Buildings £m | Vehicles, Plant & Equipment £m | Infrastructure Assets £m | Community Assets £m | Surplus Assets £m | Assets Under Construction £m | Property Plant & Equipment £m |
|---|---|---|---|---|---|---|---|---|
| **COST OR VALUATION** | | | | | | | | |
| **At 1 April 2015** | | **2,098.613** | **80.544** | **373.604** | **1.851** | **22.874** | **24.089** | **2,601.576** |
| Additions | | 42.203 | 0.685 | 27.505 | 1.136 | 0.000 | 6.301 | **77.830** |
| Disposals | | (267.270) | (5.657) | 0.000 | 0.000 | (0.000) | 0.000 | **(272.927)** |
| Disposals derecognition | | (31.039) | 0.000 | (14.825) | 0.000 | 0.000 | 0.000 | **(45.864)** |
| Revaluation Gains to RR* | CIES | 223.069 | 0.000 | 0.000 | 0.000 | 14.058 | 0.000 | **237.127** |
| Revaluation Losses to RR | CIES | (178.607) | 0.000 | 0.000 | 0.000 | (8.647) | 0.000 | **(187.255)** |
| Impairment | | (40.137) | 0.000 | 0.000 | 0.000 | (6.737) | 0.000 | **(46.874)** |
| Transfer within PPE | | 21.629 | 0.002 | 0.000 | 0.000 | 0.011 | (21.642) | **0.000** |
| Transfer to Held for Sale | | (0.394) | 0.000 | 0.000 | 0.000 | 1.317 | 0.000 | **0.923** |
| **At 31 March 2016** | | **1,868.067** | **75.574** | **386.284** | **2.987** | **22.874** | **8.748** | **2,364.534** |
| **DEPRECIATION** | | | | | | | | |
| **At 1 April 2015** | | **(52.780)** | **(70.941)** | **(67.507)** | **(0.013)** | **(1.360)** | **0.000** | **(192.601)** |
| Charge for year | | (39.354) | (3.891) | (10.221) | (0.004) | (0.255) | 0.000 | **(53.726)** |
| Revaluations to RR | CIES | 42.549 | 0.000 | 0.000 | 0.000 | 0.814 | 0.000 | **43.364** |
| Revaluations to I&E | | (15.696) | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | **(15.696)** |
| Disposals | | 22.698 | 5.447 | 0.000 | 0.000 | 0.000 | 0.000 | **28.145** |
| Disposals derecognition | | 0.763 | 0.000 | 0.445 | 0.000 | 0.000 | 0.000 | **1.208** |
| Transfers to Held for Sale | | (0.026) | 0.000 | 0.000 | 0.000 | (0.012) | 0.000 | **(0.038)** |
| **At 31 March 2016** | | **(41.845)** | **(69.385)** | **(77.283)** | **(0.017)** | **(0.813)** | **0.000** | **(189.344)** |
| OPENING VALUE | | 2,045.834 | 9.603 | 306.097 | 1.838 | 21.514 | 24.089 | 2,408.974 |
| **CLOSING VALUE** | | **1,826.222** | **6.189** | **309.000** | **2.970** | **22.061** | **8.748** | **2,175.190** |
| **NATURE OF ASSET HOLDING** | | | | | | | | |
| Purchased / Built | | 1,751.830 | 6.145 | 309.001 | 2.970 | 22.061 | 8.748 | **2,100.755** |
| Finance Lease | | 0.027 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | **0.027** |
| Donated | | 5.820 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | **5.820** |
| Private Finance Initiative | | 68.544 | 0.044 | 0.000 | 0.000 | 0.000 | 0.000 | **68.588** |
| | | **1,826.221** | **6.189** | **309.001** | **2.970** | **22.061** | **8.748** | **2,175.190** |

*RR - Revaluation Reserve

Under IFRS13, the Council is required to change the way it values its surplus assets. Details of the Council's approach are set out in the Accounting Policies in Section 1.13, where the Levels below are identified. The table below provides a summary of the fair value measurement for Surplus Assets.

| | NBV | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| | **£m** | **£m** | **£m** | **£m** |
| **Land** | 0.210 | 2.868 | 17.497 | 20.575 |
| **Buildings** | 0.000 | 0.149 | 1.228 | 1.377 |
| **Furniture and Equipment** | 0.000 | 0.000 | 0.007 | 0.007 |
| **Community** | 0.000 | 0.000 | 0.102 | 0.102 |
| | **0.210** | **3.017** | **18.834** | **22.061** |

The 2014-15 position was:

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

Historic cost values of re-valued assets are:

| | | Land & Buildings £m | Vehicles, Plant & Equipment £m | Infrastructure Assets £m | Community Assets £m | Surplus Assets £m | Assets Under Construction £m | Property Plant & Equipment £m |
|---|---|---|---|---|---|---|---|---|
| **COST OR VALUATION** | | | | | | | | |
| **At 1 April 2015** | | **1,439.633** | **80.544** | **373.604** | **2.835** | **18.057** | **24.089** | **1,938.763** |
| Additions | | 42.203 | 0.685 | 27.505 | 1.136 | 0.000 | 6.301 | **77.830** |
| Disposals | | (118.323) | (5.657) | 0.000 | 0.000 | 0.000 | 0.000 | **(123.980)** |
| Disposals derecognition | | (12.376) | 0.000 | (14.825) | 0.000 | 0.000 | 0.000 | **(27.202)** |
| Impairment | | 20.421 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | **20.421** |
| Transfer within PPE | | 21.629 | 0.002 | 0.000 | 0.000 | 0.011 | (21.642) | **0.000** |
| Transfer to Held for Sale | | 0.335 | 0.000 | 0.000 | 0.000 | 0.690 | 0.000 | **1.025** |
| **At 31 March 2016** | | **1,393.522** | **75.574** | **386.284** | **3.971** | **18.758** | **8.748** | **1,886.857** |
| **DEPRECIATION** | | | | | | | | |
| **At 1st April 2015** | | **(355.646)** | **(70.941)** | **(67.507)** | **(1.036)** | **(6.522)** | **0.000** | **(501.653)** |
| Charge for year | | (23.945) | (3.891) | (10.221) | (0.003) | (0.075) | 0.000 | **(38.136)** |
| Impairment | | (76.254) | 0.000 | 0.000 | 0.000 | (6.731) | 0.000 | **(82.985)** |
| Disposals | | 47.382 | 5.447 | 0.000 | 0.000 | 0.000 | 0.000 | **52.829** |
| Disposals derecognition | | 3.909 | 0.000 | 0.445 | 0.000 | 0.000 | 0.000 | **4.354** |
| Transfers to Held for Sale | | (0.308) | 0.000 | 0.000 | 0.000 | (0.175) | 0.000 | **(0.483)** |
| **At 31st March 2016** | | **(404.862)** | **(69.385)** | **(77.283)** | **(1.039)** | **(13.503)** | **0.000** | **(566.073)** |
| OPENING VALUE | | 1,083.987 | 9.603 | 306.097 | 1.799 | 11.535 | 24.089 | 1,437.110 |
| **CLOSING VALUE** | | **988.660** | **6.189** | **309.000** | **2.931** | **5.255** | **8.748** | **1,320.784** |
| **NATURE OF ASSET HOLDING** | | | | | | | | |
| Purchased / Built | | 941.860 | 6.145 | 309.000 | 2.931 | 5.255 | 8.748 | **1,273.939** |
| Finance Lease | | 0.027 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | **0.027** |
| Donated | | 5.820 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | **5.820** |
| Private Finance Initiative | | 40.954 | 0.044 | 0.000 | 0.000 | 0.000 | 0.000 | **40.998** |
| | | **988.661** | **6.189** | **309.000** | **2.931** | **5.255** | **8.748** | **1,320.784** |

The 2014-15 position was:

| | Land & Buildings £m | Vehicles, Plant & Equipment £m | Infrastructure Assets £m | Community Assets £m | Assets Under Construction £m | Property Plant & Equipment £m |
|---|---|---|---|---|---|---|
| **COST OR VALUATION** | | | | | | |
| **At 1st April 2014** | **1,496.046** | **80.231** | **359.920** | **2.612** | **9.810** | **1,948.619** |
| 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)** |
| **At 31st March 2015** | **1,456.687** | **81.380** | **373.605** | **3.012** | **24.089** | **1,938.773** |
| **DEPRECIATION** | | | | | | |
| **At 1st April 2014** | **(337.555)** | **(67.274)** | **(67.428)** | **(1.017)** | **0.000** | **(473.274)** |
| 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** |
| **At 31st March 2015** | **(361.639)** | **(71.733)** | **(67.507)** | **(1.036)** | **0.000** | **(501.915)** |
| OPENING VALUE | 1,158.491 | 12.957 | 292.492 | 1.595 | 9.810 | 1,475.345 |
| **CLOSING VALUE** | **1,095.048** | **9.647** | **306.098** | **1.976** | **24.089** | **1,436.858** |
| **NATURE OF ASSET HOLDING** | | | | | | |
| 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** |
| | **1,095.048** | **9.647** | **306.098** | **1.976** | **24.089** | **1,436.858** |

## 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 and Loading Bay, Cromford Wharf
- Side Walls & Curbs to Canal Basin, Cromford Wharf
- Railway Embankment and 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 and 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** | |
|---|---|---|---|---|
| | **2014-15** | **2015-16** | **2014-15** | **2015-16** |
| | **£m** | **£m** | **£m** | **£m** |
| **COST OR VALUATION** | | | | |
| **At 1st April** | **41.660** | **42.283** | **9.780** | **10.375** |
| Additions | 0.630 | 0.814 | 0.630 | 0.814 |
| Impairment Losses/(reversals) through I&E | 0.000 | (0.756) | 0.000 | 0.000 |
| Reclassifications | 0.000 | 0.000 | 0.000 | 0.000 |
| Revaluations | 0.000 | 0.011 | 0.000 | 0.000 |
| Disposals derecognition | (0.007) | 0.000 | (0.035) | 0.000 |
| **At 31st March** | **42.283** | **42.352** | **10.375** | **11.189** |
| **DEPRECIATION** | | | | |
| **At 1st April** | **0.000** | **0.000** | **(6.748)** | **(6.720)** |
| Charge for year | 0.000 | 0.000 | 0.000 | 0.000 |
| Impairment Losses/(reversals) through I&E | 0.000 | 0.005 | 0.028 | (0.757) |
| **At 31st March** | **0.000** | **0.005** | **(6.720)** | **(7.477)** |
| OPENING VALUE | 41.660 | 42.283 | 3.032 | 3.655 |
| **CLOSING VALUE** | **42.283** | **42.357** | **3.655** | **3.712** |
| **NATURE OF ASSET HOLDING** | | | | |
| Purchased / Built | 40.764 | 40.837 | 2.778 | 2.835 |
| Donated | 1.519 | 1.520 | 0.877 | 0.877 |
| | **42.283** | **42.357** | **3.655** | **3.712** |

## 18. CAPITAL EXPENDITURE AND CAPITAL FINANCING

| 2014-15 £m | | 2015-16 £m |
|---|---|---|
| | **Capital Expenditure:** | |
| 34.659 | Schools | 22.168 |
| 22.580 | Highways Roads and Related | 23.987 |
| 2.544 | Refuse Disposal and Recycling | 0.285 |
| 1.650 | Purchase of Vehicles | 0.171 |
| 1.449 | Countryside | 1.854 |
| 14.709 | Other Environmental Spend | 11.960 |
| 12.613 | Adult Care | 5.250 |
| 0.734 | Software | 0.374 |
| 1.819 | Other Corporate Spend | 4.229 |
| 0.775 | Other | 2.992 |
| **93.532** | **Total Capital Additions** | **73.270** |
| 13.064 | Revenue Expenditure Funded from Capital Under Statute | 20.737 |
| **106.596** | **Total Capital Expenditure** | **94.007** |
| | **Capital Financing** | |
| 24.297 | Loans | 25.707 |
| 10.087 | Revenue Contributions | 11.138 |
| 0.000 | Capital Receipts | 0.639 |
| 72.212 | Grants and Contributions | 56.523 |
| **106.596** | **Total Capital Financing** | **94.007** |

Revenue Expenditure Funded from Capital Under Statute in 2015/16 doesn't include the reversal for the voluntary schools provision of £5.593m.

## 19. INTANGIBLE ASSETS

These all relate to purchased software licences

| | 2014-15 £m | 2015-16 £m |
|---|---|---|
| **COST OR VALUATION** | | |
| **At 1st April** | **5.158** | **5.721** |
| Additions | 0.563 | 0.220 |
| Disposals | 0.000 | 0.000 |
| **At 31st March** | **5.721** | **5.941** |
| **DEPRECIATION** | | |
| **At 1st April** | **(3.511)** | **(4.541)** |
| Charge for year | (1.030) | (0.578) |
| Disposals | 0.000 | 0.000 |
| **At 31st March** | **(4.541)** | **(5.119)** |
| OPENING VALUE | 1.647 | 1.180 |
| **CLOSING VALUE** | **1.180** | **0.822** |

## 20. ASSETS HELD FOR SALE

| | CARRYING VALUE | | | HISTORIC COST | | | RR |
|---|---|---|---|---|---|---|---|
| | GBV £m | Dpn £m | NBV £m | GBV £m | Dpn £m | NBV £m | £m |
| Ringwood Centre | 0.036 | (0.010) | 0.026 | 0.334 | (0.308) | 0.026 | 0.000 |
| Clay Cross Depot | 1.191 | (0.028) | 1.163 | 0.377 | (0.098) | 0.279 | 0.884 |
| Brendon House Home for Older People | 0.347 | 0.000 | 0.347 | 0.158 | 0.000 | 0.158 | 0.189 |
| Danesmoor Infant School | 0.347 | 0.000 | 0.347 | 0.314 | (0.077) | 0.237 | 0.110 |
| Ilkeston Register Office | 0.069 | 0.002 | 0.071 | 0.100 | (0.051) | 0.049 | 0.022 |
| 484 Stanton Road | 0.212 | 0.000 | 0.212 | 0.208 | (0.003) | 0.205 | 0.007 |
| Glapwell Bypass (A617) - Remaining Land | 0.098 | 0.000 | 0.098 | 0.000 | 0.000 | 0.000 | 0.098 |
| **Balance as at 31 March 2015** | **2.300** | **(0.036)** | **2.264** | **1.491** | **(0.537)** | **0.954** | **1.310** |
| **Sales during 2015-16:** | | | | | | | |
| Brendon House Home for Older People | (0.347) | 0.000 | (0.347) | (0.158) | 0.000 | (0.158) | (0.189) |
| Ilkeston Register Office | (0.069) | (0.002) | (0.071) | (0.100) | 0.051 | (0.049) | (0.022) |
| 484 Stanton Road | (0.212) | 0.000 | (0.212) | (0.208) | 0.003 | (0.205) | (0.007) |
| **Transferred to Surplus Assets** | | | | | | | |
| Ringwood Centre | (0.036) | 0.010 | (0.026) | (0.334) | 0.308 | (0.026) | 0.000 |
| Clay Cross Depot | (1.191) | 0.028 | (1.163) | (0.377) | 0.098 | (0.279) | (0.884) |
| Danesmoor Infant School | (0.347) | 0.000 | (0.347) | (0.314) | 0.077 | (0.237) | (0.110) |
| Glapwell Bypass (A617) - Remaining Land | (0.098) | 0.000 | (0.098) | 0.000 | 0.000 | 0.000 | (0.098) |
| Newbold School | 0.750 | 0.000 | 0.750 | 0.000 | 0.000 | 0.000 | 0.750 |
| **Balance as at 31 March 2016** | **0.750** | **0.000** | **0.750** | **0.000** | **(0.000)** | **0.000** | **0.750** |

## 21. NON-CURRENT DEBTORS

| 31 Mar 2015 £m | | Note | 31 Mar 2016 £m |
|---|---|---|---|
| 29.912 | Derby City 1997 Transferred Debt | | 28.761 |
| 1.078 | Districts 1997 Transferred Debt | | 0.991 |
| 2.000 | Local Authority Mortgage Scheme | | 2.000 |
| 0.360 | Loan to Police & Crime Commissioner | | 0.280 |
| 0.040 | Vehicle Finance Leases | | 0.000 |
| 0.033 | Other Long Term Debtors | | 0.717 |
| **33.423** | | 23 | **32.749** |

## 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 resulted 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 2016 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 Council’s 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 has been no change since 31 March 2015.

The Chesterfield Borough Council scheme is still open as at 31 March 2016. The scheme has to date supported 23 first time buyers complete on their properties, with a total house sale value of approximately £2.3m. Chesterfield Borough Council contributed £1m into the scheme, resulting in a total indemnity of £1.250m of which £0.566m has been committed (£0.483m was committed at 31 March 2015). The value of the deposited indemnity for both schemes is held as a long term debtor in the Councils balance sheet.

## 23. FINANCIAL INSTRUMENTS

Financial Instrument Investments are made up of:

- Current loans and receivables of £180.226m (31 Mar 2015: £186.594m)
- Non-current loans and receivables of £44.000m (31 Mar 2015: £12.000m)

Financial Instrument Debtors are made up of:

- Non-current loans and receivables of £32.750m (31 Mar 2015: £33.423m)
- Current loans and receivables of £47.860m (31 Mar 2015: £52.890m)
- Current finance lease debtors of £0.050m (31 Mar 2015: £0.115m)

Financial Instrument Borrowings are made up of:

- Non-current loans and borrowings of £336.809m (31 Mar 2015: £349.274m)
- Current loans and borrowings of £15.139m (31 Mar 2015: £17.719m)

Other Financial Liabilities are made up of:

- Non-current PFI liability of £74.134m (31 Mar 2015: £76.888m)
- Non-current finance lease liability of £4.564m (31 Mar 2015: £4.711m)
- Current PFI liability of £2.754m (31 Mar 2015: £2.579m)
- Current finance lease liability of £0.147m (31 Mar 2015: £0.135m)
- Current liabilities at contract amounts £77.304m (31 Mar 2015: £74.554m)

**Financial Instrument Gains/Losses**

The gains and losses recognised in the CIES in relation to financial instruments are:

- Liabilities at amortised cost, interest expense of £23.697m (2014-15: £24.410m)
- Assets, loans and receivables, interest income of £4.342m (2014-15: £3.598m)

This has resulted in a net loss for the year of £19.355m (2014-15: £20.812m).

