

Agenda Item No.5 (c)

DERBYSHIRE COUNTY COUNCIL

AUDIT COMMITTEE

27 September 2017

Report of the Director of Finance & ICT

STATEMENT OF ACCOUNTS 2016-17

1 Purpose of the Report

To seek approval for the Statement of Accounts 2016-17.

2 Information and Analysis

The Accounts and Audit Regulations 2015 require the Director of Finance & ICT to certify the pre-audit Statement of Accounts by 30 June and the Audit Committee to approve the post-audit version before 30 September.

Under the Local Audit and Accountability Act 2014 (Sections 25 to 28) and the Accounts and Audit Regulations 2015 (Regulations 10, 14 and 15), the Council's accounts for the year ended 31 March 2017 and certain related documents (comprising books, deeds, contracts, bills, vouchers and receipts) were made available for public inspection from 5 June 2017 to 14 July 2017 between 9 am and 5 pm Monday to Friday. No queries were raised.

The core financial statements in the Statement of Accounts are:

- Comprehensive Income and Expenditure Statement (CIES)
- Expenditure and Funding Analysis
- Movement in Reserves Statement
- Balance Sheet
- Cash Flow Statement
- Pension Fund Accounts
- Annual Governance Statement

The main changes from the Statement of Accounts 2015-16 have been the revised format of the CIES which provides local authorities with the opportunity to present the cost of services on the basis of their management accounts reporting and the introduction of the Expenditure and Funding Analysis (EFA). The EFA is a comparison of resources applied and charged against Council Tax.

The approved Statement of Accounts will be reported to full Council in December. The Pension Fund Accounts will be reported to the Pensions and Investment Committee in December.

A copy of the audited Statement of Accounts is appended to this report at Appendix One. The Auditors' Opinion is not included and will be separately provided by the external auditors.

Details of changes made to the pre-audit Statement of Accounts are included at Appendix Two.

The International Standards on Auditing ISA 580 require the Council to provide a Management Representation Letter to the external auditors. The letter outlines the responsibilities of those charged with governance. The letter is still to be finalised but a draft is shown at Appendix Three.

The Council submitted the pre-audited Statement of Accounts to the external auditor on 31 May 2017, which is one month ahead of the statutory deadline of 30 June, as the Council prepares for the introduction of revised timescales for completion of the accounts. The Council will be required to submit the accounts for 2017-18 and beyond to external audit by 31 May following the financial year-end. The achievement of completing the accounts early again this year represents a significant step towards the Council ensuring that it will meet its statutory obligations in future years.

3 Financial Considerations

Details are set out in the report and appendices.

4 Legal Considerations

The audited Statement of Accounts must be approved by the Audit Committee by 30 September in accordance with the Accounts and Audit Regulations 2015.

5 Other Considerations

In preparing this report the relevance of the following factors has been considered: prevention of crime and disorder, equality and diversity, human resources, environmental, health, property, transport and social value considerations.

6 Background Papers

Papers held in Technical Section, Finance & ICT Division, Room 137.

7 Officer's Recommendation

That Audit Committee approves the Statement of Accounts 2016-17.

PETER HANDFORD

Director of Finance & ICT

Controlled



Post-Audit Statement of Accounts 2016-17

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

Version History			
Version	Date	Detail	Author
0.1	13/06/2017	Audit changes to the Pre-Audit version 1.0 of the Statement of Accounts	Paul Stone Eleanor Scriven
1.0	20/9/2017	Final Draft for Audit Committee Approval	Paul Stone
This document has been prepared using the following ISO27001:2013 standard controls as reference:			
ISO Control		Description	
A.8.2		Information classification	
A.7.2.2		Information security awareness, education and training	
A.18.1.1		Identification of applicable legislation and contractual requirements	
A.18.1.3		Protection of records	
A.18.1.4		Privacy and protection of personally identifiable information	

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NARRATIVE REPORT

Introduction

This Statement of Accounts presents the overall financial position of the Council for the year ended 31 March 2017. 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.

This document also includes information relating to the Derbyshire Pension Fund, which the County Council administers on behalf of its own staff, other local authorities and other admitted bodies.

Explanation of the Accounting Statements which follow

- Comprehensive Income and Expenditure Statement (CIES) - This shows the cost of providing services in accordance with generally accepted accounting practices.
- Balance Sheet (BS) - This shows the value of all assets and liabilities. Reserves are matched against net assets and liabilities.
- Cash Flow Statement (CFS) – This statement shows the changes in cash and cash equivalents of the Council.
- Expenditure and Funding Analysis (EFA) – This shows for each portfolio a comparison of resources applied and the charge against Council Tax.
- Movement in Reserves (MiRS) – This shows the movement on the different reserves held, analysed into ‘usable reserves’ (i.e. those that can be applied to fund expenditure) and ‘unusable’ reserves.
- Notes to the Accounts – Not a statement, however they provide supplementary information.

The 2016-17 Code of Practice on Local Authority Accounting in the UK reflects new formats and reporting requirements for the CIES and MiRS and the introduction of the new EFA as a result of the *Telling the Story* review of the presentation of local authority financial statements. Local authorities can now present the CIES based on how an authority is organised and funded. The Council has presented its CIES on the basis of how it reports its management accounts during the financial year which is by Cabinet Member Portfolio. The Council is structured into four departments but reports through six Cabinet Member Portfolios.

Revenue Expenditure

The Council set its net budget requirement for 2016-17 on 10 February 2016 and originally planned to spend £484.656m, with funding coming in the form of Government non-ring-fenced grants of £177.673m, Council Tax of £279.930m, £17.295m of business rates collected locally and £9.757m from use of the General Reserve. The Council has spent £481.801m, against a final net budget of £503.452m. The increase in net budget is largely due to

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additional grant funding received in-year, which, in the main has been allocated to the Risk Management budget. As well as the additional grants received, the Council entered into a business rates pool along with the district/borough councils and the Fire and Rescue Service , as well as Derby City Council, which has resulted in a business rates gain of approximately £1.230m.

Departments have continued to look for ways of working more efficiently and effectively to cut costs or generate additional income and set aside cash for future years when further budget reductions will be needed. There continues to be pressures on social care which has resulted in a small overspend in Adult Social Care and a significant overspend in Children's Services. The overspend in Children's Services was, in the main, due to residential placements and a shortfall in the achievement of savings from the closure of children's centres. There were underspends, in the other portfolio areas, mainly due to staffing reductions, vacancy control and over-recovery of income. The underspends will be utilised to manage budgets in 2017-18 and 2018-19. Any decision on the use of underspends in this way are made by Cabinet.

There have been underspends on corporate budgets - Debt Charges and Risk Management. The underspend on the Risk Management budget largely relates to additional funding received in-year. The underspend on the debt charges budget is mainly due to delays in the implementation of the capital programme.

There is an overall Council underspend of £21.651m which results in an increase to the Council's General Reserve. The balance on the General Reserve is £51.265m, however there are commitments held against the balance, details of which were reported to Cabinet on 26 January 2017. The delivery of the Council's Five Year Financial Plan is heavily dependent on an adequate level of General Reserve, the underspend generated in 2016-17 was anticipated as part of the decisions taken by Council at its budget setting meeting in February 2017. The need to maintain adequate, risk assessed level of reserves has been a key part of the Council's success in both maintaining its financial standing and continuing to deliver high quality services.

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

The overspend on the Children's Services portfolio will be met from an earmarked reserve held specifically to manage such eventualities as part of the budget achievement of reductions in that area.

