

Public



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

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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.

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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.

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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.

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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.

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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

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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 Performance 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

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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

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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

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- 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

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- 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						
L	Financing & Investment Income & Expenditure	7						
M	Taxation & Non-Specific Grants	8						
A-J +K +L +M	(Surplus) / Deficit on Provision of Services							
N	Gain on Revaluation of Fixed Assets	15						
O	Loss on Revaluation of Fixed Assets	15						
P	(Gain) / Loss on Pension Assets	49						
N-P	Other Comprehensive Expenditure							
	Total Comprehensive Income							

BALANCE SHEET

31 Mar 2015			31 Mar 2016
£m		Note/ Statement	£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	

NOTES TO THE CORE FINANCIAL STATEMENTS

The values held within the proceeding Notes to the Accounts may vary slightly when compared to the main Statements or 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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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).

NOTES TO THE CORE FINANCIAL STATEMENTS

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)

NOTES TO THE CORE FINANCIAL STATEMENTS

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)

NOTES TO THE CORE FINANCIAL STATEMENTS

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	Children and Young People	Council Services	Highways, Transport & Infrastructure	Health and Communities
	£m	£m	£m	£m	£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

NOTES TO THE CORE FINANCIAL STATEMENTS

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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

NOTES TO THE CORE FINANCIAL STATEMENTS

Strategic Policy, Economic Development and Budget £m	Total Departmental Reported Spending £m	Corporate Adjustments £m	Net Cost of Services Position £m
5.190	623.718	10.874	634.592
0.027	34.366	(0.199)	34.167
0.026	27.327	0.000	27.327
2.715	126.521	(8.882)	117.639
0.094	320.332	0.000	320.332
0.000	21.859	0.000	21.859
(0.037)	(0.000)	0.000	(0.000)
(4.554)	0.000	0.000	0.000
2.957	108.077	(1.681)	106.396
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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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).

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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)

NOTES TO THE CORE FINANCIAL STATEMENTS

Deferred Capital Receipts £m	Revaluation Reserve £m	Unusable reserves				Pensions Reserve £m
		Capital Adjustment Account £m	Financial Instruments Adjustment Account £m	Accumulated Absences Account £m	Collection Fund Adjustment Account £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

NOTES TO THE CORE FINANCIAL STATEMENTS

The 2014-15 position was:

Narrative	Note	Usable reserves			
		General Reserve £m	Earmarked Revenue Reserves £m	Unapplied Capital Grants £m	Capital Receipts Reserve £m
BALANCE AS AT 1 APRIL 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)

NOTES TO THE CORE FINANCIAL STATEMENTS

Deferred Capital Receipts £m	Revaluation Reserve £m	Unusable reserves				Pensions Reserve £m
		Capital Adjustment Account £m	Financial Instruments Adjustment Account £m	Accumulated Absences Account £m	Collection Fund Adjustment Account £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:

NOTES TO THE CORE FINANCIAL STATEMENTS

	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 £m	Level 2 £m	Level 3 £m	Total £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

NOTES TO THE CORE FINANCIAL STATEMENTS

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

NOTES TO THE CORE FINANCIAL STATEMENTS

Historic cost values of re-valued assets are:

		Land & Buildings £m	Vehicles, Plant & Equipment £m	Infrastructure Assets £m	Community Assets £m	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

NOTES TO THE CORE FINANCIAL STATEMENTS

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)

NOTES TO THE CORE FINANCIAL STATEMENTS

- 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 £m	2015-16 £m	2014-15 £m	2015-16 £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

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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	
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

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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:

NOTES TO THE CORE FINANCIAL STATEMENTS

- 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		Fair Value	
			31 Mar 2015 £m	31 Mar 2016 £m	31 Mar 2015 £m	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.

NOTES TO THE CORE FINANCIAL STATEMENTS

- £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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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 Owning 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 uncertainty around which employees will leave the Council and at what time which will determine the true cost.

NOTES TO THE CORE FINANCIAL STATEMENTS

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).