**Financial Instruments – Fair Values**

Financial assets classified as available for sale and all derivative assets and liabilities are carried in the Balance Sheet at fair value. For most assets, including bonds, treasury bills and shares in money market funds and other pooled funds, the fair value is taken from the market price. The fair values of other instruments have been estimated calculating the net present value of the remaining contractual cash flows at 31st March 2016, using the following methods and assumptions:

- Certificates of deposit and forward loan contracts have been discounted at market interest rates for instruments of similar credit quality and remaining term to maturity.

Financial assets classified as loans and receivables and all non-derivative financial liabilities are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2016, using the following methods and assumptions:

- Loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.
- The value of “Lender’s Option Borrower’s Option” (LOBO) loans have been increased by the value of the embedded options. Lenders’ options to propose an increase to the interest rate on the loan have been valued according to a proprietary model for Bermudan cancellable swaps. Borrower’s contingent options to accept the increased rate or repay the loan have been valued at zero, on the assumption that lenders will only exercise their options when market rates have risen above the contractual loan rate.
- The fair values of other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31 March.
- The fair values of finance lease assets and liabilities and of PFI scheme liabilities have been calculated by discounting the contractual cash flows (excluding service charge elements) at the appropriate AA-rated corporate bond yield.
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount.

Fair values are split by their level in the fair value hierarchy:

- Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities, e.g. bond prices
- Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, e.g. interest rates or yields for similar instruments
- Level 3 – fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness

**Non-Current Assets**

| | Note | Fair Value Level | Carrying Value 31 Mar 2015 £m | Carrying Value 31 Mar 2016 £m | Fair Value 31 Mar 2015 £m | Fair Value 31 Mar 2016 £m |
|---|---|---|---|---|---|---|
| Investments - Transferred Debt | 21 | 2 | 31.350 | 30.032 | 31.350 | 30.032 |
| Non-Current Investments | | 2 | 12.000 | 44.000 | 12.460 | 44.305 |
| Non Current Trade Debtors | 21 | * | 2.073 | 2.717 | 2.073 | 2.717 |
| **Non-Current Financial Assets** | | | **45.423** | **76.749** | **45.883** | **77.054** |

* Fair value disclosure not required

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

- £10.000m with Derby City Council commenced in September 2014 for four years. This has been valued with a discount rate of 1.09% resulting in a fair value of £10.172m.
- £2.000m with Newport City Council commenced in February 2015 for 2.5 years. This has been valued with a discount rate of 0.77% resulting in a fair value of £2.016m.

- £4.000m with Sheffield City Council commenced in July 2015 for four years. This has been valued with a discount rate of 1.24% resulting in a fair value of £4.094m.
- £4.000m with Sheffield City Council commenced in July 2015 for five years. This has been valued with a discount rate of 1.45% resulting in a fair value of £4.118m.
- £5.000m with Lancashire County Council commenced in November 2015 for two years. This has been valued with a discount rate of 1.14% resulting in a fair value of £5.008m.
- £1.000m with Furness Building Society commenced in December 2015 for 2 years (with a 6 monthly call option). This has been valued with a discount rate of 1.23% (assuming held to maturity) resulting in a fair value of £1.010m.
- £3.000m with Staffordshire Moorlands District Council in January 2016 for 2 years. This has been valued with a discount rate of 0.95% resulting in a fair value of £3.008m.
- £5.000m with CCLA Property Fund in June 2015. This available for sale investment is open ended, however can be realised on a monthly basis. This has been valued at the 31 March 2016 closing bid price resulting in a fair value of £4.846m.
- £10.000m with Federated Sterling Cash Plus Fund commenced in August 2015. This available for sale investment is open ended but can be realised after 1 day. This has been valued at the 31 March 2016 closing bid price resulting in a fair value of £10.033m.

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 (£28.761m), Chesterfield Borough Council (£0.991m) and Derbyshire Police and Crime Commissioner (£0.280m) 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.

Derby City Council has indicated their desire to repay or transfer their outstanding debt, which equates to approximately 8.56% of the Council's nominal debt. The fair value of this debt is £37.601m based upon 8.56% of the fair value of the Council's debt of £486.494m.

Non-Current 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.

### Current Assets

| | Statement | Carrying Value | | Fair Value | |
|---|---|---|---|---|---|
| | | 31 Mar 2015 | 31 Mar 2016 | 31 Mar 2015 | 31 Mar 2016 |
| | | £m | £m | £m | £m |
| Short Term Investments – Money Markets | BS | 186.594 | 180.226 | 186.594 | 180.226 |
| Trade debtors | | 24.277 | 23.034 | 24.277 | 23.034 |
| **Current Financial Assets** | | **210.871** | **203.260** | **210.871** | **203.260** |

### Non-Current Liabilities

| | Note/ Statement | Fair Value Level | Carrying Value | | Fair Value | |
|---|---|---|---|---|---|---|
| | | | 31 Mar 2015 | 31 Mar 2016 | 31 Mar 2015 | 31 Mar 2016 |
| | | | £m | £m | £m | £m |
| Transferred Debt | | 2 | (4.090) | (3.929) | (4.090) | (3.929) |
| Public Works Loan Board | | 2 | (317.470) | (305.153) | (448.949) | (386.552) |
| Lender Option Borrower Option | | 2 | (27.714) | (27.727) | (40.893) | (39.893) |
| **Non-Current Borrowing** | BS | | **(349.274)** | **(336.809)** | **(493.932)** | **(430.374)** |
| PFI liability | 29 | 3 | (76.888) | (74.134) | (76.888) | (96.365) |
| Finance lease liability | 29 | * | (4.711) | (4.564) | (4.711) | (4.564) |
| **Total Non Current Liabilities** | | | **(430.873)** | **(415.507)** | **(575.531)** | **(531.303)** |

* Fair value disclosure not required

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 (£3.707m), Chesterfield Borough Council (£0.176m) and Derbyshire Constabulary (£0.046m) at the 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.

There are 54 loans with the Public Works Loan Board. 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 4.65%. The average discount rate is 2.63%.

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

- £5.000m Dexia commencing in August 2004 for 35 years at a fixed rate of 4.5%. The fair value is £6.841m using a discount rate of 2.942%.
- £5.000m Commerzbank in February 2002 for 40 years had an introductory interest rate of 2.9% for two years then 4.85% thereafter. The carrying value of the loan was £5.185m and the fair value was £7.255m using a discount rate of 3.020%.
- £8.000m Commerzbank 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 £6.941m, with a fair value of £11.391m using a discount rate of 3.020%.

- £5.000m Barclays in October 2003 for 40 years had an introductory rate of 3.2% for four years when the rate changed to 4.875%. The carrying value of the loan was £5.368m and the fair value was £7.466m using a discount rate of 3.035%.
- £5.000m Barclays 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 £5.233m, with a fair value of £6.940m using a discount rate of 3.042%.

PFI and Finance Lease Liabilities are not quoted on active markets. For PFI the discounted cash flow method has been used to calculate the fair value. Refer to Note 47 for further details. For Finance Leases the average interest rate across the 18 leases is 7.660%. Further details are held in note 46.

**Current Liabilities**

| | Carrying Value | | Fair Value | |
|---|---|---|---|---|
| | 31 Mar 2015 £m | 31 Mar 2016 £m | 31 Mar 2015 £m | 31 Mar 2016 £m |
| Public Works Loan Board | (15.000) | (12.500) | (15.000) | (12.500) |
| Temporary Loans | (0.167) | (0.160) | (0.167) | (0.160) |
| **Short term borrowing** | **(15.167)** | **(12.660)** | **(15.167)** | **(12.660)** |
| Accrued Interest | (2.552) | (2.479) | (2.552) | (2.479) |
| Trade Creditors | (59.317) | (62.542) | (59.317) | (62.542) |
| **Total Current Liabilities** | **(77.036)** | **(77.681)** | **(77.036)** | **(77.681)** |

## 24. INVENTORIES

| | 2014-15 | | | 2015-16 | | |
|---|---|---|---|---|---|---|
| | Allroads Stores £m | Work in Progress £m | Other £m | Allroads Stores £m | Work in Progress £m | Other £m |
| **1 April** | **0.486** | **0.351** | **0.608** | **0.700** | **0.738** | **0.519** |
| Purchase of new stock | 1.987 | 26.623 | 1.125 | 1.792 | 0.000 | 1.696 |
| Stock issued | (1.770) | (26.181) | (1.213) | (1.103) | (0.180) | (1.411) |
| Stock written off | (0.003) | (0.055) | (0.001) | (0.002) | 0.000 | (0.001) |
| **31 March** | **0.700** | **0.738** | **0.519** | **1.387** | **0.558** | **0.803** |

## 25. DEBTORS

The debtor balance can be analysed into the following categories:

| 31 Mar 2015 £m | | 31 Mar 2016 £m |
|---|---|---|
| 11.994 | From Other Local Authorities | 12.083 |
| 5.558 | From NHS Bodies | 5.762 |
| 11.854 | From Government Departments | 6.192 |
| 0.000 | From DCC Pension Fund | 1.318 |
| 35.265 | From Other Sundry Debtors | 31.941 |
| **64.671** | **Total amount Owed to the Council** | **57.296** |
| 0.119 | To Other Local Authorities | 0.096 |
| 0.064 | To NHS Bodies | 0.056 |
| 0.014 | To Government Departments | 0.003 |
| 3.581 | To Other Sundry Debtors | 3.804 |
| **3.778** | **Total paid in advance by the Council** | **3.959** |
| **68.449** | **Total Debtors** | **61.255** |
| (0.953) | Less Provision for Bad Debts | (1.600) |
| **67.496** | **Carrying Value of Debtors** | **59.655** |

## 26. CASH AND CASH EQUIVALENTS

| 31 Mar 2015 £m | | 31 Mar 2016 £m |
|---|---|---|
| 2.549 | County Fund Bank Account Balance | 1.514 |
| (3.039) | Adjustment to bank balance for timing | (6.295) |
| **(0.490)** | **Cash Book for County Fund Account** | **(4.781)** |
| 0.440 | Schools Cash Income Account Balance | 1.302 |
| **0.440** | **Cash Book for Schools Cash Account** | **1.302** |
| **(0.050)** | **Total Cash Book Balance (Overdraft)** | **(3.479)** |
| 4.759 | Amounts held by Bank Account Schools | 2.738 |
| 0.154 | Amounts held in Petty Cash Tins | 0.200 |
| 0.230 | Amounts held in Imprest Bank Accounts | 0.283 |
| 0.000 | Amounts held in Other Bank Accounts | (0.002) |
| **5.093** | **Total Cash Balance (Overdraft)** | **(0.260)** |
| 20.034 | Bank instant-access deposit accounts | 21.313 |
| 30.000 | Money Market Funds | 10.000 |
| 35.011 | Short-term deposits | 30.164 |
| **90.138** | **Total Cash and Cash Equivalents** | **61.217** |

## 27. CREDITORS

The creditor balance can be analysed into the following categories:

| 31 Mar 2015 £m | | 31 Mar 2016 £m |
|---|---|---|
| (4.647) | To Other Local Authorities | (9.512) |
| (3.209) | To NHS Bodies | (2.892) |
| (13.310) | To Government Departments | (13.508) |
| (3.002) | To Inter-Group Organisations | 0.000 |
| (62.201) | To Other Sundry Creditors | (56.554) |
| **(86.369)** | **Amounts Owing by the Council** | **(82.466)** |
| (0.371) | From other Local Authorities | (0.238) |
| (8.902) | From NHS Bodies | (10.251) |
| (2.905) | From Government Departments | (1.887) |
| (1.857) | From Other Sundry Creditors | (1.537) |
| **(14.035)** | **Income in Advance to the Council** | **(13.913)** |
| **(100.403)** | **Carrying Value of Creditors** | **(96.378)** |

## 28. PROVISIONS

| | Insurance Fund | Exit Packages | Other | Total |
|---|---|---|---|---|
| | £m | £m | £m | £m |
| **1 April 2014** | **9.830** | **7.708** | **1.158** | **18.696** |
| 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) |
| **1 April 2015** | **6.610** | **7.708** | **0.302** | **14.620** |
| New Provisions | 2.202 | 0.000 | 1.073 | 3.275 |
| Utilisation of Provision | (2.183) | 0.000 | (0.234) | (2.417) |
| Reversal of Provision | 0.000 | 0.000 | (0.038) | (0.038) |
| **31 March 2016** | **6.629** | **7.708** | **1.103** | **15.440** |

**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 uncertainly around which employees will leave the Council 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 15 £m | | 31 Mar 16 £m |
|---|---|---|
| 1.319 | External premiums | 1.456 |
| 0.013 | General charges and expenses | 0.003 |
| 0.613 | Claims paid in the year | 0.237 |
| **1.945** | **Total Expenditure** | **1.696** |
| (0.340) | Income from schools | (0.393) |
| (4.672) | General fund contribution | (4.701) |
| (0.155) | Other income | (0.152) |
| **(5.167)** | **Total Income** | **(5.246)** |
| **(3.222)** | **Surplus to move to fund balances** | **(3.550)** |

| 31 Mar 15 £m | | 31 Mar 16 £m |
|---|---|---|
| 0.554 | Contribution (to) / from provision | (2.202) |
| (3.776) | Contribution (to) / from reserve | (1.348) |
| **(3.222)** | **Total moved to fund balances** | **(3.550)** |

| 31 Mar 15 £m | Provision | 31 Mar 16 £m |
|---|---|---|
| **(9.829)** | **Balance at 1 April** | (6.610) |
| 0.554 | Contribution (to) / from revenue | (2.202) |
| 2.665 | Claims paid and risk management costs | 2.183 |
| **(6.610)** | **Balance at 31 March** | **(6.629)** |

| 31 Mar 15 £m | Reserves | 31 Mar 16 £m |
|---|---|---|
| **(13.636)** | **Balance at 1 April** | **(17.524)** |
| (3.776) | Contribution (to) / from revenue | (1.348) |
| (0.112) | Interest on balances | (0.115) |
| **(17.524)** | **Balance at 31 March** | **(18.987)** |

The total Insurance Fund balance is £25.616m (31 March 2015: £24.134m).

## 29. OTHER NON-CURRENT LIABILITIES

| 31 Mar 2015 £m | Note | | 31 Mar 2016 £m |
|---|---|---|---|
| (672.743) | | Pensions Liability - LGPS | (562.371) |
| (73.775) | | Pensions Liability - Teachers | (65.787) |
| (20.635) | 23 | PFI Phase 1 | (19.616) |
| (24.962) | 23 | PFI Phase 2 | (24.008) |
| (31.292) | 23 | PFI - BSF | (30.510) |
| (3.112) | 23 | Finance Lease - Joint Service Centre | (3.112) |
| (1.598) | 23 | Finance Lease - Other Leases | (1.452) |
| **(828.119)** | | **Balance at 31 March** | **(706.856)** |

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

## 30. USABLE RESERVES

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

- **General 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 2014 £m | Transfers In £m | Transfers Out £m | 31 Mar 2015 £m | Transfers In £m | Transfers Out £m | 31 Mar 2016 £m |
|---|---|---|---|---|---|---|---|
| **Highways, Transport and Infrastructure (HTI)** | | | | | | | |
| Other HTI Reserves | (10.340) | 1.688 | 0.556 | (8.097) | (1.070) | 1.052 | (8.115) |
| IT Reserve | (1.915) | 0.000 | 0.670 | (1.245) | (0.071) | 0.194 | (1.122) |
| Road Safety | (1.900) | 0.000 | 0.000 | (1.900) | 0.000 | 0.033 | (1.867) |
| Highways DLO | (1.724) | 0.000 | 0.702 | (1.022) | 0.000 | 0.047 | (0.975) |
| Commuted Sums | (1.645) | 0.000 | 1.645 | (0.000) | 0.000 | 0.000 | (0.000) |
| Other HTI Grants | (1.424) | 0.000 | 0.013 | (1.411) | (0.001) | 0.018 | (1.395) |
| Highways Maintenance | (0.974) | (5.026) | 0.000 | (6.000) | 0.000 | 0.803 | (5.197) |
| **Council Services** | | | | | | | |
| Insurance | (13.607) | (3.917) | 0.000 | (17.524) | (1.539) | 0.075 | (18.988) |
| Other Council Services | (7.609) | (10.069) | 6.528 | (11.150) | (4.569) | 7.356 | (8.363) |
| Council Services Grants | 0.000 | (0.190) | 0.000 | (0.190) | (0.110) | 0.000 | (0.300) |
| Change Management | (6.069) | (0.570) | 0.244 | (6.395) | 0.000 | 0.610 | (5.785) |
| Property DLO | (4.066) | (0.248) | 0.012 | (4.302) | (3.526) | 3.018 | (4.810) |
| PFI Schools | (3.368) | (1.255) | 0.901 | (3.722) | (0.078) | 0.682 | (3.118) |
| Computer Purchasing | (3.448) | (1.025) | 1.067 | (3.406) | 0.605 | (1.008) | (3.809) |
| Derbyshire Property | (2.187) | (0.004) | 0.236 | (1.955) | 0.000 | 0.326 | (1.629) |
| IMP Scheme | 0.000 | 0.000 | 0.000 | 0.000 | (6.238) | 0.000 | (6.238) |
| Demolition of Buildings | 0.000 | 0.000 | 0.000 | 0.000 | (0.784) | 0.000 | (0.784) |
| Mgt Support | 0.000 | 0.000 | 0.000 | 0.000 | (12.500) | 0.000 | (12.500) |
| Uninsured Fin Loss | 0.000 | 0.000 | 0.000 | 0.000 | (13.000) | 0.000 | (13.000) |
| Comm Priorities Prog | 0.000 | 0.000 | 0.000 | 0.000 | (4.000) | 0.000 | (4.000) |
| Business Rates Pool | 0.000 | 0.000 | 0.000 | 0.000 | (1.087) | 0.000 | (1.087) |
| Capital RCCO's | (7.230) | (11.082) | 10.087 | (8.225) | (8.476) | 11.139 | (5.562) |
| Early Retirement Costs | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |

