DERBYSHIRE
County Council
Improving life for local people

Statement of Accounts
2011-12

PETER HANDFORD CPFA
DIRECTOR OF FINANCE

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EXPLANATORY FOREWORD

Introduction
This Statement of Accounts presents the overall financial position of the Council for the year ended 31 March 2012. 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.

The purpose of the Explanatory Foreword is to clarify the accounts by:

- Adding more detail to the significant aspects of the Council's financial performance and financial position already in the financial statements.
- Providing an assessment as to whether the Council has performed well during the year in using its revenue and capital resources.
- Advising on the strategies being implemented to achieve the corporate objectives, specific performance measures to assess if those objectives are achieved and significant risks that the Council is exposed to.

The Explanatory Foreword contains:

a. An explanation of the accounting statements.
b. Operating outturn compared with budget for the year.
c. Details of any material items of income or expense.
d. A brief note explaining the significance of any pensions liability or asset disclosed.
e. Significant changes in Accounting Policy and the impact to the accounts.
f. Changes to statutory functions and the impact to the accounts.
g. A brief note of the Council's current borrowing facilities and capital borrowing.
h. Internal and external sources of funds available to meet capital expenditure plans.
i. Details of significant provisions and material write offs.
j. Details of all adjusting and non-adjusting events after the reporting date.
k. The impact of the current economic climate on the Council.
l. Planned future developments.

a. 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. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement. The statement can be found on page 9.

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

- Cash Flow Statement (CFS) – This statement shows the changes in cash and cash equivalents of the Council. The statement can be found on page 14.

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

- Notes to the Accounts – Not a statement, however they provide supplementary information. These begin on page 15.

b. Operating Outturn Compared to Budget
Revenue Expenditure
The Council set a net budget requirement in 2011-12 which reflected a reduction from the previous year as a result of Government funding changes. Further details can be found in the budget report on the Council's website. There was no increase to Council Tax (band D of £1,077.22) due to the acceptance of Government grant to achieve this (Council Tax Freeze Grant).

The budget was adjusted to reflect the approved underspending from 2010-11 and the use of earmarked reserves, but otherwise was cash limited to the original budget set in February 2011. There was no change to the receipt of Revenue Support Grant and National Non Domestic Rates from Government, and the income from Council Tax was as estimated.

Most services achieved underspends, part of which related to planned activities not having been carried out in year, however the commitment remains. Pressures on Social Care budgets are significant, however actions are being taken to reduce the overall spend within Adult Care. The table below outlines the controllable budget position by department.

	Budget £m	Actual £m	(Under)/Over Spend £m
Chief Executive/Corporate Resources	52.851	47.644	(5.207)
Environmental Services	89.925	86.153	(3.772)
Cultural and Community Services	14.156	13.074	(1.082)
Children and Younger Adults	119.012	107.845	(11.167)
Adult Care	206.759	208.602	1.843
Corporate	15.991	10.792	(5.199)
Total	**498.694**	**474.110**	**(24.584)**

The CIES shows a deficit of £131.338m; this is largely due to the implications of schools converting to Academies, resulting in the removal of the school assets from the balance sheet and a consequent disposal charge to the CIES of £126m. These are non-cash related items and do not affect the financial stability of the organisation.

Capital Expenditure
The Council has spent £104.646m (2010-11 was £137.414m) on capital schemes during the year. Full details are shown in Note 59, the most significant items are:

- £32.173m on assets not owned by the County Council such as spend on voluntary aided and foundation schools and capital grants to other organisations.
- £72.473m spent on assets owned by the County Council, of which the major schemes were:
  - £24.305m spent on Highways, Roads and related expenditure
  - £3.182m Peak School Residential Accommodation
  - £4.256m Oaklands Residential and Community Care and Extra Care Centre
  - £2.153m Shirland Primary School
  - £1.515m Aldercar School Sports Hall

The equivalent spend during the previous financial year was £137.414m. The reduction this year is mainly due to a significant contraction in the new starts programme compared with the previous year.

c. Material items of Income or Expense
The following material revenue items (above £20m) were incurred during 2011-12:

- £125.824m – disposal of schools which have become academies during the year.
- £23.626m – capital expenditure on schools after they became academies.
- £28.306m – disposal of components of an asset which have been replaced.
- Grants above £20m are detailed in Note 58.

d. Significance of Pensions Liability and Assets
Statutory arrangements require benefits earned to be financed as the Council makes contributions to the Pension Fund or eventually pay any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid. Full details of the pensions' liability can be found in Note 63.

e. Significant Changes in Accounting Policy
There has been one significant change in accounting policies for 2011-12 and this relates to the Heritage Assets. Heritage Assets are non-current assets that have historical, artistic, scientific, technological, geophysical or environmental qualities, and are held and maintained by the Council principally for their contribution to knowledge and culture.

f. Changes in Statutory Functions
There have been no changes to the statutory functions in 2011-12. The only significant expected change relates to the responsibility for public health transferring from the NHS on 1 April 2013.

g. Borrowing Facilities
The Council undertakes a range of capital works each year to maintain, enhance or expand its asset base. Whilst some of these works will be paid for immediately (through grants, capital receipts etc.), the remainder will form an underlying borrowing need. This underlying borrowing need is termed the Capital Financing Requirement (CFR), and is an accumulation of both the current and previous years' shortfall between the capital spend and resources available to finance or pay for that spend. The CFR also includes assets from PFI schemes and finance leases. Whilst these assets have been brought onto the balance sheet, borrowing is not required as the schemes have borrowing facilities implicit within them (these are termed other long term liabilities).

As at 31 March 2012 the CFR was £516.4m compared to £528.9m the previous year. External debt was £389m together with other long term liabilities of £91.5m, giving a total of £480.5m. This provides an under-borrowing position of £35.9m. The difference between the CFR and the actual debt is the temporary use of working cash balances held by the County Council. The level of capital borrowing is within the County Council's Prudential Indicator limits.

h. Sources of Funding

The costs associated with the payment of PFI contracts are included in the revenue budget. Budgets are held to meet the service costs, interest repayments and minimum revenue provision. The minimum revenue provision ensures that the capital costs are financed. Future capital financing is reliant on the sale of assets, capital grant income and borrowing facilities. The Council does not anticipate that reductions are required to the current capital programme as a result of funding in the future being reduced.

i. Provisions and Write Offs

There were no material provisions or write offs during the year. Details of provisions can be found in Note 34 and of the bad debt provision and debtors written off in Note 31.

j. Events After the Reporting Date

St Mary's Catholic High School has achieved academy status from the 1st August 2012. Although this is not an adjusting event, the assets for the school have been removed from the balance sheet with effect of 1st August 2012.

The accounts have been amended following audit. There have been no further post balance sheet events between the balance sheet date and the date that the accounts were approved by the Audit Committee.

k. Current Economic Climate

The extent that the year's spending plans and budgeted income were impacted:

Consideration was given to the economic climate during the Comprehensive Spending Review 2010. At that time the initial budgetary and spending pressures affecting the Council for the subsequent five financial years were considered. There have been no significant changes as a direct result of the economic climate since that point.

Due to the economic climate the Capital Starts Programme for 2011-12 was prepared against a clear desire to reduce the proportion of resources used to service debt. Although the total starts programme spend was £54.5m, this showed borrowing at only £8.94m as against the previous year's total spend of £144.1m with borrowing of £36.2m.

The adequacy of reserves to withstand future financial pressures:

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

How the assets and liabilities of the Council have been affected:
Although there has been a decline of £147.638m in non-current assets since 2010-11, £125.824m of this relates to the disposal of schools that have become Academies and a reduction of £13.064m relates to the Council's decision not to invest on a long term basis due to unfavourable interest rates. However, short term investments have increased as a result, therefore the reduction in total assets which could be attributed to the current economic climate is only £4.439m. This represents a reduction of 0.2% of total assets since 2010-11 and is not considered to be significant to the financial position of the Council.

I. Planned Future Developments

In March 2011, the Government announced details of its Local Government Resources Review. This was followed by a consultation which set out proposals to allow councils to retain their locally-raised business rates. Further consultation is expected in 2012, when councils will be provided with further proposals on the final design of the scheme. The scheme will commence on 1st April 2013. The scheme will ensure that funding will remain within the control totals set in the 2010 Spending Review.

From April 2013, there will be a change to the way in which council tax benefits are administered. There will also be a reduction of 10% in the amount of central government support. Local authorities are required to design their own local schemes.

The Government is keen to encourage working age citizens to make provision for their retirement. Legislation requires any new employees appointed to the Council on or after 1 March 2013 to be automatically enrolled into the Local Government Pension Scheme.

From April 2013, the Council will assume responsibility for local Public Health expenditure. The expenditure will be funded from a ring-fenced specific grant from the Department of Health.

The Government is currently consulting on some important changes to school funding. These changes are due to be implemented from April 2013.

The Autumn Statement announced a number of further grant reduction measures for local government on top of those announced in the Comprehensive Spending Review 2010.

The Council will update its Five Year Financial Plan to assess the impact of the above developments on the Council's finances.

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 Local Authority Code of Practice.

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 2012 and of its income and expenditure for the year then ended.

Peter Handford
Director of Finance
28 September 2012

The Statement of Accounts were approved by the Audit Committee on 28 September 2012.

Councillor Stuart Bradford
Chair of the Audit Committee
28 September 2012

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This statement shows the accounting cost of providing services for the year in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation.

Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

		Note	2011-12 Exp £'000	2011-12 Inc £'000	2011-12 Net Exp £'000
A	Central Services to the Public		3,989	(1,692)	2,297
B	Cultural and Related Services		24,926	(2,461)	22,465
C	Environmental and Regulatory Services		38,555	(2,050)	36,505
D	Planning Services		3,514	(854)	2,660
E	Children's and Education Services		717,738	(546,475)	171,263
F	Highways, Roads & Transport		78,579	(12,073)	66,506
G	Adult Social Care		316,442	(76,216)	240,226
H	Corporate & Democratic Core		18,452	(6,748)	11,704
I	Non Distributed Costs	7	(3,717)	0	(3,717)
J	Exceptional Items	10	2,000	0	2,000
∑ A-J	**Net Cost of Services**	**6**	**1,200,478**	**(648,569)**	**551,909**
K	Exceptional Items	10			125,824
L	Other Operating (Income) and Expenditure	11			30,871
M	Financing and Investment Income and Expenditure	12			35,117
N	Taxation and Non-Specific Grants	13			(612,383)
∑ A-N	**(Surplus) / Deficit on the Provision of Services**				**131,338**
O	(Surplus) / Deficit on Revaluation of Fixed Assets				(15,222)
P	(Gain) / Loss on Pensions Fund Assets	63			112,855
∑ O-P	**Other Comprehensive (Income) and Expenditure**				**97,633**
∑ A-P	**Total Comprehensive (Income) and Expenditure**				**228,971**

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

The comparative position for 2010-11 is as follows:

		Note	2010-11 Exp £'000	Inc £'000	Net Exp £'000
A	Central Services to the Public		4,018	(1,699)	2,319
B	Cultural and Related Services		23,821	(2,290)	21,531
C	Environmental and Regulatory Services		38,809	(3,689)	35,120
D	Planning Services		5,360	(1,409)	3,951
E	Children's and Education Services		875,334	(621,988)	253,346
F	Highways, Roads & Transport		87,277	(23,701)	63,576
G	Adult Social Care		307,085	(80,073)	227,012
H	Corporate & Democratic Core		7,271	(7)	7,264
I	Non Distributed Costs	7	1,280	0	1,280
J	Exceptional Items	10	(94,494)	0	(94,494)
∑ A-J	**Net Cost of Services**	**6**	**1,255,761**	**(734,856)**	**520,905**
K	Exceptional Items	10			0
L	Other Operating (Income) and Expenditure	11			32,364
M	Financing and Investment Income and Expenditure	12			47,235
N	Taxation and Non-Specific Grants	13			(580,392)
∑ A-N	**(Surplus) / Deficit on the Provision of Services**				**20,112**
O	(Surplus) / Deficit on Revaluation of Fixed Assets				(44,861)
P	(Gain) / Loss on Pensions Fund Assets	63			(89,564)
∑ O-P	**Other Comprehensive (Income) and Expenditure**				**(134,425)**
∑ A-P	**Total Comprehensive (Income) and Expenditure**				**(114,313)**

BALANCE SHEET

1 Apr 2010 Restated £'000	31 Mar 2011 Restated £'000			Note	31 Mar 2012 £'000
1,789,617	1,760,587	Property Plant and Equipment	A	18	1,627,987
3,541	4,050	Intangible Fixed Assets	B	23	3,324
42,996	39,347	Non-Current Debtors	C	25	38,099
21,188	13,064	Non-Current Investments	D	26	0
1,857,342	**1,817,048**	**Total Non-Current Assets**	**∑ A-D**		**1,669,410**
149,293	134,094	Short Term Investments	E	26	193,628
1,083	3,501	Assets Held for Sale	F	27	1,303
1,841	1,552	Inventories	G	28	2,469
67,542	77,590	Debtors	H	30	36,834
83,901	106,690	Cash and Cash Equivalents	I	32	106,147
303,660	**323,427**	**Total Current Assets**	**∑ E-I**		**340,381**
(27,304)	(24,110)	Loans and Borrowing	J	26	(21,150)
(110,083)	(102,230)	Creditors	K	33	(88,207)
(137,387)	**(126,340)**	**Total Current Liabilities**	**∑ J-K**		**(109,357)**
(388,185)	(388,113)	Non-Current Borrowing	L	26	(384,495)
(8,096)	(8,748)	Provisions	M	34	(15,845)
(659,458)	(535,085)	Other Non-Current Liabilities	N	35	(646,875)
(1,055,739)	**(931,946)**	**Total Non-Current Liabilities**	**∑ L-N**		**(1,047,215)**
967,876	**1,082,189**	**NET ASSETS**	**∑ A-N**		**853,219**
245,720	255,029	Usable Reserves	O	36	269,336
722,156	827,160	Unusable Reserves	P	38	583,883
967,876	**1,082,189**	**TOTAL EQUITY**	**∑ O-P**		**853,219**

MOVEMENT IN RESERVES STATEMENT

		Note	General Fund £'000	Earmarked Revenue Reserves £'000	Unapplied Capital Grants £'000
Balance at 1 April 2011	**A**	**19**	**(85,933)**	**(119,427)**	**(35,840)**
Deficit on the provision of services	B		131,338	0	0
Other Income and Expenditure	C	63	0	0	0
Total Income and Expenditure	**∑ B-C**		**131,338**	**0**	**0**
Accounting & funding basis difference	D	19	(160,653)	0	15,716
Net increase before transfers	**∑ B-D**		**(29,315)**	**0**	**15,716**
Transfers to Earmarked Reserves	E	37	17,249	(17,249)	0
Increase in 2011-12	**∑ B-E**		(12,066)	(17,249)	15,716
Balance at 31 March 2012	**∑ A-E**	**19**	**(97,999)**	**(136,676)**	**(20,124)**

2010-11 comparative is as follows:

		Note	General Fund £'000	Earmarked Revenue Reserves £'000	Unapplied Capital Grants £'000
Balance at 1 April 2010	**A**	**19**	**(85,752)**	**(93,858)**	**(50,955)**
Deficit on the provision of services	B		20,112	0	0
Other Income and Expenditure	C	63	0	0	0
Total Income and Expenditure	**∑ B-C**		**20,112**	**0**	**0**
Accounting & funding basis difference	D	19	(45,862)	0	15,115
Net increase before transfers	**∑ B-D**		**(25,750)**	**0**	**15,115**
Transfers to Earmarked Reserves	E	37	25,569	(25,569)	0
Increase in 2010-11	**∑ B-E**		(181)	(25,569)	15,115
Balance at 31 March 2011	**∑ A-E**	**19**	**(85,933)**	**(119,427)**	**(35,840)**

MOVEMENT IN RESERVES STATEMENT

Capital Receipts Reserve £'000	**Total Usable Reserves £'000**	Unusable Reserves £'000	**Total Authority Reserves £'000**
(13,829)	**(255,029)**	**(827,160)**	**(1,082,189)**
0	131,338	0	**131,338**
0	0	97,633	**97,633**
0	**131,338**	**97,633**	**228,971**
(708)	(145,645)	145,645	**0**
(708)	**(14,307)**	**243,278**	**0**
0	0	0	**0**
(708)	(14,307)	243,278	**228,971**
(14,537)	**(269,336)**	**(583,882)**	**(853,218)**

Capital Receipts Reserve £'000	**Total Usable Reserves £'000**	Unusable Reserves £'000	**Total Authority Reserves £'000**
(15,155)	**(245,720)**	**(722,156)**	**(967,876)**
0	20,112	0	**20,112**
0	0	(134,425)	**(134,425)**
0	**20,112**	**(134,425)**	**(114,313)**
1,326	(29,421)	29,421	**0**
1,326	**(9,309)**	**(105,004)**	**0**
0	0	0	**0**
1,326	(9,309)	(105,004)	**(114,313)**
(13,829)	**(255,029)**	**(827,160)**	**(1,082,189)**

CASH FLOW STATEMENT

2010-11 £'000			Note	2011-12 £'000
(20,112)	**Net Surplus or (Deficit) on the provision of services**	**A**		**(131,338)**
70,580	Adjustments for non cash movements	B	42	86,388
(19,586)	Adjustments for investing and financing activities	C		123,224
	Net cashflow from:			
30,882	Operating activities	∑ A-C	40	78,274
(3,137)	Investing Activities	D	39	(80,119)
(4,956)	Financing Activities	E	41	1,301
22,789	**Movement in Cash & Cash Equivalent**	**∑ A-E**		**(544)**
83,903	Cash & Cash Equivalents at the start of the year	F	32	106,692
106,692	**Cash & Cash Equivalents at the end of the year**	**∑ A-F**	**32**	**106,148**

NOTES TO THE CORE FINANCIAL STATEMENTS

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

1. ACCOUNTING POLICIES

Introduction
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 for Local Authority Accounting. Where there is no specific guidance in the CIPFA 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 faithfully 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 Derbyshire County Council will account for all income, expenditure, assets and liabilities held and incurred during the 2011/12 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 statue, 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. A glossary of terms can be found at the end of the Accounting Policies Statement.

ACCOUNTING PRINCIPLES

1.1. **Going Concern**
The Council prepares its accounts on the basis that the Council is 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 to which it relates 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 respectively. 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 respectively and the Comprehensive Income and Expenditure Statement adjusted accordingly.

1.3. **Cost of Services**

Internal 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. This is in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2011-12 (BVACOP).

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 it. Any amounts outstanding (payment or receipt) at the year-end date is held as a creditor or debtor after netting off the amounts due / owed.

1.5. **Changes in Accounting Policy**

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

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

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

1.6. **Previous Year Adjustments**
Typically arise from omissions and misstatements in the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:

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

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

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

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

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

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

1.9. **Exceptional and Extraordinary Items and Prior Period Adjustments**
Exceptional and extraordinary items will have been disclosed separately on the face of the Comprehensive Income and Expenditure Statement and details will be disclosed in the notes to the accounts.

1.10. **Contingent Assets and Liabilities**
Where the Council has a contingent asset or liability this will be disclosed as a note to the accounts.

CAPITAL ACCOUNTING

1.11. **Recognition of Capital Expenditure (de-minimis Policy)**
In accordance with International Accounting Standard 16 (IAS 16), the Council recognises non-current assets when all four of the following tests are met:

- Assets held for use in the production or supply of goods or services, rental to others, or for administrative purposes.

- Assets expected to be used for more than one financial period.
- Assets where it is expected that future economic benefit will flow to the Council.
- Assets where the cost can be measured reliably.

The initial cost of an asset is recognised to be:

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

Subsequent enhancement expenditure is treated as capital when:

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

The Council has two levels of de-minimis for recognition of capital expenditure:

- Below £10,000 – all expenditure below this level is deemed to be non-enhancing, and therefore is charged to revenue as it is incurred. This includes initial recognition of assets and subsequent asset expenditure.
- Above £500,000 - expenditure meeting the definitions above will be treated as capital expenditure, either as initial recognition or as an enhancement. However, in order to ensure that the subsequent asset expenditure is enhancing the value of the asset, the Council will instruct a valuation of the asset by a RICS qualified valuer, and any impairment or additional enhancement recognised as necessary.
- Any expenditure between £10,000 and below £500,000 will be treated as capital expenditure as the amount is significant enough to increase the useful life of an asset, however is not material enough to warrant individual impairment review, until the time the asset would normally be valued.

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

1.12. **Donated Assets**

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

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

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

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

1.13. **Non-Current Asset Classification**
The Council manages its assets in the following categories:

➢ **Intangible Assets**

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

➢ **Property, Plant and Equipment Assets**

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

- Land and/or Buildings assets, in line with IAS 16, are recorded, valued and accounted for based on their significant components. The Council recognises a significant component to be;
  - Combined Group containing flat roof and 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 (i.e. a swimming pool)

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

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

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

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

- Infrastructure Assets 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.

  By 2012-13 the Council will have converted the infrastructure asset base fully into an IAS 16 compliant component base; this is in line with statutory accounting rules.

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

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

Investment Property Assets

Investment Property Assets 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 will also be classified as Investment Property Assets 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:

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

Assets which become non-operational / surplus which do not meet all of the requirements set out as assets held for sale continue to be classified and accounted for as their previous category. In addition, if the asset later no longer meets the criteria, it is restored to its previous classification and all transactions which would have occurred shall be retrospectively applied as though the asset had never been held for sale. Investment properties which become available for sale remain as Investment Properties. Assets meeting the criteria as held for sale are held as current assets on the balance sheet as income is expected within 12 months. It is possible that assets meet the criteria to be held for sale; however a change in circumstance beyond the control of the Council means that the sale is delayed beyond 12 months. In these instances the Council follows the policies outlined for assets held for sale; however disclosure of the value for these assets is within non-current assets. Due to the circumstances around the definition, it is expected that this will occur very rarely.

1.14. **Non-Current Asset Valuation Methodology**

The various classifications of assets as outlined in accounting policy 13 are valued on differing basis. Where not explicitly stated otherwise, property revaluations are completed by an RICS qualified valuer (who is internal to the Council), on a five year rolling programme i.e. 20% of the Council's assets are revalued at 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 Account as a revaluation gain. Where there is a revaluation which results in a lower than carrying amount valuation, this is treated in line with accounting policy 15 – impairment of assets.

Valuations are completed as follows:

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

- **Property Plant and Equipment –** Property Assets are held at fair value which is the amount that would be paid for the asset in its existing use. This requirement is met by providing a valuation on the basis of existing use value (EUV) in accordance with UKPS 1.3 of the RICS Valuation Standards. Where no other valuation method can be used, depreciated replacement cost is used.

Vehicles and Assets under construction within PPE are held at historic cost.

- **Infrastructure Assets –** the Council recognises Infrastructure Assets at historic cost (not revalued).

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

- **Community Assets –** the Council recognises Community Assets at historic cost.
- **Heritage Assets –** where it is possible to determine a valuation for Heritage Assets, then the Council will recognise the asset in the balance sheet at that valuation. All heritage assets are disclosed in the notes to the accounts, even where they are not held in the balance sheet.
- **Assets Held for Sale –** Assets held for sale are transferred into this category at their carrying amount and are then not revalued.