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

31. TRANSFERS TO / FROM EARMARKED RESERVES

	1 Apr 2014 £m	Transfers In £m		Out £m	31 Mar 2015 £m	Transfers In £m		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		

NOTES TO THE CORE FINANCIAL STATEMENTS

	1 Apr 2014 £m	Transfers In £m		Out £m	31 Mar 2015 £m	Transfers In £m		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

NOTES TO THE CORE FINANCIAL STATEMENTS

- 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

NOTES TO THE CORE FINANCIAL STATEMENTS

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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				2015-16		
No of Employees				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

NOTES TO THE CORE FINANCIAL STATEMENTS

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

	2015/16	Pool Share
Income	£m	%
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%

NOTES TO THE CORE FINANCIAL STATEMENTS

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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		2015-16		
Total £m		Trust Funds £m	Other Funds £m	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

NOTES TO THE CORE FINANCIAL STATEMENTS

39. DEDICATED SCHOOLS GRANT (DSG)

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget as defined in the School Finance (England) Regulations 2014.

The Schools Budget includes elements for a range of educational services provided on a Council-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school. Details of the deployment of the DSG receivable for 2015-16 are as follows:

	2015-16		
	Central	Individual	Total
	Expenditure £m	Schools Budget £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.

NOTES TO THE CORE FINANCIAL STATEMENTS

40. GRANT INCOME

Revenue Grants		Cash Received £m	Prev Yr Reversal		New Accrual		Income in Ledger £m
			IIA £m	Dr £m	IIA £m	Dr £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

NOTES TO THE CORE FINANCIAL STATEMENTS

Capital Grants		2015-16					2014-15
		Cash Rcd £m	Prev Yr Reversal IIA* £m	Dr** £m	New Accrual IIA* £m	Dr** £m	Income in Ledger £m
Highways Capital Maintenance	DFT	18.981	0.000	0.000	0.000	0.000	18.981
Additional Highways Maintenance	DFT	0.000	0.000	0.000	0.000	0.000	0.000
Pothole Funding	DFT	0.000	0.000	0.000	0.000	0.000	0.000
S31 LA Act 2003	DCLG	0.000	0.000	0.000	0.000	0.000	0.000
Capital Maintenance Grant	EFA	9.920	0.000	0.000	0.000	0.000	9.920
Ormiston Academy Donation		0.000	0.000	0.000	0.000	0.000	0.000
Integrated Transport	DFT	3.644	0.000	0.000	0.000	0.000	3.644
Basic Need Grant	EFA	5.240	0.000	0.000	0.000	0.000	5.240
Devolved Formula Capital	DFE	2.454	0.000	0.000	0.000	0.000	2.454
Digital Derbyshire	BDUK	10.155	0.000	(1.470)	0.000	0.000	8.685
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
Adults' Personal Social Services Capital Grant	DOH	2.020	0.000	0.000	0.000	0.000	2.020
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
		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		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	63.374
258.481	Investments Redeemed	220.117
(43.527)		(53.977)

NOTES TO THE CORE FINANCIAL STATEMENTS

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

	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

NOTES TO THE CORE FINANCIAL STATEMENTS

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

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

- 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:

NOTES TO THE CORE FINANCIAL STATEMENTS

2014-15 £m				2015-16 £m		
Vehicles	Land & Building	Total		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:

NOTES TO THE CORE FINANCIAL STATEMENTS

	2014-15			2015-16		
	Ph 1 £m	Ph 2 £m	BSF £m	Ph 1 £m	Ph 2 £m	BSF £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:

NOTES TO THE CORE FINANCIAL STATEMENTS

	2014-15			2015-16		
	Ph 1 £m	Ph 2 £m	BSF £m	Ph 1 £m	Ph 2 £m	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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

49. DEFINED BENEFIT SCHEME

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

The Council participates in two post-employment schemes:

- The Local Government Pension Scheme, administered by Derbyshire County Council – this is a funded defined benefit final salary scheme, meaning the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.
- Arrangements for the award of discretionary post-retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Council is required to make against Council Tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Reserve via the Movement in Reserves Statement.

The following transactions have been made during the year:

	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

NOTES TO THE CORE FINANCIAL STATEMENTS

Assets and Liabilities in Relation to Post-Employment Benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

	Funded liabilities:		Unfunded liabilities:	
	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.

NOTES TO THE CORE FINANCIAL STATEMENTS

	Present value of liabilities:		Present Value of assets:	(Surplus)/deficit in the Scheme:		Total
	LGPS £m	Discretionary Benefits £m		LGPS £m	Discretionary Benefits £m	
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%

NOTES TO THE CORE FINANCIAL STATEMENTS

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

NOTES TO THE CORE FINANCIAL STATEMENTS

History of Experience Gains and Losses

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

	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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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

PENSION FUND ACCOUNTS - EXPLANATORY FOREWORD

Derbyshire County Council administers the Local Government Pension Scheme (LGPS) for employees, pensioners and dependents of a variety of bodies in Derbyshire, including Councils, Police and Fire Authorities, the University of Derby, colleges and over 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 will 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:

PENSION FUND ACCOUNTS - EXPLANATORY FOREWORD

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%.