| | 1 Apr 2014 £m | Transfers In £m | Transfers Out £m | 31 Mar 2015 £m | Transfers In £m | Transfers Out £m | 31 Mar 2016 £m |
|---|---|---|---|---|---|---|---|
| **Health & Communities (H&C)** | | | | | | | |
| Public Health Fund | (4.562) | (5.987) | 3.888 | (6.661) | (12.307) | 15.180 | (3.788) |
| Other H&C | (1.601) | (1.875) | 1.898 | (1.578) | (2.934) | 1.283 | (3.229) |
| Derbyshire Sports | 0.000 | (1.131) | 0.000 | (1.131) | 0.000 | 1.111 | (0.020) |
| Other H&C Grants | (0.388) | (0.016) | 0.033 | (0.371) | (0.037) | 0.063 | (0.345) |
| **Children and Young People** | | | | | | | |
| Schools Balances | (37.884) | (1.316) | 0.476 | (38.724) | (4.155) | 0.407 | (42.472) |
| Dedicated Schools Grant | (31.254) | (4.582) | 8.730 | (27.106) | (2.475) | 13.656 | (15.925) |
| Other Childrens | (20.191) | (2.407) | 7.084 | (15.514) | (7.256) | 5.249 | (17.521) |
| Nursery Placements | 0.000 | (2.563) | 0.000 | (2.563) | 0.000 | 0.000 | (2.563) |
| SEN Reform | (0.075) | (1.862) | 0.329 | (1.608) | (0.171) | 1.071 | (0.708) |
| Capital Maintenance | (1.074) | 0.000 | 0.023 | (1.051) | 0.000 | 1.051 | 0.000 |
| Other Childrens Grants | (4.734) | (1.806) | 1.554 | (4.986) | (1.645) | 2.253 | (4.378) |
| Uni-Fi Initiative | (1.039) | 0.000 | 0.298 | (0.741) | 0.000 | 0.186 | (0.555) |
| MST Pilot | (0.658) | 0.000 | 0.274 | (0.384) | 0.000 | 0.283 | (0.101) |
| Co-Location | (2.387) | 0.000 | 2.387 | 0.000 | 0.000 | 0.000 | 0.000 |
| **Strategic, Policy, Budget and Economic Development (SPB)** | | | | | | | |
| Equal Pay | (15.200) | 0.000 | 0.016 | (15.184) | (0.134) | 13.192 | (2.126) |
| Broadband Project | (4.856) | 0.000 | 0.000 | (4.856) | (2.190) | 0.000 | (7.046) |
| Derbyshire Challenge | (0.544) | (2.046) | 0.000 | (2.590) | 0.000 | 1.546 | (1.044) |
| Other SPB | (1.173) | (0.970) | 0.476 | (1.667) | (1.852) | 0.895 | (2.624) |
| Regeneration Unit | (0.016) | 0.000 | 0.000 | (0.016) | (0.074) | 0.000 | (0.090) |
| **Adult Social Care** | | | | | | | |
| Care Homes | (8.000) | 0.000 | 6.725 | (1.275) | 0.000 | 1.275 | 0.000 |
| Carers Emergency Fund | (2.000) | 0.000 | 1.750 | (0.250) | 0.000 | 0.000 | (0.250) |
| Section 256 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Telecare | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Other Adult Care | 0.000 | (0.790) | 0.790 | 0.000 | 0.000 | 0.000 | 0.000 |
| | **(205.142)** | **(59.049)** | **59.392** | **(204.800)** | **(91.674)** | **83.045** | **(213.428)** |

On 26 January 2016, Cabinet reviewed the Council's reserves position which identified a sum of £15.878m which is no longer required and which was returned to General Reserve. Cabinet also approved the creation of a number of Earmarked Reserves from the outstanding General Reserve balance, some of which were previously commitments against the outstanding balance, details of which are:

- Budget Management - £12.500m – to support the management of the revenue budget in 2016-17 and 2017-18
- Community Priorities - £4.000m – a one-off allocation to support a programme of activities designed to support the thriving communities initiative in both the pilot and non-pilot areas

- Uninsured financial loss - £13.000m – through a strategic review of its corporate risk register the Council has identified a shortfall in the Insurance Fund to cover uninsured losses.

## 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.

**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 Reserve to the account in the Movement in Reserves Statement. Over time, the expense is posted back to General Reserve 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.

**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** |
|---|---|---|---|---|
| **31 March 2016** | | | | |
| Property, Plant & Equipment | 15 | 2,175.190 | 1,320.783 | 854.407 |
| Heritage Assets | 17 | 42.356 | 3.709 | 38.647 |
| Assets Held for Sale | 20 | 0.750 | 0.000 | 0.750 |
| | | **2,218.296** | **1,324.492** | **893.804** |
| **31 March 2015** | | | | |
| 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 |
| | | **2,453.990** | **1,441.465** | **1,012.525** |

## 33. EXTERNAL AUDIT COSTS

| 2014-15 £m | | 2015-16 £m |
|---|---|---|
| | **Audit Fees** | |
| 0.167 | External Audit Fees | 0.125 |
| (0.020) | Audit Commission Rebate | (0.004) |
| | **Non-Audit Fees** | |
| 0.004 | Certification of Grant Claims | 0.004 |
| **0.151** | | **0.125** |

## 34. MEMBERS' ALLOWANCES

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

| 2014-15 £m | | 2015-16 £m |
|---|---|---|
| 0.966 | Allowances | 0.959 |
| 0.053 | Expenses | 0.051 |
| **1.019** | | **1.010** |

## 35. OFFICERS' REMUNERATION

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

| Salary | Employer's Pension Contributions | **Total Remuneration 2014-15** | | Salary | Employer's Pension Contributions | Compensation for Loss of Employment | **Total Remuneration 2015-16** |
|---|---|---|---|---|---|---|---|
| £ | £ | **£** | | £ | £ | £ | **£** |
| 140,749 | 27,488 | **168,237** | Chief Executive | 143,998 | 9,301 | 0 | **153,300** |
| 85,137 | 16,627 | **101,764** | Assistant Chief Executive | 88,525 | 17,289 | 0 | **105,813** |
| 110,324 | 0 | **110,324** | Strategic Director of Economy, Transport & Environment | 113,026 | 0 | 0 | **113,026** |
| 27,022 | 5,277 | **32,299** | Strategic Director of Children & Younger Adults | 99,212 | 19,376 | 0 | **118,588** |
| 87,511 | 16,743 | **104,254** | Strategic Director of Children & Younger Adults | 0 | 0 | 0 | **0** |
| 0 | 0 | **0** | Strategic Director of Children's Services | 13,666 | 2,669 | 0 | **16,335** |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 108,087 | 21,109 | **129,196** | Strategic Director of Adult Care | 45,036 | 8,796 | 0 | **53,832** |
| 0 | 0 | **0** | Strategic Director of Adult Care | 76,387 | 0 | 0 | **76,387** |
| 108,521 | 21,194 | **129,715** | Strategic Director of Health and Communities | 111,224 | 21,722 | 62,034 | **194,980** |
| 106,286 | 20,758 | **127,044** | Strategic Director of Corporate Resources | 110,744 | 21,628 | 0 | **132,372** |
| 89,927 | 17,563 | **107,490** | Director of Finance | 93,209 | 18,204 | 0 | **111,413** |
| 98,460 | 13,784 | **112,244** | Director of Public Health | 71,455 | 10,218 | 0 | **81,673** |
| 0 | 0 | **0** | (Acting) Director of Public Health | 30,078 | 4,303 | 0 | **34,380** |

- The Strategic Director of Children and Younger Adults retired on the 28 February 2016, the post was re-titled as Director of Children's Services and the current post holder started on 15 February 2016.
- The previous Strategic Director of Adult Care retired on the 31 August 2015, the current post holder started on 10 August 2015.
- The Strategic Director of Health and Communities retired on 31 March 2016. This post has now been deleted and the duties split between two existing Strategic Directors.
- The previous Director of Public Health retired on the 18 December 2015, with the current post holder being appointed as Acting Director of Public Health from 14 December 2015.

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:

| **2014-15 No of Employees** | | | | **2015-16 No of Employees** | | |
|---|---|---|---|---|---|---|
| **School Staff** | **Other** | **Total** | **Remuneration Between:** | **School Staff** | **Other** | **Total** |
| 145 | 81 | **226** | £50,000 and £54,999 | 140 | 83 | **223** |
| 105 | 15 | **120** | £55,000 and £59,999 | 112 | 23 | **135** |
| 63 | 20 | **83** | £60,000 and £64,999 | 66 | 20 | **86** |
| 24 | 11 | **35** | £65,000 and £69,999 | 24 | 8 | **32** |
| 9 | 4 | **13** | £70,000 and £74,999 | 11 | 2 | **13** |
| 6 | 2 | **8** | £75,000 and £79,999 | 6 | 6 | **12** |
| 3 | 3 | **6** | £80,000 and £84,999 | 5 | 3 | **8** |
| 3 | 1 | **4** | £85,000 and £89,999 | 2 | 1 | **3** |
| 1 | 3 | **4** | £90,000 and £94,999 | 4 | 4 | **8** |
| 2 | 0 | **2** | £95,000 and £99,999 | 0 | 0 | **0** |
| 1 | 0 | **1** | £100,000 and £104,999 | 3 | 0 | **3** |
| **362** | **140** | **502** | | **373** | **150** | **523** |

## 36. TERMINATION BENEFITS

The Council has terminated the contracts of a number of employees in 2015-16, incurring liabilities of £1.179m (2014-15: £0.677m). Of this total £62,034 was payable to the Strategic Director of Health and Communities in the form of compensation for loss of office, as disclosed in note 35. The termination benefits 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 | |
|---|---|---|---|---|---|---|---|---|
| | 2014-15 actual | 2015-16 actual | 2014-15 actual | 2015-16 actual | 2014-15 actual | 2015-16 actual | 2014-15 £m | 2015-16 £m |
| £0-£20k | 20 | 73 | 89 | 80 | 109 | 153 | 0.321 | 0.717 |
| £20k-£40k | 1 | 3 | 8 | 11 | 9 | 14 | 0.210 | 0.400 |
| £40k-£60k | 1 | 0 | 1 | 0 | 2 | 0 | 0.080 | 0.000 |
| £60k-£80k | 0 | 1 | 1 | 0 | 1 | 1 | 0.065 | 0.062 |
| | **22** | **77** | **99** | **91** | **121** | **168** | **0.677** | **1.179** |

## 37. POOLED BUDGETS

The Council has two pooled budget arrangements, details of which are set out below.

### Better Care Fund

| Income | 2015/16 £m | Pool Share % |
|---|---|---|
| Derbyshire County Council | 7.077 | 11.51% |
| NHS North Derbyshire CCG | 20.348 | 33.09% |
| NHS Southern Derbyshire CCG | 17.641 | 28.69% |
| NHS Hardwick Derbyshire CCG | 7.631 | 12.41% |
| NHS Erewash Derbyshire CCG | 6.614 | 10.76% |
| NHS Tameside & Glossop CCG | 2.178 | 3.54% |
| | **61.489** | **100.00%** |

| Expenditure | £m |
|---|---|
| CCG schemes aimed at reducing non elective activity | 23.275 |
| Derbyshire County Council schemes | 5.220 |
| ICES (Integrated Community Equipment Service) | 6.806 |
| Reablement | 9.146 |
| 7 Day working | 2.985 |
| Administration, Performance and Information Sharing | 0.965 |
| Care Bill | 2.051 |
| Delayed Transfer of Care | 3.085 |
| Carers | 1.943 |
| Integrated Care | 2.054 |
| Workforce Development | 2.812 |
| Dementia Support | 0.848 |
| Autism and Mental Health | 0.299 |
| **Total Expenditure** | **61.489** |

On 1 April 2015, the Derbyshire Better Care Fund (BCF) became operational. The Council are partners to the fund along with NHS Northern Derbyshire Clinical Commissioning Group, NHS Southern Derbyshire Clinical Commissioning Group, NHS Hardwick Clinical Commissioning Group, NHS Erewash Clinical Commissioning Group and NHS Tameside & Glossop Clinical Commissioning Group. The operation of the pool is ultimately managed by the Derbyshire Health and Wellbeing Board represented by members from each of the partners. The Fund operates as a Section 75 pooled budget and total agreed contributions to the pool are £61.489m. The Council's contribution towards the pool is £7.077m (11.51%).

The BCF aims to improve the provision of health and social care. All partners contribute to a pooled fund and the overarching objective of the fund is to support the integration of health and social care and align commissioning as agreed between the partners.

The BCF is new for 2015-16 so there are no prior year comparators. However, in 2014-15 Derbyshire County Council was party to a pooled budget for the Integrated Community Equipment Service (ICES). ICES is now included within the BCF. In 2014-15 the ICES income and expenditure was £7.371m and Derbyshire County Council's share of this was £3.317m (45%).

Under the agreement, the BCF Plan for Derbyshire is split into 2 areas:

1. Contributions to a pooled fund by all partners and commissioned by Derbyshire County Council who are host and lead commissioner.

2. Commissioning of existing funded schemes directly by each partner

**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 2015 £m | | 31 Mar 2016 £m |
|---|---|---|
| | **Funding provided to the pooled budget:** | |
| (3.502) | The Council | (3.469) |
| (1.716) | The Health Trust | (1.618) |
| | **Expenditure met by the pooled budget** | |
| 2.638 | The Council | 3.349 |
| 1.300 | The Health Trust | 1.650 |
| **(1.280)** | **(Surplus)** | **(0.088)** |
| (0.864) | The Council's share of the (Surplus) | (0.059) |

## 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.

| 2014-15 Total £m | | 2015-16 Trust Funds £m | 2015-16 Other Funds £m | 2015-16 Total £m |
|---|---|---|---|---|
| 7.080 | Opening Balance | 1.209 | 6.104 | 7.313 |
| 0.483 | Add Income | (0.055) | 0.154 | 0.099 |
| (0.250) | Less Expenditure | (0.051) | (0.480) | (0.531) |
| **7.313** | **Closing Balance** | **1.103** | **5.779** | **6.882** |
| | **The funds are represented by:** | | | |
| 0.187 | Investments | 0.044 | 0.000 | 0.044 |
| 7.126 | Cash & temporary loans | 1.059 | 5.779 | 6.838 |
| **7.313** | **Total Assets** | **1.103** | **5.779** | **6.882** |
| 0.088 | Increase/(Decrease) in unrealised profit on investments included in expenditure | (0.015) | 0.000 | (0.015) |
| 66 | No of Funds (actual not £m) | 52 | 13 | 65 |

## 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 2015-16 are as follows:

| | 2015-16 | | |
|---|---|---|---|
| | **Central Expenditure** | **Individual Schools Budget** | **Total** |
| | **£m** | **£m** | **£m** |
| Final DSG for 2015-16 before Academy recoupment | | | 514.022 |
| Less Academy figure recouped for 2015-16 | | | (83.805) |
| Total DSG after Academy recoupment for 2015-16 | | | **430.217** |
| Brought forward from 2014-15 | | | 28.709 |
| Carry forward to 2016-17 agreed in advance | | | (12.977) |
| Agreed initial budgeted distribution in 2015-16 | **74.056** | **371.893** | **445.949** |
| In year adjustments | 1.085 | (0.763) | 0.322 |
| **Final budgeted distribution for 2015-16** | **75.141** | **371.130** | **446.271** |
| Less Actual central expenditure | (68.038) | | (68.038) |
| Less Actual spend against unallocated ISB | | 0.000 | 0.000 |
| Less Actual ISB deployed to Private, Voluntary and Independent Settings for Nursery Education | | (18.889) | (18.889) |
| Less Actual ISB deployed to schools | | (352.241) | (352.241) |
| Add local authority contribution for 2015-16 | 0.000 | 0.000 | 0.000 |
| Add Carry forward to 2016-17 agreed in advance | 12.977 | 0.000 | 12.977 |
| **Carry-forward to 2016-17** | **20.080** | **0.000** | **20.080** |

The in-year adjustment is an additional payment received in 2015-16 for Early Years provision during 2014-15 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.