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	Budget £m	Actual £m	Outturn £m
Controllable:			
Adult Social Care	209.507	209.602	0.095
Children's Services	97.810	103.408	5.598
Council Services	41.321	39.814	(1.507)
Highways, Transport and Infrastructure	75.292	72.832	(2.460)
Health and Communities	11.010	10.994	(0.016)
Strategic, Policy, Economic Development and Budget	8.496	7.811	(0.685)
Departmental Outturn	443.436	444.461	1.025
Risk Management	10.079	0.000	(10.079)
Debt Charges	47.064	35.785	(11.279)
Interest Receivable	(4.439)	(4.769)	(0.330)
Levies and Precepts	0.311	0.314	0.003
Corporate items	7.001	6.010	(0.991)
Total Outturn Position	503.452	481.801	(21.651)
Transfers to / from reserves:			
RCCO - Capital Funded from Revenue	12.762	12.762	0.000
Transfer to Earmarked reserves	47.391	47.391	0.000
Transfer from Earmarked reserves	(58.411)	(58.411)	0.000
Use of General Reserves	(27.582)	(27.582)	0.000
Contribution into General Reserve	5.168	26.819	21.651
	482.780	482.780	0.000
Financed By:			
Council Tax	(279.930)	(279.930)	0.000
Revenue Support Grant	(67.722)	(67.722)	0.000
Non-Domestic Rates Redistribution	(18.383)	(18.383)	0.000
Business Rates Top-up	(86.457)	(86.457)	0.000
New Homes Bonus	(2.864)	(2.864)	0.000
Other General Revenue Grants	(16.920)	(16.920)	0.000
PFI Grant	(10.504)	(10.504)	0.000
	(482.780)	(482.780)	0.000

Spending on schools is funded by Dedicated Schools Grant (DSG) from Government. The Council received £423.824m in 2016-17. The table above shows the positions net of the impact of the grant and associated spend. Note 41 sets out the grant in more detail.

The Council also has responsibility for Public Health funding. A total of £42.670m was received in 2016-17 in the form of a ring-fenced grant from Government to pay for the services. There was an underspend against the balance of the grant of £4.634m.

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The Comprehensive Income and Expenditure Statement shows a deficit on provision of services of £210.151m. This is different to the outturn position shown in the previous table as it includes both cash transactions and non-cash items, such as depreciation. The deficit, in the main, relates to the loss on disposal of non-current assets.

Capital Expenditure

The table below shows that capital expenditure increased by £16.821m compared to 2015-16.

	2015-16 £m	2016-17 £m
Capital Expenditure	94.007	110.828
Funded by:		
Grants and Contributions	56.523	80.674
Loans	25.707	8.702
Revenue Contributions	11.138	12.973
Capital Receipts	0.639	8.479
Total	94.007	110.828

Assets and Liabilities

The value of Property, Plant and Equipment Assets (PPE) has decreased by £26.393m from the previous year.

Cash and Cash Equivalents has decreased by £29.246m.

The net decrease to both Current and Non-Current Debtors is £14.273m.

The net reduction to Current and Non-Current Borrowing is £24.981m which is as a result of a long-term plan over the past five years to reduce the borrowing required to finance capital expenditure. The Council has not entered into any new debt since September 2010. Interest payable by the Council resulted in an £11.279m underspend against budget for the financial year, largely as a result of slippage to the capital programme. The Council reviewed its Minimum Revenue Provision (MRP) in 2016-17, details of which were reported to Cabinet on 22 November 2016. Following substantial financial modelling and advice from the Council's Treasury Management advisers, the Council revised its MRP Policy, amending the previous methodology of a reducing balance from 4% to 2.5%. The decision has released budget reductions of £6.250m.

Other Non-Current Liabilities have increased by £78.637m. Of this, there is a £98.715m reduction in relation to changes in the valuation of the Pension Liability. The main movements are Actuarial Losses of £42.877m, £22.260m Net Interest Cost and £18.700m Current Service Cost less Employer Contributions Payable.

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Derby City Council transferred 8.5% of the County's Public Works Loan Board (PWLB) debt (held on their behalf by the County) on 31 March 2017. The County's debt with the PWLB was reduced by £26.338m. Transferred debt relates to the share of loans owed to the Council at the point of the 1997 reorganisation of Local Government.

Cashflow

The Council's cashflow did not highlight any significant changes. Interest payable and receivable were generally unchanged compared to 2015-16.

The Council will cease to receive Revenue Support Grant from 2020-21 onwards. Council Tax will increase by 3.99% per annum until 2019-20 should this Council choose to implement the Adult Social Care precept of 2%, in addition to the assumed general increase of 1.99%.

The improved Better Care Fund (iBCF) allocations and additional allocations of iBCF announced at the Spring Budget 2017 will contribute to supporting Adult Care services.

In the event that more schools convert to academy status, there will be a loss of funding through the Dedicated Schools Grant matched by a reduction in expenditure on schools, however it could result in a potential loss of income services traded with schools.

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

By doing so, the Council is able to reduce net borrowing costs and reduce overall treasury risk. The benefits of internal borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise. The Council will monitor this 'cost of carry' and breakeven analysis. Its output may determine whether the Council borrows additional sums at long-term fixed rates in 2017-18 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

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

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Provisions and Contingencies

Movements in provisions and contingencies are disclosed in the Notes to the Accounts. There have been no material changes to policy or to amounts during the year.

Reserves

The total Usable Reserves, which includes the General and Earmarked Reserves, have decreased by £10.286m. The General Reserve balance is £51.267m as at 31 March 2017. There are commitments against this balance that are set out in the Revenue Outturn Report 2016-17.

The Earmarked Reserves balance has decreased by £11.020m compared to the 2015-16 balance. Earmarked Reserves are held for specific purposes and are regularly reviewed by Cabinet as part of the budget monitoring cycle. A more detailed analysis is available in the Notes to the Accounts later in this document.

The Capital Receipts reserve has increased by £1.655m to £17.604m. This is money set aside to meet capital expenditure.

After adjusting for non-cash items, the Council's General and Earmarked Reserves remain at robust, risk assessed levels. These levels are key to the delivery of the Council's objectives over the medium term as a means of helping to manage significant potential liabilities and the general reduction in resources. All such risks are regularly reviewed and appear alongside mitigating actions, on the Council's Strategic and Departmental Risk Registers. The Council reviews its reserves at least annually, as set out in the Council's Reserves Policy. The last review was reported to Cabinet in January 2017.

Pensions Liability

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

The IAS19 notional cost of the LGPS scheme for the financial year is £96.490m and £2.225m for Teachers Pensions. The actual contributions made for the year were £52.778m and £4.493m respectively contributing in a net adjustment to the revenue position of £41.444m.

In addition, actuarial losses on both schemes were £37.884m and £4.993m respectively, contributing towards an increase in the total liability held by the Council of £81.744m to £709.902m at 31 March 2017. The liability is offset by

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a matching notional reserve ensuring there is no impact on the level of Council Tax.

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

Events after the balance sheet date

There were no significant events between the balance sheet date and the approval of these financial statements which would require disclosure or adjustment of the statements.

Local Enterprise Partnership

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

Due to the legal status of the LEP, it cannot hold funds so requires a public sector organisation to manage and co-ordinate the finances on its behalf, effectively acting as the Accountable Body for a specific funding stream. The Council made a successful bid to be the Accountable Body for the LEP's Local Growth Deal grant with effect from 1 April 2015. Following the announcement of Local Growth Fund 3 in March 2017, the grant allocation will be £250.7m over the next six years until 2020-21. During 2016-17 the grant has been allocated to a further 18 projects in the Derbyshire/Nottinghamshire region, after successful grant bids were received and approved by the Investment and Infrastructure Board.

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

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As part of its accountable body role, the Council administers a grant of £0.103m, from the Careers and Enterprise Company in respect of the Enterprise Adviser Network, which has been used to meet the costs of the Enterprise co-ordinators. Both this grant and the Local Growth Fund grant are identified separately on the Council's financial ledger and have met the requirements of the grant conditions.

Derbyshire Developments Ltd

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

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

The Company has only been operating for a short-period in 2016-17. Total expenditure has been £0.187m, therefore it is not considered that Group Accounts are required for 2016-17. However, the Company will submit audited accounts to Companies House in accordance with the Companies Act 2006.