1.15. **Impairment of Non-Current Assets**
The accounting policy has been created in accordance with IAS 36.

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

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

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

Where there has been a previous revaluation taken to the revaluation reserve, an impairment up to that value would reverse the previous revaluation. Any further impairment or if there has been no previous revaluation, the impairment is charged to revenue. This is then reversed through the movement in reserves statement and charged to the capital adjustment account.

1.16. **Disposal of Non-Current Assets**
When an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet is written off to the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals are credited to the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

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

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

1.17. **Depreciation / Amortisation Methodology**

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

The economic lives of assets are:

- **Intangible Assets –** 5 years.

- **Property Plant and Equipment –**

    - Combined Group for Flat Roof and Mechanical Engineering - 20 years
    - Land – not depreciated
    - Temporary Buildings – 15 years
    - Combined group for structure, external works, pitched roof and components of less than 25% of the overall structure value – 40 years
    - Other unique features (i.e. a swimming pool) – as required
    - Fixtures and Fittings - 10 years.
    - Vehicles - 5 years

- **Infrastructure Assets –** 40 years

- **Investment Property Assets –** not depreciated

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

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

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

1.20. **Defining an Operating Lease**

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

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

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

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

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

1.23. **Lessor Accounting for an Operating Lease**
Where the Council is the lessor for an operating lease, normally the asset is classified as an investment property. Any rental income is credited to the relevant service income.

1.24. **Service Concession Agreements (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 – the Council recognises 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 relevant service revenue account within the net cost of services.

In order not to impact on the level of Council Tax, the Council removes the credit from the General Reserves through the Movement in Reserves Statement, and crediting 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 during the year that may be capitalised under statutory provisions or that is capital in nature but does not result in the creation of fixed assets has been charged as expenditure to the relevant service revenue account in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account then reverses out the amounts charged in the Movement in Reserves Statement so there is no impact on the level of council tax.

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 4% of debt outstanding on all debt as at 31 March 2008. On any new debt since that date it will 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 such a case an annual amount based on the expected useful life of the individual assets is used and where those assets are vehicles then 5 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 fund.

The Council continues to have the option to make additional provision for debt repayment if it wishes.

The proposals set meet the requirement to make a prudent calculation of MRP.

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 three categories; short term benefits, termination benefits and pensions costs.

Short term employee benefits:

- **Salaries and Wages –** The total salary and wages earned by employees within the financial year have been charged to the revenue expenditure account. Where the amount accrued exceeds the amount paid at 31 March, a creditor will be reflected in the accounts.
- **Leave Owed –** The Council allows employees to earn time off in one period and carry forward amounts of accrued leave into the following period, such as annual leave, flexi-time and time off in lieu. The cost associated with this leave is attributable to the period in which it is earned, rather than when it is exercised. As such a charge has been made to the service revenue account and a creditor accrual has been reflected in the Balance Sheet.
- **Maternity/Paternity Leave –** The obligation upon the Council to allow maternity leave and pay maternity pay occurs in the mid stages of pregnancy. The cost associated with this leave is attributable to the period in which the obligation is created, rather than when it is exercised. As such a charge has been made to the service revenue account and a creditor accrual has been reflected in the Balance Sheet for time off owed at 31 March.
- **Easter Bank Holiday –** When Good Friday and/or Easter Monday fall in April, the preceding financial year only accounts for six or seven bank holidays rather than the statutory eight. When this occurs a charge is been made to all service revenue accounts and a creditor accrual has been reflected in the Balance Sheet.
- **Non-monetary benefits –** Where employees have non-monetary benefits, the associated cost of providing that benefit has been charged to the service revenue account.
- **Teachers Leave –** Under normal circumstances, the school term ends at the end of the following holiday (i.e. January to March term ends after the Easter holidays). As such the number of days (excluding the bank holidays dealt with above) remaining in the Easter holidays taken in April should be charged into the preceding financial year. However, Derbyshire schools have a fixed Easter Holiday which commences on 1 April each year. As such no accrual has been created for time owed to teachers in Derbyshire as an internal policy to calculate a term from the start of the preceding holiday for the purpose of employee costs under IAS 19 has been taken. This is purely for the purposes of the IAS 19 accrual and has no impact on the HR policies for the organisation.

Termination Benefits

- **Redundancy Costs –** The obligation to pay redundancy costs occurs when there is a formal plan to create redundancies, which has been approved by Full Council. 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 Children, Schools and Families. The assets and liabilities of the Teachers' Pension Scheme are not attributable to the Council, therefore the Council accounts for the scheme as if it were a defined contribution scheme. This means that the Children and Education Services line in the Comprehensive Income and Expenditure Statement will only include the Council's contributions payable to the scheme.
- **Local Government Pension Scheme –** is a defined benefit scheme. The liabilities of the scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of earnings for current employees.

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

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

  - current service cost – the increase in liabilities as result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the revenue accounts of services for which the employees worked;
  - past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Net Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;
  - interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to Net Operating Expenditure in the Comprehensive Income and Expenditure Statement;
  - expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to Net Operating Expenditure in the Comprehensive Income and Expenditure Statement;

- o 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;
- o 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;
- o contributions paid to the Derbyshire County Council Pension Fund – cash paid as employer's contributions to the Pension Fund.

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

- ➢ **Early Retirement, Discretionary Payments –** the Council has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as 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 lessor are charged immediately to the relevant revenue service expenditure within the net cost of services on an accruals basis.

1.32. **Revenue Grants and Contributions**

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

Revenue grants will either be received to be used only for a specific purpose, or can be used for general purpose. Those for a specific purpose are recognised as income in the relevant service revenue account (wherever the related expenditure is incurred) within the net cost of services. Those which are for general purpose are shown in the foot of the Comprehensive Expenditure and Income Statement, before the net surplus or deficit.

1.33. **Provisions**

Provisions are made where an event has taken place that gives the Council an obligation that probably requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment

of compensation. As a result it is expected that the need to create a provision will be few and far between. Before creating a provision (excluding bad debt provisions and insurance provisions) approval should be gained from Technical Finance.
Provisions are charged to the appropriate service revenue account in the year that the Council recognises an obligation, based on the best estimate of the likely settlement. When payments are eventually made, it is charged to the provision. Estimated settlements are reviewed at the end of each financial year and adjustments with the service revenue account 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 in the relevant service revenue account 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 Fund represents the balance of reserve available to set aside for a specific purpose. Earmarked Reserves represent reserves where approval has been received to use the reserve for a specific purpose.

Unusable revenue reserves represent timing differences associated with the recognition of retirement benefits, council tax income and financial instruments. Movement in reserves are accounted through the Movement in Reserves Statement.

1.35. **Research Costs**
Research costs are treated as revenue expenditure at the point in which they are incurred, and charged to the relevant service revenue.

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

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

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

1.37. **Council Tax Recognition**
Council tax income included in the Comprehensive Income and Expenditure Statement for the year shall be the accrued income for the year. The Council’s share of the accrued council tax income is obtained from the information that is required by billing authorities in the production of the Collection Fund Statements.

If the net cash paid to the Council in the year is more than its proportionate share of net cash collected from council tax debtors in the year, the Council will recognise a credit adjustment for the same amount in creditors, after adjusting for the previous year brought forward and vice versa if net cash paid is less than the proportionate share.

The Cash Flow Statement includes within operating activities the net council tax cash received from the Collection Fund in the year (i.e. the precept for the year plus its share of Collection Fund surplus for the previous year, or less the amount paid to the Collection Fund in respect of its share of the previous year's Collection Fund deficit). The difference between the net cash received from the Collection Fund and the Council's share of cash collected from council tax debtors by the billing Council in the year is included within financing activities in the Cash Flow Statement.

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

1.38. **Cap and Trade Schemes**
The Landfill Allowance Trading Scheme is the only active 'cap and trade' scheme that the Council has in operation.

The Landfill Allowances Trading Scheme (LATS) gives rise to:
- a) an asset for allowances held;
- b) LATS grant income;
- c) a liability for actual landfill usage.

Allowances, allocated by DEFRA or purchased from other waste disposal authorities (WDAs), shall be recognised as assets and classified as current assets. They shall be measured initially at their fair value. Landfill Allowances are issued free by DEFRA. The recognition of fair value of the allowances issued to WDAs creates a credit which should be accounted for as revenue government grant.

As landfill is used, a liability shall be recognised for actual landfill usage. This liability is treated as a provision, creating revenue expenditure. The liability is discharged by using allowances to meet the liability, paying a cash penalty to DEFRA or a combination of both. The liability shall be measured at the best estimate of the expenditure required to meet the obligation at the reporting date. This will normally be the present market price at the reporting date of the number of allowances needed to cover actual landfill usage for the year.

After initial measurement, the Council shall re-measure the value of Landfill Allowances as the lower of cost or net realisable value.

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

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

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

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

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

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

1.41. **Carbon Reduction Commitment**
The Council is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme is currently in its introductory phase which will last until 31 March 2014.

The Council is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances.

The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date.

The cost to the Council is recognised and reported in the costs of the Council's services and is apportioned to services on the basis of energy consumption.

TREASURY MANAGEMENT
1.42. **Definition of Treasury Management Activities**
The Council has adopted the following definition of Treasury Management activities:

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

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

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

1.43. **Financial Liabilities**

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

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

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

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

1.44. **Financial Assets**

Financial assets are classified into two types:

- **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 de-recognition 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.

- **available-for-sale assets** – assets that have a quoted market price and/or do not have fixed or determinable payments.

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

Values are based on the following principles:

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

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

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

2. NATURE OF ANY CHANGES IN ACCOUNTING POLICY

There has been one significant change in accounting policies for 2011-12 for Heritage Assets. Financial Reporting Standard 30 (FRS 30) which deals with accounting for Heritage Assets was applied by local authorities on 1 April 2011. Heritage Assets are non-current assets that have historical, artistic, scientific, technological, geophysical or environmental qualities, and are held and maintained by the Council principally for their contribution to knowledge and culture.

Although not an accounting policy, CIPFA has updated its guidance on the presentation of the Comprehensive Income and Expenditure Statement. As a result, the line presented as "Cultural, Environmental, Regulatory and Planning Services" in the 2010-11 published accounts, has been presented as 3 independent lines in this document. Those 3 lines are Cultural and Related Services, Environmental and Regulatory Services and Planning Services.

Full details of the policy can be found in Note 1.

3. ACCOUNTING STANDARDS ISSUED AND NOT YET APPLIED

IFRS 7 Financial Instruments: Disclosures (transfers of financial assets) has been issued, however is not applicable to the 2011-12 financial year end. The Council does not have any Financial Instruments which are covered by this standard.

4. CRITICAL JUDGEMENTS WHEN APPLYING THE ACCOUNTING STANDARDS

The Council has accounted for Derbyshire Schools in accordance with relevant guidance available. As a result Community and Voluntary Controlled schools are included in the balance sheet, Foundation, Voluntary Aided and Academy schools are not.

5. AMOUNT OF ANY ADJUSTMENT IN ACCOUNTING POLICY

Many of the assets now treated as Heritage Assets were held within Community Assets at their historic cost / amount paid. FRS30 requires them to be held at fair value / what they are worth now. Most of these assets will have been purchased at nominal value or donated to the Council, resulting in a Historic Cost valuation much lower than their current worth. The table below details the change to the opening 1 April 2010 published accounts and comparative 2010-11 published accounts. The movements relating to Heritage Assets have only impacted on Heritage Assets and Community Assets within Property Plant and Equipment (PPE), the Capital Adjustment Account (CAA) and the Revaluation Reserve (RR). Therefore no other published figures are included in the reconciliation below.

		PPE £'000	CAA £'000	RR £'000	Movement £'000
Published Accounts 2009-10	**A**	**1,759,203**	**(1,135,117)**	**(163,375)**	
Museum Items (Buxton Museum) Purchased	B	2,689	0	(2,689)	**0**
Museum Items (Buxton Museum) Donated	C	1,519	(1,519)	0	**0**
Elvaston Collection - Museum Items	D	150	0	(150)	**0**
Chandeliers from Buxton Crescent	E	250	0	(250)	**0**
Archives: Business Records	F	1,585	0	(1,585)	**0**
Archives: Manuscripts	G	2,281	0	(2,281)	**0**
Railway Nameplates	H	23	0	(23)	**0**
Resource Centre Contents	I	2,050	0	(2,050)	**0**
Elvaston Castle Revaluation	J	19,852	0	(19,852)	**0**
Silverware	K	15	0	(15)	**0**
Restated 1 April 2010	**∑ A-K**	**1,789,617**	**(1,136,636)**	**(192,270)**	
Published Accounts 2010-11	**L**	**1,730,173**	**(1,040,660)**	**(202,016)**	
Movement in Opening Values from 2009-10	∑ B-K	30,414	(1,519)	(28,895)	**0**
Restated 1 April 2011	**∑ B-L**	**1,760,587**	**(1,042,179)**	**(230,911)**	

6. SEGMENTAL REPORTING

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Expenditure Reporting Code of Practice. However, decisions about resource allocations are taken by the Council’s Cabinet on the basis of budget reports analysed across departments.

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

	Budget £'000	Actual £'000	Outturn £'000
Controllable Outturn:			
Children & Younger Adults	119,012	107,845	**(11,167)**
Corporate	15,991	10,792	**(5,199)**
Cultural & Community Service	14,156	13,074	**(1,082)**
Adult Care	206,759	208,602	**1,843**
Environmental Services	89,925	86,153	**(3,772)**
Chief Executives	12,976	10,179	**(2,797)**
Corporate Resources	39,875	37,465	**(2,410)**
Total Controllable Outturn	**498,694**	**474,110**	**(24,584)**
Uncontrollable Outturn:			
Children & Younger Adults	59,025	59,025	**0**
Corporate	1,139	1,139	**0**
Cultural & Community Service	5,002	5,002	**0**
Adult Care	27,796	27,796	**0**
Environmental Services	21,023	21,023	**0**
Chief Executives	(4,094)	(4,094)	**0**
Corporate Resources	(35,372)	(35,372)	**0**
Total Uncontrollable Outturn	**74,519**	**74,519**	**0**
Total Reported Spending		**548,629**	

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

	Children & Younger Adults £'000	Corporate £'000	Cultural & Community Service £'000
Employee Costs	459,217	3,430	9,651
Premises	21,402	1,093	734
Transport	18,566	601	153
Supplies & Services	52,797	18,686	3,408
Agency Payments	53,763	8,651	0
Transfer Payments	1,667	(1)	0
Cross Departmental Charging	26,874	(6,121)	1,981
Cross Departmental Recharges	14,279	(953)	2,896
Capital Charges	61,977	2,966	737
Total Expenditure	**710,542**	**28,352**	**19,560**
Grants	(511,349)	(10,504)	(89)
Contributions	(11,319)	(1,243)	(395)
Sales, Fees and Charges	(21,004)	(4,674)	(1,000)
Total Income	**(543,672)**	**(16,421)**	**(1,484)**
Corporate Adjustments	0	0	0
Total Reported Spend	**166,870**	**11,931**	**18,076**

Adult Care £'000	Environmental Services £'000	Chief Executives £'000	Corporate Resources £'000	Total Departmental Reported Spending A £'000
80,106	23,360	9,128	49,241	634,133
1,889	1,835	96	6,829	33,878
4,612	4,242	245	2,065	30,484
15,266	10,961	3,126	4,394	108,638
166,377	64,750	1,019	653	295,213
13,840	0	0	0	15,506
5,487	1,659	28	(29,908)	0
10,743	4,840	(4,201)	(27,604)	0
14,294	12,685	35	3,677	96,371
312,614	**124,332**	**9,476**	**9,347**	**1,214,223**
(549)	(332)	(1,632)	(98)	(524,553)
(41,802)	(6,382)	(1,467)	(291)	(62,899)
(33,865)	(10,442)	(292)	(6,865)	(78,142)
(76,216)	**(17,156)**	**(3,391)**	**(7,254)**	**(665,594)**
0	0	0	0	0
236,398	**107,176**	**6,085**	**2,093**	**548,629**

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

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

Departmental Outturn	**548,629**	A
Remove Trading	1,148	B
Move PFI Charges and Grant	2,487	C
Adjustments to Retirement Benefits	(11,415)	D
VR provision	4,572	E
MMI Provision	2,000	F
Adjustment for staff holiday owed	4,484	G
Cost of Services	**551,905**	

The following shows the departmental subjective spend (column A) reconciled to the total reported Net Cost of Services within the CIES shown in the same subjective analysis.

	Department Outturn A £'000	Remove Trading B £'000	Private Finance Initiative C £'000	Retirement Benefits D £'000
Employee Costs	634,133	0	0	(11,415)
Premises	33,878	(211)	0	0
Transport	30,484	0	0	0
Supplies & Services	108,638	(55)	(8,017)	0
Agency Payments	295,213	(2)	0	0
Transfer Payments	15,506	0	0	0
Cross Departmental Charging	0	0	0	0
Cross Departmental Recharges	0	0	0	0
Capital Costs	96,371	0	0	0
Total Expenditure	**1,214,223**	**(268)**	**(8,017)**	**(11,415)**
Grants	(524,553)	0	10,504	0
Contributions	(62,899)	0	0	0
Sales, Fees and Charges	(78,142)	1,416	0	0
Total Income	**(665,594)**	**1,416**	**10,504**	**0**
Net Cost of Services	**548,629**	**1,148**	**2,487**	**(11,415)**
Exceptional Item	125,824	0	0	0
Other Operating Expenditure	32,019	(1,148)	0	0
Financing & Investment Expenditure	14,526	0	8,017	12,574
Taxation and Non-Specific Grants	(601,879)	0	(10,504)	0
Surplus or Deficit on Services	**119,119**	**0**	**0**	**1,159**

Voluntary Redundancy Provision E £'000	MMI Provision F £'000	Staff leave owed G £'000	Net Cost of Services £'000
4,572	0	4,484	**631,774**
0	0	0	**33,667**
0	0	0	**30,484**
0	2,000	0	**102,566**
0	0	0	**295,211**
0	0	0	**15,506**
0	0	0	**0**
0	0	0	**0**
0	0	0	**96,371**
4,572	**2,000**	**4,484**	**1,205,579**
0	0	0	**(514,049)**
0	0	0	**(62,899)**
0	0	0	**(76,726)**
0	**0**	**0**	**(653,674)**
4,572	**2,000**	**4,484**	**551,905**
0	0	0	**125,824**
0	0	0	**30,871**
0	0	0	**35,117**
0	0	0	**(612,383)**
4,572	**2,000**	**4,484**	**131,334**

The 2010-11 position was:

	Children & Younger Adults	Corporate Budgets	Cultural & Community Service
	£'000	**£'000**	**£'000**
Employee Costs	501,026	11,967	10,289
Premises	21,570	5,597	731
Transport	19,316	351	210
Supplies & Services	64,153	8,608	3,973
Agency Payments	68,447	2,244	2
Transfer Payments	2,692	0	0
Cross Departmental Charges	41,238	(5,614)	4,338
Capital Charges	148,079	1,647	697
Total Expenditure	**866,521**	**24,800**	**20,240**
Grants	(584,635)	0	(121)
Contributions	(14,751)	(485)	(305)
Sales, Fees and Charges	(21,064)	(2,936)	(1,282)
Total Income	**(620,450)**	**(3,421)**	**(1,708)**
Corporate Adjustments	0	0	0
Total Reported Spend	**246,071**	**21,379**	**18,532**

Cost of Services in Service Analysis	**613,687**
Remove Trading	1,047
Employee Benefits	(3,204)
Additional REFCUS	3,871
Exceptional Item & Support Services	(94,494)
Total Cost of Services per CEIS	**520,907**

Adult Care	Environmental Services	Chief Executives	Corporate Resources	Total Departmental Spending
				A
£'000	£'000	£'000	£'000	£'000
87,944	27,444	9,073	47,041	694,784
1,834	2,092	92	7,450	39,366
5,314	5,908	258	1,967	33,324
15,467	14,958	1,840	19,262	128,261
159,242	62,806	1,262	730	294,733
11,784	0	0	0	14,476
14,644	6,373	(3,807)	(57,172)	0
3,815	12,410	131	848	167,627
300,044	**131,991**	**8,849**	**20,126**	**1,372,571**
(5,415)	(462)	(1,847)	(134)	(592,614)
(43,849)	(19,586)	(798)	(63)	(79,837)
(30,810)	(10,452)	(218)	(19,671)	(86,433)
(80,074)	**(30,500)**	**(2,863)**	**(19,868)**	**(758,884)**
0	0	0	0	0
219,970	**101,491**	**5,986**	**258**	**613,687**

7. NON DISTRIBUTED COSTS

Non distributed costs are retirement benefits for funded and unfunded defined benefit pension schemes excluding the current service pension costs which are charged to the employee expenses within services.

2010-11 £'000		Note	2011-12 £'000
1,280	Settlements & Curtailments		(5,584)
0	Past Service Cost		1,867
1,280		**63**	**(3,717)**

8. ASSUMPTIONS MADE AND OTHER ESTIMATION UNCERTAINTY

Insurance Provisions The insurance fund was subject to an external actuarial review during 2011-12, which validated the amount of provisions and reserves on claims. This has mitigated the estimation uncertainty in the fund balances.

Estimation of the Pension Liability in Accordance with IAS19 The Council's pension Actuary (Mercer Limited) estimates, based on information available earlier in the year, the Council's pension liability at the balance sheet date. Following the production of the accounts, the Actuary is able to determine what level of error was in the estimation used. A 5% error in the gross pension liability valuation would result in an adjustment of approximately £27.882m.

Disposal of Replaced Components When a component of an asset (such as a kitchen or windows) is replaced, the carrying value of the existing component must be determined, and then disposed of. The exact carrying value of each component of an asset is unknown and therefore must be estimated. The Council has used the expenditure for the replacement component, adjusted for the change to construction costs over time (construction index charts), as a method of estimating the carrying value of the old component.

Equal Pay Liability The Council is subject to the national Single Status Agreement that is designed to ensure pay equality across all staff. The Council implemented a new pay and grading structure on 1 April 2010. In common with other Authorities, the Council is facing a considerable number of equal pay claims. A reliable estimation of the potential cost to the Council is not possible owing to the ever-changing nature of equal pay case law. As such the Council has not created a provision, but does recognise a contingent liability for these claims. Assuming that every case that has currently been lodged was lost and that every applicant was due the maximum entitlement, the total cost to the Council would be over £70m.

9. ACQUIRED AND DISCONTINUED OPERATIONS

Connexions Derbyshire Ltd ceased trading on the 31st March 2011; therefore there has been no requirement to produce Group Accounts for 2011-12. There are no other acquired or discontinued operations.

10. EXCEPTIONAL AND EXTRAORDINARY ITEMS

The Council used Municipal Mutual Insurance (MMI) to insure a number of its risks. In the early 1990's it became clear that MMI was in danger of becoming insolvent and a large part of its business was taken over by Zurich Insurance – this covered new business only. Liabilities associated with claims before the purchase by Zurich were left with MMI. It was hoped a solvent run-off of MMI could take place. It is now clear that this is unlikely. A provision for £2m has been reflected in the accounts; this has been charged as an exceptional item within the Net Cost of Services.