## 40. GRANT INCOME

| Revenue Grants | | Cash Received £m | Prev Yr Reversal IIA £m | Prev Yr Reversal Dr £m | New Accrual IIA £m | New Accrual Dr £m | Income in Ledger £m |
|---|---|---|---|---|---|---|---|
| Dedicated Schools Grant (DSG) | DfE | 430.539 | 0.000 | 0.000 | 0.000 | 0.000 | 430.539 |
| Public Health Grant Allocation | DoH | 38.183 | 0.000 | 0.000 | 0.000 | 0.000 | 38.183 |
| Pupil Premium Grant | DfE | 25.261 | 0.004 | 0.000 | (0.250) | 0.000 | 25.015 |
| Sixth Form Funding | DfE | 14.644 | 0.000 | 0.000 | 0.000 | 0.000 | 14.644 |
| Adult and Community Learning | BIS | 6.339 | 0.140 | 0.000 | (0.179) | 0.000 | 6.300 |
| Universal Free School Meals for Infant Pupils | DfE | 8.461 | 0.000 | 0.000 | 0.000 | 0.000 | 8.461 |
| PE and Sport Grant | EFA | 2.990 | 0.003 | 0.000 | 0.000 | 0.000 | 2.993 |
| Music Service Grant | Arts council | 1.435 | 0.000 | 0.000 | 0.000 | 0.000 | 1.435 |
| Other grants | various | 12.969 | 2.553 | (0.292) | (0.020) | 0.000 | 15.209 |
| **Total Departmental** | | **540.821** | **2.700** | **(0.292)** | **(0.449)** | **0.000** | **542.779** |
| Education Services Grant | DfE | 6.901 | 0.000 | 0.000 | 0.000 | 0.000 | 6.901 |
| Business Rates Compensation | DCLG | 4.943 | 0.000 | 0.000 | 0.000 | 0.000 | 4.943 |
| Private Finance Initiative | EFA | 10.504 | 0.000 | 0.000 | 0.000 | 0.000 | 10.504 |
| Adult Care Social Grant | DH | 3.706 | 0.000 | 0.000 | 0.000 | 0.000 | 3.706 |
| New Homes Bonus | DCLG | 2.224 | 0.000 | 0.000 | 0.000 | 0.000 | 2.224 |
| Other Grants | various | 7.852 | 0.000 | 0.000 | 0.000 | 0.000 | 7.852 |
| **Total Corporate Income** | | **36.129** | **0.000** | **0.000** | **0.000** | **0.000** | **36.129** |
| **Total Grants** | | **576.950** | **2.700** | **(0.292)** | **(0.449)** | **0.000** | **578.908** |

| Capital Grants | | 2015-16 Cash Rcd £m | 2015-16 Prev Yr Reversal IIA* £m | 2015-16 Prev Yr Reversal Dr** £m | 2015-16 New Accrual IIA* £m | 2015-16 New Accrual Dr** £m | 2015-16 Income in Ledger £m | 2014-15 Income in Ledger £m |
|---|---|---|---|---|---|---|---|---|
| Highways Capital Maintenance | DFT | 18.981 | 0.000 | 0.000 | 0.000 | 0.000 | 18.981 | 13.700 |
| Additional Highways Maintenance | DFT | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 1.405 |
| Pothole Funding | DFT | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 2.481 |
| S31 LA Act 2003 | DCLG | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 14.202 |
| Capital Maintenance Grant | EFA | 9.920 | 0.000 | 0.000 | 0.000 | 0.000 | 9.920 | 14.097 |
| Ormiston Academy Donation | | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 8.978 |
| Integrated Transport | DFT | 3.644 | 0.000 | 0.000 | 0.000 | 0.000 | 3.644 | 6.784 |
| Basic Need Grant | EFA | 5.240 | 0.000 | 0.000 | 0.000 | 0.000 | 5.240 | 4.501 |
| Devolved Formula Capital | DFE | 2.454 | 0.000 | 0.000 | 0.000 | 0.000 | 2.454 | 2.419 |
| Digital Derbyshire | BDUK | 10.155 | 0.000 | (1.470) | 0.000 | 0.000 | 8.685 | 2.878 |
| Land Reclamation | | 0.000 | 0.000 | (1.974) | 0.000 | 5.260 | 3.286 | |
| Pedal Peak Phase 2 | DFT | 3.884 | 0.000 | 0.000 | 0.000 | 0.000 | 3.884 | 2.518 |
| Adults' Personal Social Services Capital Grant | DOH | 2.020 | 0.000 | 0.000 | 0.000 | 0.000 | 2.020 | 1.990 |
| Capital Growth Fund | DCLG | 2.020 | 0.000 | 0.000 | 0.000 | 0.000 | 2.020 | |
| Other Capital Grants | Various | 5.079 | 0.000 | (1.636) | 0.000 | 0.000 | 3.443 | 5.002 |
| | | **63.397** | **0.000** | **(5.080)** | **0.000** | **5.260** | **63.577** | **80.955** |

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

## 41. CASH FLOW – INVESTING ACTIVITIES

| 2014-15 £m | | Note | 2015-16 £m |
|---|---|---|---|
| (98.459) | Purchase of Fixed Assets | | (93.648) |
| (275.059) | Purchase of New Investments | | (246.069) |
| 2.637 | Proceeds from Sale of Fixed Assets | | 2.249 |
| 68.873 | Capital Grants Received | 40 | 63.374 |
| 258.481 | Investments Redeemed | | 220.117 |
| **(43.527)** | | | **(53.977)** |

## 42. CASH FLOW – FINANCING ACTIVITIES

| 2014-15 £m | | Note | 2015-16 £m |
|---|---|---|---|
| (53.852) | Repay Amounts Borrowed | | (33.738) |
| (2.536) | Principal Repayment on PFI & Leases | 47 | (2.757) |
| 25.500 | New Short Term Loans | | 25.000 |
| **(30.888)** | | | **(11.495)** |

## 43. CASH FLOW – OPERATING ACTIVITIES

| 2014-15 £m | | Note | 2015-16 £m |
|---|---|---|---|
| (603.597) | Payments to and on behalf of employees | | (591.984) |
| (522.675) | Other Operating Payments | | (529.183) |
| 255.427 | Council Tax | 8 | 265.092 |
| 101.052 | Business Rates | 8 | 104.406 |
| 126.225 | Revenue Support Grant | 8 | 93.241 |
| 565.060 | Other Revenue Grants | 40 | 574.060 |
| 128.210 | Other Income | | 141.086 |
| **49.702** | **Operating Costs of Providing Services** | | **56.719** |
| (17.986) | External Interest Paid | | (17.543) |
| (6.190) | Interest on PFI & Finance Leases | | (6.015) |
| 3.425 | Interest Received | | 3.387 |
| **28.951** | | | **36.550** |

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

| 2014-15 £m | | Note | 2015-16 £m |
|---|---|---|---|
| **(112.013)** | **Surplus/(Deficit) on the Provision of Services** | | **(374.520)** |
| | **Non Cash Transactions:** | | |
| 50.273 | Depreciation | 14 | 54.304 |
| 43.060 | Impairment | 14 | 63.320 |
| 34.761 | Movement in Pension Liability | 49 | 55.377 |
| 0.000 | Adjustment for Collection Fund | | 2.424 |
| (3.638) | Movement in Revenue Debtors | | 3.450 |
| (0.831) | Movement in Bad Debt Provision | | (0.647) |
| (3.702) | Movement in Revenue Creditors | | (6.506) |
| (0.512) | Movement in Inventories | 24 | (0.792) |
| (4.076) | Movement in Provisions | 28 | 0.820 |
| **115.335** | **Total Non Cash Transactions** | | **171.749** |
| | **Items Classified Elsewhere** | | |
| 93.520 | Net charge for disposal of fixed assets | 6 | 287.755 |
| 13.064 | Revenue expenditure funded from capital under statute | 14 | 15.143 |
| (80.955) | Capital Grants | 40 | (63.577) |
| **28.951** | | | **36.550** |

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

| | 2014-15 £m | 2015-16 £m | Movement £m |
|---|---|---|---|
| Current Investments | 186.594 | 180.226 | **(6.368)** |
| Non Current Investments | 12.000 | 44.000 | **32.000** |
| Cash and Cash Equivalents | 90.137 | 61.217 | **(28.920)** |
| Current Borrowing | (17.719) | (15.139) | **2.580** |
| Non Current Borrowing | (349.274) | (336.809) | **12.465** |
| PFI & Finance Lease Liabilities | (81.600) | (78.698) | **2.902** |
| | **(159.862)** | **(145.203)** | **14.659** |

| | 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** |
| | **(163.443)** | **(159.862)** | **3.581** |

Reconciliation between the cash movement and the movement in net debt for 2015-16 and 2014-15:

| 2014-15 £m | | 2015-16 £m |
|---|---|---|
| **(45.466)** | **Decrease/(Increase) in Cash & Cash Equivalents** | **(28.920)** |
| (257.042) | Investments repaid (and accrued interest) | (220.635) |
| 275.257 | New investments (and accrued interest) | 246.267 |
| (25.729) | Loans Raised (and interest accrued) | (25.115) |
| 53.848 | Loans Repaid (includes accrued interest) | 40.160 |
| 2.713 | Payment of PFI & Lease Principal | 2.902 |
| **3.581** | | **14.659** |

## 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:

| 2014-15 | | | | 2015-16 | | |
|---|---|---|---|---|---|---|
| Interest | Liability | MLP | | Interest | Liability | MLP |
| **0.577** | **0.135** | **0.712** | **Within 1 year** | **0.565** | **0.147** | **0.712** |
| 2.175 | 0.670 | 2.845 | Within 2 to 5 years | 2.114 | 0.732 | 2.846 |
| 7.875 | 4.040 | 11.915 | More than 5 years | 7.186 | 3.967 | 11.153 |
| **10.050** | **4.710** | **14.760** | **Total Non-Current** | **9.300** | **4.699** | **13.999** |
| **10.627** | **4.845** | **15.472** | | **9.865** | **4.846** | **14.711** |

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.

**OPERATING LEASES – COUNCIL AS LESSEE**
The Council has a number of property assets (PPE) under operating leases including:
- 33 as part of the delivery of education locally (2014-15: 40);
- 8 local libraries (2014-15: 8);
- 5 for Youth Information and Clubs (2014-15: 5);
- 23 for Community and Environmental purposes (2014-15: 25); and
- 24 for miscellaneous use including office accommodation (2014-15: 21).

The Council also has a number of vehicles (PVE) under operating leases including:
- 3 other vehicles including vans (2014-15: 3); and
- 1 miscellaneous other including trailers and platforms (2014-15: 2).

Operating leases in respect of 2 gritters and 3 fire service vehicles ended in 2015-16.

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

| 2014-15 | | | | 2015-16 | | |
|---|---|---|---|---|---|---|
| **PPE** | **PVE** | **Total** | | **PPE** | **PVE** | **Total** |
| 0.710 | 0.000 | 0.710 | Within 1 year | 1.287 | 0.000 | 1.287 |
| 2.104 | 0.000 | 2.104 | Within 2 to 5 years | 2.048 | 0.000 | 2.048 |
| 3.395 | 0.000 | 3.395 | More than 5 years | 3.201 | 0.000 | 3.201 |
| **6.209** | **0.000** | **6.209** | | **6.536** | **0.000** | **6.536** |

No buildings leased under operating leases are sub-let. The Council entered into a number of operating leases for fire vehicles and water ladders whilst the Derbyshire Fire and Rescue Service was under Council control. The remaining vehicle is sub-let to them. The rental expenditure that was charged to the Net Cost of Services in relation to these assets was:

| 2014-15 £m | | 2015-16 £m |
|---|---|---|
| 0.047 | Minimum Lease Payment | 0.021 |
| (0.042) | Less sublease income | (0.017) |
| **0.005** | | **0.004** |

**FINANCE LEASES – COUNCIL AS LESSOR**
The Council has four 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.
- Unit C1 Holmewood Business Park to SBK Property Limited on a 99 year lease commencing in 2015.

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:

| 2014-15 | | 2015-16 |
|---|---|---|
| 20 | Vans | 10 |
| 7 | Cars | 5 |
| 10 | Other Vehicles | 9 |
| 2 | Miscellaneous | 2 |

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

| 2014-15 £m | | | 2015-16 £m | |
|---|---|---|---|---|
| Gross Investment | Minimum Lease Payment | | Gross Investment | Minimum Lease Payment |
| 0.115 | 0.094 | Within 1 year | 0.050 | 0.020 |
| 0.039 | 0.020 | Within 2 to 5 years | 0.000 | 0.000 |
| 0.000 | 0.000 | More than 5 years | 0.000 | 0.000 |
| 0.007 | 0.000 | Unearned finance income | 0.001 | 0.000 |
| **0.161** | | **Gross investment** | **0.051** | |
| 0.047 | | Unguaranteed residual value | 0.031 | |
| **0.114** | **0.114** | **Minimum Lease Payments** | **0.020** | **0.020** |

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:

| 2014-15 £m Vehicles | Land & Building | Total | | 2015-16 £m Vehicles | Land & Building | Total |
|---|---|---|---|---|---|---|
| 0.008 | 0.899 | 0.907 | Within 1 year | 0.006 | 1.145 | 1.151 |
| 0.000 | 1.939 | 1.939 | Within 2 to 5 years | 0.000 | 1.943 | 1.943 |
| 0.000 | 5.527 | 5.527 | More than 5 years | 0.000 | 5.441 | 5.441 |
| **0.008** | **8.365** | **8.373** | | **0.006** | **8.529** | **8.535** |

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.

## 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:

| | 2014-15 | | | 2015-16 | | |
|---|---|---|---|---|---|---|
| | **Ph 1** | **Ph 2** | **BSF** | **Ph 1** | **Ph 2** | **BSF** |
| | **£m** | **£m** | **£m** | **£m** | **£m** | **£m** |
| **Unitary Charge Paid** | | | | | | |
| Delivery of services | 2.535 | 2.902 | 2.569 | 2.536 | 2.650 | 2.677 |
| Interest Payment | 1.564 | 1.704 | 2.335 | 1.502 | 1.650 | 2.286 |
| Reduction to Liability | 0.890 | 0.843 | 0.681 | 0.952 | 0.897 | 0.730 |
| **Unitary Charge Paid** | **4.989** | **5.450** | **5.585** | **4.990** | **5.198** | **5.693** |
| **Loan Liability B Fwd** | (22.477) | (26.702) | (32.701) | (21.587) | (25.859) | (32.020) |
| Reduction to Liability | 0.890 | 0.843 | 0.681 | 0.952 | 0.897 | 0.730 |
| **Loan Liability C Fwd** | **(21.587)** | **(25.859)** | **(32.020)** | **(20.634)** | **(24.962)** | **(31.290)** |
| Liability in Creditors | (0.952) | (0.897) | (0.730) | (1.019) | (0.843) | (0.681) |
| Non Current Liabilities | (20.635) | (24.962) | (31.290) | (19.615) | (24.119) | (30.609) |
| **Loan Liability C Fwd** | **(21.587)** | **(25.859)** | **(32.020)** | **(20.634)** | **(24.962)** | **(31.290)** |

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

| | 2014-15 Ph 1 £m | 2014-15 Ph 2 £m | 2014-15 BSF £m | 2015-16 Ph 1 £m | 2015-16 Ph 2 £m | 2015-16 BSF £m |
|---|---|---|---|---|---|---|
| **Within one year:** | | | | | | |
| Service charge | 2.536 | 2.650 | 2.677 | 2.437 | 2.233 | 2.442 |
| Interest element | 1.502 | 1.650 | 2.286 | 1.435 | 1.593 | 2.234 |
| Repayment of liability | 0.952 | 0.897 | 0.730 | 1.019 | 0.954 | 0.782 |
| **Within two to five years:** | | | | | | |
| Service charge | 9.747 | 8.930 | 9.770 | 9.747 | 8.930 | 9.770 |
| Interest element | 5.296 | 5.992 | 8.586 | 4.982 | 5.724 | 8.337 |
| Repayment of liability | 4.520 | 4.198 | 3.478 | 4.834 | 4.466 | 3.726 |
| **Within six to ten years:** | | | | | | |
| Service charge | 12.183 | 11.163 | 12.212 | 12.183 | 11.163 | 12.212 |
| Interest element | 4.611 | 5.795 | 9.140 | 4.078 | 5.352 | 8.716 |
| Repayment of liability | 7.660 | 6.943 | 5.940 | 8.192 | 7.386 | 6.364 |
| **Within eleven to fifteen years:** | | | | | | |
| Service charge | 9.945 | 11.163 | 12.212 | 7.508 | 11.163 | 12.212 |
| Interest element | 1.538 | 3.278 | 6.694 | 0.950 | 2.674 | 6.095 |
| Repayment of liability | 8.455 | 9.459 | 8.385 | 6.589 | 10.063 | 8.984 |
| **Within sixteen to twenty years:** | | | | | | |
| Service charge | 0.000 | 4.201 | 12.212 | 0.000 | 1.968 | 11.251 |
| Interest element | 0.000 | 0.395 | 3.241 | 0.000 | 0.117 | 2.347 |
| Repayment of liability | 0.000 | 4.362 | 11.838 | 0.000 | 2.093 | 11.436 |
| **Within 21 years and beyond:** | | | | | | |
| Service charge | 0.000 | 0.000 | 1.481 | 0.000 | 0.000 | 0.000 |
| Interest element | 0.000 | 0.000 | 0.069 | 0.000 | 0.000 | 0.000 |
| Repayment of liability | 0.000 | 0.000 | 1.650 | 0.000 | 0.000 | 0.000 |

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.

**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 15.

## 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 2015-16 the Council paid £46.008m to Teachers' Pensions (2014-15: £45.477m) in respect of teachers' retirement benefits. On 1 September 2015, the Employer's Contribution rate for the Teachers' Pension Scheme, which had been 14.1% since 1 January 2007, increased to 16.48%.

**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 2015-16 the Council paid £0.506m to the NHS Pension Scheme (2014-15: £0.322m) in respect of the retirement benefits of these Council employees. The Employer's Contribution rate during 2015-16 for the NHS Pension Scheme was 14.3% (2014-15: 14.0%). No further disclosures are required because of the immateriality of the information.