Network Asset Management

As highlighted in the Council's Statement of Accounts 2015-16, substantial work had been completed to adopt the requirement of the CIPFA Code of Practice on Transport Infrastructure Assets. However, at its meeting on 8 March 2017, the CIPFA Local Authority (Scotland) Accounts Advisory Committee (LASAAC) took the decision not to proceed with the introduction of the Highways Network Asset Code as it considered that there was a lack of central support for key elements of the valuation. This was disappointing given the considerable steps taken by officers of the Council in preparing for the change. The Council was in a strong position to implement the Code changes.

Outlook

In October 2016, the Council confirmed its acceptance of the Government's multi-year funding offer announced in December 2015. The funding offer provides details of Government Grant allocations up to and including 2019-20. The Council's Five Year Financial Plan (FYFP) was revised, updated and reported to Council in February 2017. It shows that budget cuts of £80m are required over the five year period 2017-18 to 2021-22. Progress against budget reduction targets is closely monitored, however lead in times for consultation activity and increased demand on services mean that there is a

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continued risk of not achieving savings. There is a planned use of General and Earmarked Reserves in both 2017-18 and 2018-19 in order to achieve a balanced budget.

There continues to be increased demand for services particularly in respect of Adult Care demographic growth and costs associated with the implementation of the National Living Wage. However, The FYFP sets out plans to support the Adult Care budget over the medium term through the Adult Social Care precept. The Plan also assumes that the use of the Better Care Fund will support the base budget. The additional improved Better Care Fund allocations announced in the Government's Spring Budget 2017 will also help to support the budget, through collaboration with clinical commissioning groups, although the conditions around the use of the grant are still awaited. The focus for support from Council resources is likely to shift towards Safeguarding Services for Children as the improved Better Care Fund and additional precept help to alleviate pressures in Adult Care.

The Government has announced that it will allow local authorities to retain 100% of the business rates collected in their area. The Council has responded to two Government consultations which set out proposals for initial scheme design. The Government confirmed early in 2017 that the scheme will be introduced in April 2019 following further consultation with local authorities in 2017 and 2018. However, the General Election in 2017 would delay the timetable for implementation. To ensure that the reforms are fiscally neutral, local government will need to take on extra responsibilities and functions at the point that full localisation occurs, as currently, more is raised from business rates than spent locally.

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

The Council reached financial close in August 2014 on the joint waste management contract with Derby City which commits the Council to an investment of £25m when the waste treatment plant comes fully operational which is expected to be later in 2017.

A revised budget and Council Plan will be considered by full Council at its meeting In September.

Performance

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

- A Derbyshire that works
- A healthy Derbyshire
- A safer Derbyshire
- A Derbyshire that cares
- A local Derbyshire

The Plan was recently refreshed and updated with the Council's key achievements in 2016-17. These include:

- Developed with partners the Midlands Engine for Growth programme, which aims to grow the regional economy and generate an additional £34bn over the next 15 years, creating 300,000 jobs.
- Secured, with partners, over £35m of external investment for the Derby and Derbyshire area to deliver economic priorities around business support, and the growth of key economic sectors, such as tourism, manufacturing, digital and media.
- Signed a new partnership with Henry Boot Developments and opened the Seymour Link Road at Markham Vale, providing access to additional development and employment opportunities.
- Approved £2m to support plans for the regeneration of the 140 acre former Coalite site in North East Derbyshire.
- Completed a £10m programme to surface treat 250 miles of roads, sealing them and preventing future potholes developing.
- Repaired 24,000 potholes across the county.
- Approved £530,000 for future road safety initiatives and reduced the number of people killed or seriously injured to the lowest number recorded since 1975.
- Constructed the new railway station in Ilkeston which opened in April 2017.
- Delivered Phase one of the Digital Derbyshire Programme with BT, giving over 90,000 premises access to fibre broadband.
- Provided career advice to over 4,000 residents through our career coaches, and helped over 2,500 people to gain a new qualification.
- Engaged over 23,000 people in services and activities funded by the Council to improve health and wellbeing in Derbyshire.
- Worked with partners to develop Mental Health Advice and Assessment, to ensure the most appropriate out of hours response for those experiencing a mental health crisis.
- Offered sexual health support, advice and treatment to over 20,000 residents.

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- Promoted the Derbyshire Sport website which averages 8,000 users per month, as a one-stop source of information on neighbourhood activities, events and clubs.
- Rolled out new integrated community based outreach services, children's services and refuge accommodation services for victims of domestic abuse.
- Established a single helpline number for domestic abuse to provide advice and guidance to victims, friends and families and professionals.
- Responded to 4,426 adults who may be at risk of abuse by others, under our responsibility to safeguard people with care and support needs.
- Reduced the number of young people entering the Youth Justice system.
- Stopped over 25,000 nuisance phone calls to vulnerable Derbyshire residents since the Derbyshire Scam watch project first commenced.
- Supported over 10,000 people to deal with problems, such as redundancy, debt, homelessness and poverty, through Citizens Advice in GP surgeries, children's centres and a variety of other venues across Derbyshire.
- Supported local people through our Welfare Rights Service to gain £18.9m of social security benefits and tax credits, supporting 7,760 claims.
- Delivered benefits advice to people living with cancer, supporting them to gain £3.6m of social security benefits, with funding from Macmillan Cancer Support.
- Dealt with over 19,890 applications to the Derbyshire Discretionary Fund, which supports individuals and households suffering exceptional financial hardship.
- Supported the development of seven super kitchens creating community social eating spaces and tackling food poverty using surplus supermarket produce.
- Launched the School Holiday Provision programme, offering free food and activities to over 6,200 children at risk of missing out on meals during the holiday period.
- Delivered over 2,500 informal Work and Money computer help sessions in libraries in parts of Derbyshire with high levels of unemployment.
- Continued to pay our employees at least the Living Wage, and offered guaranteed minimum hours to 1,500 employees who work with the Council on a relief basis, to offer certainty about working hours and earnings.
- Diverted over 9,000 tonnes of extra waste from landfill and increased recycling and composting rates in Derbyshire.
- Continued our programme of work, fitting bus shelters and street lights with LED lighting to save money and reduce carbon emissions.
- Responded to over 8,000 social care referrals through "Starting Point", a single point of access, ensuring that children and families get help quickly when they need it.

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- Supported schools to ensure that a higher proportion of pupils in Derbyshire achieved good GCSE grades, compared to the England average.
- Supported over 3,400 young people to become more active and involved in sport through the Council's Sportivate programme.
- Delivered or commissioned personal care at home for over 4,600 older adults.
- Opened Community Care Centres in Heanor and Meadow View, Darley Dale, which also provides specialist care for people with dementia.
- Progressed work on the new £7.6m extra care and specialist care scheme for older people in Buxton, and developed plans to replace Ada Belfield residential care home in Belper with a new residential development.
- Consulted with people with Dementia and their carers, resulting in an improved service 1,500 older people reduce their risk of falls by providing the Strictly No Falls Service across Derbyshire in over 130 community classes, working with 49 care homes.
- Continued to offer a Home Library service to over 2,000 older and isolated people across Derbyshire.
- Supported 1,024 people to claim Personal Independence Payments.
- Continued to support more people moving from hospital settings to their own homes in the community as part of the Transforming Care Plan for people with a complex learning disability and/or autism.
- Increased the number of safe places in Derbyshire from 105 to 151, and the number of Keep Safe Cards carried by people with learning disabilities from 359 to 566.
- Supported over 2,700 older people to attend their local 50+ Forum, enabling them to contribute to a range of consultations relating to services for older people.
- Launched and supported 52 projects, as part of our £2.3m Community Priorities Programme, helping those in the most deprived and disadvantaged communities of the county to strengthen the areas they live in.
- Delivered a library service to nearly 3 million visitors, and promoted its use for people with visual impairments, people with learning disabilities, people with dementia and their carers, and children and families.

By 2021-22, the Council needs to have cut its budget by a further £80m. This is in addition to £210m of cuts the Council has already made to services since 2010. The Council continues to look at ways to save money and generate income whilst trying to protect and deliver services suitable for the residents of the county. The Council is examining modern and innovative ways of providing services, as well as looking at additional income by maximising the use of its buildings.