A number of Derbyshire schools have gained Academy status during the financial year, resulting in them no longer being owned by the Council. As a result the carrying value of those schools at the point of transfer to Academy status has been recognised as a disposal of fixed asset in the accounts. This amounts to £125.824m in 2011-12.

In 2010-11 a one off gain of £94.494m was recognised as a result of the Chancellor announcing in his budget statement on 22 June 2010 that the government would start to increase public service pensions in line with the Consumer Price Index (CPI) rather than the Retail Price Index (RPI), which has been the practice in the past. This change in valuation method has created a reduction to the liability from previous years, which was shown in the accounts as a past service cost.

11. OTHER OPERATING EXPENDITURE

2010-11 £'000		Note	2011-12 £'000
(1,047)	Trading Operations	44	(1,148)
275	Levies & Precepts	49	274
33,136	(Gain) / Loss on Disposal of Fixed Assets		31,745
32,364			**30,871**

12. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2010-11 £'000		Note	2011-12 £'000
26,484	Interest Payable	45	27,563
(5,620)	Interest Receivable	46	(5,020)
(64,124)	Expected Returns on Pensions Assets	63	(73,313)
90,495	Pensions Interest Costs	63	85,887
47,235			**35,117**

13. TAXATION AND NON-SPECIFIC GRANT INCOME

2010-11 £'000		Note	2011-12 £'000
(276,740)	Council Tax		(279,177)
0	Council Tax Freeze Grant		(6,961)
(23,477)	Revenue Support Grant		(48,577)
(161,674)	Non-Domestic Rates Redistribution		(157,156)
(47,925)	Area Based Grant		0
(8,018)	PFI Grant		(10,504)
0	New Homes Bonus		(385)
0	Local Services Support Grant		(2,145)
0	Other General Revenue Grants		(40,960)
(62,558)	Capital Grants		(66,518)
(580,392)		**58**	**(612,383)**

14. MATERIAL ITEMS OF INCOME AND EXPENSE

The Comprehensive Income and Expenditure Statement include the following material items (over £20m): As of 1 April 2010, the Council is required to calculate an estimation of the carrying value of replaced components when part of an asset is enhanced. This is to ensure that a component is not counted for twice on the asset register. Disposals were recognised in the year to the value of £28.306m (£29.176m in 2010-11), being the estimated carrying value of components replaced.

A number of Derbyshire schools have gained academy status during the financial year, resulting in them no longer being owned by the Council. As a result the carrying value of those schools at the point of transfer to academy status has been recognised as a disposal of fixed asset in the accounts. This amounts to £125.824m in 2011-12. In addition, any subsequent capital expenditure on projects at those schools has been treated as Revenue Expenditure Funded from Capital Under Statute (REFCUS). This amounted to £23.626m shown as part of total REFCUS for 2011-12.

The Council has received several grants exceeding £20m; details of these can be found in Note 58.

15. RELATED PARTY TRANSACTIONS

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

Central Government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other. Grants received from government departments are set out in the subjective analysis in note 6 on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2012 are shown in note 58.

Typical transactions with central government bodies include, but are not restricted to, investments, Pay As You Earn and National Insurance contributions paid over, pension contributions paid over and teaching services. Customer transactions with central government bodies in the year totalled £0.210m. Vendor transactions totalled £2,283.304m and included the following significant transactions:

Debt Management Office	£2,110.500m
Her Majesty's Revenues and Customs	£126.269m
Teachers Pensions	£45.391m

The following individually significant transactions are included within the Debt Management Office transactions stated above, all of which relate to investments made by the Council; one transaction of £30m, one transaction of £29.5m, one transaction of £27m, one transaction of £25m and seven transactions of £20m.

Other Local Authorities typical transactions include, but are not restricted to, investments, repayment of transferred debt, re-imbursement of joint project costs and supplies of goods and services. Customer transactions with other English local authorities in the year totalled £34.423m and included significant transactions with Derby City Council totalling £21.364m. Vendor transactions totalled £250.780m and included the following significant transactions: -

Derbyshire Fire Authority	£51.254m
Northamptonshire County Council	£25.017m
Leeds City Council	£20.012m

Health Bodies typical transactions include, but are not restricted to, investments, re-imbursement of joint project costs and supplies of goods and services. Customer transactions with other health bodies in the year totalled £38.379m and included significant transactions with Derbyshire County Primary Care Trust totalling £36.876m. Vendor transactions totalled £2.970m.

Members and Chief Officers Council Members have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2011-12 is shown in Note 50. During 2011-12 works and services to the value of £0.197m were commissioned from companies in which members had an interest, there were no material outstanding balances at year end. Contracts were entered into in full compliance with the Council's standing orders.

Entities Controlled or Significantly Influenced by the Council A number of companies have been set up by schools for the purpose of out of school childcare where there is a significant representation of Derbyshire County Council through Councillors or staff on the Board. During 2011-12 there were no material transactions with such organisations.

Derbyshire County Council is the administering authority for Derbyshire Pensions Fund under the Local Government Pension Scheme (Administration) Regulations 2008. The Council has charged £1.419m (2010-11, £1.555m) for fund administrative expenses and investment management expenses incurred on behalf of the Fund.

In addition, interest of £0.002m (2010-11, £0.040m) was paid by the Council to the Fund in 2011-12. At 31 March 2012 the Council owed the Fund £2.657m (2011: the Fund owed the Council £7.107m).

16. CONTINGENT ASSETS AND LIABILITIES AND SIMILAR COMMITMENTS

The Council is subject to the national Single Status Agreement that is designed to ensure pay equality across all staff. The Council implemented a new pay and grading structure on 1 April 2010. In common with other Authorities, the Council is facing a considerable number of equal pay claims. A reliable estimation of the potential cost to the Council is not possible owing to the ever-changing nature of equal pay case law. As such the Council has not created a provision, but does recognise a contingent liability for these claims. Assuming that every case that has currently been lodged was lost and that every applicant was due the maximum entitlement the total cost to the Council would be over £70m.

At 31 March 2012 the Council was committed to make two short-term investments of £5m each, to be paid on 30 April and 11 May respectively. There is no provision or creditor for these amounts as the legal obligation to pay was not fulfilled at 31 March. These commitments have been met using funds received from the maturity of earlier investments and therefore has no impact to the financial position reported in the Statements.

The Council pays independent care home providers for looking after Derbyshire residents who need residential care. The amount paid to the home owners is the subject of annual consultation and is agreed by Cabinet. Some of the care home providers are challenging the amounts currently being paid by the Council. They believe the process and decisions to arrive at the current fee is flawed and are therefore potentially seeking a Judicial Review of the decision. The maximum increased costs that the Council could be liable for, should the case be lost, on the terms expressed by the independent providers, are up to around £17m.

17. EVENTS AFTER THE BALANCE SHEET DATE

St Mary's Catholic High School has achieved academy status from the 1st August 2012. The assets for the school have been removed from the balance sheet in 2012-13. There have been no further post balance sheet events; however the accounts have been amended following audit.

18. 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 Property Plant and Equipment assets during the year:

	Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Heritage Assets £'000	Assets Under Construction £'000	Property Plant & Equipment £'000
COST OR VALUATION							
At 1st April 2011	1,461,288	89,920	324,518	3,188	34,592	14,240	**1,927,746**
Additions	36,545	1,873	25,125	1,720	0	6,339	**71,602**
Revaluations	4,344	0	0	3	8,442	0	**12,789**
Disposals derecognition	(19,092)	(342)	(14,270)	(1,646)	0	0	**(35,350)**
Disposals	(134,924)	(6,644)	(1,402)	0	0	0	**(142,970)**
Transfer within PPE	12,380	0	0	0	0	(12,380)	**0**
Transfers to Held for Sale	(895)	(21)	0	0	0	0	**(916)**
At 31st March 2012	**1,359,646**	**84,786**	**333,971**	**3,265**	**43,034**	**8,199**	**1,832,901**
DEPRECIATION AND IMPAIRMENTS							
At 1st April 2011	(54,084)	(53,775)	(58,971)	322	(331)	0	**(166,839)**
Charge for year	(25,815)	(9,530)	(8,262)	0	0	0	**(43,607)**
Revaluations	6,433	0	0	0	0	0	**6,433**
Impairment	(21,932)	0	0	(1,605)	0	0	**(23,537)**
Disposals derecognition	1,066	174	6,283	32	0	0	**7,555**
Disposals	9,898	4,469	617	0	0	0	**14,984**
Transfers to Held for Sale	79	21	0	0	0	0	**100**
At 31st March 2012	**(84,355)**	**(58,641)**	**(60,333)**	**(1,251)**	**(331)**	**0**	**(204,911)**
OPENING VALUE	1,407,204	36,145	265,547	3,510	34,261	14,240	**1,760,907**
CLOSING VALUE	**1,275,291**	**26,145**	**273,638**	**2,014**	**42,703**	**8,199**	**1,627,990**
NATURE OF ASSET HOLDING							
Owned	1,165,695	26,145	273,638	2,014	42,703	8,199	**1,518,394**
Finance Lease	7,838	0	0	0	0	0	**7,838**
PFI	101,758	0	0	0	0	0	**101,758**
	1,275,291	**26,145**	**273,638**	**2,014**	**42,703**	**8,199**	**1,627,990**

The restated 2010-11 position is:

	Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Heritage Assets £'000	Assets Under Construction £'000	Property Plant & Equipment £'000
COST OR VALUATION							
At 1st April 2010	1,474,629	86,925	301,292	2,461	34,592	32,193	**1,932,092**
Additions	86,635	3,044	23,226	1,122	0	12,685	**126,712**
Revaluations	(91,473)	0	0	0	0	0	**(91,473)**
Disposals derecognition	(6,847)	(49)	0	0	0	0	**(6,896)**
Disposals	(28,736)	0	0	(395)	0	0	**(29,131)**
Transfer within PPE	30,638	0	0	0	0	(30,638)	**0**
Transfers to Held for Sale	(3,558)	0	0	0	0	0	**(3,558)**
At 31st March 2011	**1,461,288**	**89,920**	**324,518**	**3,188**	**34,592**	**14,240**	**1,927,746**
DEPRECIATION AND IMPAIRMENTS							
At 1st April 2010	(49,938)	(40,731)	(51,479)	0	(328)	0	**(142,476)**
Charge for year	(24,603)	(13,043)	(7,492)	0	(3)	0	**(45,141)**
Revaluations	20,172	0	0	0	0	0	**20,172**
Impairment	0	0	0	0	0	0	**0**
Disposals derecognition	228	0	0	0	0	0	**228**
Disposals	0	0	0	0	0	0	**0**
Transfers to Held for Sale	57	0	0	0	0	0	**57**
At 31st March 2011	**(54,084)**	**(53,774)**	**(58,971)**	**0**	**(331)**	**0**	**(167,160)**
OPENING VALUE	1,424,691	46,194	249,813	2,461	34,264	32,193	**1,789,616**
CLOSING VALUE	**1,407,204**	**36,146**	**265,547**	**3,188**	**34,261**	**14,240**	**1,760,586**
NATURE OF ASSET HOLDING							
Owned	1,298,312	36,146	265,547	3,188	34,261	14,240	**1,651,694**
Finance Lease	8,614	0	0	0	0	0	**8,614**
PFI	100,278	0	0	0	0	0	**100,278**
	1,407,204	**36,146**	**265,547**	**3,188**	**34,261**	**14,240**	**1,760,586**

The Council is required to present for each re-valued class of property, plant and equipment, the carrying amount that would have been recognised had the assets been carried under the cost model:

	Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Heritage Assets	Assets Under Construction	Property Plant & Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
COST OR VALUATION							
At 1st April 2011	1,486,747	89,920	324,518	3,151	5,697	14,240	**1,924,273**
Additions	36,545	1,873	25,125	1,720	0	6,339	**71,602**
Revaluations	0	0	0	0	0	0	**0**
Disposals derecognition	(40,402)	(51)	(15,673)	(1,646)	0	0	**(57,772)**
Disposals	(16,180)	(6,935)	0	0	0	0	**(23,115)**
Transfer within PPE	12,380	0	0	0	0	(12,380)	**0**
Transfers to Held for Sale	(1,471)	(21)	0	0	0	0	**(1,492)**
At 31st March 2012	**1,477,619**	**84,786**	**333,970**	**3,225**	**5,697**	**8,199**	**1,913,496**
DEPRECIATION AND IMPAIRMENTS							
At 1st April 2011	(93,940)	(53,775)	(58,971)	59	(331)	0	**(206,958)**
charge for year	(21,740)	(9,530)	(8,262)	0	0	0	**(39,532)**
Revaluations	0	0	0	0	0	0	**0**
Impairment	(203,824)	0	0	(1,305)	0	0	**(205,129)**
Disposals derecognition	4,187	161	0	0	0	0	**4,348**
Disposals	12,179	4,481	6,900	32		0	**23,592**
Transfers to Held for Sale	714	21	0	0	0	0	**735**
At 31st March 2012	**(302,424)**	**(58,642)**	**(60,333)**	**(1,214)**	**(331)**	**0**	**(422,944)**
OPENING VALUE	1,392,807	36,145	265,547	3,210	5,366	14,240	**1,717,315**
CLOSING VALUE	**1,175,195**	**26,144**	**273,637**	**2,011**	**5,366**	**8,199**	**1,490,552**
NATURE OF ASSET HOLDING							
Owned	1,080,825	26,144	273,637	2,011	5,366	8,199	**1,396,182**
Finance Lease	5,400	0	0	0	0	0	**5,400**
PFI	88,970	0	0	0	0	0	**88,970**
	1,175,195	**26,144**	**273,637**	**2,011**	**5,366**	**8,199**	**1,490,552**

Carrying value, closing balance of Property Plant and Equipment = 1,627.990m Less: Historic cost, closing balance of Property Plant and Equipment = 1,490.552m Add: Balance held in Revaluation Reserve for assets held for sale = £0.184m Equals: £137.622m – the balance held in the revaluation reserve as per note 19.

19. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS

	Usable reserves			
Narrative	**General Reserve £'000**	**Earmarked Revenue Reserves £'000**	**Unapplied Capital Grants £'000**	**Capital Receipts Reserve £'000**
BALANCE AS AT 1 APRIL 2011	**(85,933)**	**(119,427)**	**(35,840)**	**(13,829)**
Income and Expenditure	131,338			
Depreciation of fixed assets	(44,739)			
Impairment of fixed assets	(19,215)			
Capital Grants	66,518		(66,518)	
Disposal of fixed assets	(157,569)			(1,949)
Capital exp. on non-Council assets	(32,173)			
Employee Benefits	(4,484)			
Collection Fund Adjustment	345			
Retirement benefits	(51,603)			
Minimum revenue provision	22,557			
Principal transferred debt	(1,269)			
Capital exp. Funded from Revenue	10,579			
Reversal of effective interest rate	(44)			
Employer contribution to Pensions	50,444			
Transfer to Earmarked reserves	34,387	(34,387)		
Transfer from Earmarked reserves	(17,138)	17,138		
Transfer Usable Capital Receipts				(479)
Previous Year Correction				
Financing Capital Spend			82,234	1,720
BALANCE AT 31 MARCH 2012	**(97,999)**	**(136,676)**	**(20,124)**	**(14,537)**

Unusable reserves						
Deferred Capital Receipts £'000	Revaluation Reserve £'000	Capital Adjustment Account £'000	Financial Instruments Adjustment Account £'000	Accumulated Absences Account £'000	Collection Fund Adjustment Account £'000	Pensions Reserve £'000
(1,777)	**(230,911)**	**(1,042,179)**	**63**	**4,742**	**(731)**	**443,633**
	(15,222)					112,855
	4,076	40,663				
		19,215				
	104,442	55,076				
		32,173				
				4,484		
					(345)	
						51,603
		(22,557)				
		1,269				
		(10,579)				
			44			
						(50,444)
479						
236		(236)				
		(83,954)				
(1,062)	**(137,615)**	**(1,011,109)**	**107**	**9,226**	**(1,076)**	**557,647**

The 2010-11 position was:

Narrative	Usable reserves			
	General Reserve £'000	Earmarked Revenue Reserves £'000	Unapplied Capital Grants £'000	Capital Receipts Reserve £'000
BALANCE AS AT 1 APRIL 2010	**(85,752)**	**(93,858)**	**(50,955)**	**(15,155)**
Comprehensive Income & Expenditure	20,112			
Depreciation of fixed assets	(45,499)			
Impairment of fixed assets	(116,162)			
Capital Grants	62,559		(62,559)	
Disposal of fixed assets	(33,136)			
Capital exp. on non-Council assets	(9,836)			
Employee Benefits	784			
Collection Fund Adjustment	131			
Retirement benefits	17,535			
Minimum revenue provision	21,950			
Principal transferred debt	(1,435)			
Capital exp. Funded from Revenue	4,284			
Reversal of effective interest rate	(45)			
Employer contribution to Pensions	53,008			
Transfer to Earmarked reserves	51,911	(51,911)		
Transfer from Earmarked reserves	(26,342)	26,342		
Transfer Usable Capital Receipts				(3,903)
Financing Capital Spend			77,674	5,229
BALANCE AT 31 MARCH 2011	**(85,933)**	**(119,427)**	**(35,840)**	**(13,829)**

Unusable reserves						
Deferred Capital Receipts £'000	Revaluation Reserve £'000	Capital Adjustment Account £'000	Financial Instruments Adjustment Account £'000	Accumulated Absences Account £'000	Collection Fund Adjustment Account £'000	Pensions Reserve £'000
(1,934)	**(192,270)**	**(1,136,636)**	**18**	**5,526**	**(600)**	**603,740**
	(44,861)					(89,564)
	4,907	40,592				
		116,162				
(3,746)	1,313	35,569				
		9,836				
				(784)		
					(131)	
						(17,535)
		(21,950)				
		1,435				
		(4,284)				
			45			
						(53,008)
3,903						
		(82,903)				
(1,777)	**(230,911)**	**(1,042,179)**	**63**	**4,742**	**(731)**	**443,633**

20. HERITAGE ASSETS

The Council’s collection of Art, Geology, Ceramics, Ethnography and Social History is reported in the Balance Sheet at insurance valuation. These insurance valuations were based on market values; the significant museum items were reviewed between 2009 and 2011 and it is considered that the current valuations are adequate, subject to existing markets. The value of the museum assets will be appraised at regular intervals that will not exceed five years, the next valuation will be undertaken by December 2015.

21. NATURE AND SCALE OF HERITAGE ASSETS

The Council’s Heritage Assets account for 3% of the Total Asset Base. They are mainly Museum Assets, Historic Buildings and Structures.

The only Donated Heritage Assets are those that have been given to Derbyshire Museums and are valued at their insurance value at £1.519m.

A summary showing separate transactions has not been produced as there have been no recent movements in the last three years and it is considered impracticable to provide a five year summary of Heritage Assets due to the lack of adequate records.

22. HERITAGE ASSETS NOT REPORTABLE IN THE BALANCE SHEET

The following list of Heritage Assets is not reportable in the balance sheet as the Council is unable to place a reliable fair value on such assets. This is due to the lack of market evidence and their unique nature and specific location. The nature of these assets is insignificant in terms of having no real monetary value to the Council.

Colliery Bridge, Shipley Country Park
Pauls Arm Bridge, Shipley Country Park
Leawood River Aqueduct
Northern Retaining Walls & Loading Bay, Cromford Wharf
Side Walls & Curbs to Canal Basin, Cromford Wharf
Railway Embankment & Road Bridge, Steeple Grange, Wirksworth
Cromford Canal - High Peak Pump House
Middleton Top Engine House (High Peak Trail)
Sheep Pasture Engine House (High Peak Trail)
Grin Low Tower (Solomons Temple) Poole's Cavern Country Park, Buxton
Workshops, Offices and Terminus Cromford & High Peak Junction
Northern (Gothic) Warehouse, Cromford Wharf
Leawood Pumphouse, Cromford and High Peak Junction
Brittain Colliery Headstocks, Ripley
Brittain Colliery Engine House, Ripley
Seldon Seen Engine House - Three Valleys Project

23. INTANGIBLE ASSETS
All Intangible Assets relate to Software Licences.

	2011-12 £'000	2010-11 £'000
COST OR VALUATION		
At 1st April	4,450	3,583
Additions	916	867
Donations	0	0
Revaluations	0	0
Disposals	(639)	0
Reclassification	0	0
At 31st March	**4,727**	**4,450**
AMORTISATION		
At 1st April	(400)	(42)
Charge for Year	(1,131)	(358)
Revaluations	0	0
Disposals	129	0
Reclassification	0	0
At 31st March	**(1,402)**	**(400)**
OPENING VALUE AT 1st APRIL	4,050	3,541
CLOSING VALUE AT 31st MARCH	**3,325**	**4,050**

24. INVESTMENT PROPERTIES
The Council has no assets that are held solely for the purpose of income generation or capital appreciation.

25. NON-CURRENT DEBTORS

31 Mar 11 £'000		31 Mar 12 £'000
35,273	Derby City 1997 Transferred Debt	35,226
1,258	Districts 1997 Transferred Debt	1,209
106	Further Education Funding Council	91
14	Loan to "Do you need a hand"	14
15	Loan to Derbyshire Learning and Community Partnership	0
761	Loans to Police Authority	681
0	Loan to the Probation Service	151
352	Other Long Term Debtors	322
1,568	Vehicle Finance Leases	405
39,347		**38,099**

26. FINANCIAL INSTRUMENTS

The following categories of financial instrument are carried in the balance sheet:

	Non Current		Current	
	31 Mar 12 £'000	31 Mar 11 £'000	31 Mar 12 £'000	31 Mar 11 £'000
Loans and receivables	0	13,064	193,628	134,094
Available-for-sale financial assets	0	0	0	0
Unquoted equity investments at cost	0	0	0	0
Fair value through profit & loss	0	0	0	0
Total Financial Instrument Investments	**0**	**13,064**	**193,628**	**134,094**

	Non Current		Current	
	31 Mar 12 £'000	31 Mar 11 £'000	31 Mar 12 £'000	31 Mar 11 £'000
Loans and receivables	37,694	37,779	47	1,470
Finance Lease Debtors	405	1,568	263	447
Financial assets carried at contract amounts	0	0	24,324	68,883
Total Financial Instrument Debtors	**38,099**	**39,347**	**24,634**	**70,800**

	Non Current		Current	
	31 Mar 12 £'000	31 Mar 11 £'000	31 Mar 12 £'000	31 Mar 11 £'000
Financial liabilities	(384,495)	(388,113)	(21,150)	(24,110)
Financial liabilities at fair value through the I&E	0	0	0	0
Total Financial Instrument Borrowing	**(384,495)**	**(388,113)**	**(21,150)**	**(24,110)**

	Non Current		Current	
	31 Mar 12 £'000	31 Mar 11 £'000	31 Mar 12 £'000	31 Mar 11 £'000
PFI	(84,143)	(86,259)	(2,117)	(1,982)
Finance Leases	(5,086)	(5,193)	(107)	(99)
Total other liabilities	**(89,229)**	**(91,452)**	**(2,224)**	**(2,081)**

	Non Current		Current	
	31 Mar 12 £'000	31 Mar 11 £'000	31 Mar 12 £'000	31 Mar 11 £'000
Financial liabilities carried at contract amounts	0	0	(78,810)	(82,951)
Total Creditors	**0**	**0**	**(78,810)**	**(82,951)**

Financial instruments Gains/Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

	Financial liabilities measured at amortised cost £'000	Financial Assets Loans and receivables £'000	Total £'000
Interest expense	(27,538)	0	(27,538)
Losses on de-recognition	0	0	0
Reductions in fair value	0	0	0
Impairment losses	0	0	0
Fee expense	0	0	0
Total expense in Surplus or Deficit on the Provision of Services	**(27,538)**	**0**	**(27,538)**
Interest Income	0	5,020	5,020
Interest income accrued on impaired financial assets	0	0	0
Increases in fair value	0	0	0
Gains on de-recognition	0	0	0
Fee income	0	0	0
Total income in Surplus or Deficit on the Provision of Services	**0**	**5,020**	**5,020**
Gains on revaluation	0	0	0
Losses on revaluation	0	0	0
Amounts recycled to the Surplus or Deficit on the Provision of Services after impairment	0	0	0
Surplus arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	**0**	**0**	**0**
Net gain/(loss) for the year	**(27,538)**	**5,020**	**(22,518)**

Available for Sale Financial Assets and Financial Assets held at Fair Value through the CIES have not been included in the table above as none have been held by the Council at any point during the year.