## 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:

| | Notes/ Statement | LGPS | | Teachers | |
|---|---|---|---|---|---|
| | | **2014-15 £m** | **2015-16 £m** | **2014-15 £m** | **2015-16 £m** |
| Current service cost | | 68.757 | 89.722 | 0.000 | 0.000 |
| Net interest cost | 7 | 20.457 | 22.093 | 2.813 | 2.288 |
| Past service costs & curtailments | 11 | 1.149 | 0.203 | 0.000 | 0.000 |
| **Benefits charged to the CIES** | | **90.363** | **112.018** | **2.813** | **2.288** |
| Actuarial (gains) and losses | CIES | 168.026 | (168.066) | 7.932 | (5.671) |
| **Total (Gain) / Loss** | | **258.389** | **(56.048)** | **10.745** | **(3.383)** |
| **Movements in Reserves Statement:** | | | | | |
| Reversal of charges made | 14 | (90.363) | (112.018) | (2.813) | (2.288) |
| Contributions - unfunded benefits | 14 | 2.654 | 2.616 | 0.000 | 0.000 |
| Employers' contributions payable | 14 | 51.030 | 51.708 | 4.731 | 4.605 |

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

| | Funded liabilities: | | Unfunded liabilities: | |
|---|---|---|---|---|
| | 2014-15 £m | 2015-16 £m | 2014-15 £m | 2015-16 £m |
| **Opening balance at 1 April** | **1,875.235** | **2,247.975** | **67.761** | **73.775** |
| Current service cost | 68.757 | 89.722 | 0.000 | 0.000 |
| Interest cost | 80.925 | 72.548 | 2.813 | 2.288 |
| Contributions by participants | 15.820 | 16.333 | 0.000 | 0.000 |
| Actuarial gains and losses | 275.539 | (217.094) | 7.932 | (5.671) |
| Benefits paid | (66.796) | (65.014) | (4.731) | (4.605) |
| Unfunded benefits paid | (2.654) | (2.616) | 0.000 | 0.000 |
| Past service costs | 1.149 | 0.203 | 0.000 | 0.000 |
| **Closing balance at 31 March** | **2,247.975** | **2,142.057** | **73.775** | **65.787** |

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 | |
|---|---|---|
| | 2014-15 £m | 2015-16 £m |
| **Opening balance at 1 April** | **(1,407.197)** | **(1,575.232)** |
| Expected rate of return | (60.468) | (50.455) |
| Actuarial gains | (107.513) | 49.028 |
| Employer contributions | (51.030) | (51.708) |
| Contributions by participants | (15.820) | (16.333) |
| Benefits paid | 66.796 | 65.014 |
| **Closing balance at 31 March** | **(1,575.232)** | **(1,579.686)** |

**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 £562.371m 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.

| | Present value of liabilities: LGPS £m | Discretionary Benefits £m | Present Value of assets: LGPS £m | (Surplus)/deficit in the Scheme: LGPS £m | Discretionary Benefits £m | **Total £m** |
|---|---|---|---|---|---|---|
| **2011-12** | 1,640.288 | 62.883 | (1,145.524) | 494.764 | 62.883 | **557.647** |
| **2012-13** | 1,936.773 | 69.791 | (1,307.154) | 629.619 | 69.791 | **699.410** |
| **2013-14** | 1,875.235 | 67.761 | (1,407.197) | 468.038 | 67.761 | **535.799** |
| **2014-15** | 2,247.975 | 73.775 | (1,575.232) | 672.743 | 73.775 | **746.518** |
| **2015-16** | 2,142.057 | 65.787 | (1,579.686) | 562.371 | 65.787 | **628.158** |

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2017 is £52.007m.

**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:

| | **2014-15** | **2015-16** |
|---|---|---|
| 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) | 3.3% | 3.2% |
| Increase in pensions | 2.4% | 2.2% |
| Discounting scheme liabilities | 3.2% | 3.5% |

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 2016:

| | Local Government | |
|---|---|---|
| | Approximate increase to employer liability | Approximate monetary amount £m |
| 0.5% decrease in real discount rate | 10% | 0.216 |
| 1 year increase in member life expectancy | 3% | 0.064 |
| 0.5% increase in salary increase rate | 3% | 0.065 |
| 0.5% increase in pension increase rate | 7% | 0.149 |

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 2016 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 2016 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 2015 to 31 March 2016 is 0.1% (2014-15: 11.9%).

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:

| | 2014-15 % | 2015-16 % |
|---|---|---|
| Equity investments | 68.0 | 69.0 |
| Debt instruments: | | |
| Government bonds | 12.0 | 11.0 |
| Other bonds | 8.0 | 8.0 |
| Property | 5.0 | 6.0 |
| Cash and cash equivalents | 6.0 | 4.0 |
| Other assets | 1.0 | 2.0 |
| **Total** | **100.0** | **100.0** |

**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:

| | LGPS | | Teachers |
|---|---|---|---|
| | Actuarial (gain) / loss on assets over total assets | Actuarial (gain) / loss on liabilities over total liabilities | Actuarial (gain) / loss on liabilities over total liabilities |
| **2011-12** | 4.78% | 3.42% | 3.27% |
| **2012-13** | (7.64%) | 10.95% | 11.71% |
| **2013-14** | (3.02%) | (8.34%) | (0.58%) |
| **2014-15** | (6.83%) | 12.26% | 10.75% |
| **2015-16** | (3.10%) | (10.13%) | (8.62%) |

**Forecast for next year**

| | Local Government | | Teachers Pensions | |
|---|---|---|---|---|
| | £m | £m | £m | £m |
| Projected service cost | | | | |
| Estimated pay: | 273.544 | | 0.000 | |
| Service cost (% of pay) | 28.4% | | n/a | |
| Implied service cost next year: | | 77.200 | | 0.000 |
| Net interest cost | | 20.084 | | 2.223 |
| Administration expenses | | 0.547 | | 0.000 |
| **Total pension cost recognised** | | **97.831** | | **2.223** |
| Projected employer contributions | | | | |
| Normal contributions | 52.007 | | 4.605 | |
| **Total employer contributions next year** | | **52.007** | | **4.605** |
| Current deficit | | 562.371 | | 65.787 |
| **Projected deficit next year** | | **608.195** | | **63.405** |

## 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.

**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 £269.974m, all of which was deposited in the UK except £6.042m 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 2016 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 | 10.000 | 36.199 | 15.259 | 0.000 |
| Loans and receivables | 0.000 | 105.516 | 102.000 | 1.000 |
| **Total financial assets** | **10.000** | **141.715** | **117.259** | **1.000** |

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 £23.034m (2014-15: £24.277m) this relates purely to trade debtors. Customers for goods and services are vetted, taking into account their financial position, past experience and other factors. The Council does not generally allow credit for its trade debtors. The past due amount can be analysed by age as follows:

| | **31 Mar 2015 £m** | **31 Mar 2016 £m** |
|---|---|---|
| Less than three months | 14.872 | 14.288 |
| Three to six months | 1.980 | 1.327 |
| Six months to one year | 2.160 | 1.580 |
| More than one year | 5.265 | 5.840 |
| **Total** | **24.277** | **23.034** |

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

The contractual maturity for Financial Liabilities is as follows:

| | 31 Mar 2016 £m |
|---|---|
| Less than one year | (40.227) |
| Between one and two years | (5.000) |
| Between two and five years | (23.000) |
| Between five and ten years | (17.983) |
| More than ten years | (259.170) |
| **Total financial liabilities** | **(345.380)** |

**Interest rate risk**

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

| | Floating rate £m | Fixed rate £m | Fixed rate | |
|---|---|---|---|---|
| | | | Weighted average int rate (%) | Weighted average period (years) |
| Financial assets - in sterling | 61.458 | 223.516 | 0.900% | 1 |
| Financial liabilities - in sterling | 0.000 | (345.380) | 4.650% | 20 |

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

| | Impact on provision of services £m | Impact on net worth £m |
|---|---|---|
| Increase by 1% (100 basis points) | 3.171 | (0.710) |
| Decrease by 1% (100 basis points) | (2.854) | 0.710 |

## 51. EVENTS AFTER THE REPORTING DATE

On 23 June, the EU referendum took place and the people of the United Kingdom voted to leave the European Union. Until exit negotiations are concluded, the UK remains a full member of the European Union and all the rights and obligations of EU membership remain in force. During this period the Government will continue to negotiate, implement and apply EU legislation. It will be for the Government, under the new Prime Minister, to begin negotiations to exit the EU. The outcome of these negotiations will determine what arrangements apply in relation to EU legislation and funding in future, once the UK has left the EU. This is therefore a non-adjusting event for which no estimate of its financial effect on the reporting entity can be made.

# Statement of Accounts
# Pension Fund
# 2015-16

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

Derbyshire Pension Fund manages the pensions of over 93,000 individuals, either active contributors, pensioners or deferred pensioners, receiving over £154m in contributions and this year paying out over £146m in pension benefits. The Fund also manages investment assets of £3.6bn over a full range of asset classes, including equities, gilts, other bonds, property and cash.

In the 2015 Summer Budget, following a long review into the future structure of LGPS, the Government announced its intention of inviting 89 administering authorities within LGPS to formulate plans for pooling investment assets, with the aim of reducing costs significantly whilst maintaining investment performance. Derbyshire Pension Fund subsequently announced its participation in LGPS Central, a Midlands based collaboration of eight local government pension funds. As a multi-asset manager, utilising both internal and external investment expertise, it is intended that LGPS Central will manage approximately £35bn of assets on behalf of member funds from 2018 onwards, with a strong focus on delivering cost savings within a robust governance structure. Working together with our partners, the development and implementation of LGPS Central with be a major strategic focus for the Fund over the next two years.

The Fund's membership records and subsequent calculations of benefits and other pension matters were transferred to a new software system during 2014. This system was selected after a public procurement exercise. Whilst much of the functionality has been implemented there remain a number of outstanding issues which continue to be worked upon and have led to additional processes being established to ensure the accuracy of pension calculations. Work is continuing to ensure the system operates as intended.

**Membership Statistics**

| | Actuals | | |
|---|---|---|---|
| | **31.03.2014** | **31.03.2015** | **31.03.2016** |
| Contributors | 35,408 | 38,230 | 40,030 |
| Pensioners and Dependants | 24,913 | 25,608 | 26,622 |
| Deferred Pensions | 26,559 | 26,030 | 27,240 |

**Employers' Contributions**

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

| Council | 2015-16 | 2016-17 |
|---|---|---|
| Derbyshire County | 13.5% plus £14.597m | 13.5% plus £15.079m |
| Amber Valley Borough | 12.5% plus £0.993m | 13.0% plus £1.026m |
| District of Bolsover | 12.9% plus £0.905m | 12.9% plus £0.934m |
| Chesterfield Borough | 13.2% plus £1.871m | 13.2% plus £1.932m |
| Derby City | 12.5% plus £6.557m | 12.5% plus £6.776m |
| Derbyshire Dales | 12.6% plus £0.606m | 12.6% plus £0.626m |
| Erewash Borough | 12.1% plus £1.057m | 12.1% plus £1.092m |
| High Peak Borough | 12.4% plus £1.723m | 12.4% plus £1.779m |
| North East Derbyshire | 12.7% plus £1.424m | 12.7% plus £1.482m |
| South Derbyshire | 12.8% plus £0.637m | 12.8% plus £0.658m |

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 elected to pay contributions which increase in each of the three years of the current valuation period.

**Members' Contributions**

For 2015-16 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 2015-16 responsibility for policy matters rested with a Pensions and Investment Committee of eight County Councillors, two Derby City Councillors and two Trade Union representatives attending as non-voting members. The Pensions and Investment Committee received advice from the Director of Finance and from one independent external adviser.

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 the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009, 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 is 10% and for unlisted securities is 15%.

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 2016, compared to those of its specific benchmark, as well as the impact of inflation on Fund returns.

| | **Return** | | **Inflation** | | **Fund Real Return** | |
|---|---|---|---|---|---|---|
| **Periods to 31 March 2016** | **Derbyshire Fund** | **Benchmark** | **CPI** | **RPI** | **Versus CPI Inflation** | **Versus RPI Inflation** |
| | **% pa** | **% pa** | **%** | **%** | **%** | **%** |
| 1 Year | (0.7) | (0.7) | 0.5 | 1.6 | (1.2) | (2.3) |
| 3 Years | 5.8 | 5.6 | 0.7 | 1.6 | 5.1 | 4.0 |
| 5 Years | 7.0 | 6.8 | 1.7 | 2.4 | 5.3 | 4.4 |
| 10 Years | 5.8 | 5.5 | 2.4 | 3.0 | 3.4 | 2.5 |

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 performed in line with its benchmark over the one year period and outperformed over the three, five and ten year periods. It is important to note that the Fund returns over the three, five and ten year periods were comfortably ahead of inflation, delivering real returns over these periods.

In the twelve months to March 2016 equity returns to Sterling investors were generally negative, ranging from -5.4% in the Asia Pacific to 0.4% in Emerging Markets. Equity markets were highly volatile and were impacted by concerns of a global slowdown, particularly in China, a falling oil price and the impact of a rate rise in the US for the first time in nine years. Returns from bonds were positive, with UK gilts returning 3.2%, UK index-linked bonds returning 1.7% and corporate bonds returning 0.2%. Bond returns benefited from concerns about a general slowdown in global growth, renewed levels of Central Bank support to boost economic growth, geopolitical uncertainties and a lack of inflationary pressure. Property had another strong year, delivering a return of 11.7%, with yields falling in primary and secondary markets, reflecting low borrowing levels and emerging signs of rental growth in specific regions and sectors.

## 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 shortfall in respect of the assets required for pensions in payment (including those payable to survivors of former members) and benefits accrued by other members, which will become payable in the future (known as a past service deficiency).

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

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

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

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

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

**Further Information**

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

## FUND ACCOUNT

| Restated 2014-15 £m | | Note | 2015-16 £m |
|---|---|---|---|
| | | | |
| | **Dealings with Members, Employers and Others Directly Involved in the Fund** | | |
| 150.048 | Contributions | 7,23 | 152.029 |
| 8.310 | Transfers in from Other Pension Funds | 8 | 2.507 |
| 158.358 | | | 154.536 |
| | | | |
| (134.571) | Benefits | 9,23 | (139.622) |
| (51.197) | Payments to and on Account of Leavers | 10 | (6.504) |
| (185.768) | | | (146.126) |
| | | | |
| **(27.410)** | **Net (Withdrawals)/ Additions from Dealings with Members, Employers and Others Directly Involved in the Fund** | | **8.410** |
| | | | |
| **(15.282)** | **Management Expenses** | 11 | **(17.153)** |
| | | | |
| | **Return on Investments** | | |
| 75.188 | Investment Income | 12 | 80.347 |
| (4.716) | Taxes on Income | 13 | (4.063) |
| 343.334 | Profits and Losses on Disposal of Investments and Changes in Value of Investments | 14 | (90.109) |
| **413.806** | **Net Return on Investments** | | **(13.825)** |
| | | | |
| **371.114** | **Net Increase/(Decrease) in the Net Assets Available for Benefits During the Year** | | **(22.568)** |
| | | | |
| 3,323.275 | Net Assets of The Fund at 1 April | | 3,694.389 |
| **3,694.389** | **Net Assets of the Scheme Available to Fund Benefits at the Period End** | | **3,671.821** |

2014-15 Management Expenses, Investment Income and Profits and Losses on Disposal of Investments and Changes in Value of Investments have been restated in accordance with the CIPFA Guidance “Accounting for Local Government Pension Scheme Management Costs”. The adjustments are detailed in Note 11.

## NET ASSETS STATEMENT

| 31.03.2015 £m | | Note | 31.03.2016 £m |
|---|---|---|---|
| | | | |
| 3,685.695 | Investment Assets | 14,15 | 3,667.397 |
| (6.387) | Investment Liabilities | 14,15 | (1.567) |
| 17.715 | Current Assets | 17 | 11.149 |
| (2.634) | Current Liabilities | 18 | (5.158) |
| **3,694.389** | **Net Assets of the Scheme Available to Fund Benefits at the Period End** | | **3,671.821** |

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 is disclosed in Note 22 of these accounts.

The Pension Fund ("Fund") of Derbyshire County Council is governed by the Public Service Pensions Act 2013. The Fund is administered in accordance with the following secondary legislation:

- The Local Government Pension Scheme Regulations 2013 (as amended)
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (as amended)

The Fund is a funded defined benefit 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. On 1 April 2014, the Fund, which had previously been a final salary scheme, became a Career Average Revalued Earnings (CARE) scheme.

### 1. Basis of preparation

The accounts have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2015-16 ("the Code"), which is based upon International Financial Reporting Standards (IFRS), which require the Fund's accounts to comply with IAS 26 Accounting and Reporting by Retirement Benefit Plans, subject to the interpretations and adaptations for the Public Sector detailed in the Code and the Statement of Recommended Practice ("SORP"): Financial Reports of Pension Schemes insofar as it is relevant.

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 is disclosed in Note 22 of these accounts.

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 4 (2)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009.

### 2. Accounting policies

#### Contributions

Employee contributions are accounted for when deducted from members' pay. Employer normal contributions are accounted for in the period to which the corresponding pay relates. Other employer contributions are accounted for in accordance with the agreement under which they are paid, or in the absence of an agreement, on a cash basis.

**Benefits**

Benefits and payments to leavers are accounted for in the period they fall due for payment. Where a member has a choice about the form of their benefit, the benefit is accounted for and the liability is recognised when the member notifies the Council of their decision as to what form of benefit they will take. Where a member has no choice about the form of benefit, the benefit is accounted for in the period of leaving/retirement/death, being the period in which the liability to pay the benefit arises.

**Transfers**

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

**Management expenses**

Management expenses are accounted for on an accruals basis. They are analysed in accordance with CIPFA Guidance "Accounting for Local Government Pension Scheme Management Costs". 2014-15 Administrative costs, Investment management expenses, Investment income and Profits and losses on disposal of investments and changes in value of investments have been restated in accordance with the CIPFA Guidance. The adjustments are detailed in Note 11.

**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.

**Taxes on income**

The Fund is a registered public service scheme under Section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable taxation is accounted for as a fund expense as it arises.

**Foreign currency transactions**

Dividends, interest and purchases and sales of investments in foreign currencies are accounted for at the market exchange rate at the date of transaction. End of year market exchange rates are used to value overseas assets at the end of the accounting period. Exchange gains and losses relating to the translation of investments are accounted for as part of change in market value included in the Fund Account and 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

Financial assets and liabilities are included in the net assets statement on a fair value basis as at the reporting date. A financial asset or liability is recognised in the net assets statement on the date the Fund becomes party to the contractual acquisition of the asset or liability. From this date any gains or losses arising from changes in the fair value of the asset or liability are recognised in the fund account.

Investment values in the net assets statement have been determined as follows:

- Market quoted investments, where there is a readily available market price, are included at the bid market price on the final day of the accounting period.
- Fixed interest securities are valued at net market value excluding accrued income.
- Unquoted investments are included at fair value, at the price or net asset value advised by the fund manager, or for private equity investments, based on the Fund's share of net assets at the year end, using the latest financial information available from the respective fund managers.
- Pooled investment vehicles are included at closing bid price for funds with bid/offer spreads, or if single priced, at the closing price. For unquoted pooled investment vehicles this is at the price advised by the fund manager.
- Property is included at market value on the final day of the accounting period, determined in accordance with the Royal Institution of Chartered Surveyors' Valuation Standards. The property portfolio was independently valued by Savills, Property Advisers.
- Forward foreign exchange contracts are valued by determining the gain or loss that would arise from closing out the contract at the reporting date by entering into an equal and opposite contract on that date.