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

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 and ICT;
- 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 and ICT's Responsibilities

The Director of Finance and ICT 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 and ICT has:-

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

The Director of Finance and ICT 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 and ICT

I certify that the accounts give a true and fair view of the financial position of the Council at 31 March 2017 and of its income and expenditure for the year then ended.

Peter Handford
Director of Finance and ICT
31 May 2017

The Statement of Accounts were approved by the Audit Committee on 27 September 2017.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Councillor Kewal Singh Athwal
Chair of the Audit Committee

		Note	2015-16			2016-17		
			Exp £m	Inc £m	Net Exp £m	Exp £m	Inc £m	Net Exp £m
A	Adult Social Care		337.558	(110.247)	227.311	348.289	(108.672)	239.617
B	Children's Services		739.322	(511.354)	227.968	698.149	(498.030)	200.119
C	Council Services		34.159	(24.239)	9.920	52.123	(24.802)	27.322
D	Health & Communities		64.804	(42.638)	22.166	60.682	(46.838)	13.844
E	Highways, Transport & Infrastructure		126.791	(18.115)	108.676	129.811	(18.436)	111.375
F	Strategic, Policy, Budget and Economic Development		10.557	(1.867)	8.690	8.613	(0.223)	8.390
A-F	Net Cost of Services		1,313.191	(708.460)	604.732	1,297.667	(697.001)	600.666
G	Other Operating (Income) & Expenditure	6	287.072			134.692		
H	Financing & Investment Income & Expenditure	7	43.736			40.538		
I	Taxation & Non-Specific Grants	8	(561.020)			(565.745)		
A-I	Deficit on Provision of Services		374.520			210.151		
J	Gain on Revaluation of Fixed Assets	16	(280.490)			(252.929)		
K	Loss on Revaluation of Fixed Assets	16	187.260			112.835		
L	(Gain) / Loss on Pension Assets	50	(173.737)			42.877		
J-L	Other Comprehensive Expenditure		(266.967)			(97.217)		
A-L	Total Comprehensive Income		107.553			112.934		

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

The accompanying notes form an integral part of the financial statements.

EXPENDITURE AND FUNDING ANALYSIS

2015-16				2016-17		
Expenditure chargeable to the General Reserve Balance £m	Adjustments between funding and Accounting Basis £m	Net Expenditure in the CIES £m		Expenditure chargeable to the General Reserve Balance £m	Adjustments between funding and Accounting Basis £m	Net Expenditure in the CIES £m
210.345	(16.966)	227.311	Adult Social Care	218.807	(20.811)	239.617
104.109	(123.859)	227.968	Children's Services	120.318	(79.801)	200.119
2.255	(7.665)	9.920	Council Services	5.296	(22.026)	27.322
19.429	(2.737)	22.166	Health and Communities	11.549	(2.294)	13.844
91.026	(17.650)	108.676	Highways Transport and Infrastructure	87.080	(24.296)	111.375
8.690	0.000	8.690	Strategic Policy, Budget and Economic Development	7.698	(0.691)	8.390
435.854	(168.877)	604.731		450.747	(149.919)	600.666
(0.683)	(287.755)	287.072	Other operating expenditure	(0.649)	(135.341)	134.692
59.252	15.516	43.736	Financing and investment income and expenditure	44.461	3.923	40.538
(491.247)	69.773	(561.020)	Taxation and non-specific grant income and expenditure	(493.802)	71.943	(565.745)
3.176	(371.343)	374.520		0.757	(209.394)	210.151
55.201			Opening General Reserve Balance at 1 April	52.027		
(3.176)			Less Deficit on General Reserve	(0.757)		
52.027			Closing General Reserve Balance at 31 March	51.265		

The accompanying notes form an integral part of the financial statements.

BALANCE SHEET

31 Mar 2016			31 Mar 2017
£m		Note	£m
2,175.190	Property Plant & Equipment	16	2,148.797
42.357	Heritage Assets	18	42.358
0.822	Intangible Fixed Assets	20	2.060
44.000	Long Term Investments	24	58.190
32.749	Non-Current Debtors	22	3.416
2,295.118	Total Non-Current Assets		2,254.821
180.226	Short Term Investments	24	178.485
0.750	Assets Held for Sale	21	2.938
2.749	Inventories	25	2.613
59.655	Debtors	26	74.715
61.217	Cash and Cash Equivalents	27	31.971
304.597	Total Current Assets		290.722
(15.139)	Loans and Borrowing	24	(24.608)
(96.378)	Creditors	28	(103.498)
(111.517)	Total Current Liabilities		(128.106)
(336.809)	Non-Current Borrowing	24	(302.359)
(15.440)	Provisions	29	(13.431)
(706.856)	Other Non-Current Liabilities	30	(785.493)
(1,059.105)	Total Non-Current Liabilities		(1,101.283)
1,429.093	NET ASSETS		1,316.154
313.059	Usable Reserves	15	302.772
1,116.033	Unusable Reserves	15	1,013.380
1,429.093	TOTAL EQUITY		1,316.154

The accompanying notes form an integral part of the financial statements.

CASH FLOW STATEMENT

2015-16 £m		Note	2016-17 £m
(374.521)	Net Surplus or (Deficit) on the provision of services		(210.156)
171.749	Adjustments for non cash movements	45	169.175
239.321	Adjustments for investing and financing activities	45	76.745
	Net cashflow from:		
36.549	Operating activities	44	35.764
(53.977)	Investing Activities	42	(31.172)
(11.495)	Financing Activities	43	(33.835)
(28.923)	Movement in Cash & Cash Equivalent		(29.243)
90.142	Cash & Cash Equivalents at the start of the year	27	61.217
61.217	Cash & Cash Equivalents at the end of the year	27	31.975

The accompanying notes form an integral part of the financial statements.

MOVEMENT IN RESERVES STATEMENT

	Note	General Reserve	Earmarked Reserves	Unapplied Capital Grants	Capital Receipts Reserve	TOTAL USABLE RESERVES	Unusable Reserves	Total Council Reserves
		£m	£m	£m	£m	£m	£m	£m
Current Year								
Balance at 31 March 2016		(52.027)	(213.425)	(31.656)	(15.949)	(313.055)	(1,116.031)	(1,429.085)
Movement in reserves during 2016-17								
Total Comprehensive Income and Expenditure	CIES	210.156	0.000	0.000	0.000	210.156	(97.221)	112.934
Adjustments between accounting basis and funding basis under regulations (Note 15)	15	(198.374)	0.000	0.156	(1.655)	(199.873)	199.873	0.000
Net Transfer to Reserves		(11.020)	11.020	0.000	0.000	0.000	0.000	0.000
(Increase)/Decrease in 2016-17		0.762	11.020	0.156	(1.655)	10.283	102.652	112.934
Balance at 31 March 2017 carried forward		(51.265)	(202.405)	(31.500)	(17.604)	(302.772)	(1,013.380)	(1,316.153)
Previous Year								
Balance at 31 March 2015		(55.201)	(204.804)	(24.603)	(13.727)	(298.335)	(1,238.307)	(1,536.642)
Movement in Reserves during 2015-16								
Total Comprehensive Income and Expenditure	CIES	374.520	0.000	0.000	0.000	374.520	(266.967)	107.553
Adjustments between accounting basis and funding basis under regulations (Note 14)	15	(379.968)	0.000	(7.053)	(2.222)	(389.243)	389.243	0.000
Net Transfer to Reserves		8.621	(8.621)	0.000	0.000	0.000	0.000	0.000
(Increase)/Decrease in 2015-16		3.173	(8.621)	(7.053)	(2.222)	(14.723)	122.276	107.553
Balance at 31 March 2016		(52.028)	(213.425)	(31.656)	(15.949)	(313.058)	(1,116.031)	(1,429.085)

The accompanying notes form an integral part of the financial statements.

NOTES TO THE CORE FINANCIAL STATEMENTS

The values held within the proceeding Notes to the Accounts may vary slightly when compared to the main Statements or other notes. This is due to amounts being rounded. It is not expected that a difference would be in excess of £5,000 in any single case.