For 2010-11 the position was:

	Financial liabilities measured at amortised cost £'000	Financial Assets Loans and receivables £'000	Total £'000
Interest expense	(26,476)	0	(26,476)
Losses on de-recognition	0	0	0
Reductions in fair value	0	0	0
Impairment losses	0	0	0
Fee expense	0	0	0
Total expense in Surplus or Deficit on the Provision of Services	**(26,476)**	**0**	**(26,476)**
Interest Income	0	5,358	5,358
Interest income accrued on impaired financial assets	0	0	0
Increases in fair value	0	0	0
Gains on de-recognition	0	0	0
Fee income	0	0	0
Total income in Surplus or Deficit on the Provision of Services	**0**	**5,358**	**5,358**
Gains on revaluation	0	0	0
Losses on revaluation	0	0	0
Amounts recycled to the Surplus or Deficit on the Provision of Services after impairment	0	0	0
Surplus arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	**0**	**0**	**0**
Net gain/(loss) for the year	**(26,476)**	**5,358**	**(21,118)**

Fair value of Assets and Liabilities carried at Amortised Cost

Financial liabilities and financial assets represented by loans and receivables and long term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- For loans from the Public Works Loans Board (PWLB) and other loans payable, premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures;
- For loans receivable prevailing benchmark market rates have been used to provide the fair value, and accrued interest is included;
- No early repayment or impairment is recognised;

- Where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate to fair value.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

Long Term Liabilities:

	Carrying Value		Fair Value	
	31 Mar 12 £'000	31 Mar 11 £'000	31 Mar 12 £'000	31 Mar 11 £'000
Transferred Debt	(4,612)	(4,991)	(4,612)	(4,991)
Public Works Loan Board	(352,181)	(355,424)	(443,251)	(394,292)
Lender Option Borrower Option	(27,702)	(27,698)	(30,061)	(32,111)
Long term borrowing	**(384,495)**	**(388,113)**	**(477,924)**	**(431,394)**
PFI liability	(84,143)	(86,259)	(84,143)	(86,259)
Finance lease liability	(5,086)	(5,193)	(5,086)	(5,193)
Total Long Term Liabilities	**(473,724)**	**(479,565)**	**(567,153)**	**(522,846)**

Short Term Liabilities:

	Carrying Value		Fair Value	
	31 Mar 12 £'000	31 Mar 11 £'000	31 Mar 12 £'000	31 Mar 11 £'000
Public Works Loan Board	(5,936)	(10,000)	(5,936)	(10,000)
Temporary Loans	(15,032)	(11,547)	(15,032)	(11,547)
Short term borrowing	**(20,968)**	**(21,547)**	**(20,968)**	**(21,547)**
Trade Creditors	(60,052)	(34,316)	(60,052)	(34,316)
Total Short Term Liabilities	**(81,020)**	**(55,863)**	**(81,020)**	**(55,863)**

Long term Assets:

	Carrying Value		Fair Value	
	31 Mar 12 £'000	31 Mar 11 £'000	31 Mar 12 £'000	31 Mar 11 £'000
Long Term Investments – Money Markets	0	13,000	0	13,055
Long Term Trade Debtors	336	381	336	381
Long Term Financial Assets	**336**	**13,381**	**336**	**13,436**

Short Term Assets:

	Carrying Value		Fair Value	
	31 Mar 12 £'000	31 Mar 11 £'000	31 Mar 12 £'000	31 Mar 11 £'000
Short Term Investments – Money Markets	193,628	133,000	193,628	133,000
Trade debtors	14,884	11,203	14,884	11,203
Short Term Financial Assets	**208,512**	**144,203**	**208,512**	**144,203**

27. ASSETS HELD FOR SALE

	2011-12		2010-11	
	GBV £'000	Dep'n £'000	GBV £'000	Dep'n £'000
OPENING VALUE	**3,558**	**(57)**	**1,087**	**(4)**
Assets classed as Held for Sale				
Abercrombie Community Primary	0	0	2,603	(15)
Hopton Cottage	0	0	180	(14)
Portland House	0	0	171	(5)
Brookhill Road Industrial Estate	0	0	96	(2)
Wingerworth Youth Centre	0	0	508	(21)
Whitestones Social Services	40	(4)	0	0
Law Centre - Chesterfield	127	(2)	0	0
New Beetwell Street Garage	40	(4)	0	0
Heanor Relief Rd - 7 Whysall Street	55	0	0	0
Community Living Unit - Common Road	112	(12)	0	0
School Board Lane Community Centre	304	(30)	0	0
Shirebrook Community Centre	746	(69)	0	0
Disposal of Assets:				
Stanley Morley Railway Path (Part)	0	0	(4)	0
1-3 Woodside Place, Clay Cross	0	0	(90)	0
Bolsover Adult Community Ed. Centre	0	0	(277)	4
Former American Adventure Site (Part)	0	0	(716)	0
Abercrombie Community Primary	(2,603)	15	0	0
Hopton Cottage	(180)	14	0	0
Portland House	(171)	5	0	0
Brookhill Road Industrial Estate	(96)	2	0	0
Assets Reclassified to PPE:				
Wingerworth Youth Centre	(508)	21	0	0
	1,424	**(121)**	**3,558**	**(57)**

28. INVENTORIES

Inventories are held for various purposes including Catering, Children's Play Equipment, ICT equipment and materials required for road maintenance (Allroads Stores). In addition, the Property section undertakes external contracts for which the Council holds Work in Progress, details of these contracts are shown in Note 29.

	2010-11			2011-12		
	Allroads Stores £'000	Work in Progress £'000	Other £'000	Allroads Stores £'000	Work in Progress £'000	Other £'000
1st April	**628**	**574**	**639**	**547**	**382**	**623**
Purchases	6,159	0	246	1,960	15,587	1,060
Expense during the year	0	13,553	0	(84)	0	(54)
Stock Issued	(6,240)	(13,745)	(200)	(2,046)	(14,488)	(1,009)
Written off balances	0	0	(62)	(3)	0	(7)
Reversals of write-offs	0	0	0	0	0	0
31st March	**547**	**382**	**623**	**374**	**1,481**	**613**

29. CONSTRUCTION CONTRACTS

At 31 March 2012 the Council had 28 external construction contracts in progress. The income due from the contracts at 31 March 2012 is as follows:

	Total Contracts £'000
Costs incurred to date	917
Revenue recognised:	
before 1 April 2011	(414)
during 2011-12	(334)
(Profit)/loss	**169**
Advances received	(329)
Gross amount due	**(419)**
Comprising:	
amounts not billed	(94)
invoices outstanding	(325)
	(419)

30. DEBTORS

The Council's debtor balance can be analysed into the following categories:

31 Mar 11			31 Mar 12	
£'000	£'000		£'000	£'000
		Amounts Owing to the Council		
13,116		From Other Local Authorities	8,112	
16,745		From NHS Bodies	2,287	
8,711		From Government Departments	6,691	
7,335		From Inter-Group Organisations	74	
24,893	**70,800**	From Other Sundry Debtors	16,658	**33,822**
		Paid in Advance by the Council		
188		To Other Local Authorities	68	
0		To NHS Bodies	0	
229		To Government Departments	1	
0		To Inter-Group Organisations	0	
6,480	**6,897**	To Other Sundry Debtors	3,759	**3,828**
	77,697	**Total Debtors**		**37,650**
	(107)	Less Provision for Bad Debts		(815)
	77,590	**Carrying Value of Debtors**		**36,835**

31. BAD DEBT PROVISION

The bad debt provision for the Council has been calculated using trends of debt written off in previous years, based on age of debt and type of debtor. This is then adjusted for any specific circumstances known to the Council in relation to individual debtors.

During 2011-12 the Council wrote off £0.062m of total invoiced debt. In 2010-11 this figure was £0.056m.

32. CASH AND CASH EQUIVALENTS

31 Mar 11 £'000		31 Mar 12 £'000
686	County Fund Bank Account Balance	3,681
(14,002)	Adjustment to bank balance for timing	(2,907)
(13,316)	**Cash Book for County Fund Account**	**774**
429	Schools Cash Income Account Balance	323
(12,887)	**Total Cash Book Balance (Overdraft)**	**1,097**
9,599	Amounts held by Bank Account Schools	6,716
184	Amounts held in Petty Cash Tins	226
23	Amounts held in Imprest Bank Accounts	24
226	Amounts held in Other Bank Accounts	236
(2,855)	**Total Cash Balance (Overdraft)**	**8,299**
18,527	Bank instant-access deposit accounts	19,808
20,010	Money Market Funds	40,023
71,008	Short-term deposits	38,016
106,690	**Total Cash and Cash Equivalents**	**106,146**

33. CREDITORS

The Council's creditor balance can be analysed into the following categories of creditor:

31 Mar 11			31 Mar 12	
£'000	£'000		£'000	£'000
		Amounts Owing by the Council		
(11,169)		To Other Local Authorities	(5,385)	
(834)		To NHS Bodies	(931)	
(17,526)		To Government Departments	(27,350)	
(1,858)		To Inter-Group Organisations	(180)	
(51,564)	**(82,951)**	To Other Sundry Creditors	(49,448)	**(83,294)**
		Income in Advance to the Council		
(103)		From other Local Authorities	(197)	
(1,177)		From NHS Bodies	(544)	
(14,557)		From Government Departments	(1,930)	
(3,442)	**(19,279)**	From Other Sundry Creditors	(2,243)	**(4,914)**
	(102,230)	**Carrying Value of Creditors**		**(88,208)**

34. PROVISIONS

Provisions are made where an event has taken place that gives the Council an obligation that probably requires settlement by the transfer of economic benefits. Provisions are charged to the appropriate service revenue account in the year the Council becomes aware of the obligations, based on the best estimate of the likely settlement. Details of the Council's provisions are shown below.

	Insurance Provision	Educating hospitalised children	Carbon Reduction	MMI	Voluntary Redundancy Provision	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2010	**(7,294)**	**(300)**	**0**	**0**	**0**	**(502)**	**(8,096)**
New provisions made in 2010-11	(2,722)	(250)	0	0	0	(81)	**(3,053)**
Provisions Used in 2010-11	1,657	300	0	0	0	444	**2,401**
Unused Amounts Reversed in 2010-1:	0	0	0	0	0	0	**0**
Unwinding of discounting in 2010-11	0	0	0	0	0	0	**0**
Balance at 1 April 2011	**(8,359)**	**(250)**	**0**	**0**	**0**	**(139)**	**(8,748)**
New provisions made in 2011-12	(1,583)	0	(671)	(2,000)	(4,572)	(447)	**(9,273)**
Provisions Used in 2011-12	2,093	0	0	0	0	83	**2,176**
Unused Amounts Reversed in 2011-1:	0	0	0	0	0	0	**0**
Unwinding of discounting in 2011-12	0	0	0	0	0	0	**0**
Balance at 31 March 2012	**(7,849)**	**(250)**	**(671)**	**(2,000)**	**(4,572)**	**(503)**	**(15,845)**

Educating Hospitalised Children

Under inter-authority recoupment regulations, Local Authorities can provide tuition to 4 to 19 year olds whilst in hospital without prior consent from the funding authority and have up to 12 months from the end of the financial year to notify the funding Council of the provision and charges. Trend analysis is used to estimate the expected cost of tuition provided and a provision is made for the expected value of claims not yet received.

Municipal Mutual Insurance (MMI)

The Council used Municipal Mutual Insurance (MMI) to insure a number of its risks. In the early 1990's it became clear that MMI was in danger of becoming insolvent and a large part of its business was taken over by Zurich Insurance – this covered new business only. Liabilities associated with claims before the purchase by Zurich were left with MMI. It was hoped a solvent run-off of MMI could take place. It is now clear that this is unlikely. A provision for £2m has been reflected in the accounts.

Voluntary Redundancy Provision

The provision represents estimated costs associated with future voluntary redundancies. Where this is expected in more than 12 months from the balance sheet date the costs have been discounted using the discount rate determined by reference to market yields at the Balance Sheet date on high quality corporate bonds. That rate was 1.697%.

Carbon Reduction Commitment

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

Insurance Provision

The Council operates an insurance fund primarily to meet the estimated outstanding claims under the 'excess' clauses of the Council's insurance policies. Settlement of claims is likely to be spread over a number of years. The fund is made up of both provisions and reserves. The element of the fund relating to provisions represents obligations as at 31 March as a result of past claims and events where a reliable estimate can be made. The reserve balance relates to the estimated amount required to cover claims not yet made where a liability is expected to exist.

Insurance Fund

31 Mar 11 £'000		31 Mar 12 £'000
2,024	External premiums	2,086
17	General charges & expenses	19
656	Claims paid in the year	549
2,697	**Total Expenditure**	**2,654**
(984)	Income from schools	(573)
(4,722)	General fund contribution	(4,630)
(112)	Other income	(29)
(5,818)	**Total Income**	**(5,232)**
(3,121)	**(Surplus) / Deficit to move to balances**	**(2,578)**
(2,722)	Contribution to provision	(1,583)
(399)	Contribution to reserve	(995)
(3,121)	**Total Moved to fund balances**	**(2,578)**
	Provisions	
(7,294)	**Balance at 1 April 2011**	**(8,359)**
(2,722)	Contribution from revenue	(1,583)
1,657	Claims paid and risk management costs	2,093
(8,359)	**Balance at 31 March 2012**	**(7,849)**
	Reserves	
(13,570)	**Balance at 1 April 2011**	**(14,036)**
(399)	Contribution from revenue	(995)
(67)	Interest on balances	(82)
(14,036)	**Balance at 31 March 2012**	**(15,113)**
(22,395)	**Fund Balance at 31 March 2012**	**(22,962)**

35. OTHER NON-CURRENT LIABILITIES

31 Mar 11 £'000		31 Mar 12 £'000
(382,640)	Pensions Liability - LGPS	(494,764)
(60,993)	Pensions Liability - Teachers Pensions	(62,883)
(24,088)	PFI Phase 1	(23,310)
(28,240)	PFI Phase 2	(27,495)
(33,931)	PFI - BSF	(33,338)
(3,209)	Finance Lease - Joint Service Centre	(3,190)
(1,984)	Finance Lease - Other Leases	(1,896)
(535,085)	**Total Other Non Current Liabilities**	**(646,876)**

Further information about the pensions liabilities can be found in Note 63. Further information about the PFI schemes can be found in Note 61. Further information about leases can be found in Note 60.

36. USABLE RESERVES

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

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

Details of the Council's usable reserves can be found in the Movement in Reserves Statements and Notes 37 and 19.

37. TRANSFERS TO / FROM EARMARKED RESERVES

Reserve	1st April	Transfers In	Transfers Out	1st April	Transfers In	Transfers Out	31st March
Adult Care							
Independent Living Schemes	(115)	(30)	0	(145)	0	145	0
Learning Disability Campus	(39)	(258)	0	(297)	0	297	0
Other Adult Care Grants	(478)	(248)	72	(654)	0	521	(133)
Second Home Reserves	0	(180)	0	(180)	(231)	0	(411)
Supporting People Grant	(1,716)	0	0	(1,716)	0	1,716	0
Section 256	0	0	0	0	(1,000)	0	(1,000)
Children & Younger Adults							
Schools Balances	(23,370)	(3,258)	0	(26,628)	(8,957)	1,403	(34,182)
Dedicated Schools Grant	(9,045)	(14,157)	0	(23,202)	(10,775)	1,075	(32,902)
Teaching Assistant Support	(3,751)	710	0	(3,041)	(1,381)	136	(4,286)
Surestart Grant	(1,710)	0	0	(1,710)	0	0	(1,710)
Other Childrens Grants	(1,896)	(2,020)	0	(3,916)	0	0	(3,916)
Other Childrens Reserves	(2,508)	(1,516)	0	(4,024)	(6,635)	1,166	(9,493)
Corporate							
Insurance & Risk Management	(13,570)	(466)	0	(14,036)	(1,078)	0	(15,114)
PFI Schools	(3,796)	0	355	(3,441)	(8)	388	(3,061)
PSA2 Reward Grant	(3,575)	0	517	(3,058)	0	3,058	0
Change Management Reserve	(3,240)	(229)	0	(3,469)	0	0	(3,469)
Early Retirement Costs	(1,000)	0	0	(1,000)	0	0	(1,000)
LABGI Grant	(864)	0	30	(834)	0	834	0
Single Status	0	(2,392)	0	(2,392)	0	(2,840)	(5,232)
RCCO	(521)	(521)	0	(1,042)	(120)	1,042	(120)
Other Corporate Reserves	0	(535)	0	(535)	(15)	0	(550)
Corporate Resources							
Property DLO	(3,264)	(999)	1,418	(2,845)	(466)	1,966	(1,345)
Derbyshire Property Package	(1,796)	(257)	0	(2,053)	(500)	886	(1,667)
Other Corporate Resources	(2,853)	(1,133)	418	(3,568)	(1,752)	1,658	(3,662)
Cultural & Community							
Other Culture Grants	(706)	(39)	145	(600)	(146)	98	(648)
Other Culture Reserves	(267)	(8)	14	(261)	(292)	21	(532)
Environmental Services							
Highways DLO	(5,159)	(900)	2,496	(3,563)	0	1,705	(1,858)
Waste Disposal - Royalties	(2,088)	0	0	(2,088)	0	0	(2,088)
Other Environmental Grants	(2,274)	0	231	(2,043)	0	103	(1,940)
Commuted Sums & Maintenanc	(952)	0	0	(952)	(23)	0	(975)
Other Environmental Reserves	(3,307)	(2,958)	130	(6,135)	(502)	1,253	(5,384)
	(93,860)	**(31,394)**	**5,826**	**(119,428)**	**(33,881)**	**16,631**	**(136,678)**

38. UNUSABLE RESERVES

The balance of unusable reserves is made up of a number of adjustment accounts. The amounts all represent timing differences between cash movements and statutory reporting requirements. As such none of the balances are available to finance future spending. How the movements in reserves impact on other reserves is detailed in Note 19. The reserves that make up the balance are as follows:

31 Mar 10 Restated £'000	31 Mar 11 Restated £'000		31 Mar 12 £'000
192,269	230,911	Revaluation Reserve	137,615
0	0	Available for Sale Financial Instruments	0
1,136,636	1,042,177	Capital Adjustment Account	1,011,108
(18)	(63)	Financial Instruments Adjustment Account	(107)
1,934	1,777	Deferred Capital Receipts Reserve	1,062
(603,740)	(443,633)	Pensions Reserve	(557,647)
601	731	Collection Fund Adjustment Account	1,076
(5,526)	(4,742)	Accumulated Absences Account	(9,227)
722,156	**827,158**	**Single Entity Accounts**	**583,880**

Following are detailed descriptions and movements through each of the reserves:

Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve contains the gains made by the Council arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:

- Revalued downwards or impaired and the gains are lost;
- Disposed of and the gains are realised.

There have been no Financial Instruments which have been treated as Available for Sale in either 2010-11 or 2011-12.

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- Revalued downwards or impaired and the gains are lost;
- Used in the provision of services and the gains are consumed through depreciation;
- Disposed and the gains are realised.

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.

2009-10 Restated £'000	2010-11 Restated £'000		2011-12 £'000
94,327	**192,269**	**Balance at 1 April**	**230,910**
102,541	44,861	Upward revaluation of assets	15,222
0	0	Downward revaluation of assets and impairment losses not charged to the (surplus)/deficit on the provision of services	0
102,541	**44,861**	**Surplus or deficit on revaluation of non-current assets not posted to the (surplus)/deficit on the provision of services**	**15,222**
(4,134)	(4,907)	Difference between fair value depreciation and historic cost depreciation	(4,076)
(465)	(1,313)	Accumulated gains or losses on assets sold or scrapped	(104,442)
(4,599)	**(6,220)**	**Amount written off to the Capital Adjustment Account**	**(108,518)**
192,269	**230,910**	**Balance at 31 March**	**137,614**

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis).

The account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 18 provides details of the source of all the transactions posted to the account, apart from those involving the Revaluation Reserve.

2009-10 Restated £'000	2010-11 Restated £'000		2011-12 £'000
1,111,400	**1,136,636**	**Balance at 1 April**	**1,042,179**
		Items charged to the Comprehensive Income and Expenditure Statement:	
(31,441)	(40,234)	Charges for Depreciation	(40,663)
(25,925)	(116,162)	Charges for Impairment	(19,215)
(42)	(358)	Amortisation of intangible assets	0
(12,570)	(9,836)	Revenue Expenditure Funded from Capital Under Statute	(32,173)
1,338	(35,569)	Disposal or sale as part of non-current assets	(55,076)
1,042,760	**934,477**		**895,052**
0	0	Adjusting amounts written out of the Revaluation Reserve	0
1,042,760	**934,477**	**Net written out amount of the cost of non-current assets**	**895,052**
		Capital financing applied in the year:	
5,754	5,229	Use of the Capital Receipts Reserve to finance new capital expenditure	1,720
61,334	62,559	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement	66,518
0	15,115	Application of grants to capital financing from the from the Capital Grants Unapplied Account	15,716
19,409	20,515	Statutory Provision for the financing of capital investment charged against the General Fund Balance	21,288
7,379	4,284	Revenue contributions to financing of capital expenditure	10,579
1,136,636	**1,042,179**		**1,010,873**
0	0	Correction to previous year	236
0	0	Movements in the market value of Investment Properties	0
0	0	Movements in the Donated Assets Account	0
1,136,636	**1,042,179**	**Balance at 31 March**	**1,011,109**

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.

2010-11 £'000		2011-12 £'000
1,934	**Balance at 1 April**	**1,777**
3,746	Transfer of deferred sale proceeds credited as part of the gain/(loss) on disposal to the Comprehensive Income and Expenditure Statement	0
(3,903)	Transfer to the Capital Receipts Reserve upon receipt of cash	(715)
1,777	**Balance at 31st March**	**1,062**

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.