## 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

| | 2014-15 | 2015-16 |
|---|---|---|
| | **£m** | **£m** |
| **Employers** | | |
| Normal | 77.217 | 78.888 |
| Deficit Funding | 36.741 | 36.458 |
| **Members** | | |
| Normal | 36.090 | 36.683 |
| | **150.048** | **152.029** |

Employers' contributions rates payable in 2014-15 and 2015-16 were set as part of the 2013 valuation which revealed an overall funding level of 82.5%.

## 8. Transfers in from other pension funds

| | 2014-15 | 2015-16 |
|---|---|---|
| | **£m** | **£m** |
| Group transfers in from other pension funds | 6.259 | 1.462 |
| Individual transfers in from other pension funds | 2.051 | 1.045 |
| | **8.310** | **2.507** |

Group transfers in relates to £1.462m cash received in 2015-16 in respect of the LGPS benefits of members of the Northamptonshire police force, following the transfer of a number of functions to the Derbyshire Police Force as part of the East Midlands Police Collaboration Programme. In 2014-15 group transfers in includes £5.782m cash received in respect of the LGPS benefits of members of the Leicestershire, Lincolnshire and Nottinghamshire police forces as part of the Programme.

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.

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

## 9. Benefits

| | 2014-15 | 2015-16 |
|---|---|---|
| | £m | £m |
| Pensions | 104.925 | 109.528 |
| Commutation of pensions and lump sum retirement benefits | 25.990 | 26.628 |
| Lump sum death benefits | 3.656 | 3.466 |
| | **134.571** | **139.622** |

## 10. Payments to and on account of leavers

| | 2014-15 | 2015-16 |
|---|---|---|
| | £m | £m |
| Refund of contributions | 0.140 | 0.301 |
| Group transfers out to other pension funds | 46.437 | 0.483 |
| Individual transfers out to other pension funds | 4.620 | 5.720 |
| | **51.197** | **6.504** |

The London Pensions Fund Authority (LPFA) will act, under new arrangements, as the LGPS administering body for the Valuation Tribunal Service. Group transfers out relates to the resulting transfer of all members who are past and present employees of the Valuation Tribunal Service to LPFA. During 2015-16, following finalisation of transfer regulations, £0.483m was paid in cash from the Fund to LPFA in respect of the Trust's share of the Fund's assets. All liabilities in relation to the Trust have also transferred to LPFA.

Group transfers out in 2014-15 relate to cash paid in respect of the LGPS benefits of past and present employees of the Derbyshire Probation Trust, following transfer of this employer's administration to the Greater Manchester Pension Fund.

## 11. Management expenses

| | Restated 2014-15 | 2015-16 |
|---|---|---|
| | £m | £m |
| Administrative costs | 1.482 | 1.450 |
| Investment management expenses | 13.355 | 15.272 |
| Oversight and governance costs | 0.445 | 0.431 |
| | **15.282** | **17.153** |

Management expenses are analysed in accordance with CIPFA Guidance "Accounting for Local Government Pension Scheme Management Costs".

Investment management expenses include £1.723m in respect of transaction costs (2014-15 restated, £1.134m). Costs are also incurred indirectly by the Fund on sales and purchases of pooled investment vehicles through the difference between the highest price a buyer of a security or other asset is willing to pay and the lowest price a seller is willing to offer (bid-offer spread). Such costs are not separately identifiable but are reflected in the cost of these investment purchases and in the proceeds from their sale (Note 14).

Administrative costs, Investment management expenses, Investment income and Profits and losses on disposal of investments and changes in value of investments in 2014-15 have been restated in accordance with the CIPFA Guidance. The adjustments are detailed in the table below.

| | Administrative costs | Investment mangement expenses | Oversight and governance costs | Investment income | Profits and losses on disposal of investments and changes in value of investments | Net increase in net assets available for benefits during the year |
|---|---|---|---|---|---|---|
| | **£m** | **£m** | **£m** | **£m** | **£m** | **£m** |
| **As previously reported** | 1.635 | 4.742 | - | 76.118 | 333.499 | 371.114 |
| | | | | | | |
| **Adjustments under CIPFA Guidance "Accounting for Pension Scheme Management Costs":** | | | | | | |
| Oversight and governance costs | (0.153) | (0.292) | 0.445 | - | - | - |
| Non-management direct property expenses | - | (0.390) | - | (0.390) | - | - |
| Pooled investment vehicle rebates | - | (0.540) | - | (0.540) | - | - |
| Property refurbishment costs | - | (0.816) | - | - | (0.816) | - |
| Pooled investment vehicle management fees | - | 9.517 | - | - | 9.517 | - |
| Investment transaction costs | - | 1.134 | - | - | 1.134 | - |
| **As restated** | **1.482** | **13.355** | **0.445** | **75.188** | **343.334** | **371.114** |

In summary the changes are to:

- introduce a third category of management expenses of Oversight and governance costs;
- include pooled investment vehicle management fees in Investment management expenses, with a deduction for pooled investment vehicle rebates;
- include transaction costs (stamp duty and commission) in Investment management expenses;
- include property refurbishment costs in investment property purchases; and
- deduct irrecoverable property expenses, such as vacant property rates and any difference between recoverable property service charge and insurance income and expense, from direct property rental income.

## 12. Investment income

| | Restated 2014-15 | 2015-16 |
|---|---|---|
| | £m | £m |
| Income from fixed interest securities | 8.305 | 7.680 |
| Dividends from equities | 54.712 | 59.894 |
| Income from index-linked securities | 3.316 | 2.998 |
| Income from pooled investment vehicles | 2.286 | 2.583 |
| Rents from properties | 5.846 | 6.574 |
| Interest on cash deposits | 0.723 | 0.618 |
| | **75.188** | **80.347** |

Rents from properties are disclosed net of £0.057m of property expenses (2014-15, £0.390m).

Investment income in 2014-15 has been restated in accordance with the CIPFA Guidance “Accounting for Local Government Pension Scheme Management Costs”. The adjustments are detailed in Note 11.

## 13. Taxes on income

| | 2014-15 | 2015-16 |
|---|---|---|
| | £m | £m |
| Irrecoverable taxation | **4.716** | **4.063** |

The Fund is a registered pension scheme for tax purposes under the Finance Act 2004. The Scheme is therefore exempt from taxation except for certain withholding taxes relating to overseas investment income, known as irrecoverable taxation.

## 14. 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 |
|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m |
| **Investment assets** | | | | | |
| Fixed interest securities | 294.124 | 186.982 | (229.739) | 1.449 | 252.816 |
| Equities | 1,768.538 | 526.575 | (452.884) | (93.528) | 1,748.701 |
| Index-linked securities | 291.175 | 2.767 | (45.162) | (0.727) | 248.053 |
| Pooled investment vehicles | 1,035.863 | 98.585 | (27.105) | (9.232) | 1,098.111 |
| Properties | 113.925 | 7.869 | - | 13.156 | 134.950 |
| Currency hedging contracts | - | - | - | 1.473 | 1.473 |
| | *3,503.625* | *822.778* | *(754.890)* | *(87.409)* | *3,484.104* |
| Cash deposits & short term loans | 165.984 | | | - | 168.602 |
| Other investment balances | 16.086 | | | - | 14.691 |
| | **3,685.695** | | | **(87.409)** | **3,667.397** |
| **Investment liabilities** | | | | | |
| Currency hedging contracts | (2.195) | 409.139 | (404.244) | (2.700) | - |
| Other investment balances | (4.192) | | | - | (1.567) |
| | **(6.387)** | | | **(2.700)** | **(1.567)** |
| | **3,679.308** | | | **(90.109)** | **3,665.830** |

The total of profits and losses on disposal of investments and changes in value of investment assets and investment liabilities has decreased the Fund’s value by £90.109m during 2015-16 (2014-15, £343.334m increase). 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.

At 31 March 2016 the value of the Fund’s investment in the UBS Life Europe Ex-UK Equity Tracker Fund was £329.079m, representing 9.0% (2015, £338.801m, 9.2%) of the total value of the Fund’s net assets available for benefits. 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 were two currency hedging contracts, with less than six months to expiry, with a gross contract value of £66.360m (2015, one contract, with less than six months to expiry, with a gross contract value of £113.043m).

Investment assets are further analysed below:

| | 31.03.2015 | 31.03.2016 |
|---|---|---|
| | £m | £m |
| **Fixed interest securities** | | |
| UK public sector quoted | 274.039 | 248.831 |
| Overseas public sector quoted | 20.085 | - |
| Overseas corporate quoted | - | 3.985 |
| | **294.124** | **252.816** |
| **Equities** | | |
| UK quoted | 1,161.964 | 1,160.674 |
| Overseas quoted | 606.574 | 588.027 |
| | **1,768.538** | **1,748.701** |
| **Index-linked securities** | | |
| UK public sector quoted | 197.498 | 178.123 |
| Overseas public sector quoted | 93.677 | 69.930 |
| | **291.175** | **248.053** |
| **Pooled Investment Vehicles** | | |
| Property – unquoted | 67.557 | 89.354 |
| Property - quoted | - | 18.278 |
| Other quoted | 760.216 | 747.555 |
| Other unquoted | 208.090 | 242.924 |
| | **1,035.863** | **1,098.111** |
| **Properties** | | |
| UK freehold | 72.225 | 89.400 |
| UK leasehold | 41.700 | 45.550 |
| | **113.925** | **134.950** |

| | 31.03.2015 | 31.03.2016 |
|---|---|---|
| | £m | £m |
| **Cash deposits and short term loans** | | |
| Sterling cash deposits | 49.707 | 24.152 |
| Money market funds | 30.000 | 35.000 |
| Other Sterling short term loans | 70.000 | 101.000 |
| Foreign currency | 16.277 | 8.450 |
| | **165.984** | **168.602** |

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'.

| | 31.03.2015 | | 31.03.2016 | |
|---|---|---|---|---|
| | £m | % | £m | % |
| In-house | 3,233.197 | 87.9 | 3,244.409 | 88.5 |
| Wellington Management International Ltd | 446.111 | 12.1 | 421.421 | 11.5 |
| | **3,679.308** | **100.0** | **3,665.830** | **100.0** |

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

| **Fund** | **Country of registration of fund manager** |
|---|---|
| Partners Group – Global Value 2008 Fund | Channel Islands |
| Aberdeen Global Japan Smaller Companies Fund | Luxembourg |
| Babson Global Credit Fund | Luxembourg |
| Daiwa SBI – Japan Equity Fundamental Active | Luxembourg |
| Fidelity Eurozone Select Real Estate Fund | Luxembourg |
| Invesco Real Estate Europe Fund | Luxembourg |
| J P Morgan Funds Latin American Equity Fund | Luxembourg |
| Polunin Emerging Markets Developing Countries Fund | Luxembourg |
| Atlantis Asian Fund | Republic of Ireland |
| Baring Australia Fund | Republic of Ireland |
| FPP Global Emerging Markets Fund | Republic of Ireland |
| JO Hambro Capital Management Japan Fund | Republic of Ireland |
| Legg Mason Martin Currie Greater China Fund | Republic of Ireland |
| Montanaro UK Smaller Companies Fund | Republic of Ireland |
| Saracen Growth Fund | Republic of Ireland |

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

| | 31.03.2015 | | 31.03.2016 | |
|---|---|---|---|---|
| | £m | % | £m | % |
| UK | 2,234.024 | 60.7 | 2,280.967 | 62.2 |
| N America | 560.353 | 15.2 | 491.596 | 13.4 |
| Europe | 340.179 | 9.3 | 345.243 | 9.4 |
| Asia and other | 544.752 | 14.8 | 548.024 | 15.0 |
| | **3,679.308** | **100.0** | **3,665.830** | **100.0** |

## 16. Additional Voluntary Contributions

In accordance with Regulation 4(2)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009, the Accounts do not include employees' Additional Voluntary Contributions ("AVCs"). The amounts involved are not material in relation to the size of the overall Pension Fund.

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

| | 31.03.2015 | 31.03.2016 |
|---|---|---|
| | £m | £m |
| **Equitable Life Assurance Society** | | |
| with profits fund | 0.282 | 0.268 |
| unit-linked funds | 0.543 | 0.491 |
| building society fund | 0.008 | 0.008 |
| Total Equitable Life Assurance Society | *0.833* | *0.767* |
| **Standard Life** | | |
| managed fund | 0.649 | 0.629 |
| multi asset managed fund | 0.079 | 0.058 |
| protection fund | 0.040 | 0.045 |
| ethical fund | 0.085 | 0.086 |
| with profits fund | 0.267 | 0.263 |
| Total Standard Life | *1.120* | *1.081* |

| | 31.03.2015 | 31.03.2016 |
|---|---|---|
| | £m | £m |
| **Prudential Assurance Company Ltd** | | |
| deposit fund | 3.038 | 2.878 |
| with profits cash accumulation fund | 1.012 | 1.497 |
| cash fund | 0.043 | 0.049 |
| discretionary fund | 0.208 | 0.317 |
| fixed interest fund | 0.054 | 0.076 |
| global equity fund | 0.073 | 0.129 |
| index-linked fund | 0.129 | 0.192 |
| international equity fund | 0.071 | 0.115 |
| property fund | 0.073 | 0.126 |
| retirement protection fund | 0.108 | 0.120 |
| socially responsible fund | 0.012 | 0.028 |
| UK equity fund | 0.067 | 0.094 |
| UK equity (passive) fund | 0.100 | 0.141 |
| Total Prudential Assurance | *4.988* | *5.762* |
| **Clerical Medical** | | |
| with profits fund | 0.405 | 0.365 |
| unit linked fund | 0.056 | 0.050 |
| Total Clerical Medical | *0.461* | *0.415* |
| | | |
| **Total AVC Investments** | **7.402** | **8.025** |
| | | |
| **Death in Service Cover** | | |
| Equitable Life | **0.413** | **0.142** |

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 £m | Prudential £m | Standard Life £m | Clerical Medical £m | Total £m |
|---|---|---|---|---|---|
| **Value at 31.3.2015** | 0.833 | 4.988 | 1.120 | 0.461 | **7.402** |
| **Income** | | | | | |
| Contributions received | 0.005 | 1.433 | 0.039 | 0.016 | 1.493 |
| Interest and bonuses and change in market value | 0.001 | 0.048 | (0.013) | 0.005 | 0.041 |
| Transfers in | - | 0.015 | - | - | 0.015 |
| **Expenditure** | | | | | |
| Life assurance premiums | - | - | - | | - |
| Retirement benefits | (0.058) | (0.721) | (0.032) | (0.061) | (0.872) |
| Transfers out and withdrawals | (0.014) | (0.001) | (0.033) | (0.006) | (0.054) |
| **Value at 31.3.2016** | **0.767** | **5.762** | **1.081** | **0.415** | **8.025** |

## 17. Current assets

| | 31.03.2015 £m | 31.03.2016 £m |
|---|---|---|
| Employers' contributions due | 6.218 | 6.288 |
| Employees' contributions due | 1.659 | 1.675 |
| Amounts owed by Derbyshire County Council | 3.002 | - |
| Sundry debtors | 1.473 | 1.096 |
| Cash balance | 5.363 | 2.090 |
| | **17.715** | **11.149** |

Employers' and employees' contributions due at 31 March 2016 have been received since the year-end.

### 18. Current liabilities

| | 31.03.2015 | 31.03.2016 |
|---|---|---|
| | **£m** | **£m** |
| Unpaid benefits | 1.343 | 2.086 |
| Amounts owed to Derbyshire County Council | - | 1.318 |
| Sundry creditors | 1.291 | 1.754 |
| | **2.634** | **5.158** |

### 19. 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 management expenses in 2015-16 are charges from Derbyshire County Council of £2.019m (2014-15, £1.947m) for expenses incurred in respect of oversight and governance of the Fund, for Fund administration and for management of the Fund's in-house investments.

No interest was paid by the Council to the Fund in 2015-16, following a change in treasury management arrangements in 2014-15 (2014-15, £0.001m).

At 31 March 2016 the Fund owed the Council £1.318m (2015, the Council owed the Fund £3.002m).

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.

### 20. Investment commitments

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

| | 31.03.2015 | 31.03.2016 |
|---|---|---|
| | **£m** | **£m** |
| Unquoted investments | 5.563 | 72.921 |
| Other Sterling short-term loans | 2.000 | 8.000 |
| | **7.563** | **80.921** |

Unquoted investments commitments are commitments to private equity, infrastructure and indirect property investments, not yet drawn down by the managers. A revision of the Fund's approved Asset Allocation in October 2015 increased the proportion of the Fund's investments required to be invested in private equity, infrastructure and indirect property investments and has resulted in increased investment commitments in respect of unquoted investments as action is taken to increase their weightings.

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 were two such commitments at 31 March 2016 (2015, one).

## 21. Financial instruments

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

### Nature and extent of risks arising from financial instruments

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

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

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

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

As required by the Fund'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 approved by the Pensions and Investments Committee, 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.

**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 2015-16 was approved by the Full Council on 4 February 2015. On 18 March 2015 relevant extracts were approved by the Committee.

The Fund's maximum exposure to credit risk in relation to its treasury/cash deposit investments and operating cash in banks, building societies, money market funds and UK local authorities of £170.692m (2015, £171.347m) cannot be assessed generally, as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare, generally, for such entities to be unable to meet their commitments; the approach to risk assessment taken by the Fund makes this remote.

A risk of non-recovery applies to all of the Fund's deposits, but there was no evidence at 31 March 2016 that this was likely to occur. No breaches of the Fund's counterparty criteria occurred during the reporting period. At 31 March 2016 the Fund had £2.090m in its operational account with Lloyds Bank.

**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 2% (2015, 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 were two currency hedging contracts, with less than six months to expiry, with a gross contract value of £66.360m (2015, one contract, with less than six months to expiry, with a gross contract value of £113.043m). 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.

**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 15%, investments in partnerships to 30% and investments in single holdings to 10% of the Fund. Investment Committee guidelines limit investments in property to 12%, multi asset credit to 5% and alternatives to 10%.

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

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

Maturity analysis for liabilities at the year end:

- There were no financial liabilities within the portfolio at the year end other than those that arose from the trading of investments. Such liabilities fall due within 12 months of the year end.
- There were no derivative financial liabilities held at the year-end in respect of currency hedging contracts (2015, one currency hedging contract, with less than six months to expiry, on which the net liability was £2.195m).