1. ACCOUNTING POLICIES

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

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

The Policies outline how the Council will account for all income, expenditure, assets and liabilities held and incurred during the 2016-17 financial year.

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

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

The Policies have been updated to reflect a change to the Council's Minimum Revenue Provision Policy and to reflect the Local Authority Accounting Code Board's decision to discontinue the full implementation of the move to measuring the Highways Network Asset at Depreciated Replacement Cost in local authority financial statements.

2. CRITICAL JUDGEMENTS WHEN APPLYING THE ACCOUNTING STANDARDS

The Council is a Going Concern

The Council is actively pursuing opportunities to work with other local authorities, including an option to create a Combined Authority with a number

NOTES TO THE CORE FINANCIAL STATEMENTS

of other councils. The Accounting Statements and Notes to the Accounts have been prepared with the view that the Council will continue to operate in its current form, as a single entity, with disregard to any future structural changes that may or may not occur.

3. ACCOUNTING STANDARDS ISSUED AND NOT YET APPLIED

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

4. PRIOR PERIOD ADJUSTMENTS

There are no prior period adjustments.

5. ASSUMPTIONS MADE AND OTHER ESTIMATION UNCERTAINTY

Fair Value Estimates

The fair value of DCC Lender's Option Borrower's Option (LOBO) loans of £39.893m (£28m nominal) has been determined incorporating option pricing from Blombery. Fair value of available for sale pooled funds is £14.880m (£15m nominal) and long term investments is £29.425m. (£29m nominal). The fair value of all short term investments (under 1 year) is their nominal value.

The impact of a 1% interest rate rise on the fair value of the Council's Public Works Loan Board borrowing at 31 March 2017 under IFRS 13 is a reduction of £47.542m.

Waste

The RRS Waste Contract creditor for quarter 4 is £1.256m. This is based on previous periods tonnages which have been consistent throughout the year. Under/over estimation of recycling credits tonnages for quarter 4 could result in a variation of +/-3% (£0.038m)

Business Rates

Local authorities are liable for an element of any successful appeal against business rates charged to businesses in 2016-17 and earlier years. The billing authorities have made provisions to recognise the best estimate of the amount that businesses have been overcharged, for which the Council's proportionate share, approximately £1.489m has been reflected through the Collection Fund adjustment account.

NOTES TO THE CORE FINANCIAL STATEMENTS

6. OTHER OPERATING EXPENDITURE

2015-16		2016-17
£m		£m
(0.988)	Trading Operations	(0.963)
0.305	Levies & Precepts	0.314
287.755	Loss on Disposal of Fixed Assets	135.341
287.072		134.692

Trading operations relate to a number of industrial estates which operate in a commercial environment. The surplus for the year was achieved with a gross expenditure of £0.395m (2015-16: £0.350m) offset against rental income of £1.357m (2015-16: £1.338m).

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

2015-16 £m		2016-17 £m
	Precepts to the Environment Agency	
0.179	Severn Trent Region	0.181
0.037	North West Region	0.037
0.087	Yorkshire Region	0.093
0.002	Financial Reporting Council Levy	0.003
0.305		0.314

Details of the movements on Fixed Assets, including disposals, are shown in note 16.

7. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2015-16 £m		Note	2016-17 £m
23.697	Interest Payable		22.891
(4.342)	Interest Receivable		(4.613)
24.381	Net Pension Costs	50	22.260
43.736			40.538

NOTES TO THE CORE FINANCIAL STATEMENTS

Interest payable has been itemised in the table below

2015-16 £m		2016-17 £m
17.433	Interest Payable on Capital Borrowing	16.739
5.438	Interest Payable on PFI	5.263
0.577	Interest Payable on Finance Leases	0.565
0.249	Interest Payable on Other Items	0.324
23.697		22.891

Interest receivable has been itemised in the table below

2015-16 £m		2016-17 £m
(2.728)	Interest Receivable on Investments	(2.800)
(1.509)	Interest Receivable on Transferred Debt	(1.421)
(0.006)	Interest Receivable on Finance Leases	(0.002)
(0.092)	Interest Receivable on Cash & Bank Balances	(0.041)
(0.007)	Interest Receivable on Other Items	(0.349)
(4.342)		(4.613)

8. TAXATION AND NON-SPECIFIC GRANT INCOME

2015-16 £m		Note	2016-17 £m
(262.668)	Council Tax		(282.377)
(93.241)	Revenue Support Grant		(67.722)
(104.406)	Non-Domestic Rates Redistribution		(104.841)
(10.504)	Private Finance Initiative Grant	41	(10.504)
(2.224)	New Homes Bonus	41	(2.864)
(0.999)	Local Services Support Grant	41	0.000
(23.401)	Other General Revenue Grants	41	(16.920)
(63.577)	Capital Grants	41	(80.517)
(561.020)			(565.745)

NOTES TO THE CORE FINANCIAL STATEMENTS

9. NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

2015-16					2016-17			
Adjustments for capital purposes (Note 1)	Net Change for the Pensions Adjustments (Note 2)	Other Differences (Note 3)	Total Adjustments		Adjustments for capital purposes (Note 1)	Net Change for the Pensions Adjustments (Note 2)	Other Differences (Note 3)	Total Adjustments
£m	£m	£m	£m		£m	£m	£m	£m
(3.214)	(13.752)	0.000	(16.966)	Adult Social Care	(10.048)	(10.762)	0.000	(20.811)
(90.421)	(33.438)	0.000	(123.859)	Children's Services	(52.317)	(27.484)	0.000	(79.801)
(6.889)	(0.776)	0.000	(7.665)	Council Services	(21.715)	(0.311)	0.000	(22.026)
(0.702)	(2.035)	0.000	(2.737)	Health and Communities	(1.153)	(1.141)	0.000	(2.294)
(16.395)	(1.255)	0.000	(17.650)	Highways Transport and Infrastructure	(20.990)	(3.306)	0.000	(24.296)
0.000	0.000	0.000	0.000	Strategic Policy, Budget and Economic Development	0.000	(0.691)	0.000	(0.691)
(117.621)	(51.256)	0.000	(168.877)	Net Cost of Services	(106.224)	(43.695)	0.000	(149.919)
(287.755)	0.000	0.000	(287.755)	Other Operating Expenditure	(135.341)	0.000	0.000	(135.341)
15.557	0.000	(0.040)	15.517	Financing and investment income and expenditure	3.955	0.000	(0.032)	3.923
63.577	0.000	6.197	69.774	Taxation and non-specific grant income and expenditure	80.517	0.000	(8.574)	71.943
(326.242)	(51.256)	6.157	(371.341)	Deficit on Provision of Services	(157.093)	(43.695)	(8.606)	(209.394)

NOTES TO THE CORE FINANCIAL STATEMENTS

a - Adjustments for Capital Fund and Expenditure Purposes

Adjustment to General Reserve Balance to meet the requirements of generally accepted accounting practices, this column adds in depreciation and impairment and revaluation gains and losses in the service lines and for:

- Other operating expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- Financing and Investment Income and Expenditure - the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from financing and investment income and expenditure as these are not chargeable under generally accepted accounting practices.
- Taxation and Non Specific Grant Income and Expenditure – Capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants in the year without conditions or for which conditions were satisfied in the year.

b - Net change for the removal of pension contributions and the addition of pension IAS19 related expenditure and income

Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

- For services this represents the removal of the employer pension contributions made by the past authority as permitted by statute and the replacement with current service costs and past service costs.
- For Financing and Investment income and expenditure – the net interest on the defined benefit liability is charged to the CIES.

c - Other Differences

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and the amounts payable/receivable to be recognised under statute:

- For Financing and investment income and expenditure the other differences column recognises adjustments to General Reserve for the timing differences for premiums and discounts.
- The charge under Taxation and non-specific grant income and expenditure represents the difference between what is chargeable

NOTES TO THE CORE FINANCIAL STATEMENTS

under statutory regulations for Council Tax and business rates that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future surpluses or deficits on the district/borough council Collection Funds. It also represents the movement in the Earmarked Reserve balances.