2010-11 £'000		2011-12 £'000
600	**Balance at 1 April**	**731**
131	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	345
731	**Balance at 31 March**	**1,076**

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefitting from gains per statutory provisions. The Council uses the Account to manage premiums paid and discounts received on early redemption of loans. Premiums are debited and discounts are credited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on Council Tax. In the Council's case the balance on the Account at 31 March 2012 will be charged to the General Fund over the next 41 years.

2010-11 £'000		2011-12 £'000
(18)	**Balance at 1 April**	**(63)**
0	Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	0
(50)	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(50)
(68)		**(113)**
5	Amount by which the finance charges to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	6
(63)	**Balance at 31 March**	**(107)**

Pensions Reserve

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

2010-11 £'000		2011-12 £'000
(603,740)	**Balance at 1 April**	**(443,633)**
89,564	Actuarial gains or (losses) on pensions assets and liabilities	(112,855)
17,535	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(51,603)
53,008	Employer's pensions contributions and direct payments to pensioners payable in the year	50,444
(443,633)	**Balance at 31 March**	**(557,647)**

Accumulated Absences Reserve

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.

2010-11 £'000		2011-12 £'000
(5,526)	**Balance at 1 April**	**(4,742)**
784	Charge for the year for annual leave and other time owed to staff	(4,484)
(4,742)	**Balance at 31 March**	**(9,226)**

39. CASH FLOW – INVESTING ACTIVITIES

2010-11 £'000		Note	2011-12 £'000
(99,794)	Purchase of Fixed Assets	18	(105,116)
(13,000)	Purchase of New Investments	26	(166,500)
10,513	Proceeds from Sale of Fixed Assets		2,695
62,558	Capital Grants Received	58	66,006
36,586	Investments Redeemed	26	122,796
(3,137)			**(80,119)**

40. CASH FLOW – OPERATING ACTIVITIES

2010-11 £'000		Note	2011-12 £'000
(697,205)	Payments to and on behalf of employees		(623,209)
(471,915)	Other Operating Payments		(486,799)
276,609	Council Tax		278,832
161,674	Non Domestic Rates Redistribution		157,156
23,477	Revenue Support Grant		48,577
645,077	Other Revenue Grants	58	561,587
114,289	Other Income	6	163,836
52,006	**Operating Costs of Providing Services**		**99,980**
(21,543)	External Interest Paid	45	(27,351)
(4,938)	Interest on PFI & Finance Leases	46	615
5,357	Interest Received	46	5,030
30,882			**78,274**

41. CASH FLOW – FINANCING ACTIVITIES

2010-11 £'000		Note	2011-12 £'000
(70,304)	Repay Amounts Borrowed	26	(60,475)
(1,689)	Principal Repayment on PFI & Leases	61	(2,081)
10,000	New Long Term Loans	26	0
57,037	New Short Term Loans	26	63,857
(4,956)			**1,301**

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

2010-11 £'000		Note	2011-12 £'000
(20,112)	**Surplus/(Deficit) on the Provision of Services**		**(131,338)**
	Non Cash Transactions:		
45,498	Depreciation	19	44,739
116,162	Impairment	19	19,215
(70,543)	Adjustments for IAS19	63	1,159
(131)	Adjustment for Collection Fund		(345)
(13,299)	Movement in Revenue Debtors		38,149
(8,048)	Movement in Revenue Creditors		(22,709)
289	Movement in Inventories	28	(917)
652	Movement in Provisions	34	7,097
70,580	**Total Non Cash Transactions**		**86,388**
	Items Classified Elsewhere		
33,136	Net charge for disposal of fixed assets	19	157,569
9,836	REFCUS		32,173
(62,559)	Capital Grants	58	(66,518)
30,881			**78,274**

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

	2009-10 £'000	2010-11 £'000	Movement £'000
Current Investments	149,293	134,094	**(15,199)**
Cash and Cash Equivalents	83,901	106,690	**22,789**
Current Borrowing	(27,304)	(24,110)	**3,194**
Non Current Borrowing	(388,185)	(388,113)	**72**
PFI & Finance Lease Liabilities	(55,719)	(93,533)	**(37,814)**
	(238,014)	**(264,972)**	**(26,958)**

	2010-11 £'000	2011-12 £'000	Movement £'000
Current Investments	134,094	193,628	**59,534**
Cash and Cash Equivalents	106,690	106,147	**(543)**
Current Borrowing	(24,110)	(21,150)	**2,960**
Non Current Borrowing	(388,113)	(384,495)	**3,618**
PFI & Finance Lease Liabilities	(93,533)	(91,453)	**2,080**
	(264,972)	**(197,323)**	**67,649**

Reconciliation between the cash movement and the movement in net debt for 2011-12 and 2010-11:

2010-11 £'000		2011-12 £'000
22,789	**Decrease/(Increase) in Cash & Cash Equivalents**	**(543)**
(36,586)	Investments repaid (includes accrued interest)	(120,030)
0	New investments (and accrued interest)	166,500
(67,037)	Loans Raised (and interest accrued)	(66,653)
70,304	Loans Repaid (includes accrued interest)	73,231
1,689	Payment of PFI & Lease Principal	2,080
21,384	Maturity of Investments	13,064
(39,501)	New lease liability during year	0
(26,958)		**67,649**

44. TRADING OPERATIONS

The Council has a number of industrial estates that operate in a commercial environment. Trading operations form part of the Other Operating Income and Expenditure on the Comprehensive Income and Expenditure Statement, full details of which are in Note 11.

2010-11 £'000		2011-12 £'000
446	Gross Expenditure	267
(1,493)	Rental Income Received	(1,416)
(1,047)		**(1,149)**

45. INTEREST PAYABLE

2010-11 £'000		2011-12 £'000
21,538	Interest Payable on Loans and Borrowings	20,887
4,688	Interest Payable on PFI	6,036
250	Interest Payable on Finance Leases	615
8	Other Interest Payable	25
26,484		**27,563**

46. INTEREST RECEIVABLE

2010-11 £'000		2011-12 £'000
(262)	Other Interest Receivable	0
(5,358)	Interest Receivable on Investments	(5,020)
(5,620)		**(5,020)**

47. AGENCY SERVICES

None of the Council’s agency relationships during the year are material.

48. ROAD CHARGING SCHEMES

There are no toll roads in Derbyshire.

49. LEVIES AND PRECEPTS

The Council is required to pay certain levies and precepts to other agencies as a contribution to their running costs. The amounts paid during the year were:

2010-11 £'000		2011-12 £'000
	Precepts to the Environment Agency	
174	Severn Trent Region	175
35	North West Region	34
64	Yorkshire Region	63
2	Financial Reporting Council Levy	2
275		**274**

50. MEMBERS' ALLOWANCES

2010-11 £'000		2011-12 £'000
957	Allowances	958
118	Expenses	82
1,075		**1,040**

51. OFFICERS' REMUNERATION

The remuneration paid to the Council's senior officers during 2011-12 is as follows:

	Salary	Benefits	Remuneration	Employers Pension Contributions	Total Remuneration 2011-12
	£	£	£	£	£
Chief Executive (Mr Nick Hodgson)	151,056	92	**151,148**	27,598	**178,746**
Strategic Director of Environmental Services	118,895	91	**118,986**	21,722	**140,708**
Strategic Director of Adult Care	118,895	80	**118,975**	21,722	**140,697**
Strategic Director of Children & Younger Adults	97,101	70	**97,171**	17,740	**114,911**
Strategic Director Cultural & Community Services	96,474	11	**96,485**	17,626	**114,111**
Strategic Director Policy & Community Safety	96,474	11	**96,485**	17,626	**114,111**
Director of Communications & Access to Services	91,381	39	**91,420**	16,695	**108,115**
Director of Human Resources	91,381	0	**91,381**	16,695	**108,076**
Director of Property	91,381	0	**91,381**	16,695	**108,076**
Director of Transformation	89,304	17	**89,321**	16,316	**105,637**
Director of Legal Services	84,865	9	**84,874**	15,505	**100,379**
Director of Finance	83,246	0	**83,246**	15,209	**98,455**
Head of Chief Executive Office	77,941	6	**77,947**	14,240	**92,187**

The remuneration paid 2010-11 was:

	Salary £	Benefits £	Remuneration £	Employers Pension Contributions £	Total Remuneration 2010-11 £
Chief Executive (Mr Nick Hodgson)	151,056	379	**151,435**	27,492	**178,927**
Strategic Director of Adult Care	118,895	390	**119,285**	21,639	**140,924**
Strategic Director of Environmental Services	118,895	195	**119,090**	21,639	**140,729**
Strategic Director of Children & Younger Adults	116,665	395	**117,060**	21,231	**138,291**
Strategic Director Policy & Community Safety	96,474	239	**96,713**	17,558	**114,271**
Strategic Director Cultural & Community Services	96,474	55	**96,529**	17,558	**114,087**
Director of Human Resources	91,381	299	**91,680**	16,631	**108,311**
Director of Finance (11months in 2010-11)	83,766	0	**83,766**	15,036	**98,802**
Director of Finance (1month in 2010-11)	6,923	0	**6,923**	1,388	**8,311**
Director of Property	89,304	61	**89,365**	16,253	**105,618**
Director of Communications & Access to Services	89,304	0	**89,304**	16,253	**105,557**
Director of Transformation	87,227	122	**87,349**	15,875	**103,224**
Director of Legal Services	82,618	144	**82,762**	15,036	**97,798**
Head of Chief Executive Office	76,128	223	**76,351**	13,855	**90,206**

No bonuses, expense allowances or compensation for loss of office were paid to these individuals during either 2010-11 or 2011-12.

The Council's other employees earning above £50k during the year (excluding employers pension contributions) were paid the following amounts:

	2011-12 No of Employees		
Remuneration Between:	**Teachers**	**Other**	**Total**
£50,000 and £54,999	172	76	**248**
£55,000 and £59,999	114	30	**144**
£60,000 and £64,999	52	8	**60**
£65,000 and £69,999	21	10	**31**
£70,000 and £74,999	9	1	**10**
£75,000 and £79,999	5	9	**14**
£80,000 and £84,999	5	2	**7**
£85,000 and £89,999	5	1	**6**
£90,000 and £94,999	3	0	**3**
£95,000 and £99,999	0	0	**0**
£100,000 and £104,999	1	0	**1**
	387	**137**	**524**

	2010-11 No of Employees		
Remuneration Between:	**Teachers**	**Other**	**Total**
£50,000 and £54,999	220	50	**270**
£55,000 and £59,999	100	35	**135**
£60,000 and £64,999	48	16	**64**
£65,000 and £69,999	22	9	**31**
£70,000 and £74,999	12	2	**14**
£75,000 and £79,999	4	9	**13**
£80,000 and £84,999	6	4	**10**
£85,000 and £89,999	9	1	**10**
£90,000 and £94,999	3	0	**3**
£95,000 and £99,999	1	0	**1**
£100,000 and £104,999	1	0	**1**
	426	**126**	**552**

52. DEDICATED SCHOOLS GRANT

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 ringfenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the Schools Finance (England) Regulations 2011. The Schools Budget includes elements for a range of educational services provided on a Council-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

2010-11		2011-12		
Total		Central	ISB	Total
£'000		£'000	£'000	£'000
425,221	Final DSG for 2011/12			452,379
9,045	Brought forward from 2010/11			23,201
0	Carry forward to 2012/13 agreed in advance			(23,201)
434,266	**Final budget distribution for 2011/12**			**452,379**
(48,841)	Actual central expenditure	(41,860)		(41,860)
(362,238)	Actual ISB deployed to achools		(402,379)	(402,379)
0	Local authority contribution for 2011/12	0	0	0
23,187	Carry-forward to 2012/13	**(41,860)**	**(402,379)**	**8,140**

53. EXTERNAL AUDIT COSTS

2010-11 £'000		2011-12 £'000
293	External audit costs	248
5	Certification of grant claims and returns	12
21	Other services	0
319		**260**

54. CAPITALISATION OF BORROWING COSTS

The Council has chosen not to exercise its right to capitalise borrowing costs.

55. IMPAIRMENT LOSSES

Details of the impairment charge by class of asset are shown in Note 18. All impairments in 2011-12 are in relation to a fall in value of property assets, following the annual valuation exercise carried out by the Council's RICS qualified valuer.

56. POOLED BUDGETS

The Council entered into two pooled budget arrangements as follows;

- The Council has a pooled budget arrangement with Derbyshire County Primary Care Trust (PCT) for the provision of an Integrated Community Equipment Service to meet the needs of people living in Derbyshire, the service is being provided by Medequip Assistive Technology Ltd.

  The Council and the Trust have an agreement in place for funding this service that is due to run until 31 March 2015, with the partners contributing funds to the agreed budget equal to 45% and 55% of the budget respectively. The same proportions are used to meet any deficit or share any surplus arising on the pooled budget at the end of each financial year.

2010-11 £'000		2011-12 £'000
	Funding provided to the pooled budget:	
(1,599)	The Authority	(1,667)
(1,954)	The Trust	(2,037)
	Expenditure met by the pooled budget:	
3,440	The Authority	3,695
4,205	The Trust	4,516
4,092		**4,507**

- The Council has a pooled budget with the PCT for jointly funded placements for children with complex needs. The PCT contribute 33%, the remainder is funded by the Council, and the Council is the host of the budget.
  Any surplus or deficit carries forward to reduce the amount the partners need to pay 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.

2010-11 £'000		2011-12 £'000
0	**Surplus from previous year**	**(600)**
	Funding provided to the pooled budget:	
(3,043)	The Authority	(3,684)
(1,569)	The Trust	(1,744)
	Expenditure met by the pooled budget:	
2,688	The Authority	3,448
1,324	The Trust	1,698
(600)		**(882)**

57. TERMINATION BENEFITS

The Council has terminated the contracts of a number of employees in 2011-12, incurring liabilities of £1.386m. In 2010-11 the figure was £3.475m, which included both the budgeted redundancies and an additional £3.040m funded from reserves. These are split by banding below:

	Number of compulsory redundancies		Number of other agreed departures		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2010-11 actual	2011-12 actual	2010-11 actual	2011-12 actual	2010-11 actual	2011-12 actual	2010-11 £'000	2011-12 £'000
£0-£20k	92	164	258	86	**350**	**250**	2,031	743
£20k-£40k	1	0	56	22	**57**	**22**	1,399	550
£40k-£60k	0	1	1	1	**1**	**2**	45	93
	93	**165**	**315**	**109**	**408**	**274**	**3,475**	**1,386**

58. GRANT INCOME

The Council has received a number of grants during the year, which is represented in the cash flow statement. These grants are listed below with a reconciliation to the amount recognised as income during the year in the Comprehensive Income and Expenditure Statement. The Council has not received any donations during the year. Capital grants received in the year are as follows:

	Cash Received in Year	Prev Yr Reversal		New Accrual		Income Recognised in Year
		Income in Advance	Debtor	Income in Advance	Debtor	
	£'000	£'000	£'000	£'000	£'000	£'000
Capital Grants						
Building Schools for the Future	**16,041**	0	0	0	0	**16,041**
Devolved Formula Capital	**1,922**	0	0	0	0	**1,922**
Capital Maintenance Grant	**15,366**	0	0	0	0	**15,366**
Basic Need Grant	**5,531**	0	0	0	0	**5,531**
Adults' PSS Grants	**1,907**	0	0	0	0	**1,907**
Integrated Transport Grant	**5,277**	0	0	0	0	**5,277**
Highways Capital Maintenance	**15,470**	0	0	0	0	**15,470**
Other Capital Grants	**4,490**	428	0	0	84	**5,002**
Total Capital Grants	**66,004**	**428**	**0**	**0**	**84**	**66,516**

£66.004m is reflected in the cash flow statement, £66.516m is shown as income in the Comprehensive Income and Expenditure Statement as per Note 6, and as increasing the value of Unapplied Capital Grants.

Revenue Grants:

	Cash Received in Year £'000
Council Tax Freeze Grant	**6,961**
New Homes Bonus	**385**
Local Services Support Grant	**2,145**
Other General Revenue Grants	**40,960**
Total General Government Grants	**50,451**

		Prev Yr Reversal		New Accrual		
	Cash Received in Year £'000	Income in Advance £'000	Debtor £'000	Income in Advance £'000	Debtor £'000	Income Recognised in Year £'000
Other Revenue Grants						
Dedicated Schools Grant (DSG)	**454,451**	0	0	0	0	**454,451**
School Sixth form funds	**25,595**	3	0	0	0	**25,598**
Standards Fund	**417**	13,810	(2,075)	0	0	**12,152**
Private Finance Initiative (PFI)	**10,504**	0	0	0	0	**10,504**
Adult and Community Learning	**7,271**	543	0	(393)	0	**7,421**
Pupil premium	**6,373**	0	0	(30)	0	**6,343**
Other Grants	**3,329**	182	(456)	(426)	278	**2,907**
Youth Offending Teams Grant	**1,098**	0	(11)	0	0	**1,087**
14-19 grants	**287**	708	0	(38)	0	**957**
Targetd Sch Meals standards fund	**0**	891	0	0	0	**891**
Early Years and Childcare Grant	**0**	484	0	0	0	**484**
Disability Employment Project	**378**	0	(460)	0	525	**443**
Golden Hellos	**17**	124	0	0	233	**374**
EIG - Individual Budgets pilot	**150**	0	0	0	0	**150**
Sports Council England	**144**	0	0	0	0	**144**
Sundry Adult Ed grants	**111**	123	(3)	(100)	0	**131**
Asylum Seekers	**119**	4	(14)	0	15	**124**
CWDC Social work development	**721**	0	0	(601)	0	**120**
Transport Access Co-ordinator	**0**	88	0	0	0	**88**
Schools misc income	**54**	32	0	0	0	**86**
Sundry Youth Projects	**116**	82	(116)	(27)	0	**55**
IRS	**0**	30	0	0	0	**30**
Tackling Extremism	**0**	10	0	0	0	**10**
Total Other Revenue Grants	**511,135**	**17,114**	**(3,135)**	**(1,615)**	**1,051**	**524,550**

59. CAPITAL EXPENDITURE AND CAPITAL FINANCING

2010-11 £'000		2011-12 £'000
	Capital Expenditure:	
48,555	Schools	31,313
4,400	Childrens Centres	734
2,446	Other Childrens Spend	1,426
23,226	Highways, Roads and Related	24,305
2,510	Refuse Disposal	1,488
1,840	Purchase of Vehicles	971
1,662	Countryside Cultural & Community	3,598
1,002	Other Environmental Spend	2,842
1,196	Adult Care	4,778
867	Software	659
1,173	Other Corporate Spend	359
88,877	**Total Capital Expenditure**	**72,473**
38,701	Leased and PFI Additions	0
127,578	**Total Capital Additions**	**72,473**
9,836	Revenue Expenditure Funded from Capital Under Statute	32,173
137,414	**Total Capital Investment**	**104,646**
11,527	Loans	10,113
4,284	Revenue Contributions	10,579
5,229	Capital Receipts	1,720
77,673	Grants and Contributions	82,234
38,701	Lease and PFI Liability	0
137,414	**Total Capital Financing**	**104,646**

60. 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 18 shows the net value of assets held under Finance Leases. The Council is committed to making minimum payments under these leases comprising of settlement of the long term liability and interest.

The minimum lease payments (MLP) are made up of the following:

	2011-12 £'000		
	Interest	**Liability**	**MLP**
Not later than 1 year (Current)	607	107	714
Later than 1 year but no later than 5	2,326	521	2,847
More than 5 years	7,213	4,565	11,778
Total Non-Current	9,539	5,086	14,625
	10,146	**5,193**	**15,339**

The position as in 2010-11 was:

	2010-11 £'000		
	Interest	**Liability**	**MLP**
Not later than 1 year (Current)	615	99	714
Later than 1 year but no later than 5	2,368	482	2,850
More than 5 years	7,779	4,711	12,490
Total Non-Current	10,147	5,193	15,340
	10,762	**5,292**	**16,054**

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. Contingent rents on these assets are insignificant.

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

- First Service Company Ltd commenced in 2010-11 for 5 years at £0.035m pa.
- SN Pre School commenced in 2010-11 for 5 years at £0.015m pa.
- Derbyshire Police commenced in 2010-11 for 5 years at £0.008m pa.
- SN Parish Council commenced in 2010-11 for 25 years at £0.004m pa.
- Bolsover District Council commenced in 2011-12 for 25 years at £0.021m pa.
- Limes Medical Centre commenced in 2011-12 for 25 years at £0.048m pa.
- DCHS (PCT) commenced in 2011-12 for 25 years at £0.093m pa.
- Horizons (DHNHSFT) commenced in 2011-12 for 3 years at £0.015m pa.
- Release Financial (Charitable) Trust originally commenced in 2010-11 for 5 years at £0.001m pa, however was vacated on 24 March 2012.

OPERATING LEASES – COUNCIL AS LESSEE

The Council has a number of property assets under operating leases including:

- 45 as part of the delivery of education locally (126 in 2010-11);
- 9 local libraries (16 in 2010-11);
- 5 for Youth Information and Clubs (8 in 2010-11);
- 26 for Community and Environmental purposes (46 in 2010-11);
- 16 for miscellaneous use including office accommodation (60 in 2010-11).

The Council also has a number of vehicle leases under operating leases including:

- 12 Gritters (20 in 2010-11)
- 9 Fire service vehicles (19 in 2010-11)
- 4 Mobile Libraries (4 in 2010-11)
- 8 Other vehicles including vans (23 in 2010-11)
- 7 Miscellaneous including trailers and platforms (15 in 2010-11)

In many cases, the reduction represents a move to purchasing vehicles instead of leasing, rather than a reduction to fleet.

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

2010-11 £'000				2011-12 £'000		
Land & Buildings	**Vehicles**	**Total**		**Land & Buildings**	**Vehicles**	**Total**
895	96	991	Not later than 1 year	399	50	449
2,355	66	2,421	Later than 1 year but no later than 5	1,154	43	1,197
3,925	0	3,925	More than 5 years	107	0	107
7,175	**162**	**7,337**		**1,660**	**93**	**1,753**

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

2010-11 £'000		2011-12 £'000
377	Minimum Lease Payment	186
0	Contingent Rental	0
(258)	Less sublease income	(161)
119		**25**

The Council also has various immaterial operating lease contracts such as:

- Contract for the provision of photocopier and printer services;
- Embedded property lease for the provision of residential care.

FINANCE LEASES – COUNCIL AS LESSOR

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

- Castleton Former Cross Works leased to Peak District National Park on a 100 year lease commencing in 1987 for a one-off payment of £34,000 at the start of the lease term;
- Grassmoor Golf Centre to Grassmoor Golf Ltd on a 1000 year concurrent lease commencing in 2002 for a one-off payment of £230,000;
- Buxton Magistrates Court, Peak Buildings to the Secretary of State on a 125 year lease commencing in 2005.

The Council has no other buildings in 2011-12 leased out under finance leases. The Council leases out vehicles under a finance lease arrangement to the following:

- Derby City Council for provision of public services;
- Derbyshire Dales District Council for the provision of street cleaning;
- Community Transport Schemes for the provision of community services.