**Market risk**

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

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

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

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

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

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

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

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

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

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

The table below quantifies the level of price risk that the Fund's investment assets and liabilities at 31 March 2016 are potentially exposed to. Potential price changes are determined based on the observed historical volatility of asset class returns, for example, 'riskier' assets such as equities display greater potential volatility than bonds. The potential volatilities are consistent with a one standard deviation movement in the change in value of the assets over the last three years. The volatility shown for total investment assets and liabilities incorporates the impact of correlation across asset classes, which dampens volatility, therefore the value on increase/decrease figures of the asset classes will not sum to the total assets figure.

| | Value at 31.03.2016 £m | Change % | Value on increase £m | Value on decrease £m |
|---|---|---|---|---|
| **Underlying asset type** | | | | |
| UK Government bonds | 248.831 | 6.31 | 264.532 | 233.129 |
| UK corporate bonds | 194.133 | 5.30 | 204.422 | 183.844 |
| Overseas bonds | 85.486 | 11.53 | 95.342 | 75.629 |
| UK equities | 1,135.151 | 10.29 | 1,251.958 | 1,018.344 |
| Overseas equities | 1,279.469 | 10.55 | 1,414.453 | 1,144.485 |
| UK index-linked | 178.123 | 8.06 | 192.480 | 163.767 |
| Alternatives | 120.330 | 6.73 | 128.428 | 112.232 |
| Cash | 168.602 | 0.01 | 168.619 | 168.585 |
| Other investment balances | 13.124 | - | 13.124 | 13.124 |
| Properties (non-financial instruments) | 242.581 | 5.94 | 256.991 | 228.172 |
| **Total investment assets and liabilities** | **3,665.830** | **7.11** | **3,926.470** | **3,405.189** |

**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 2016 are potentially exposed to. Currency risk on overseas public sector bonds is managed using forward currency contracts and overseas public sector bonds have therefore been excluded from the table. Potential aggregate currency exposure within the Fund at 31 March 2016 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 31.03.2016 £m | Change % | Value on increase £m | Value on decrease £m |
|---|---|---|---|---|
| **Underlying asset type** | | | | |
| Overseas equities | 1,279.469 | 6.26 | 1,359.605 | 1,199.333 |
| Overseas bonds | 10.098 | 6.26 | 10.730 | 9.466 |
| Overseas cash | 8.450 | 6.26 | 8.980 | 7.921 |
| **Overseas investment assets** | **1,298.017** | **6.26** | **1,379.315** | **1,216.720** |

## 22. 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. 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 figures below include both vested and non-vested benefits, although the latter is assumed to have a negligible value.*

| | ***31.03.2015*** | ***31.03.2016*** |
|---|---|---|
| | ***£m*** | ***£m*** |
| *Active members* | *2,930.000* | *2,859.000* |
| *Deferred pensioners* | *813.000* | *716.000* |
| *Pensioners* | *1,666.000* | *1,505.000* |
| ***Present value of Promised Retirement Benefits*** | ***5,409.000*** | ***5,080.000*** |

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

***Assumptions***
*The assumptions are suitable for IAS19 purposes as required by the Code of Practice. They are given below. I estimate that the impact of the change of assumptions to 31 March 2016 is to decrease the actuarial present value by £514m.*

*Financial assumptions*
*My recommended financial assumptions are summarised below:*

| | ***31.03.2015*** | ***31.03.2016*** |
|---|---|---|
| *Inflation/Pensions Increase Rate* | *2.40%* | *2.20%* |
| *Salary Increase Rate* | *3.30%* | *3.20%* |
| *Discount Rate* | *3.20%* | *3.50%* |

*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 aged 45 at the most recent formal valuation as at 31 March 2013.*

*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."*

*Sensitivity analysis*
*The sensitivities regarding the principal assumptions used to measure the liabilities are set out below:*

| *Change in assumptions for the year ended 31 March 2016* | *Approximate increase to liabilities %* | *Approximate monetary amount £m* |
|---|---|---|
| *0.5% decrease in discount rate* | *11%* | *554* |
| *1 year increase in member life expectancy* | *3%* | *152* |
| *0.5% increase in salary increase rate* | *4%* | *200* |
| *0.5% increase in pensions increase rate* | *7%* | *345* |

*Geoff Nathan FFA*
*21 April 2016*
*For and on behalf of Hymans Robertson LLP*

## 23. 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 91 Scheduled and 49 Admission Bodies. The Unitary and District Councils are listed in the foreword of this Annual Report. Other participating employers are listed on the following pages.

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

| | 2014-15 | | 2015-16 | |
|---|---|---|---|---|
| | Benefits payable | Contributions receivable | Benefits payable | Contributions receivable |
| | £m | £m | £m | £m |
| Derbyshire County Council | 66.031 | 66.687 | 65.391 | 66.832 |
| Scheduled Bodies | 64.415 | 77.267 | 69.693 | 81.235 |
| Admission Bodies | 4.125 | 6.094 | 4.538 | 3.962 |
| | **134.571** | **150.048** | **139.622** | **152.029** |

| | Total contribution rate % of pensionable payroll | |
|---|---|---|
| | 2015-16 | 2016-17 |
| **Scheduled Bodies** | | |
| Peak District National Park Authority | 13.0 plus £0.210m | 13.0 plus £217,000 |
| Chesterfield Crematorium | 17.8 plus £0.027m | 17.8 plus £28,000 |
| University of Derby | 11.7 plus £0.700m | 11.7 plus £723,000 |
| Chesterfield College | 12.9 plus £0.148m | 12.9 plus £153,000 |
| Derby College^ | 12.2 plus £0.414m | 12.7 plus £428,000 |
| Derbyshire Police Authority | 11.9 plus £1.377m | 11.9 plus £1.422m |
| Derbyshire Fire & Rescue | 12.2 plus £0.160m | 12.2 plus £0.165m |
| Derby Homes Limited | 12.4 plus £0.272m | 12.4 plus £0.281m |
| Rykneld Homes | 15.0 plus £0.019m | 15.0 plus £0.020m |
| Landau Forte College | 11.3 plus £0.002m | 11.3 plus £0.003m |
| Akaal Academy Trust Derby - from 1 September 2015 | 20.2 | 20.2 |
| Allenton Primary | 22.8 plus £0.024m | 22.8 plus £0.025m |
| Al-Madinah School | 20.0 | 20.0 |
| Bishop Lonsdale Church of England Primary School | 20.8 plus £0.009m | 20.8 plus £0.009m |
| Brookfield Academy | 13.4 plus £0.069m | 13.4 plus £0.072m |
| Chellaston Academy | 13.4 plus £0.050m | 13.4 plus £0.052m |
| City of Derby Academy | 14.4 plus £0.041m | 14.4 plus £0.042m |
| Derby Pride Academy | 11.5 plus £0.005m | 11.5 plus £0.005m |
| Dovedale Primary School (Willows Academy Trust) | 19.6 plus £0.002m | 19.6 plus £0.002m |
| Ecclesbourne Academy | 15.2 plus £0.040m | 15.2 plus £0.041m |
| English Martyrs Catholic Voluntary Academy | 14.2 plus £0.009m | 14.2 plus £0.010m |
| Grampian Primary Academy | 13.3 plus £0.006m | 13.3 plus £0.006m |
| Heanor Gate Science College | 14.6 plus £0.057m | 14.6 plus £0.059m |
| Hope Valley College | 14.1 plus £0.043m | 14.1 plus £0.044m |
| Inkersall Primary School - from 1 September 2015 | 20.2 | 20.2 |
| Immaculate Conception Academy Trust | 19.6 plus £0.004m | 19.6 plus £0.004m |
| John Port Academy | 13.7 plus £0.061m | 13.7 plus £0.063m |
| Kirk Hallam Academy | 13.0 plus £0.052m | 13.0 plus £0.054m |
| Landau Forte Moorhead Academy | 15.3 plus £0.014m | 15.3 plus £0.015m |
| Leesbrook School | 12.3 plus £0.076m | 12.3 plus £0.079m |

| | Total contribution rate % of pensionable payroll | |
|---|---|---|
| | 2015-16 | 2016-17 |
| Merrill Academy | 12.1 plus £0.041m | 12.1 plus £0.043m |
| Newbold Church of England Primary School | 16.1 plus £0.002m | 16.1 plus £0.002m |
| Outwood Academy Newbold | 24.7 plus £0.042m | 20.2 |
| Pennine Way Junior Academy | 13.8 plus £0.012m | 13.8 plus £0.012m |
| Queen Elizabeth's Grammar School Ashbourne Academy | 12.6 plus £0.071m | 12.6 plus £0.073m |
| Redhill Primary School | 14.7 plus £0.009m | 14.7 plus £0.009m |
| Sawley Infant School (Willows Academy Trust) | 17.7 plus £0.008m | 17.7 plus £0.009m |
| Sawley Junior School (Willows Academy Trust) | 19.2 plus £0.003m | 19.2 plus £0.003m |
| Shardlow Primary School (Willows Academy Trust) | 21.1 plus £0.002m | 21.1 plus £0.002m |
| Shirebrook Academy | 13.9 plus £0.052m | 13.9 plus £0.054m |
| St Benedict Voluntary Catholic Academy | 13.7 plus £0.099m | 13.7 plus £0.103m |
| St George's Voluntary Catholic Academy | 12.8 plus £0.018m | 12.8 plus £0.019m |
| St Giles Church of England Aided Primary School - from 1 September 2015 | 20.2 | 20.2 |
| St John Fisher Catholic Voluntary Academy | 14.4 plus £0.010m | 14.4 plus £0.010m |
| St John Houghton Catholic Voluntary Academy | 13.6 plus £0.031m | 13.6 plus £0.032m |
| St Joseph's Catholic Primary School Voluntary Academy | 16.6 plus £0.002m | 16.6 plus £0.002m |
| St Laurence Primary School - from 1 April 2015 | 20.2 | 20.2 |
| St Mary's Catholic High School Academy Trust | 15.5 plus £0.044m | 15.5 plus £0.046m |
| St Philip Howard Catholic Voluntary Academy - from 1 September 2015 | 20.2 | 20.2 |
| Staveley Netherthorpe School | 13.7 plus £0.034m | 13.7 plus £0.035m |
| The Bolsover Academy | 14.2 plus £0.035m | 14.2 plus £0.037m |
| The Long Eaton Academy | 13.6 plus £0.055m | 13.6 plus £0.057m |
| The Ormiston Ilkeston Enterprise Academy | 13.3 plus £0.075m | 13.3 plus £0.078m |
| The Ripley Academy | 22.2 plus £0.019m | 22.2 plus £0.019m |
| Turnditch Church of England Primary School | 26.1 plus £0.001m | 20.2 |
| West Park Academy | 15.3 plus £0.057m | 15.3 plus £0.059m |
| William Gilbert Endowed (C of E) Primary School | 25.2 plus £0.018m | 20.2 |
| Woodlands School | 12.8 plus £0.049m | 12.8 plus £0.051m |
| Wyndham Primary Academy (Boulton Primary School) | 13.0 plus £0.010m | 13.0 plus £0.011m |
| Town and Parish Councils - Group 1 | 22.8 | 22.8 |
| Town and Parish Councils - Group 2 | 16.2 | 16.2 |

^ Stepped rate

**Town and Parish Councils**

| Group 1 | Group 2 |
|---|---|
| Ashbourne Town Council | Alfreton Town Council |
| Belper Town Council | Breaston Parish Council |
| Clay Cross Parish Council | Bretby Parish Council |
| Dronfield Town Council | Burnaston Parish Council |
| Eckington Parish Council | Codnor Parish Council |
| Killamarsh Town Council | Darley Dale Town Council |
| Matlock Town Council | Glapwell Parish Council |
| New Mills Town Council | Heanor and Loscoe Town Council |
| Old Bolsover Town Council | Heath and Holmewood Parish Council |
| Pinxton Parish Council | Kilburn Parish Council |
| Shirebrook Town Council | North Wingfield Parish Council |
| Staveley Town Council | Shardlow and Great Wilne Parish Council |
| Whaley Bridge Town Council | Stenson Fields Parish Council |
| Whitwell Parish Council | Tibshelf Parish Council |
| Wirksworth Town Council | Ticknall Parish Council |
| | Tupton Parish Council |
| | Wingerworth Parish Council |

The following Admission Bodies also participate:

| | Total contribution rate % of pensionable payroll | |
|---|---|---|
| | 2015-16 | 2016-17 |
| 4 Children | 15.5 | 15.5 |
| 7 Hills Leisure Trust - from 6 July 2015 | 25.7 | 25.7 |
| ABM Catering Ltd (Derby Moor School) | 26.9 | 26.9 |
| ABM Catering Ltd (Gayton Primary School) | 14.4 | 14.4 |
| Acclaim Housing Group Limited | 16.4 plus £0.108m | 16.4 plus £0.112m |
| Active Nation | 19.9 plus £0.002m | 19.9 plus £0.002m |
| Arvato Government Services Ltd (Derbyshire Dales) | 15.0 | 15.0 |
| Arvato Government Services (Sefton) Ltd | 14.5 | 14.5 |
| Aspens Services Ltd | 23.1 | 23.1 |
| Balfour Beatty Power Networks Ltd | 24.4 | 24.4 |
| Engie | 18.4 | 18.4 |
| Barnados | 19.4 plus £0.001m | 19.4 plus £0.001m |
| Belper Leisure Centre Ltd | 22.8 plus £0.020m | 22.8 plus £0.021m |
| Brookwood | 19.6 | 19.6 |
| Chesterfield Care Group | 19.3 plus £0.003m | 19.3 plus £0.003m |
| Churchill Contractor Services - ceased 30 January 2016 | 18.1 | 18.1 |
| 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 - ceased 31 July 2015 | 22.2 | 22.2 |
| Dell Corporation Ltd | 13.9 | 13.9 |
| Derby County Community Trust | 16.4 | 16.4 |
| Derby Museums & Arts Trust | 20.9 | 20.9 |
| Derbyshire Coalition for Inclusive Living (DCIL) | 26.7 plus £0.015m | 26.7 plus £0.015m |
| Derbyshire Student Residences Ltd | 21.6 plus £0.002m | 21.6 plus £0.002m |
| Elior UK plc | 27.0 | 27.0 |

| | Total contribution rate % of pensionable payroll | |
|---|---|---|
| | 2015-16 | 2016-17 |
| Elite Cleaning and Environmental Services | 26.9 | 36.9 |
| EMH Homes | 14.1 plus £0.135m | 14.1 plus £0.139m |
| European Electronique Ltd | 13.4 | 13.4 |
| Futures Homescape Ltd | 13.8 plus £0.055m | 13.8 plus £0.057m |
| Initial Catering Services Ltd | 22.8 | 22.8 |
| Initial Facilities Management Ltd | 26.2 | 26.2 |
| Kier Ltd | 13.8 | 13.8 |
| Leisure Amber Valley BC | 18.2 | 18.2 |
| Leisure High Peak BC | 13.1 | 13.1 |
| Macintyre Care Ltd | 2.0 | 2.0 |
| Mellors Catering - from 1 August 2015 | 31.5 | 31.5 |
| Mitie Facilities Services Ltd | 24.9 | 24.9 |
| NIC Services Group Ltd (Derby College) - ceased 30 November 2015 | 17.6 | 17.6 |
| Northgate Information Solutions UK Ltd (South Derbys DC) | 23.5 | 23.5 |
| NSL Ltd - from 19 February 2015 | 27.7 | 27.7 |
| SIV Enterprises Ltd | 4.6 | 4.6 |
| Superclean Services Wothorpe Ltd (Fire) | 11.2 | 11.2 |
| Tramway Museum Society | 24.0 plus £0.014m | 24.0 plus £0.015m |
| 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 (Ashcroft & Portway) - from 1 July 2014 | 25.6 | 25.6 |
| Vinci plc (Ravensdale) - from 13 April 2015 | 33.3 | 33.3 |
| Vinci UK Ltd (Norwest Holst Ltd) | 28.7 | 28.7 |

## 23. Events after the reporting date

On 23 June, the EU referendum took place and the people of the United Kingdom voted to leave the European Union. Until exit negotiations are concluded, the UK remains a full member of the European Union and all the rights and obligations of EU membership remain in force. During this period the Government will continue to negotiate, implement and apply EU legislation. It will be for the Government, under the new Prime Minister, to begin negotiations to exit the EU. The outcome of these negotiations will determine what arrangements apply in relation to EU legislation and funding in future, once the UK has left the EU. This is therefore a non-adjusting event for which no estimate of its financial effect on the reporting entity can be made.

# Annual Governance Statement

# ANNUAL GOVERNANCE STATEMENT

**Scope of Responsibility**

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

In discharging this overall responsibility, the 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.

The 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 the 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. The 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 the County Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them effectively, efficiently and economically.

The governance framework has been in place at the County Council for the year ended 31 March 2016 and up to the date of the Statement of Accounts being certified by the Director of Finance.

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

*Policy and Plans*

The 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. The Council Plan was approved by Council in April 2014 and has most recently been reviewed and updated by the Council at its Annual General Meeting in April 2016.

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 (Whistleblowing Policy) and a Complaints Procedure. In addition the Authority has an Anti-Fraud and Anti-Corruption Strategy and a Fraud Response Plan which are 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 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 (Whistleblowing Policy)
- Anti-Fraud and Anti-Corruption Strategy
- Fraud Response Plan

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*

The 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 e.g. Ofsted and the Care Quality Commission.

Previous Annual Governance Statements have identified the development of departmental assurance through the production of Governance Matrices as a future improvement for the County Council. Progress to date includes the development of a comprehensive set of matrices with supporting information to help Strategic Directors understand what is required from a departmental perspective. The matrices will be piloted in the Corporate Resources Department during the year with the intention to roll out to the rest of the organisation for completion in 2016-17.