10. EXPENDITURE AND INCOME ANALYSED BY NATURE

	note	2015-16 £m	2016-17 £m
Expenditure			
Employee Expenses		648.832	634.169
Premises		33.432	33.841
Transport		26.716	27.678
Supplies and Services		471.444	473.739
Depreciation, amorisation, impairment		132.768	128.242
Interest Payments		48.078	45.151
Precepts and levies	6	0.305	0.314
Trading Operations	6	(0.988)	(0.963)
Loss on disposal of assets	6	287.755	135.341
Total Expenditure		1,648.341	1,477.512
Income			
Fees, charges and other service income		(170.432)	(169.250)
Interest and investment income	7	(4.342)	(4.613)
Income from Council Tax, Non-Domestic Rates		(367.074)	(387.218)
Government grants and contributions		(731.973)	(706.278)
Total Income		(1,273.821)	(1,267.359)
Deficit on the Provision of Services	CIES	(374.521)	(210.151)

11. AGENCY ARRANGEMENTS

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

2015-16 £m		2016-17 £m
7.550	Payments to Nursing Care Providers	10.257
(8.237)	Recharge to CCG's	(10.257)
(0.079)	Admin Charge to CCG	0.081
(0.766)		0.081

NOTES TO THE CORE FINANCIAL STATEMENTS

12. NON DISTRIBUTED COSTS

Non Distributed Costs of £0.474m (2015-16: £0.203m) comprise past service costs relating to post-employment benefits (see Note 50).

13. RELATED PARTY TRANSACTIONS

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council.

County Council Controlled Companies

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

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

The Derbyshire Environmental Trust Limited is a company limited by guarantee with no share capital. Customer transactions with this organisation in the year totalled £0.067m and vendor transactions totalled £0.003m.

The Creswell Heritage Trust Limited is a company limited by guarantee with no share capital. The Director of the Trust is a Member who was appointed by the Council. Customer transactions with this organisation in the year totalled £0.002m and vendor transactions totalled £0.040m.

Scape Limited is a private limited company. The Council has two directors on the company Board. These are the Director of Property and an elected Member of the Council; both were appointed by the Council. There were no transactions with the company during the financial year.

Shirebrook Academy is a private company limited by guarantee with no share capital. There were no customer transactions with this organisation in the year. Vendor transactions totalled £0.376m.

Derbyshire Developments Limited is a private company limited by shares of 1 ordinary share of £1. There are five directors all appointed by the Council. Customer transactions with this organisation in the year totalled £0.008m. There were no vendor transactions during the year.

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

NOTES TO THE CORE FINANCIAL STATEMENTS

has with other organisations. Grants received from Government departments are set out in the subjective analysis in Note 8. Grant receipts outstanding at 31 March 2017 are shown in Note 41.

Typical transactions with central Government bodies include, but are not restricted to, investments, Pay As You Earn and National Insurance contributions paid, pension contributions paid and teaching services. Customer transactions in the year totalled £6.288m, of this, £5.986m were with academy schools. Vendor transactions totalled £223.419m and included the following significant transactions:

Inland Revenue	£115.313m
Teachers Pensions	£46.031m
Public Works Loan Board	£27.487m

Other Local Authorities - typical transactions include, but are not restricted to, investments, repayment of transferred debt, re-imbursement of joint project costs and supplies of goods and services. Customer transactions totalled £36.320m and included significant transactions with Derby City Council totalling £23.444m. Vendor transactions totalled £279.962m and included the following significant transaction:

Birmingham City Council	£50.000m
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Health Bodies - typical transactions include, but are not restricted to re-imbursement of joint project costs and supplies of goods and services. Customer transactions with health bodies in the year totalled £59.152m and included significant transactions with NHS North Derbyshire CCG of £23.618m, NHS Southern Derbyshire CCG totalling £18.961m, NHS Erewash CCG totalling £6.328m and NHS Hardwick CCG totalling £6.182m. Vendor transactions totalled £33.989m and included transactions with Derbyshire Community Health Services NHS Foundation Trust totalling £26.513m.

Members and Chief Officers - Council Members and Chief Officers have direct control over the Council's financial and operating policies. The total of Members' allowances paid in 2016-17 is shown in Note 35. Customer transactions in which Members and/or Chief Officers had an interest in totalled £0.093m. During 2016-17 works and services to the value of £8.043m were commissioned from companies in which Members and/or Chief Officers had an interest. There was also an agreement for the lease of land to a local charity that a Member had an interest in. There were no material outstanding balances at year end. Contracts were entered into in full compliance with the Council's Standing Orders. Until May 2016 the spouse of a Member served as Derbyshire's Police and Crime Commissioner. During 2016-17 a Member was appointed as Derbyshire's Deputy Police and Crime Commissioner.

NOTES TO THE CORE FINANCIAL STATEMENTS

Pension Fund – Derbyshire County Council is the administering authority for the purposes of the Fund under the Local Government Pension Scheme (Administration) Regulations 2013.

Included in management expenses in 2016-17 are charges from Derbyshire County Council of £2.252m (2015-16, £2.019m) for expenses incurred in respect of oversight and governance of the Fund, for Fund administration and for management of the Fund's in-house investments.

At 31 March 2017 the Council owed the Fund £3.716m (2016, the Fund owed the Council £1.318m).

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 35 and 36.

Derbyshire Developments Limited – the Council has agreed to provide a start-up loan to the company to cover the running costs of the company such as staffing, accommodation, IT, audit etc. up until the point where developments are underway and sales will recover these fixed costs of being "in business". A loan of £190,000 has been made and the company has paid interest on this loan of £153 at a rate of 4.78%.

14. CONTINGENT ASSETS AND LIABILITIES AND SIMILAR COMMITMENTS

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

At 31 March 2017 the Council was committed to make investments totalling £68.500m (nine commitments ranging from £3.500m to £10.000m each). There is no provision or creditor for these amounts in the financial statements as the legal obligation to pay was not fulfilled at the year-end. These commitments will be met using funds received from the maturity of earlier investments and therefore have no impact to the financial position reported.

15. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS

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

NOTES TO THE CORE FINANCIAL STATEMENTS

Narrative	Note	Usable reserves					Total £m
		General Reserve £m	Earmarked Revenue Reserves £m	Unapplied Capital Grants £m	Capital Receipts Reserve £m	Total Unusable Reserves £m	
BALANCE AS AT 1 APRIL 2016		(52.027)	(213.425)	(31.656)	(15.949)	(1,116.031)	(1,429.088)
Comprehensive Income & Expenditure		210.156	0.000	0.000	0.000	(97.221)	112.935
Depreciation of non current assets	16	(44.053)	0.000	0.000	0.000	44.053	0.000
Impairment of non current assets	16	(62.173)	0.000	0.000	0.000	62.173	0.000
Application of Capital Grants credited to the CIES	41	80.517	0.000	(80.517)	0.000	0.000	0.000
Disposal of non current assets	16	(135.341)	0.000	0.000	(10.096)	145.437	0.000
Revenue Expenditure Funded from Capital Under Statute		(21.921)	0.000	0.000	0.000	21.921	0.000
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		(4.828)	0.000	0.000	0.000	4.828	0.000
Amount by which council tax and business rates income credited to the CIES is different from council tax and business rates income calculated for the year in accordance with statutory requirements		2.447	0.000	0.000	0.000	(2.447)	0.000
Reversal of items relating to retirement benefits debited or credited to the CIES	50	(98.715)	0.000	0.000	0.000	98.715	0.000