The vehicles leased out are:

- 53 Vans (76 in 2010-11)
- 14 Cars (8 in 2010-11)
- 9 Other vehicles including minibuses (9 in 2010-11)
- 8 Miscellaneous (11 in 2010-11)

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

2010-11 £'000			2011-12 £'000	
Gross Investment in the Lease	**Minimum Lease Payments**		**Gross Investment in the Lease**	**Minimum Lease Payments**
447	256	Principal due in less than 1 year (Current)	263	135
594	476	Principal due in One to five years	406	336
21	0	Principal due Later than five years	0	0
615	476	Total non-current debtor	406	336
85	85	Unearned finance income	50	50
1,147		**Gross investment in lease**	**719**	
(330)		Unguaranteed residual value of property	(198)	
817	817	Minimum Lease payments still due	521	521

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 leased out under operating leases including:

- Industrial Estates accounted for as Trading Operations.
- The Council leases out the right to construct radio masts on land and buildings owned by the Council to telecommunications companies.
- A number of residential properties were purchased under compulsory purchase schemes under plans to demolish them for new road networks. The planned changes have since been aborted and the properties have been leased back to the residents;

The Council also leases out vehicles under operating leases to Derbyshire Fire and Rescue Service. The future minimum lease payments receivable under non-cancellable leases in future years:

2010-11 £'000				2011-12 £'000		
Vehicles	Land & Building	Total		Vehicles	Land & Building	Total
86	631	717	Payment due in less than 1 year	91	810	901
59	1,364	1,423	Payment due in one to five years	46	2,302	2,348
0	476	476	Payment due later than five years	0	652	652
145	2,471	2,616	Minimum Lease payments still due	137	3,764	3,901

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. During the year approximately £0.237m was received as contingent rents (£0.142m in 2010-11).

61. 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 County 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. Long Eaton School became an Academy on 1 April 2011.
- Phase 3 – Schools provided under the BSF programme opened in November 2010 at Bolsover and Springwell (Staveley). These were designed and built as PFI schools and will be operated on a 25 year contract.

All of the PFI schools, excluding Long Eaton, will be handed back to the Council when the relevant contract expires. In the case of the Phase 1 schools this will be on 28 April

2029, for the Phase 2 schools it will be 12 February 2032 and for the BSF schools on 31 October 2035. Long Eaton will become a separate entity on 12 February 2032.

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

Payments

The Council makes an agreed payment each year (the unitary charge) which is increased by inflation and can be reduced if the contractor fails to meet availability and performance standards. Payments remaining to be made under the PFI contract at 31 March 2012 are as follows:

	2010-11			2011-12		
	Ph 1 £'000	Ph 2 £'000	BSF £'000	Ph 1 £'000	Ph 2 £'000	BSF £'000
Within one year:						
Service charge	2,187	2,313	2,435	1,922	2,191	2,364
Interest element	1,726	1,847	2,462	1,676	1,802	2,423
Repayment of liability	728	700	554	778	745	593
Within two to five years:						
Service charge	7,686	8,765	9,457	7,686	8,765	9,457
Interest element	6,362	6,912	9,424	6,122	6,703	9,236
Repayment of liability	3,454	3,278	2,639	3,694	3,487	2,828
Within six to ten years:						
Service charge	9,608	10,956	11,821	9,608	10,956	11,821
Interest element	6,417	7,317	10,572	6,010	6,971	10,250
Repayment of liability	5,853	5,420	4,508	6,260	5,766	4,830
Within eleven to fifteen years:						
Service charge	9,608	10,956	11,821	9,608	10,956	11,821
Interest element	4,078	5,352	8,716	3,508	4,880	8,261
Repayment of liability	8,192	7,386	6,364	8,762	7,857	6,818
Within sixteen to twenty years:						
Service charge	5,923	10,956	11,821	4,002	10,697	11,821
Interest element	950	2,674	6,095	492	2,015	5,454
Repayment of liability	6,589	10,063	8,984	4,593	10,384	9,626
Within 21 years and beyond:						
Service charge	0	1,932	10,892	0	0	8,528
Interest element	0	117	2,347	0	0	1,531
Repayment of liability	0	2,093	11,436	0	0	9,236

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:

	2010-11			2011-12		
	Ph 1	**Ph 2**	**BSF**	**Ph 1**	**Ph 2**	**BSF**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Unitary Charge Paid						
Delivery of services	2,120	2,238	978	2,187	2,313	2,435
Interest Payment	1,774	1,889	1,025	1,726	1,847	2,462
Reduction to Liability	680	658	223	728	700	554
Unitary Charge Paid	**4,574**	**4,785**	**2,226**	**4,641**	**4,860**	**5,451**
Loan Liability B Fwd	(25,496)	(29,598)	0	(24,816)	(28,940)	(34,485)
Loan liability in year	0	0	(34,707)	0	0	0
Reduction to Liability	680	658	222	728	700	554
Loan Liability C Fwd	**(24,816)**	**(28,940)**	**(34,485)**	**(24,088)**	**(28,240)**	**(33,931)**
Liability in Creditors	(728)	(700)	(554)	(778)	(745)	(593)
Non Current Liabilities	(24,088)	(28,239)	(33,931)	(23,310)	(27,495)	(33,338)
Loan Liability C Fwd	**(24,816)**	**(28,940)**	**(34,485)**	**(24,088)**	**(28,240)**	**(33,931)**

Property Plant and Equipment

The schools are recognised on the Council's Balance Sheet, except for Long Eaton School. Movements in their value over the year are detailed in the analysis of the movement on the Property, Plant and Equipment balance in Note 18.

62. DEFINED CONTRIBUTION PENSION SCHEME

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by the Department of 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 technically a defined benefit scheme. However, the Scheme 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 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 2011-12 the County Council paid £45.29m to Teachers' Pensions in respect of teachers' retirement benefits. The Employer's Contribution rate for the Teachers' Pension Scheme has been 14.1% since 1 January 2007 and remains at this rate to date.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and are detailed in Note 63.

63. 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:

	Local Government		**Teachers Pensions**	
	2011-12 £'000	**2010-11 £'000**	**2011-12 £'000**	**2010-11 £'000**
Net Cost of Services:				
Current Service Cost	42,746	49,308	0	0
Past Service Costs	1,235	(90,938)	632	(3,556)
Settlements and Curtailments	(6,227)	494	643	786
Financing and Investment Income and Expenditure				
Interest Cost	82,718	87,101	3,169	3,394
Expected Return on Scheme Assets	(73,313)	(64,124)	0	0
Benefits charged to the Deficit on the CIES	**47,159**	**(18,159)**	**4,444**	**624**
Actuarial gains and losses	110,796	(90,442)	2,059	878
Benefits Charged to the CIES	**157,955**	**(108,601)**	**6,503**	**1,502**
Movements in Reserves Statement:				
Reversal of charges made to the Deficit in the CIES	(47,159)	18,159	(4,444)	(624)
Employers' contributions payable to the Scheme	45,831	48,568	4,613	4,440

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income & Expenditure Statement to 31 March 2012 is a loss of £110.796m.

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

	Funded liabilities:		Unfunded liabilities:	
	2011-12 £'000	2010-11 £'000	2011-12 £'000	2010-11 £'000
Opening balance at 1 April	**1,511,393**	**1,547,196**	**60,993**	**63,931**
Current service cost	42,746	49,308	0	0
Interest cost	82,718	87,101	3,169	3,394
Contributions by scheme participants	15,213	16,521	0	0
Actuarial gains and losses	56,016	(48,827)	2,059	878
Benefits paid	(57,354)	(49,462)	(4,613)	(4,440)
Past service costs	1,235	(90,938)	632	(3,556)
Entity combinations	0	0	0	0
Curtailments	2,027	494	643	786
Settlements	(13,706)	0	0	0
Closing balance at 31 March	**1,640,288**	**1,511,393**	**62,883**	**60,993**

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

	Local Government	
	2011-12 £'000	2010-11 £'000
Opening balance at 1 April	**(1,128,753)**	**(1,007,387)**
Expected rate of return	(73,313)	(64,124)
Actuarial gains and losses	54,780	(41,615)
Employer Contributions	(45,831)	(48,568)
Contributions by scheme participants	(15,213)	(16,521)
Benefits paid	57,354	49,462
Entity combinations	0	0
Settlements	5,452	0
Closing balance at 31 March	**(1,145,524)**	**(1,128,753)**

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.

Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £18.534m (2010-11 was £77.461m).

Scheme History

	Present value of liabilities:		Present Value of assets:	Surplus/(deficit) in the Scheme:		
	Local Government Pension Scheme	Discretionary Benefits	Fair value of assets in the Local Government Pension Scheme	Local Government Pension's Scheme	Discretionary Benefits	**Total**
	£'000	£'000	£'000	£'000	£'000	**£'000**
2007-08	1,179,524	58,871	(848,249)	331,275	58,871	**390,146**
2008-09	1,104,148	53,591	(735,403)	368,745	53,591	**422,336**
2009-10	1,547,196	63,931	(1,007,387)	539,809	63,931	**603,740**
2010-11	1,511,393	60,993	(1,128,753)	382,640	60,993	**443,633**
2011-12	1,640,288	62,883	(1,145,524)	494,764	62,883	**557,647**

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The total liability of £494.764m 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 (ie before payments fall due), as assessed by the scheme Actuary
- finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2013 is £46.317m.

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 Mercer Limited an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 1 April 2011.

The principal assumptions used by the Actuary have been:

	Local Government		Teachers Pensions	
	2011-12 £'000	2010-11 £'000	2011-12 £'000	2010-11 £'000
Long-term expected rate of return on assets in the scheme:				
Equity investments	7.0%	7.5%	-	-
Government Bonds	3.1%	4.4%	-	-
Other Bonds	4.1%	5.1%	-	-
Property	6.0%	6.5%	-	-
Cash	0.5%	0.5%	-	-
Other	7.0%	7.5%	-	-
Mortality Assumptions:				
Longevity at 65 for a current				
-Men	21.8	21.7	21.8	21.7
-Women	24.4	24.3	24.4	24.3
Longevity at 65 for a future				
-Men	23.2	23.1	-	-
-Women	26.0	25.9	-	-
Rate of inflation (CPI)	2.5%	2.9%	2.3%	2.8%
Rate of increase in salaries	4.25%	4.65%	-	-
Rate of increase in pensions	2.5%	2.9%	2.3%	2.8%
Rate of discounting in scheme	4.9%	5.5%	4.6%	5.4%
Take-up of option to convert annual pension into retirement lump sum				
Maximum Cash	50.0%	50.0%	-	-
3/80ths Cash	50.0%	50.0%	-	-

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:

	2011-12 %	2010-11 %
Equity investments	64.3	68.5
Debt Instruments:		
Government Bonds	16.7	6.8
Other Bonds	5.3	5.6
Property	5.4	5.1
Cash	7.3	6.3
Other assets	1.0	7.7
Total	**100.0**	**100.0**

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pension Reserve in 2011-12 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2012:

		LGPS		Teachers
		Actuarial (Gain) / Loss on Assets Expressed as a Percentage of Total Assets	Actuarial (Gain) / Loss on Liabilities Expressed as a Percentage of Total Liabilities	Actuarial (Gain) / Loss on Liabilities Expressed as a Percentage of Total Liabilities
2011-12	**%**	(4.80)	(3.40)	3.30
2010-11	**%**	(3.70)	(3.20)	1.30
2009-10	**%**	(20.90)	23.60	15.30
2008-09	**%**	29.10	(25.70)	(15.70)
2007-08	**%**	9.60	10.20	6.00

Forecast for next year

	Local Government		Teachers Pensions	
	£'000	£'000	£'000	£'000
A - Projected service cost				
Estimated Pay:	240,147		0	
Service Cost (% of pay):	19.1%		n/a	
Implied Service Cost next year:		45,785		0
B - Projected finance costs				
Interest on pension liabilities	80,463		2,790	
Expected return on assets	(63,142)		0	
Budgeted net finance cost/(gain) next year		17,321		2,790
C - Projected Employer contributions				
Normal contributions	44,471		4,466	
£ for £ recharges	1,846		0	
Total employer contributions next year		46,317		4,466
D - Current deficit/(surplus)		494,764		62,883
E - Projected deficit/(surplus) next year				
Total calculated as D + A + B - C		**511,553**		**61,207**

64. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Key Risks

The Council's activities expose it to a variety of financial risks. The key risks are:

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council;
- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments;
- Re-financing risk – the possibility that the Council might be required to renew a financial instrument on maturity at disadvantageous interest rates or terms;
- Market risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates movements.

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 procedures for risk management are set out through a legal framework in the Local Government Act 2003 and associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and Investment Guidance issued through the Act.

Overall these procedures require the Council to manage risk in the following ways:

- by formally adopting the requirements of the CIPFA Treasury Management Code of Practice;
- by approving annually in advance prudential and treasury indicators for the following three years limiting:
    - The Council's overall borrowing;
    - Its maximum and minimum exposures to fixed and variable rates;
    - Its maximum and minimum exposures to the maturity structure of its debt;
    - Its maximum annual exposures to investments maturing beyond a year.
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance;

These are required to be reported and approved at or before the Council's annual Council Tax setting budget or before the start of the year to which they relate. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported semi-annually to Members.

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

The annual treasury management strategy which incorporates the prudential indicators was approved by Council on 2 February 2011 and is available on the Council's website.

Credit risk

The Council does not expect any losses from non-performance by any of its counterparties in relation to its deposits. Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers.

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, in accordance with the Fitch, Moody's and Standard & Poors Ratings Services. The Council's counterparty list is based on the above credit assessment and is approved each year as part of the Annual Investment Strategy. The Institutions' credit ratings are monitored throughout the year and significant changes are reported to the Cabinet.

The Annual Investment Strategy also imposes a maximum sum to be invested and a maximum duration of each loan for counterparties.

The investment strategy for 2011-12 was approved by Council on 2 February 2011 and is available on the Council's website.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Council.

The Council's maximum exposure to credit risk in relation to its investments in banks, building societies and money market funds of £156.79m 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 for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at 31 March 2012 that this was likely to crystallise.

The following analysis summarises the Council's potential maximum exposure to credit risk on other financial assets, based on experience of default, adjusted to reflect current market conditions.

Other financial assets	Amount £'000 31 March	Historical experience of default % 31 March	Adjustment for market conditions % 31 March	Estimated maximum exposure to default £'000 31 March	Estimated maximum exposure to default £'000 31 March
Trade debtors (Current and Non Current)	14,884	Local experience	Local experience	Local experience	Local experience

No breaches of the Council's counterparty criteria occurred during the reporting period. The Council does not generally allow credit for its trade debtors. The past due amount can be analysed by age as follows:

	31-Mar-12 £000s	31-Mar-11 £000s
Less than three months	8,444	653
Three to six months	1,287	490
Six months to one year	1,677	725
More than one year	3,476	2,215
Total	**14,884**	**4,083**

Liquidity risk
The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when it is needed. The Council has ready access to borrowings from the money markets and the Public Works Loan Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

Refinancing and Maturity Risk
The cash flow procedures above are also relevant to the management of refinancing risk. The risk is that the Council will be bound to replace a significant proportion of its borrowings at a time of unfavourable interest rates. The Council sets limits on the proportion of its fixed rate borrowing during specified periods.

The approved limits for the maturity structure of debt are the key parameters used to address this risk. The Council's treasury management strategies address the main risks, and the central treasury team addresses the operational risks within the approved parameters. This includes monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of existing debt.

The maturity analysis of financial liabilities is as follows:

Financial Liabilities	**31 March 2012 £000s**	**31 March 2011 £000s**
Maturing within 1 year	(20,968)	(56,516)
Maturing in 1-2 years	(15,266)	(8,391)
Maturing in 2-5 years	(32,500)	(45,119)
Maturing in 5-10 years	(28,000)	(60,992)
Maturing in more than 10 years	(309,857)	(370,964)
Total	**(406,591)**	**(541,982)**

All trade and other payables are due to be paid in less than one year.

Market risk
Interest rate risk
The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council. For instance, a rise in variable and fixed interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the Surplus or Deficit on the Provision of Services will rise;
- borrowings at fixed rates – the fair value of the borrowings will fall
- investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise;
- investments at fixed rates – the fair value of the assets will fall

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Council's prudential and treasury indicators and its expected treasury operations. Within this Strategy maximum limits are set for fixed and variable interest rate exposure. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer term fixed rate borrowing would be postponed.

If all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

	£000s
Increase in interest payable on variable rate borrowings	162
Increase in interest receivable on variable rate investments	(3,112)
Impact on Surplus or Deficit on the Provision of Services	(2,950)
Decrease in fair value of fixed rate investment assets	914
Impact on Other Comprehensive Income and Expenditure	0
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	57,120

The impact of a 1% fall in interest rates would be as above but with the movements being reversed.

Price risk
The Council, excluding the pension fund, does not generally invest in equity shares or marketable bonds.

Foreign exchange risk
The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

65. GOLDEN HELLOS
The golden hello is a one-off taxable bonus to encourage graduates to enter the teaching profession and teach priority subjects in secondary schools. To be eligible for the golden hello, teachers have to meet the training, teaching and application criteria set by TDA (Training and Development Agency for Schools). The payments are made by the Council but all costs are recovered from TDA.

Year	Number of Teachers	£'000
2009-10	78	263
2010-11	80	300
2011-12	53	250

2011-12 is the final year that the Government will give grants for Golden Hello payments to teachers.

66. TRUST FUNDS
The Council administers a number of Trust Funds. These are funds made up of donations or bequests made to the Council. Generally the benefactors specify the use to which the fund is to be put, the most common being the provision of educational prizes.
The tables below details the Aggregate Revenue Account and Balance Sheet for all Trust and Other Funds currently administered by the Council but these funds are not part of the Council's Accounts.

2010-11		2011-12		
Total		Trust Funds	Other Funds	Total
£'000		£'000	£'000	£'000
4,182	Opening Balance	1,183	3,054	4,237
213	Add Income	39	3,712	3,751
(158)	Less Expenditure	(4)	(2,962)	(2,966)
4,237	**Closing Balance**	**1,218**	**3,804**	**5,022**
	The funds are represented by:			
40	Investments	58	0	58
2,843	Building Society Deposits	0	97	97
1,354	Cash & temporary loans	1,160	3,707	4,867
4,237	**Total Assets**	**1,218**	**3,804**	**5,022**
(18)	Increase in unrealised profit on investments included in expenditure	5	0	5
78	No of Funds (actual not 000s)	58	27	85

Derbyshire County Council administers the Local Government Pension Scheme ("LGPS") for employees, pensioners and dependents of councils in Derbyshire, the Police and Fire Authorities, the University of Derby and colleges. Over 50 other organisations including academies, charities and some private companies providing services to local councils also belong to the Fund.

The Fund manages the pensions of almost 80,000 individuals either active contributors, pensioners or deferred pensioners, receiving almost £150 million in contributions each year and paying out almost £140 million in pension benefits. The Fund also manages investment assets of £2.725 billion over a full range of asset classes, including equities, gilts, other bonds, property and cash.

Members' Statistics

	Actuals		
	31.03.2010	**31.03.2011**	**31.03.2012**
Contributors	36,959	35,791	33,151
Pensioners and Dependants	20,929	22,024	23,451
Deferred Pensions	19,321	20,652	23,260

Employers' Contributions

Contributions payable by the County, Unitary and District Councils expressed as a percentage of pensionable payroll and fixed cash amounts:

Council	**2011-12 %**	**Stepped or full rate**	**2012-13 %**	**Stepped or full rate**
Derbyshire County	18.27	stepped	18.45	stepped
Amber Valley Borough	11.5 plus £916,700	full	11.5 plus £960,200	full
District of Bolsover	11.9 plus £1,041,800	full	11.9 plus £1,041,800	full
Chesterfield Borough	12.2 plus £1,768,800	full	12.2 plus £1,768,800	full
Derby City	17.94	stepped	18.74	stepped
Derbyshire Dales	11.6 plus £542,200	full	11.6 plus £567,900	full
Erewash Borough	22.9 plus £129,000	stepped	23.04	stepped
High Peak Borough	11.4 plus £1,202,900	full	11.4 plus £1,260,000	full
North East Derbyshire	11.7 plus £1,308,700	full	11.7 plus £1,370,900	full
South Derbyshire	22.56 plus £100,000	stepped	22.51	stepped

The percentage rates determined by the Actuary in the valuation of the Fund as at 31 March 2010 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. The County Council, Derby City Council and two District Councils have elected to include the past service deficit contributions in an all-inclusive rate. Adjustments will be made, where over the period covered by the valuation (April 2011 to March 2014) this fails to recover the deficit sum required.

Members' Contributions

The Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 came into force on 1 April 2008 and employees paid between 5.5% and 7.5% of their pay, excluding non-contractual overtime, depending on their pay banding. Certain contributors (previously classed as manual workers paying at a rate of 5%) had a protected rate of 5.5% in 2009-10. This increased to 6.5% (if appropriate) for 2010-11 and their protection ended in 2011-12.

Investment Policy

Responsibility for policy matters lies with an Investment Committee of seven County Councillors, two Derby City Councillors, two representatives of the Local Government Association (Derbyshire) and two Trades Union representatives attending as non-voting members. The Investment Committee receives advice from the Director of Finance and from two independent external advisers. Day-to-day management of the Fund is delegated to the Director of Finance and his in-house staff, operating within a policy framework laid down by the Investment Committee. Policy is determined by reference to investment regulations issued under the Superannuation Act, 1972, which require that advice is taken at regular intervals and that the investments are suitably diversified. In addition, the regulations place limitations on investments including maximum investment in a single holding and in 'unlisted securities' (no more than 10% in each category).

The table below shows the Fund's returns over 1, 3, 5 and 10 years to 31 March 2012, compared to those of its specific benchmark, as well as the impact of inflation on Fund returns.

	Return		Inflation		Fund Real Return	
Periods to 31 March 2012	**Derbyshire Fund**	**Benchmark**	**CPI**	**RPI**	**Versus CPI Inflation**	**Versus RPI Inflation**
	% pa	**% pa**	**%**	**%**	**%**	**%**
1 Year	3.6	4.0	3.5	3.6	0.1	0.0
3 Years	14.6	15.3	3.6	4.5	10.6	9.7
5 Years	4.0	3.6	3.2	3.3	0.8	0.7
10 Years	6.2	5.9	2.6	3.3	3.5	2.8

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

Slowing economic growth and the European debt crisis were the key themes for investment markets during the last year. Results were mixed, with bonds outperforming equities as investors sold out of volatile equity markets and bought into "safe haven" bonds, causing bond prices to rise and equity prices to fall.

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 2010 to set the level of employer contributions for the three years commencing 1 April 2011. The Net Assets of the Pension Fund at 31 March 2010 were £2.409 billion.

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

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

	Past Service	Future Service
Fixed Interest Gilts Yield	4.50%	n/a
Index Linked Gilts Real Yield	0.70%	n/a
Asset Out-Performance Assumption (Pre-Retirement)*	2.50%	n/a
Asset Out-Performance Assumption (Post Retirement)*	1.00%	n/a
Real Earnings Inflation (Over CPI Inflation)	1.75%	1.75%
Discount Rate (Pre Retirement)	7.00%	6.75%
Discount Rate (Post Retirement)	5.50%	6.75%
CPI Price Inflation	3.00%	3.00%
Salary Increases	4.75%	4.75%
Pension Increases	3.00%	3.00%

*Asset out-performance assumptions represent the expected out-performance of investment returns relative to gilts. This partly depends on the proportion of the Fund invested in equities.