PENSION FUND ACCOUNTS - EXPLANATORY FOREWORD

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.

Periods to 31 March 2016	Return		Inflation		Fund Real Return	
	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.

PENSION FUND ACCOUNTS - EXPLANATORY FOREWORD

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.

PENSION FUND ACCOUNTS - EXPLANATORY FOREWORD

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

Further Information

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

PENSION FUND ACCOUNTS

FUND ACCOUNT

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.

PENSION FUND ACCOUNTS

NET ASSETS STATEMENT

NET ASSETS STATEMENT

31.03.2015			31.03.2016
£m		Note	£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.

PENSION FUND ACCOUNTS

NOTES TO THE PENSION FUND 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.

PENSION FUND ACCOUNTS

NOTES TO THE PENSION FUND ACCOUNTS

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.

PENSION FUND ACCOUNTS

NOTES TO THE PENSION FUND ACCOUNTS

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.

PENSION FUND ACCOUNTS

NOTES TO THE PENSION FUND ACCOUNTS

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.

PENSION FUND ACCOUNTS

NOTES TO THE PENSION FUND ACCOUNTS

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

PENSION FUND ACCOUNTS

NOTES TO THE PENSION FUND ACCOUNTS

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 management 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

PENSION FUND ACCOUNTS

NOTES TO THE PENSION FUND ACCOUNTS

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.

PENSION FUND ACCOUNTS

NOTES TO THE PENSION FUND ACCOUNTS

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.

PENSION FUND ACCOUNTS

NOTES TO THE PENSION FUND ACCOUNTS

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

PENSION FUND ACCOUNTS

NOTES TO THE PENSION FUND ACCOUNTS

	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

PENSION FUND ACCOUNTS

NOTES TO THE PENSION FUND ACCOUNTS

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

PENSION FUND ACCOUNTS

NOTES TO THE PENSION FUND ACCOUNTS

	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.

PENSION FUND ACCOUNTS
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	Equitable		Standard	Clerical	
	Life	Prudential	Life	Medical	Total
	£m	£m	£m	£m	£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	31.03.2016
	£m	£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.

PENSION FUND ACCOUNTS

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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

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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.

PENSION FUND ACCOUNTS

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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.

PENSION FUND ACCOUNTS

NOTES TO THE PENSION FUND ACCOUNTS

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%.

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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

PENSION FUND ACCOUNTS

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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

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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.

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	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."

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Sensitivity analysis

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

	Approximate increase to liabilities %	Approximate monetary amount £m
<i>Change in assumptions for the year ended 31 March 2016</i>		
<i>0.5% decrease in discount rate</i>	11%	554
<i>1 year increase in member life expectancy</i>	3%	152
<i>0.5% increase in salary increase rate</i>	4%	200
<i>0.5% increase in pensions increase rate</i>	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

PENSION FUND ACCOUNTS
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	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
Ryknelld 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

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	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

PENSION FUND ACCOUNTS

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^ 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

PENSION FUND ACCOUNTS

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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

PENSION FUND ACCOUNTS
NOTES TO THE PENSION FUND ACCOUNTS

	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
SV 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

PENSION FUND ACCOUNTS

NOTES TO THE PENSION FUND ACCOUNTS

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.

ANNUAL GOVERNANCE STATEMENT

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

ANNUAL GOVERNANCE STATEMENT

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

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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

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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.

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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

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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
Chief Executive

19 May 2016

Councillor Anne Western
Leader of the Council

19 May 2016

On behalf of Derbyshire County Council



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.

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- 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

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- 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 at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

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- 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:

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- 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).

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- **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 institutions 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.

GLOSSARY OF TERMS

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.

GLOSSARY OF TERMS

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).

GLOSSARY OF TERMS

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.

GLOSSARY OF TERMS

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.

GLOSSARY OF TERMS

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 either 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.

GLOSSARY OF TERMS

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.

GLOSSARY OF TERMS

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.

GLOSSARY OF TERMS

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.

GLOSSARY OF TERMS

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.

GLOSSARY OF TERMS

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.

GLOSSARY OF TERMS

Quoted Market Prices

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

Recognition

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

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.

GLOSSARY OF TERMS

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

If you require any further assistance

E-mail :

contactcentre@derbyshire.gov.uk

Phone :

01629 533190