NOTES TO THE CORE FINANCIAL STATEMENTS

Statutory provision for the financing of capital investment		14.291	0.000	0.000	0.000	(14.291)	0.000
Principal repayments of transferred debt		(1.176)	0.000	0.000	0.000	1.176	0.000
Capital expenditure charged in the year to the General Reserve		12.762	0.000	0.000	0.000	(12.762)	0.000
Amount by which finance costs (proportion of previous years premiums) are charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	24	(0.141)	0.000	0.000	0.000	0.141	0.000
Amount by which finance costs (reversal of effective interest rate) are charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	24	0.109	0.000	0.000	0.000	(0.109)	0.000
Employers pension contributions and direct payments to pensioners payable in the year	50	59.848	0.000	0.000	0.000	(59.848)	0.000
Transfer to Earmarked reserves	32	47.391	(47.391)	0.000	0.000	0.000	0.000
Transfer from Earmarked reserves	32	(58.411)	58.411	0.000	0.000	0.000	0.000
Use of the Capital Receipts Reserve to finance new capital expenditure	47	0.000	0.000	0.000	(0.038)	0.038	0.000
Financing of capital expenditure	19	0.000	0.000	80.673	8.479	(89.152)	0.000
BALANCE AT 31 MARCH 2017		(51.265)	(202.405)	(31.500)	(17.604)	(1,013.379)	(1,316.153)

NOTES TO THE CORE FINANCIAL STATEMENTS

Narrative	Note	Usable reserves					Total £m
		General Reserve £m	Earmarked Revenue Reserves £m	Unapplied Capital Grants £m	Capital Receipts Reserve £m	Total Unusable Reserves £m	
BALANCE AS AT 1 APRIL 2015		(55.201)	(204.804)	(24.603)	(13.727)	(1,238.307)	(1,536.642)
Comprehensive Income & Expenditure		374.521	0.000	0.000	0.000	(266.967)	107.554
Depreciation of non-current assets	16	(54.304)	0.000	0.000	0.000	54.304	0.000
Impairment of non-current assets	16	(63.320)	0.000	0.000	0.000	63.320	0.000
Application of Capital Grants credited to the CIES	41	63.577	0.000	(63.577)	0.000	0.000	0.000
Disposal of non-current assets	16	(287.755)	0.000	0.000	0.000	287.755	0.000
Revenue Expenditure Funded from Capital Under Statute		(15.143)	0.000	0.000	0.000	15.143	0.000
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		4.118	0.000	0.000	0.000	(4.118)	0.000
Amount by which council tax and business rates income credited to the CIES is different from council tax and business rates income calculated for the year in accordance with statutory requirements		(2.424)	0.000	0.000	0.000	2.424	0.000
Reversal of items relating to retirement benefits debited or credited to the CIES	50	(114.306)	0.000	0.000	0.000	114.306	0.000

NOTES TO THE CORE FINANCIAL STATEMENTS

Narrative	Note	Usable reserves					Total
		General Reserve	Earmarked Revenue Reserves	Unapplied Capital Grants	Capital Receipts Reserve	Total Unusable Reserves	
		£m	£m	£m	£m	£m	
Statutory provision for the financing of capital investment		20.717	0.000	0.000	0.000	(20.717)	0.000
Principal repayments of transferred debt		(1.145)	0.000	0.000	0.000	1.145	0.000
Capital expenditure charged in the year to the General Reserve		11.128	0.000	0.000	0.000	(11.128)	0.000
Amount by which finance costs (proportion of previous years premiums) are charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	24	(0.048)	0.000	0.000	0.000	0.048	0.000
Amount by which finance costs (reversal of effective interest rate) are charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	24	0.008	0.000	0.000	0.000	(0.008)	0.000
Employers pension contributions and direct payments to pensioners payable in the year	50	58.929	0.000	0.000	0.000	(58.929)	0.000
Transfer to Earmarked reserves	32	76.305	(76.305)	0.000	0.000	0.000	0.000
Transfer from Earmarked reserves	32	(67.684)	67.684	0.000	0.000	0.000	0.000
Use of the Capital Receipts Reserve to finance new capital expenditure	47	0.000	0.000	0.000	(0.104)	0.104	0.000
Financing of capital expenditure	19	0.000	0.000	56.524	(2.118)	(54.406)	0.000
BALANCE AT 31 MARCH 2016		(52.027)	(213.425)	(31.656)	(15.949)	(1,116.031)	(1,429.088)

NOTES TO THE CORE FINANCIAL STATEMENTS

16. PROPERTY, PLANT AND EQUIPMENT

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

	Note/ Statement	Land & Buildings £m	Vehicles, Plant & Equipment £m	Infrastructure Assets £m	Community Assets £m	Surplus Assets £m	Assets Under Construction £m	Property Plant & Equipment £m
COST OR VALUATION								
At 1 April 2016		1,868.067	75.574	386.284	2.987	22.874	8.748	2,364.534
Additions		28.985	1.132	38.614	0.931	0.000	17.433	87.095
Disposals		(109.948)	(4.201)	0.000	(0.000)	(0.459)	0.000	(114.608)
Disposals derecognition		(24.128)	0.000	(17.181)	(0.013)	0.000	0.000	(41.321)
Revaluation Gains to RR*	CIES	213.321	0.000	0.000	0.000	2.760	0.000	216.081
Revaluation Losses to RR	CIES	(102.697)	0.000	0.000	0.000	(10.350)	0.000	(113.047)
Impairment to CIES		(58.044)	0.000	0.000	0.000	(2.513)	0.000	(60.557)
Transfer within PPE		5.450	0.151	0.019	0.000	0.415	(6.189)	(0.154)
Transfer to Held for Sale		(0.832)	(0.021)	0.000	0.000	(2.432)	0.000	(3.285)
At 31 March 2017		1,820.174	72.635	407.736	3.905	10.295	19.992	2,334.737
DEPRECIATION								
At 1 April 2016		(41.845)	(69.385)	(77.283)	(0.017)	(0.813)	0.000	(189.345)
Charge for year		(32.120)	(1.864)	(9.887)	(0.004)	0.083	0.000	(43.793)
Revaluations to RR	CIES	36.271	0.000	0.000	0.000	0.578	0.000	36.848
Impairment to CIES		(1.500)	0.000	0.000	0.000	(0.116)	0.000	(1.616)
Disposals		2.777	4.183	0.000	0.000	0.146	0.000	7.106
Disposals derecognition		0.731	0.000	3.779	0.000	0.000	0.000	4.510
Transfer within PPE		0.568	(0.124)	0.000	0.000	(0.444)	0.000	0.000
Transfers to Held for Sale		0.325	0.021	0.000	0.000	0.001	0.000	0.347
At 31 March 2017		(34.793)	(67.169)	(83.392)	(0.021)	(0.566)	0.000	(185.941)
OPENING VALUE		1,826.222	6.189	309.000	2.970	22.061	8.748	2,175.189
CLOSING VALUE		1,785.381	5.466	324.344	3.884	9.729	19.992	2,148.796
NATURE OF ASSET HOLDING								
Purchased / Built		1,686.061	5.438	324.344	3.884	9.729	19.992	2,049.448
Finance Lease		11.416	0.000	0.000	0.000	0.000	0.000	11.416
Donated		5.820	0.000	0.000	0.000	0.000	0.000	5.820
Private Finance Initiative		82.084	0.028	0.000	0.000	0.000	0.000	82.112
		1,785.381	5.466	324.344	3.884	9.729	19.992	2,148.796

*RR - Revaluation Reserve

Under IFRS13, the Council is required to provide a summary of the fair value measurement for Surplus Assets.

NOTES TO THE CORE FINANCIAL STATEMENTS

	NBV			
	Level 1	Level 2	Level 3	Total
	£m	£m	£m	£m
Land	0.000	0.351	8.442	8.793
Buildings	0.000	0.000	0.855	0.855
Furniture and Equipment	0.000	0.000	0.006	0.006
Community	0.000	0.000	0.075	0.075
	0.000	0.351	9.378	9.729

The 2015-16 position was:

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

Under IFRS13, the Council is required to provide a summary of the fair value measurement for Surplus Assets.