The actuarial value placed on the assets represented 81% of the value of the past service liabilities compared with 80% at the 2007 valuation. This deficit is being dealt with in accordance with the Funding Strategy Statement, which is available on the Council’s website at www.derbyshire.gov.uk/pensions/investments/funding strategy.

A number of factors, both positive and negative, have impacted on the funding level. The cash value of the deficit has increased but as the fund value itself has risen significantly, the overall funding level has improved. Investment return, though good when compared to the local authority average, was less than the return in the actuarial assumptions, increasing the deficit. This was largely compensated by deficit funding contributions from the contributing employers and the impact of the change from RPI to CPI, which has reduced 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
PENSION FUND ACCOUNT AND NET ASSETS STATEMENT

PENSION FUND ACCOUNT

2010-11 £'000		Note	2011-12 £'000
	Contributions and Benefits		
142,700	Contributions	7,24	138,894
13,791	Transfers In	8	9,604
156,491			148,498
(110,277)	Benefits	9,24	(128,580)
(11,225)	Payments to and on Account of Leavers	10	(7,913)
(1,126)	Administrative Expenses	11	(1,034)
(122,628)			(137,527)
33,863	**Net Additions from Dealings with Members**		**10,971**
	Return on Investments		
64,830	Investment Income	12	72,092
(4,088)	Taxes on Income	13	(4,206)
127,824	Profits and Losses on Disposal of Investments and Changes in Value of Investments	14	21,934
(3,176)	Investment Management Expenses	16	(3,520)
185,390	**Net Return on Investments**		**86,300**
219,253	**Net Increase in the Net Assets Available for Benefits During the Year**		**97,271**
2,408,510	Net Assets of The Fund at 1 April		2,627,763
2,627,763	**Net Assets of the Scheme Available to Fund Benefits at the Period End**		**2,725,034**

NET ASSET STATEMENT

31.03.2011 £'000		Note	31.03.2012 £'000
2,634,290	Investment Assets	14,15	2,730,727
(3,470)	Investment Liabilities	14,15	(15,636)
9,350	Current Assets	18	12,359
(12,407)	Current Liabilities	19	(2,416)
2,627,763	**Net Assets of the Scheme Available to Fund Benefits at the Period End**		**2,725,034**

NOTES TO THE PENSION FUND ACCOUNTS

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

The accounts summarise the transactions of the Fund and deal with the net assets at the disposal of the 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 position of the Fund, which does take account of such obligations, is dealt with in the Pension Fund – foreword to Financial Statements and the actuarial statement included in the Annual Report and these accounts should be read in conjunction with them.

1. Basis of preparation

The accounts have been prepared in accordance with the Statement of Recommended Practice ("SORP"): Financial Reports of Pension Schemes (Revised May 2007) insofar as it is relevant and follow the Code of Practice on Local Authority Accounting ("the Code") issued by the Chartered Institute of Public Finance in Accountancy (CIPFA).

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

2. Accounting policies

Contributions

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

Benefits

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

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

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

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

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

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

3. Basis of valuation

Investments are valued on the net assets statement at their market value as at 31 March 2012. Quoted securities are included at closing bid prices.
Fixed interest stocks are valued excluding accrued income.
Unquoted investments are included at fair value estimated by the Trustees, based on the latest financial information available at the year end.

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

Property is included at open market value as at 31 March 2012, determined in accordance with the Royal Institution of Chartered Surveyors' Appraisal and Valuation Standards and the Practice Statement contained therein. The property portfolio was independently valued by Matthews & Goodman incorporating Edmund Kirby, Property Advisers.

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

4. Accounting Standards issued and not yet applied

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

5. Critical judgements made in applying the accounting policies

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

6. Assumptions made and other estimation uncertainty

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

7. Contributions

	2010-11	2011-12
	£'000	**£'000**
Employers		
Normal	75,795	70,733
Deficit Funding	30,052	33,900
Augmentation	108	-
Members		
Normal	36,745	34,261
	142,700	**138,894**

The rates of employers' contributions payable in 2010-11 were set as part of the 2007 valuation which revealed an overall funding level of 80%. The rates of employers' contributions payable in 2011-12 were set as part of the 2010 valuation which revealed an overall funding level of 81%.

8. Transfers in

	2010-11	2011-12
	£'000	**£'000**
Group transfers in from other schemes	-	417
Individual transfers in from other schemes	13,721	9,172
Restitution payments for mis-sold personal pensions	70	15
	13,791	**9,604**

9. Benefits

	2010-11 £'000	2011-12 £'000
Pensions	79,085	88,100
Commutation of pensions and lump sum retirement benefits	28,620	37,691
Lump sum death benefits	2,572	2,789
	110,277	**128,580**

10. Payments to and on account of leavers

	2010-11 £'000	2011-12 £'000
Refund of contributions	19	7
Individual transfers out to other schemes	11,206	7,906
	11,225	**7,913**

11. Administrative expenses

	2010-11 £'000	2011-12 £'000
Administration and processing	971	971
Actuarial fees	105	16
Audit fee	50	47
	1,126	**1,034**

12. Investment income

	2010-11 £'000	2011-12 £'000
Income from fixed interest securities	11,129	10,148
Dividends from equities	43,993	51,568
Income from index-linked securities	3,019	3,083
Income from pooled investment vehicles	1,325	1,762
Net rents from properties	4,707	4,430
Interest on cash deposits	657	1,101
	64,830	**72,092**

13. Taxes on income

	2010-11	2011-12
	£'000	£'000
Irrecoverable taxation	**4,088**	**4,206**

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
	£'000	£'000	£'000	£'000	£'000
Investment assets					
Fixed interest securities	312,216	611,600	(634,458)	26,558	315,916
Equities	1,504,119	301,465	(279,329)	(34,432)	1,491,823
Index-linked securities	173,502	21,887	(17,636)	25,586	203,339
Pooled investment vehicles	400,280	25,101	(7,578)	9,050	426,853
Properties	86,910	9,901	-	(5,696)	91,115
Currency hedging contracts	130	68,149	(68,035)	(3)	241
Insurance policies	29	-	(29)	-	-
	2,477,186	1,038,103	(1,007,065)	21,063	2,529,287
Cash deposits & short term loans	141,401				182,695
Other investment balances	15,703				18,745
	2,634,290				**2,730,727**
Investment liabilities					
Currency hedging contracts	(419)	45,338	(45,790)	871	-
Other investment balances	(3,051)				(15,636)
	(3,470)				**(15,636)**
	2,630,820				**2,715,091**

The total profits and losses on disposal of investments and changes in value of investment assets and investment liabilities is an increase of £21.934m.

Included within the above purchases and sales figures are transaction costs of £0.431m. These comprise stamp duty (£0.167m) and commissions paid to stockbrokers (£0.264m).

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

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

Currency hedging receipts and payments represent the transactions settled during the year on currency hedging contracts. The Fund's objective is to decrease risk in the portfolio by entering into futures positions to match a proportion of assets that are already held in the portfolio without disturbing the underlying assets. At the year end, there were two currency hedging contracts, both with less than six months to expiry, with a gross contract value of £37.491m (2011, four contracts, all with less than six months to expiry, with a gross contract value of £37.753m).

	31.03.2011	31.03.2012
	£'000	**£'000**
Fixed interest securities		
UK public sector quoted	280,002	287,615
UK corporate quoted	11,663	6,717
Overseas public sector quoted	20,551	21,584
	312,216	**315,916**
Equities		
UK quoted	893,483	882,010
Overseas quoted	610,636	609,813
	1,504,119	**1,491,823**
Index-linked securities		
UK public sector quoted	127,446	152,132
Overseas public sector quoted	46,056	51,207
	173,502	**203,339**
Pooled Investment Vehicles		
Property – unquoted	49,313	51,163
Other quoted	271,991	277,023
Other unquoted	78,976	98,667
	400,280	**426,853**

	31.03.2011	31.03.2012
	£'000	£'000
Properties		
UK freehold	56,170	55,675
UK leasehold	30,740	35,440
	86,910	**91,115**
Cash deposits and short term loans		
Sterling cash deposits	34,756	16,061
Money market funds	30,692	46,439
Other Sterling short term loans	72,000	117,750
Foreign currency	3,953	2,445
	141,401	**182,695**

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'.

	31.03.2011		31.03.2012	
	£'000	%	£'000	%
In-house	2,151,620	81.8	2,240,385	82.5
Wellington Management International Ltd	233,774	8.9	259,614	9.6
UBS Global Asset Management (UK) Ltd	245,426	9.3	215,092	7.9
	2,630,820	**100**	**2,715,091**	**100**

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

Fund	**Country of registration of fund manager**
Montanaro Focus Fund	Channel Islands
Partners Group – Global Value 2008 Fund	Channel Islands
Montanaro UK Smaller Companies Fund	Republic of Ireland
Atlantis Asian Recovery Fund	Republic of Ireland
Baring Australia Fund	Republic of Ireland
Aberdeen Global Japan Smaller Companies Fund	Luxembourg
J P Morgan Funds Latin American Equity Fund "A"	Luxembourg
Martin Currie Global Funds - Greater China Fund	Luxembourg

No single investments exceed 5% of net assets available for benefits at the year-end (2011, none).

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

	31.03.2011		31.03.2012	
	£'000	**%**	**£'000**	**%**
UK	1,701,265	64.7	1,780,254	65.6
N America	273,096	10.4	304,955	11.2
Europe	274,891	10.4	245,067	9.0
Asia and other	381,568	14.5	384,815	14.2
	2,630,820	**100**	**2,715,091**	**100**

16. Investment management expenses

	2010-11	2011-12
	£'000	**£'000**
Administration, management and custody	3,054	3,372
Performance measurement services	8	8
Legal and other advisory fees	114	140
	3,176	**3,520**

17. Additional Voluntary Contributions

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

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

The total value of funds provided by these contributions was:

	31.03.2011	31.03.2012
	£'000	**£'000**
Equitable Life Assurance Society		
with profits fund	389	352
unit-linked funds	653	532
building society fund	10	8
Total Equitable Life Assurance Society	1,052	892
Standard Life		
managed fund	460	443
cautious managed fund	54	46
protection fund	36	15
ethical fund	68	65
with profits fund	333	277
Total Standard Life	951	846
Prudential Assurance Company Ltd		
deposit fund	3,570	3,051
Total Prudential Assurance	3,570	3,051
Clerical Medical		
with profits fund	555	600
unit linked fund	55	53
Total Clerical Medical	610	653
Total AVC Investments	**6,183**	**5,442**
Death in Service Cover		
Equitable Life	**482**	**460**

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

	Equitable Life	Prudential	Standard Life	Clerical Medical	Total
	£’000	£'000	£’000	£'000	£'000
Value at 1.4.2011	1,052	3,570	951	610	**6,183**
Income					
Contributions received	13	387	86	49	**535**
Interest and bonuses and change in market value	29	16	30	53	**128**
Transfers in	-	3	3	-	**6**
Expenditure					
Life assurance premiums	(1)	-	-	-	**(1)**
Retirement benefits	(201)	(925)	(209)	(31)	**(1,366)**
Transfers out and withdrawals	-	-	(15)	(27)	**(42)**
Contributions repayments	-	-	-	(1)	**(1)**
Deaths	-	-	-	-	**-**
Value at 31.3.2012	**892**	**3,051**	**846**	**653**	**5,442**

18. Current assets

	31.03.2011	31.03.2012
	£'000	£'000
Employers' contributions due	4,721	4,733
Employees' contributions due	1,654	1,556
Amounts owed by Derbyshire County Council	-	2,657
Sundry debtors	2,975	3,413
	9,350	**12,359**

Employers' and employees' contributions due at 31 March 2012 have been received since the year-end.

19. Current liabilities

	31.03.2011	31.03.2012
	£'000	£'000
Amounts owed to Derbyshire County Council	7,107	-
Unpaid benefits	4,184	1,323
Sundry creditors	1,116	1,093
	12,407	**2,416**

20. Related party transactions

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

Included in administrative expenses and investment management expenses in 2011-12 are charges from the Corporate Finance Division and other Council departments of £1.419m (2010-11, £1.555m) for expenses incurred in administering the Fund.

In addition, interest of £0.002m (2010-11, £0.040m) was paid by the Council to the Fund in 2011-12.

At 31 March 2012 the Council owed the Fund £2.657m (2011: the Fund owed the Council £7.107m).

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 50 and 51 of the Council's Statement of Accounts.

21. Investment commitments

Unquoted investment commitments are commitments to private equity and infrastructure investments, not yet drawn down by the managers. Properties commitments are commitments in respect of one property in the course of construction (2011, two). At the end of the financial year, investment commitments in respect of future payments were:

	31.03.2011	31.03.2012
	£'000	£'000
Properties	11,914	2,322
Unquoted investments	18,275	14,930
	30,189	**17,252**

22. Financial instruments

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

Nature and extent of risks arising from financial instruments

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

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

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

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

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

Economic background, market returns, asset allocation, investment activity, investment strategy and investment performance are monitored and reviewed by the Committee on a quarterly basis. In June 2011 it was agreed that the Committee would also receive a quarterly report to monitor specific risk measures associated with managing the fund and this report has been received by the Committee at its quarterly meetings since.

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 and UK Treasury Bills 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 2011-12 was approved by the Full Council on 2 February 2011. On 21 March 2011 relevant extracts were approved by the Committee.

No breaches of the Fund's counterparty criteria occurred during the reporting period.

The Fund's maximum exposure to credit risk in relation to its treasury/cash deposit investments in banks, building societies, money market funds and UK local authorities of £182.695m (2011, £141.401m) 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 2012 that this was likely to occur.

Forward currency contracts - Credit risk from forward currency contracts is minimised by limiting the extent of these contracts to managing the currency risk on overseas bonds, the value of which comprise less than 3% (2011, less than 3%) of investment assets at the year end and by selecting large banks as the counterparties. All forward currency contracts at the year end were with Bank of New York Mellon.

The maximum credit risk exposure on forward currency contracts is the full amount of the foreign currency which the Fund pays when the settlement occurs, should the counterparty fail to pay the amount which it is committed to pay the Fund. At the year end, there were two currency hedging contracts, both with less than six months to expiry, with a gross contract value of £37.491m (2011, four contracts, all with less than six months to expiry, with a gross contract value of £37.753m). The Fund does not expect any losses from non-performance by any of its counterparties in relation to these contracts.

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

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

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

Liquidity risk

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

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

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

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

Maturity analysis for liabilities at the year end:
- There were no financial liabilities within the portfolio at the year end other than those that arose from the trading of investments. Such liabilities fall due within 12 months of the year end.
- There were no derivative financial liabilities held at the year-end (2011, two currency hedging contracts, both with less than six months to expiry, on which the net liability was £0.419m).

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's correlation to interest rates indicates whether the Fund will under-perform (a negative correlation) or out-perform (a positive correlation) for a given change in interest rates. This correlation varies depending on the profile of investments held. During the reporting period the Fund's UK equity portfolio moved from having a broadly neutral exposure to interest rates, to having a slight negative correlation.

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

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

The Fund manages price risk by holding bonds, index-linked stocks and property and by holding a diversified equity portfolio spread geographically, across market sectors and across investments. Contracts specify the level of risk to be taken by the external Fund managers investing in overseas equities. These external managers are monitored by in-house managers. The Northfield risk monitoring system is used to monitor risk associated with the Fund's UK equity portfolio, which is managed by in-house managers. This risk is reported to the Committee each quarter. Pooled investment vehicles are used for specialist areas.

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 2012 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.

	Value at 31.03.2012 £'000	Change %	Value on increase £'000	Value on decrease £'000
Underlying asset type				
UK bonds	370,054	3.98	384,782	355,326
Overseas bonds	72,791	4.75	76,249	69,334
Index-linked gilts	152,132	5.26	160,134	144,130
UK equities	918,383	15.38	1,059,630	777,135
Overseas equities	855,512	14.57	980,160	730,864
Alternatives	17,896	10.36	19,750	16,042
Cash	182,936	0.02	182,972	182,899
Other investment balances	3,109	-	3,109	3,109
Total financial instruments	**2,572,813**		**2,866,786**	**2,278,839**
Property	142,278	4.82	149,136	135,420
Total investment assets and liabilities	**2,715,091**		**3,015,922**	**2,414,259**

Currency risk - The Fund is exposed to currency risk through its overseas equity shares, its overseas bonds and its foreign currency holdings. Currency risk on overseas bonds is managed using forward currency contracts. 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 2012 are potentially exposed to. Potential aggregate currency exposure within the Fund at 31 March 2012 is determined using a currency "basket" based on the Fund's currency mix at that date. The weight of each currency multiplied by the change in its exchange rate relative to Sterling is summed to create the aggregate currency change of the basket. This single outcome is then applied to all overseas assets.

	Value at 31.03.2012 £'000	Change %	Value on increase £'000	Value on decrease £'000
Underlying asset type				
Overseas bonds	72,791	9.41	79,644	65,939
Overseas equities	855,512	9.41	936,050	774,975
Overseas cash	2,921	9.41	3,196	2,646
Overseas investment assets	**931,224**		**1,018,890**	**843,560**

23. Actuarial Present Value of Promised Retirement Benefits

Below is an extract from the Report of the Actuary, showing the actuarial present value of the Fund's promised retirement benefits, required by the Code. All these benefits are vested.

"IAS 26 requires the present value of the Fund's promised retirement benefits to be disclosed and for this purpose the actuarial assumptions and methodology used should be based on IAS 19 rather than the assumptions and methodology used for funding purposes.

To assess the value of the benefits on this basis, we have used the following financial assumptions:

	31.03.2011	31.03.2012
Rate of return on investments (discount rate)	5.5% p.a.	4.9% p.a.
Rate of pay increases	4.65% p.a.	4.25% p.a.
Rate of increases in pensions in payment (in excess of GMP)	2.9% p.a.	2.5% p.a.

We have also used methodology in connection with ill-health and death benefits which is consistent with IAS 19. Demographic assumptions are the same as those used for funding purposes.

On this basis, the present value of the Fund's promised retirement benefits as at 31 March 2011 and 31 March 2012 were £3.490 billion and £3.817 billion respectively. During the year, corporate bond yields reduced significantly, resulting in a lower discount rate being used for IAS 26 purposes at the year-end than at the beginning of the year (4.9% p.a. versus 5.5% p.a.) and in addition there was a reduction in inflation expectations (from 2.9% p.a. to 2.5% p.a.). The net effect of these changes is an increase in the Fund's liabilities for the purposes of IAS 26 of about £134 million.

Paul Middleman
Fellow of the Institute and Faculty of Actuaries
Mercer Limited
June 2012"

24. Participating Employers

The participating employers with active members in the Fund are Derbyshire County Council (which is also the Administering Authority), Derby City Council (Unitary Authority) and 8 District Councils (which are Scheduled Bodies) and a further 56 Scheduled and 44 Admission Bodies. The Unitary and District Councils are listed in the foreword of this Annual Report. Other participating employers are listed on the following page.

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

	2010-11		2011-12	
	Benefits payable	**Contributions receivable**	**Benefits payable**	**Contributions receivable**
	£'000	**£'000**	**£'000**	**£'000**
Derbyshire County Council	51,102	64,988	60,472	62,385
Scheduled Bodies	56,229	71,749	64,501	71,893
Admission Bodies	2,946	5,963	3,607	4,616
	110,277	**142,700**	**128,580**	**138,894**

	Total contribution rate % of pensionable payroll	
	2011-12	**2012-13**
Scheduled Bodies		
National Probation Service - Derbyshire	10.1 plus £435,700	10.1 plus £435,700
Peak District National Park Authority	16.8	16.91
Chesterfield Crematorium	12.8 plus £15,600	12.8 plus £15,600
The University of Derby	10.7 plus £651,900	10.7 plus £651,900
Chesterfield College	11.9 plus £133,800	11.9 plus £133,800
Derby College	11.2 plus £449,400	11.2 plus £449,400
Derbyshire Police Authority	16.1	16.1
Derbyshire Fire Authority	11.2 plus £173,100	11.2 plus £173,100
Derby Homes Limited	10.9 plus £258,700	10.9 plus £258,700
High Peak Community Housing Ltd	12.2 less £23,700	12.2 less £23,700
Rykneld Homes Ltd	13.5 plus £16,600	13.5 plus £16,600
Landau Forte College	10.3 plus £1,300	10.3 plus £1,300
Chellaston Academy	17.5	17.5
Ecclesbourne Academy	13.7 plus £38,700	13.7 plus £40,500
Kirk Hallam Academy	11.5 plus £37,400	11.5 plus £39,100
John Port Academy (from 1 April 2011)	12.2 plus £51,200	12.2 plus £53,700
Brookfield Academy (from 1 April 2011)	11.9 plus £53,100	11.9 plus £55,600
Long Eaton Academy (from 1 March 2011)	12.1 plus £42,300	12.1 plus £44,400
West Park Academy (from 1 April 2011)	13.8 plus £47,300	13.8 plus £49,500

	Total contribution rate % of pensionable payroll	
	2011-12	2012-13
Queen Elizabeth's Grammar School Ashbourne Academy (from 1 August 2011)	11.1 plus £37,900*	11.1 plus £59,500
Ormiston Ilkeston Academy (from 1 August 2011)	12.4 plus £20,600*	12.4 plus £32,300
Hope Valley College (from 1 August 2011)	12.6 plus £21,500*	12.6 plus £33,700
Ormiston Enterprise Academy (from 1 September 2011)	11.2 plus £14,500*	11.2 plus £26,100
Pennine Way Junior School (from 1 October 2011)	12.3 plus £3,400*	12.3 plus £7,100
Heanor Gate Science College (from 1 November 2011)	13.1 plus £19,400*	13.1 plus £48,800
Lessbrook School (from 1 September 2011)	10.8 plus £31,500*	10.8 plus £56,500
Staveley Netherthorpe School (from 1 March 2012)	12.2 plus £2,150*	12.2 plus £27,000
Redhill Primary School (from 1 March 2012)	13.2 plus £500*	13.2 plus £6,500
St John Houghton School (from 1 March 2012)	12.1 plus £2,000*	12.1 plus £25,500
Woodlands School (from 1 March 2012)	11.3 plus £2,900*	11.3 plus £36,900
Shirebrook Academy	11.3 plus £30,600	11.3 plus £32,100
Town and Parish Councils - Group 1	21.8	21.8
Town and Parish Councils - Group 2	15.2	15.2

* Part year figure

Town and Parish Councils

Group 1		Group 2
New Mills Town Council	Whaley Bridge Town Council	Alfreton Town Council
Clay Cross Parish Council	Shirebrook Town Council	Wingerworth Parish Council
Pinxton Parish Council	Eckington Parish Council	Heanor & Loscoe Town Council
Wirksworth Town Council	Willington Parish Council (no active members at 31.03.2012)	Darley Dale Town Council
Old Bolsover Town Council		Morton Parish Council
Belper Town Council		Burnaston Parish Council
Killamarsh Town Council		North Wingfield Parish Council
Ashbourne Town Council		Tibshelf Parish Council
Dronfield Town Council		Kilburn Parish Council
Whitwell Parish Council		Glapwell Parish Council
Staveley Town Council		Tupton Parish Council (no active members at 31.03.2012)
Matlock Town Council		