*The Chief Financial Officer*
The Authority's financial management arrangements substantially conform to the governance requirements specified in the Cipfa Statement on the Role of the Chief Financial Officer in Local Government (2010). The Director of Finance, as Section 151 Officer, has the key role in assessing and developing financial skills within the Council, supported by the Director of Human Resources. Training has continued throughout the year for staff, especially in relation to the use of the Council's financial systems and for Members in relation to the Pension Fund, accounts, audit and risk management matters as well as 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 is nearing completion; a large part of this review has examined the major changes made in 2014 to ensure they have been effective.

*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 optimise 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 e.g. 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 scrutinising 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 the Standards Committee is defined in the Constitution and reports considered by the Committee can be accessed via the County Council's website.

*Member Development*

The Authority continues to review its arrangements for Member training and development through the Member Development Working Group as recommended following an Improvement and Scrutiny review. This has overseen and implemented a structured framework for Member development and induction. The Council in June 2015 agreed a Member Development Strategy and committed to achieving the externally assessed Councillor Development Charter.

Role profiles have recently been agreed for Members and these will provide the focus for Personal Development Plan (PDP) reviews. Learning needs identified through PDPs will inform the design of future Member Development programmes to inform the allocation of training budgets and more effective evaluation practices. There are regular training events and briefings to support the development of Members on subjects/issues agreed by the Member Development Group.

*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 Council 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, and with an emphasis on performance management. The Council has agreed performance management and induction policies to support performance management and improvement through the "employment life cycle".

The corporate learning and development programme provides development opportunities for all employees on core policies and procedures. There is also specific development for managers at first line, middle and senior levels. These development programmes are supplemented by "on-line" resources through the corporate e-learning platform. The e-learning platform provides a blended approach to staff development, and includes e-learning on key policy areas, which is recorded in personal training records and is reported upon to ensure completion of mandatory modules. This corporate provision provides a basis for induction plans, supplemented by specific professional and/or departmental requirements.

*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.

*Response to Reports on the Governance Failings in Rotherham*
The reports into failings at Rotherham MBC have prompted consideration of the findings of those reports and how they compare to practices within the Council. This work was identified as one of the future improvements in last year's Annual Governance Statement and remains in progress. The findings have been considered by both Audit Committee and senior officers within the Council.

*Future Challenges*
The Council has approved a revised Five Year Financial Plan which identified the need to make further significant savings over the period 2016-17 to 2020-21 and, as part of the achievement of the savings required, reports have been presented to Council and Cabinet detailing much of the reductions necessary. Currently the Council is examining the Government's offer of guaranteed minimum level of funding around three grant streams as part of a Multi-Year Settlement proposal. A final decision whether to accept or not will have to be made by the 5 October 2016.

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. There is an established monthly "Performance Clinic" with the Chief Executive 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 well established approach includes 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. The Council's Innovation Programme acts 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 approach to innovation and transformation will continue to be developed alongside the identification of income generating opportunities, a North Midlands Combined Authority and devolution deal and different approaches that help communities thrive.

**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 continuing to work on the:-

- Implementation of Governance Matrices;
- Further 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 identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

| | |
|---|---|
| **Ian Stephenson**<br>**Chief Executive** | **Councillor Anne Western**<br>**Leader of the Council** |
| 19 May 2016 | 19 May 2016 |

On behalf of Derbyshire County Council

KPMG

# 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 2016 on pages 14 to 114. 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 2015/16.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. 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 the financial statements 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 Narrative Statement and the Pension Fund Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2016 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 2016 and the amount and disposition of the Fund's assets and liabilities as at 31 March 2016; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

**Matters on which we are required to report by exception**

The Code of Audit Practice requires us to report to you if:

- the Annual Governance Statement set out on pages 115 to 122 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 Narrative Statement and the content of the Pension Fund 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 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of, the audit; or

- any recommendations have been made under Section 24 of the Local Audit and Accountability Act 2014; or

- any other special powers of the auditor have been exercised under the Local Audit and Accountability Act 2014.

We have nothing to report in respect of these matters.

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

### Authority's responsibilities

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

### Auditor's responsibilities

We are required under Section 20(1) (c) of the Local Audit and Accountability Act 2014 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 Comptroller and Auditor General (C&AG) requires us to report to you our conclusion relating to proper arrangements.

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 review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by C&AG in November 2015, as to whether Derbyshire County Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The C&AG determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Derbyshire County Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

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, Derbyshire County Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

### Conclusion

On the basis of our work, having regard to the guidance issued by the C&AG in November 2015, 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 ended 31 March 2016.

**Delay in certification of completion of the audit due to work on the WGA Return not being completed by 21 July 2016**

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Authority's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

**John Cornett**
**for and on behalf of KPMG LLP, Statutory Auditor**

Chartered Accountants
St Nicholas House
31 Park Row
Nottingham
NG1 6FQ

21 July 2016

# 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 2015-16 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 Reporting Code of Practice 2015-16 (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;
- 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. Prior 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 prior year adjustment, it would need to have arisen from a failure to use or misuse, 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 statement's 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.

### 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 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 as:

- Assets where it is expected that future economic benefit will flow to the Council.
- Assets where the cost can be measured reliably.

and defines them as :-

- 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 periods.

The initial measurement of an asset is recognised to be:

- Purchase price, construction cost, minimum lease payments or equivalent including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates.
- Costs associated with bringing the asset to the location and condition necessary for it to be capable of operating in the manner required by management.

- Initial estimate of the costs of dismantling and removing the asset and restoring the site on which it is located, the obligation for which the Council incurred either when the asset was acquired or as a consequence of having used the asset during a particular period for purposes other than producing inventories during that period.

Subsequent expenditure are costs incurred to add to, replace part of, or service the asset, but do not include day-to-day repairs and maintenance and are 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.

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

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

- £10,000 and below – all expenditure at this level is deemed to be non-enhancing unless funded by a Capital grant, 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 above £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.

The Code of Practice on Local Authority Accounting in the UK – Guidance Notes for Practitioners 2014-15, included detail on the recognition of schools transactions and consolidation issues relating to schools. The Council has assessed whether Voluntary Aided, Voluntary Controlled and Foundation Schools should be included within the balance sheet, based upon an assessment of ownership and control of the assets. Maintained schools are already held on the balance sheet as the Council controls these entities and therefore all transactions relating to maintained schools are recognised in these accounts. Other types of schools such as Voluntary Aided, Voluntary Controlled and Foundation schools are subject to a test of ownership. The Council recognises a school's assets on its balance sheet where it directly owns them and/or the Council retains substantive rights over the assets and the future economic benefits/service potential of school assets flow to the Council or rights to use the assets have been transferred from another entity.

1.12. **Donated Assets**

These are acquired at less than fair value or transferred for nil consideration. 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 recognised in the Donated Assets account. 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:

- **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, and Non-Operational Assets, these being Surplus Assets and Assets under Construction

- 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 the Authority intends to hold in perpetuity, 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.

- 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.
  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 that are not being used to deliver services, and do not meet the criteria to be classified as either investment properties or held for sale. All surplus assets under IFRS13 which came into effect and adopted by the Council from 1 April 2015 are to be valued at Fair Value and depreciated accordingly.

  The Council, as per the reporting standard, values its assets and liabilities in accordance with section 2.10 of the Code of Practice on Local Authority Accounting in the United Kingdom to reflect the adoption of IFRS13 Fair Value Measurement at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants ant the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

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

Fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the Council takes into account a market participants ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

IFRS13 requires all assets to be measured at Current Value and the basis of valuation will be determined using the following criteria:

Existing use value for the following assets:

- Depreciated replacement cost – specialised assets
- Existing use value – non-specialised assets
- Existing use value – social housing

Fair value for the following assets:

- Investment assets
- Surplus assets
- Assets Held for Sale

The Council uses valuation techniques, as required by IFRS13, which maximise the use of relevant observable inputs and minimise the use of unobservable inputs and that are appropriate in the circumstances and for which sufficient data is available.

Observable inputs are inputs that are developed using market data, such as publically available information about actual events or transactions, and that reflect the assumptions that market participants would use when pricing the asset or liability.

Unobservable inputs are inputs for which market data is not available and that are developed using the best information available about the assumptions that market participants would use when pricing the asset or liability.

The Council follows the fair value hierarchy which categorises inputs to the valuation techniques in respect of assets and liabilities into three levels for which fair value is measured or disclosed in the Council's financial statements, these include:

- Level 1 inputs – unadjusted quoted prices in active markets for identical assets or liabilities
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 inputs – unobservable inputs for the asset or liability

Highest priority is given to Level 1 inputs (unadjusted) in active markets and lowest priority to Level 3.

Upon the revaluation of a Surplus Asset at the 31st March of the financial year, based on the inputs available at the date of valuation the valuer will establish the IFRS 13 Valuation Input Level for the valuation and will compare this with the IFRS 13 Valuation Input Level for the previous valuation. Where the Input Level is different from that of the previous valuation this will be specifically reported with the valuation together with a narrative description of the reasons and differing circumstances that have resulted in the change.

➢ **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.

In situations where it is not necessary to carry out active marketing the advertised for sale test is treated as not applicable rather than failed.

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.

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), over a ‘short period’, interpreted to mean on a five year rolling programme for each class of asset 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 a determinable market value for the asset.

- **Property Plant and Equipment (PPE)–** Property Assets are held at current 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 within the 2016-17 accounts.

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

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

- **Heritage Assets –** where it is possible to determine a valuation for Heritage Assets, then the Council will recognise the asset in the Balance Sheet at that valuation. All Heritage Assets are disclosed in the notes to the accounts, even where they are not held in the Balance Sheet. 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, at initial classification and at the end of each reporting year, valued at the lower of carrying amount and fair value less costs to sell.

- **Surplus Assets** - Surplus assets from 1 April 2015 are to be valued at Fair Value in accordance with section 2.10 IFRS 13.

### 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 value 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 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 of £10,000 and below 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 it 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 circumstances if it is not possible to determine a useful life (such as works of art) in those instances the asset is not depreciated.

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

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

### 1.18. Leases

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

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

### 1.19. Defining a Finance Lease

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

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

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

  - Fair value of the leased asset is assessed by a RICS qualified valuer.
  - The present value of the minimum lease payments is calculated by discounting at the rate inherent in the lease.
  - If this rate cannot be determined the incremental borrowing rate applicable for that year is used.
  - The Council recognises 'substantially all' to be 75% of the value of the asset, unless on an individual case basis this would not give a true representation of the substance of the transaction.

- The leased assets are of such a specialised nature that only the lessee can use them without major modifications.
- If the lessee cancels the lease, the losses of the lessor, associated with the cancellation are borne by the lessee.
- Gains or losses from the fluctuation in the fair value of the residual accrue to the lessee (e.g. in the form of a rent rebate equalling most of the sales proceeds at the end of the lease).
- The lessee has the ability to continue the lease for a secondary period at a rent that is substantially lower than market rent.

A suitably experienced accountant, with assistance from qualified valuers, will make a judgement based on the level of risk and reward held by the Council as to whether a lease 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, it will retain the property as either an item of Property Plant and Equipment or as an Investment Property on the Balance Sheet. Any rental income is credited to the relevant service income.

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

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

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

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

PFI Credits are treated as general revenue government grants.

### 1.25. Capital Grants and Contributions

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

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

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

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

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

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

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

1.27. **Minimum Revenue Provision (MRP)**

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

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

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

1.28. **Capital Reserves**

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

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

## REVENUE ACCOUNTING

1.29. **Recognition of Revenue Expenditure**

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

1.30. **Employee Costs**

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

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

**Short Term Employee Benefits**

- **Salaries and Wages –** The total salary and wages earned by employees during the financial year 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 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 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 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 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.

### 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 instititutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are 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 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 Financial Assets** – assets that have a quoted market price and/or do not have fixed or determinable payments. These are non-derivative financial assets that are designated as available for sale or are not classified as

a. Loans and receivables

b. Held to maturity investments
c. Financial assets at fair value through profit or loss

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.

**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 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**
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.

**Accruals Concept**
Requires operations of the Council to be reported in the financial statements at the point which they took place, rather than when the cash was 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**
The estimation technique applied when estimating the liabilities to be recognised for defined benefit pension schemes in the financial statements of an organisation.

**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 aka 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.

**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 Asset**
An available for sale security is a debt or equity security that is not classified as held-for-trading or held-to-maturity security. Available for sale securities are purchased with the intent of selling before they reach maturity.

**Balance Sheet**
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 the 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.

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

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

**Cabinet**
Sub-committee of elected Councillors representing the functions and portfolios of the Council.

**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 Requirement**
The amount required from all income sources (grants, borrowing, receipts) to support the Councils planned capital expenditure.

**Capital Grant**
Grant which is intended to fund capital expenditure.

**Capital Grants Unapplied Reserve**
Balance of capital grants received which is available to finance future capital expenditure.

**Capital Receipts**
Income received from the sale or utilisation of property, such as sale proceeds or rental income on finance leases.

**Capital Reserves**
Reserve balances held for capital purposes.

**Carrying Value**
The value held in the Asset Register for property at the balance sheet date, is what the property is deemed to be worth on that day.

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

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

**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.

**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 authority 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.

**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**
Financial Statement detailing the revenue operations of the Council. This represents the private sector equivalent of a Profit and Loss Statement.

**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.

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

**Core Service Areas**
The services provided by the Council externally, such as education, highway maintenance and adult social care.

**Corporate And Democratic Core**
Costs associated with maintaining a democratic representation and management within the Council. For example Members Allowances and administrative costs associated with supporting elected Members.

**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 a revenue account.

**Creditor**

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 Value**

IFRS13 introduces the concept of current value and defines it as the measurements that reflect the economic environment prevailing for a service or function the asset is supporting at the reporting date. Current value can be fair value, existing use value, existing use value – Social Housing and depreciable replacement cost.

**Current Year Entry**

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

**Curtailments**

Materially reducing the expected years of future services of current employees or eliminating for a significant number of employees the accrual of defined benefits for some or all of their future services.

**Debit**

A debit represents expenditure against a revenue 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.

**Defined Benefit Scheme**

Also known as a Final Salary Scheme. Pension scheme arrangement where the benefits payable to the members are determined by the scheme rules. In most cases there is a compulsory members' contribution but over and above this all costs of meeting the quoted benefits are the responsibility of the employer.

**Defined Contribution 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**

Minimum level required. For example expenditure below the capital de-minimis is below the minimum level required to be treated as a capital expenditure item.

**Department For Education**

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

**Depreciable Replacement Cost (DRC)**
DRC is a method of valuation that provides the current cost of replacing an asset with its Modern Equivalent Asset less deductions for all physical deterioration and all relevant forms of obsolescence and optimisation.

**Depreciation**
The term used to describe the charge made for the cost of using tangible fixed assets. The charge for the year will represent the amount of economic benefits consumed by, for example, wear and tear.

**Derecognition**
The process upon which assets are no longer deemed to belong to the Council ether by sale, destruction or other form of disposal.

**Discount**
An allowance received through the early repayment of debt.

**Discounted**
Reflecting the equivalent value today of a payment or income made or due in the past or future.

**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.

**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 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's 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.

**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**
Material items that result from the ordinary activities of the Council, but to a value so significantly abnormal that is not expected to recur at that level.

**Existing Use Value (EUV)**
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 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.

**Financial Assets**
A right to future economic benefits controlled by the Council.

**Financial Instruments**
An umbrella term to describe all financial services and trading with which the Council may operate, including loans, borrowings, bank accounts and debtors.

**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**
See Non-Current Assets.

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

**Gain**
Where income exceeds expenditure.

**General Provisions**
Money set aside in the Balance Sheet where its future use is not known.

**General Reserve**
The reserve held by the County 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.

**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.

**Grants**
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).

**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 is the amount by which the carrying amount of an asset exceeds its recoverable amount.

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

**Income**
Cash flows into the Council.

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

**Infrastructure Assets**
Assets associated with the road networks owned and maintained by Derbyshire County 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 Standards (IAS)**
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.

# GLOSSARY OF TERMS

**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**
Goods purchased in advance of their use which are held in store.

**Investment Property**
Assets held solely for the purposes of rental generation or for increasing the value pre-sale (capital appreciation).

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

**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 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).

**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.

**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 / Material**
Materiality is an expression of the relative significance or importance of a particular matter in the context of the financial statements as a whole.

**Maternity Leave**
Statutory time off due to pregnant women and new mothers.

**Members**
Elected Councillors responsible for the democratic leadership of the Council.
**Members Allowances**
Allowances paid to members in association with their roles and responsibilities.
**Minimum 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.
Modern Equivalent Asset (MEA)
The MEA should give the same service and performance as the existing asset, but should use modern materials and technology.
**Movement In Reserves Statement (MiRS)**
The statement detailing the movement in the reserves of the Council.
**Net Cost Of Services**
The direct cost of delivering the Councils services after allowing for specific income received by those services.
**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 an asset could be worth to the Council after allowing for any required expenditure; for example, how much an inventory item may be sold for.
**Non Distributed Costs**
The value of revenue operating expenditure that is not able to be apportioned to one of the authorities 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.
**Operational**
The normal activities of the Council.

**Past Service Cost**
Past service cost is the change in the present value of defined benefit obligations caused by employee service in prior periods.

**Payment In Advance**
A payment made which is before the point of any obligation.

**Pension Liabilities**
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.

**Pensions Costs**
The benefits paid by the Council which are accrued during the period of employment and paid to ex-employees after retirement.

**PFI**
See Private Finance Initiative.

**PFI Credits**
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**
See Discounted.

**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.

**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.

**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.

**Quoted Market Prices**
A method of determining the fair value of financial assets via prices quoted on an active market.

**Recognition**
The process upon which assets are deemed to belong to the Council ether by purchase, construction or other form of acquisition.

**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**
The cost associated with providing Council services.

**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.

**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.

**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)**
CIPFA guidelines on reporting revenue expenditure.

**Service Level Agreements**
Contract of service.

# GLOSSARY OF TERMS

**Short Term**
Less than 365 days from the balance sheet date.
**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.
**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.
**Support Services**
Indirect costs of providing Council services including HR, Finance, Legal and Property Maintenance.
**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.
**Transactions**
Individual items of income or expenditure.
**Treasury Management**
Utilisation of cash flows through investments and loans.
**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 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.

**Work In Progress**
The fair value of incomplete contracts for goods and services which are to be charged to external customers.

# CONTACT US

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