The following Admission Bodies also participate:

	Total contribution rate % of pensionable payroll	
	2011-12	2012-13
Three Valleys Housing Ltd	12.6 plus £119,500	12.6 plus £119,500
Amber Valley Housing Ltd	12.3 plus £46,000	12.3 plus £46,000
Dales Housing Ltd	14.9 plus £120,500	14.9 plus £120,500
Tramway Museum Society	10.9 plus £10,200	10.9 plus £10,200
Derbyshire Coalition for Inclusive Living	15.7 plus £2,300	15.7 plus £2,300
Chesterfield Care Group	14.1 plus £3,800	14.1 plus £3,800
Belper Sports Centre	13.0 plus £17,200	13.0 plus £17,200
Derbyshire Student Residences Ltd	12.7 plus £8,200	12.7 plus £8,200
Commission for Social Care Inspection	21.4	21.4
Cleanaway Ltd (Contract with Chesterfield BC)	15.9 less £5,500	15.9 less £5,500
Cleanaway Ltd (Contract with Amber Valley BC)	15.4 plus £83,200	15.4 plus £83,200
Rentokil Initial Management Services Ltd	22.0 less £700	22.0 less £800
CSB Contract Services Ltd (ceased 31 December 2011)	26.4 plus £400	-
Norwest Holst Ltd	16.8 less £200	16.8 less £300
Initial Facilities Management Ltd	17.7 plus £2,500	17.7 plus £2,500
Initial Catering Services Ltd	16.5 less £800	16.5 less £800
DC Leisure Management Ltd (contract with Amber Valley BC)	13.6 less £5,900	13.6 less £5,900
Leisure and Community Partnership Ltd (contract with Amber Valley BC)	13.6 less £5,900	13.6 less £5,900
Vale Contract Services Ltd	14.6 less £200	14.6 less £200
Balfour Beatty Power Networks Ltd	14.2 less £300	14.2 less £400
Macintyre Care Ltd	15.1 less £7,200	15.1 less £7,200
SIV Enterprises Ltd	14.6 plus £3,500	14.6 plus £3,500
Veolia Ltd (contract with High Peak BC)	14.6 less £20,800	14.6 less £20,800
KGB Cleaning & Support Services	15.1 less £300	15.1 less £300
APCOA	16.7 less £8,500	16.7 less £8,500
DC Leisure Management Ltd (High Peak BC)	13.0 less £16,300	13.0 less £16,300
Leisure & Community Partnership Ltd (High Peak BC)	13.0 less £16,300	13.0 less £16,300
Clean Slate UK Ltd	15.4 less £300	15.4 less £400
Graysons Restaurants Ltd	15.9 less £1,700	15.9 less £1,700

	Total contribution rate % of pensionable payroll	
	2011-12	**2012-13**
Dell Corporation Ltd	12.6 less £2,400	12.6 less £2,400
Superclean Services Wothorpe Ltd	15.7 less £500	15.7 less £500
Apollo Property Services	15.5	15.5
Ian Williams Ltd	14.8	14.8
Northgate UK Ltd	14.3	14.3
NIC Services Group Ltd	16.3	16.3
Arvato Government Services (Sefton) Ltd	14.5	14.5
Kier Ltd	13.8	13.8
Mitie Facilities Services Ltd	16.2	16.2
Compass Services Ltd	15.7	15.7
Barnados - from 1 April 2011	14.5	14.5
Active Nation - from 1 April 2011	11.9	11.9
ABM Catering Ltd (Derby Moor School) - from 4 April 2011	17.0	17.0
Cream Catering - from 1 May 2011	17.3	17.3
ABM Catering Ltd (Gayton Primary School) - from 1 September 2011	12.3	12.3
Compass Services Ltd (Derby City) - from 31 October 2011	17.8	15.7

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 proper standards, that public money is safeguarded, properly accounted for and used economically, efficiently and effectively.

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

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

This statement explains how Derbyshire County Council has complied with the Code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2011 in relation to the publication of a statement on internal control. This code is available on the Authority’s website.

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

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

The governance framework has been in place at Derbyshire County Council for the year ended 31 March 2012 and up to the date of the Statement of Accounts being certified by the Director of Finance.

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

Policy and Plans

The Sustainable Community Strategy for Derbyshire sets out a vision for everyone in Derbyshire to enjoy a good quality of life, both now and in the future. The Strategy provides an overarching guiding framework for partnership working and sets the context for the Authority's Council Plan. The Council Plan sets out key priorities to help the Authority achieve its ambitions and is supported by resource strategies, Departmental Service Plans and other strategies, policies and plans. The Authority monitors and reports on progress on an ongoing basis against a range of identified targets. The Council Plan is reviewed throughout its currency and is currently undergoing review to reflect changing national requirements.

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

Leadership

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

Chief Officers play a key role in implementing policy decisions. 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.

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

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
Codes of Conduct for both Members and officers
Confidential Reporting Code (whistle blowing policy)
Anti-Fraud/Anti-Corruption Strategy Policy Statement

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

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

The Internal Control Framework
Derbyshire County Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The Authority has established a Governance Group of senior officers, chaired by the Director of Legal Services, to review and monitor the Authority's governance arrangements. This review is supported by the work of Strategic Directors and Directors which, together with the work of Audit Services, demonstrate that good governance practices are embedded throughout the Authority. Further assurance is provided by the Head of Internal Audit's Annual Report, and also by comments made by the external auditor and other review agencies and inspectorates e.g. Ofsted, Care Quality Commission.

The Chief Financial Officer
The Authority's financial management arrangements substantially conform to the governance requirements specified in the Cipfa Statement on the Role of the Chief Financial Officer in Local Government (2010). The Director of Finance, as Section 151 Officer, has the key role in assessing and developing financial skills within the Council, supported by the Director of Human Resources. Training has continued throughout the year for staff, especially in relation to the use of the Council's financial systems and for Members in relation to technical pension fund matters and wider financial planning. The Council continues to support staff in the development of more formal qualifications. A formal schedule of training is being developed to cover a four year cycle. Changes to Financial Regulations are due in 2012 and a programme of training/awareness will be developed to support the change.

Role of Audit Services
The effectiveness of the Authority's internal controls is examined in detail through the work of Audit Services. The Unit has a Strategic Audit Plan from which the Annual Audit Plan is formulated based on key risks identified in the Authority's Strategic Risk

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

A detailed review of the effectiveness of the system of internal audit will be undertaken by the Director of Finance, utilizing an objective assessment tool, in the current year and the outcome of that review will be reported to the Audit Committee.

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

Role of Improvement and Scrutiny

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

Role of Standards Committee

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

Member Development

The Authority has reviewed its arrangements for Member Training and Development, establishing a group as recommended by an Improvement and Scrutiny review to oversee and implement a structured framework for Member development and induction. The group has developed a Member Development Plan, based on Member development needs identified as part of individual reviews undertaken by Group leaders, supplemented by a programme of briefing/training sessions on subjects of common interest to all Members. In order to support Members in taking ownership of their development, budgets have been allocated to each political group for this purpose.

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 Leadership Job Family has been implemented, including role profiles, leadership framework and standards, which includes specific reference to financial and risk management, and the renewed emphasis on performance management, including the roll out of MyPlan to replace to existing IDR/PDR process. This seeks to ensure the "golden thread" from the Council Plan to individual objectives.

Staff induction, training and personal development reviews are regularly undertaken and feed into training plans which are subject to ongoing review. The management competency framework supports the development of managers within the Authority.

Consultation and Delivery in Partnership
The Authority's vision and intended outcomes are communicated to citizens through a range of media including the Authority's website, Derbyshire First and the Council Tax leaflet.
The Authority ensures that clear channels of communication are in place with all sections of the community and other stakeholders e.g. employee groups, Citizens' Panel, Youth Council, 50+ Forum, BME Forum, Local Area Fora, 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.

Future Improvements
The reviews of effectiveness undertaken by both internal and external audit have advised that the Authority's overall financial management and corporate governance arrangements are sound subject to the satisfactory implementation of recommendations made during the year. As a result of major changes in the previous year relating to the Authority's core systems and, after taking account of the work which has been undertaken to address those issues arising from this project, Audit opinions issued on this work have been limited and have identified key recommendations which should, when implemented, significantly improve the control environment and this will be a priority in the current year.

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

Production of a Governance Manual
Performance management information
Review and refresh of the Authority's Resource Strategies

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

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

Nick Hodgson	Councillor Andrew Lewer
Chief Executive	Leader of the Council
28 September 2012	28 September 2012

On behalf of Derbyshire County Council

AUDITOR'S OPINION

Opinion on the Authority financial statements
I have audited the financial statements of Derbyshire County Council for the year ended 31 March 2012 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, and the Cash Flow Statement, and the related notes. 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 2011/12.

This report is made solely to the members of Derbyshire County Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Director of Finance and auditor
As explained more fully in the Statement of the Director of Finance's Responsibilities, the Director of Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. My 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 me 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 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, I read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements
In my opinion the financial statements:

- give a true and fair view of the financial position of Derbyshire County Council as at 31 March 2012 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

Opinion on other matters
In my opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception
I report to you if:

- in my opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- I issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- I designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- I exercise any other special powers of the auditor under the Audit Commission Act 1998.

I have nothing to report in these respects

Opinion on the pension fund financial statements
I have audited the pension fund financial statements for the year ended 31 March 2012 under the Audit Commission Act 1998. The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes. 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 2011/12.

This report is made solely to the members of Derbyshire County Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

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 Authority's Statement of Accounts, which includes the pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. My 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 me 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 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, I read all the financial and non-financial information in the explanatory foreword and the pension fund annual report to identify material inconsistencies with the audited financial statements. If

I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the pension fund's financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2012 and the amount and disposition of the fund's assets and liabilities as at 31 March 2012, other than liabilities to pay pensions and other benefits after the end of the scheme year; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

Opinion on other matters

In my opinion, the information given in the explanatory foreword and the content of the pension fund Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

Respective responsibilities of the Authority and the auditor

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.

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

I report if significant matters have come to my attention which prevent me from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. I am not required to consider, nor have I 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

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2011, as to whether the Authority has proper arrangements for:

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

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

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

Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2011, I am 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 2012.

Certificate

I certify that I have completed the audit of the accounts of Derbyshire County Council and the Derbyshire County Council Pension Fund in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Ian Sadd
Officer of the Audit Commission

Unit 10 Whitwick Business Centre
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28 September 2012

GLOSSARY OF TERMS

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.
Accountable Body
An accountable body is an organisation which takes financial responsibility for the management of funds which comprise of contributions from multiple organisations; the fund itself is not a legal entity.
Actuarial Basis
The estimation technique applied when estimating the liabilities to be recognised for defined benefit pension schemes in the financial statements of an organisation.
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.
Appropriation
The process of transferring balances from revenue to reserves and vice versa.
Area Based Grant
General Government Grant introduced in 2008-09 to replace many specific Government Grants.
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.
Associates
An entity (including partnerships) which is not a subsidiary or joint venture, where the Council has significant influence.
Available for Sale Assets
Financial assets that have a quoted market price and/or do not have fixed or determinable payments.
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 31 March.
Best Value Accounting Code of Practice (BVACOP)
Establishes ‘proper practice’ with regard to consistent financial reporting, which allows direct comparisons to be made with the financial information published by other local authorities.
Bonds
Investment in certificates of debts issued by a Government or company. These certificates represent loans which are repayable at a future date with interest.
Budget
The financial plan reflecting the Council's policies and priorities over a period of time.

Cabinet
A group of councillors who provide the executive function of the Council, their decision-making powers are set out in the Council's Constitution.
Cap And Trade Scheme
Schemes where a 'cap' or limit is imposed on authorities for certain activities. Authorities can increase or decrease their limit by 'trading' for allowances.
Capital Adjustment Account
Capital reserve largely comprising of resource applied to capital financing and is not available to the Council to support new investment.
Capital Costs
Reflects the element of annual payment for PFI or Leased assets which is in relation to the reduction in the long term debt associated with the asset.
Capital Expenditure
Expenditure on the acquisition of, or enhancement to fixed assets. This cannot be merely to maintain the value of an existing asset.
Capital Financing
The cost of financing capital expenditure.
Capital Grant
Grant which is intended to fund capital expenditure.
Capital Grant Unapplied Reserve
Capital reserve reflecting the value of capital grant received where there are no conditions outstanding; however expenditure on the associated asset has not been incurred.
Capital Receipts
Money received from the sale of fixed assets. Subject to certain limitations, this can be used to finance other capital expenditure, or to repay outstanding debt associated with the asset.
Capital Reserves
Reserve balances held for capital purposes.
Carbon Reduction Commitment
Cap and trade scheme aimed at improving the impact Local Authorities have on Climate Change.
Cash Flow Statement
This consolidated statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.
Central Support Services
The provision of services by the central departments of the County Council. For example; finance, personnel, legal, administration, information technology and property.
CIPFA Code
A publication produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) that provides comprehensive guidance on the content of a Council's Statement of Accounts.
Collection Fund
The fund maintained by authorities who have responsibility to bill Council Tax and Non-Domestic Rate payers (billing authorities).
Collection Fund Adjustment Account
Revenue reserve to represent the difference between the income received by a Local Council in Council Tax and the amount attributable to them.

Collection Fund Statements
The statutory financial statements produced as part of the Statement of Accounts by authorities who have responsibility to bill Council Tax and Non-Domestic Rate payers (billing authorities).
Community Assets
Assets which are held for the benefit of the community where there is no determinable useful life, such as works of art.
Community Schools
Schools which the Council runs, employs the staff and normally owns and maintains the land and buildings (with the exception of PFI schools).
Comprehensive Income and Expenditure Statement (CIES)
This statement reports the net cost of all the services which the Council is responsible for, and demonstrates how that cost has been financed.
Constitution
The document that sets out how the Council operates, how decisions are made and the procedures which are followed.
Contingent Liability
Potential costs that the Council may incur in the future because of something that happened in the past, but there is no certainty that a cost will occur.
Core Service Areas
The services provided by the Council externally, such as education, highway maintenance and adult social care.
Corporate & Democratic Core
Costs associated with the democratic management of the Council such as the Chief Executives salary and Members’ Allowances.
Council
The Council comprises all of the democratically elected Councillors who represent the various electoral divisions.
Council Tax
Council Tax is a local taxation that is levied on dwellings within the local Council area and funds all Council services.
Council Tax Base
This is a figure that expresses the total band D equivalent properties. The amount to be funded by Council Tax is divided by this, and charges for all other bands of property are based on this charge.
Council Tax Precept
The amount of income due to the County Council from the District Authorities, who are responsible for collecting Council Tax.
Credit
A credit represents income to an account.
Creditors
Represents the amount that the Council owes other parties.
Debit
A debit represents expenditure against an account.
Debt Charges
This represents the interest payable on outstanding debt.
Debtors
Represents the amounts owed to the Council.

Dedicated Schools Grant (DSG)
A specific grant paid to Local Authorities to fund the cost of running its schools.

Deficit
Arises when expenditure exceeds income or when expenditure exceeds available budget.

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

Defined Contribution 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.

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 aka wear and tear.

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

Direct Revenue Financing
The cost of capital projects that is charged against revenue budgets.

Discount
An allowance received through the early repayment of debt

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

Donated Assets
Assets which have been acquired at below market cost.

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

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

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

Enhancement Expenditure
Expenditure which increases the value of an asset.

Equities
Ordinary shares in UK and overseas companies traded on a stock exchange. Shareholders have an interest in the profits of the company and are entitled to vote at shareholder's meetings.

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

Extraordinary Items
Material items possessing a high degree of abnormality which arise from events or transactions that fall outside the ordinary activities of the reporting entity and which are not expected to recur.
Fair Value
Usually the amount that would be paid for an asset in an active market, however where there is no market for a certain type of asset (such as schools) other methods to determine fair value are used.
Finance Costs
Reflects the element of annual payment for PFI or Leased assets which is in relation to interest payable on the loan liability.
Finance Lease
A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.
Financial Assets
A right to future economic benefits controlled by the Council.
Financial Instruments
Financial instruments are formally defined in the CIPFA Code as contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity.
Financial Instruments Adjustment Account
Revenue reserve which records the timing differences between the rate at which gains and losses are recognised and the rate at which debits and credits are required to be made against council tax.
Financial Liabilities
An obligation to transfer economic benefits controlled by the Council.
Fixed Assets
Assets that yield benefits to the Council for a period of more than one year, examples include land, buildings and vehicles.
Formula Grant
The general grant paid to Local Authorities by the Government to support the day to day costs of running its services.
Foundation Schools
Schools run by their own governing body, which employs the staff and sets the admissions criteria. Land and buildings are usually owned by the governing body or a charitable foundation.
General Fund Balance
The reserve held by the Council for general purposes, i.e. against which there are no specific commitments.
General Reserves / General Fund Balance
The reserve held by the Council for general purposes, i.e. against which there are no specific commitments.
Going Concern
The going concern accounting concept assumes that the organisation will not significantly curtail the scale of its operation in the foreseeable future.
Government Grants
Payment by Government towards the cost of Local Authority services. These are either for particular purposes or services (specific grants) or in aid of local services generally (formula grant).

Grants
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.

Impairment
Impairment of an asset is caused either by a consumption of economic benefits, a deterioration in the service provided by an asset, or by a general fall in prices of that particular asset.

Inflow
This represents cash coming into the Council.

Infrastructure Assets
Assets associated with the road networks owned and maintained by the Council.

Intangible Asset
Non-current assets which do not have physical form such as software.

Internal Service Costs
The provision of services by the central departments of the Council. Examples finance, personnel, legal, administration, information technology and property.

International Accounting Standard (IAS's)
Regulations outlining the method of accounting for activities, IAS's are currently being replaced with International Financial Reporting Standards (IFRS's) issued by the International Accounting Standards Board.

International Financial Reporting Standards (IFRS)
Regulations outlining the method of accounting for activities, issued by the International Accounting Standards Board.

Inventories
Fair value of current assets purchased which have not yet been consumed.

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

Investments
An asset which is purchased which is expected to increase in value by providing income, capital appreciation or both.

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

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

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 (tenent).

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.

Liquid Resources
These are resources that the Council can easily access and use, e.g. cash or investments of less than one year.

Loans and Receivables
Financial assets which are not quoted in an active market and have either a fixed or determinable payment.

Local Authority Business Growth Incentive (LABGI)
Incentive for local authorities to promote economic growth. The scheme allows the retention of a proportion of increases in revenue derived from national non-domestic rates.

Local Public Service Agreements (LPSA)
A voluntary agreement, negotiated between a Local Authority and the government, which aims to improve local public services by focusing on targeted outcomes for local people.

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

Members
Elected councillors responsible for the democratic leadership of the Council.

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

Minimum Revenue Provision (MRP)
A minimum amount, set by law, which the Council must charge to the income and expenditure account, for debt redemption or for the discharge of other credit liabilities (e.g. finance lease).

Movement in Reserves Statement
The statement detailing the movement in the reserves of the Council.

National Non Domestic Rates (NNDR)
Taxation that is levied on business properties, billing authorities collect this on behalf of the Government. The Government then redistribute these resources to Councils.

Net Book Value
The amount at which fixed assets are included in the balance sheet. It represents historical cost or current value less the cumulative amounts provided for Depreciation or Impairment.

Net Expenditure / Net Cost of Service
The actual cost of a service to an organisation after taking account of all income received for services provided.

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-Distributed Costs
The value of revenue operating expenditure that is not able to be apportioned to one of the authorities core service areas.

Operating Lease
A lease where an asset is used only for a small proportion of its economic life.

Outflow
This represents cash going out of the Council.
Pensions Costs
The benefits paid by the Council which are accrued during the period of employment and paid to ex-employees after retirement.
Pensions Liability
The cost, calculated by an Actuary, of providing the current members of a pension scheme with retirement benefits as set out in the pension scheme rules.
PFI
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.
Previous Year Adjustments
These are material adjustments relating to prior year accounts that are reported in subsequent years and arise from changes in accounting policies or from the correction of fundamental errors.
Principal
The amount of repayment to a lender which relates to the reduction in the loan, rather than the interest paid on the loan.
Prior Period Adjustments
These are material adjustments relating to prior year accounts that are reported in subsequent years and arise from changes in accounting policies or from the correction of fundamental errors.
Private Finance Initiative (PFI)
A Government initiative that enables, through the provision of financial support, Authorities to carry out capital projects through partnership with the private sector.
Projected Unit Method
This is a common actuarial funding method to value pension scheme liabilities.
Provision for Bad & Doubtful Debts
A prudent reduction in the reported level of income owed to the Council for non payment of invoices and other debt.
Provisions
Potential costs that the Council may incur in the future because of something that happened in the past, which are likely or certain to be incurred and a reliable estimate can be made to the costs.
Public Works Loans Board (PWLB)
A Government agency which provides longer term loans to local authorities at favourable interest rates only slightly higher than those at which the Government itself can borrow.
Quoted Market Prices
A method of determining the fair value of financial assets via prices quoted on an active market.
Recognition
The process upon which assets are deemed to belong to the Council ether by purchase, construction or other form of acquisition.
Reserves
Sums are set aside in reserves for future purposes rather than to fund past events.

Revaluation Gain
The increase to the fair value of an asset following a valuation.
Revaluation Reserve
This reserve contains revaluation gains on assets recognised since 1 April 2007 only, the date of its formal implementation.
Revenue Expenditure
Expenditure which is not capital.
Revenue Expenditure Funded from Capital under Statute
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.
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.
Short Term Benefits
Employee benefits earned and consumed during employment.
Soft Loans
Low interest rate loans.
Specific Grant
A grant awarded to a Council for a specific purpose or service that can not be spent on anything else.
Straight Line Basis
The method of calculating depreciation via charging the same amount each year over the life of the asset.
Subsidiary
An organisation that is under the control of the Council i.e. the Council is the majority share holder.
Surplus
Arises when income exceeds expenditure or when expenditure is less than available budget.
Surplus Assets
Assets which are no longer in operation.
Tenant
The person or organisation that is occupying an asset under lease.
Termination Benefits
Employee benefits paid upon termination of employment such as redundancy.
Trading Accounts
A service run in a commercial style and environment, providing services that are mainly funded from fees and charges levied on customers.
Treasury Management
Utilisation of cash flows through investments and loans.
UK GAAP
United Kingdom Generally Accepted Accountancy Practice.
Unidentified Income
Income received by the Council where the reason for the income is unknown.

Usable Capital Receipts Reserve
Represents the resources held by the Council that have arisen from the sale of fixed assets that are yet to be spent on other capital projects.
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.
Voluntary-aided schools
Schools which are mainly religious or 'faith' schools, the governing body employ the staff and set the admission criteria. Buildings and land are normally owned by a charitable foundation.
Voluntary-controlled schools
Schools which the Council run, employ staff, set admission criteria and maintain land and buildings. But normally are owned by a charity, who appoints members to the governing body.
Waste Disposal Authorities
Authorities with the statutory responsibility for disposal of refuse.
Work in Progress
The fair value of incomplete contracts for goods and services which are to be charged to external customers.

A summary of this document maybe made available in Braille, on audio tape or in large print on request from the Call Derbyshire contact centre:

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