NOTES TO THE CORE FINANCIAL STATEMENTS

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

Historic cost values of re-valued assets are:

	Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Property Plant & Equipment
	£m	£m	£m	£m	£m	£m	£m
COST OR VALUATION							
At 1 April 2016	1,393.522	75.574	386.284	3.971	18.758	8.748	1,886.857
Additions	28.985	1.132	38.614	0.931	0.000	17.433	87.095
Disposals	(89.749)	(4.201)	0.000	(0.000)	(1.928)	0.000	(95.877)
Disposals derecognition	(10.808)	0.000	(17.181)	(0.013)	0.000	0.000	(28.001)
Impairment to I&E	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Transfer within PPE	6.033	0.151	0.019	0.000	(0.169)	(6.189)	(0.154)
Transfer to Held for Sale	(1.168)	(0.021)	0.000	0.000	(2.600)	0.000	(3.789)
At 31 March 2017	1,326.816	72.635	407.736	4.889	14.062	19.992	1,846.130
DEPRECIATION							
At 1st April 2016	(404.862)	(69.385)	(77.283)	(1.039)	(13.503)	0.000	(566.073)
Charge for year	(15.590)	(1.864)	(9.887)	(0.003)	0.099	0.000	(27.245)
Impairment to I&E	(59.544)	0.000	0.000	0.000	(2.629)	0.000	(62.173)
Disposals	27.704	4.183	0.000	0.000	1.706	0.000	33.594
Disposals derecognition	3.460	0.000	3.779	0.000	0.000	0.000	7.238
Transfer within PPE	(1.493)	(0.124)	0.000	0.000	1.617	0.000	0.000
Transfers to Held for Sale	1.019	0.021	0.000	0.000	1.920	0.000	2.960
At 31st March 2017	(449.305)	(67.169)	(83.392)	(1.043)	(10.791)	0.000	(611.699)
OPENING VALUE	988.660	6.189	309.000	2.931	5.255	8.748	1,320.784
CLOSING VALUE	877.510	5.466	324.344	3.846	3.271	19.992	1,234.430
NATURE OF ASSET HOLDING							
Purchased / Built	814.468	5.438	324.344	3.846	3.271	19.992	1,171.360
Finance Lease	2.159	0.000	0.000	0.000	0.000	0.000	2.159
Donated	5.820	0.000	0.000	0.000	0.000	0.000	5.820
Private Finance Initiative	55.063	0.028	0.000	0.000	0.000	0.000	55.091
	877.510	5.466	324.344	3.846	3.271	19.992	1,234.430

NOTES TO THE CORE FINANCIAL STATEMENTS

The 2015-16 position was:

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

17. HERITAGE ASSETS NOT REPORTABLE IN THE BALANCE SHEET

Where the Council is unable to place a reliable fair value on Heritage Assets, it is required to disclose them in accordance with section 4.10.4 of the Code of Practice on Local Authority Accounting, details of which are set out below:

- Colliery Bridge, Shipley Country Park
- Pauls Arm Bridge, Shipley Country Park
- Leawood River Aqueduct
- Northern Retaining Walls and Loading Bay, Cromford Wharf
- Side Walls & Curbs to Canal Basin, Cromford Wharf
- Railway Embankment and Road Bridge, Steeple Grange, Wirksworth
- Cromford Canal - High Peak Pump House
- Middleton Top Engine House (High Peak Trail)
- Sheep Pasture Engine House (High Peak Trail)

NOTES TO THE CORE FINANCIAL STATEMENTS

- Grin Low Tower (Solomons Temple) Poole's Cavern Country Park, Buxton
- Workshops, Offices and Terminus Cromford and High Peak Junction
- Northern (Gothic) Warehouse, Cromford Wharf
- Leawood Pumphouse, Cromford and High Peak Junction
- Brittain Colliery Headstocks, Ripley
- Brittain Colliery Engine House, Ripley
- Seldon Seen Engine House - Three Valleys Project

18. NATURE AND SCALE OF HERITAGE ASSETS

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

	Carrying Value		Historic Cost	
	2015-16	2016-17	2015-16	2016-17
	£m	£m	£m	£m
COST OR VALUATION				
At 1st April	42.283	42.352	10.375	11.189
Additions	0.814	0.356	0.814	0.356
Impairment Losses/(reversals) through I&E	(0.756)	0.000	0.000	0.000
Revaluations	0.011	0.003	0.000	0.000
Disposals derecognition	0.000	(0.358)	0.000	(0.256)
At 31st March	42.352	42.353	11.189	11.289
DEPRECIATION				
At 1st April	0.000	0.005	(6.720)	(7.477)
Charge for year	0.000	0.000	0.000	0.000
Impairment Losses/(reversals) through I&E	0.005	0.000	(0.757)	0.000
Disposals	0.000	0.000	0.000	0.058
At 31st March	0.005	0.005	(7.477)	(7.419)
OPENING VALUE	42.283	42.352	3.655	3.712
CLOSING VALUE	42.357	42.358	3.712	3.867
NATURE OF ASSET HOLDING				
Purchased / Built	40.837	40.979	2.835	3.068
Donated	1.520	1.379	0.877	0.799
	42.357	42.358	3.712	3.867

NOTES TO THE CORE FINANCIAL STATEMENTS

19. CAPITAL EXPENDITURE AND CAPITAL FINANCING

2015-16		2016-17
£m		£m
	Capital Expenditure:	
22.168	Schools	32.583
23.987	Highways Roads and Related	33.366
0.285	Refuse Disposal and Recycling	0.153
0.171	Purchase of Vehicles	0.064
1.854	Countryside	1.515
11.960	Other ETC Spend	8.556
5.250	Adult Care	3.782
0.374	Software	1.457
4.229	Other Corporate Spend	6.619
2.992	Other	0.813
73.270	Total Capital Additions	88.908
20.737	Revenue Expenditure Funded from Capital Under Statute	21.920
94.007	Total Capital Expenditure	110.828
	Capital Financing	
25.707	Loans	8.702
11.138	Revenue Contributions	12.973
0.639	Capital Receipts	8.479
56.523	Grants and Contributions	80.674
94.007	Total Capital Financing	110.828

20. INTANGIBLE ASSETS

These all relate to the purchase of software licences

	2015-16 £m	2016-17 £m
COST OR VALUATION		
At 1st April	5.721	5.941
Additions	0.220	1.514
Disposals	0.000	(0.032)
At 31st March	5.941	7.423
DEPRECIATION		
At 1st April	(4.541)	(5.119)
Charge for year	(0.578)	(0.260)
Disposals	0.000	0.016
At 31st March	(5.119)	(5.363)
OPENING VALUE	1.180	0.822
CLOSING VALUE	0.822	2.060

NOTES TO THE CORE FINANCIAL STATEMENTS

21. ASSETS HELD FOR SALE

	CARRYING VALUE			HISTORIC COST			RR
	GBV £m	Dpn £m	NBV £m	GBV £m	Dpn £m	NBV £m	£m
Newbold School	0.750	0.000	0.750	0.000	0.000	0.000	0.750
Balance as at 31 March 2016	0.750	0.000	0.750	0.000	0.000	0.000	0.750
Sales during 2016-17:							
Newbold School	(0.750)	0.000	(0.750)	0.000	0.000	0.000	(0.750)
Transferred to Surplus Assets							
Southgate House	0.474	(0.074)	0.400	0.190	(0.142)	0.048	0.352
American Adventure: Core Site	0.841	0.000	0.841	0.000	0.000	0.000	0.841
Former Clay Cross Depot Site and Queen Street Reserved School Site	1.325	0.000	1.325	2.572	(1.910)	0.662	0.663
Alfreton Library Store and Mobile Library Office	0.076	(0.001)	0.075	0.028	(0.010)	0.018	0.057
Land at Ambergate Depot, Ambergate	0.007	0.000	0.007	0.000	0.000	0.000	0.007
Ockbrook and Borrowash Youth Centre	0.372	(0.272)	0.100	0.999	(0.899)	0.100	0.000
Land to rear of Holmewood Industrial Park	0.190	0.000	0.190	0.000	0.000	0.000	0.190
Balance as at 31 March 2017	3.285	(0.347)	2.938	3.789	(2.961)	0.828	2.110

22. NON-CURRENT DEBTORS

31 Mar 2016 £m		Note	31 Mar 2017 £m
28.761	Derby City 1997 Transferred Debt	24	0.000
0.991	Districts 1997 Transferred Debt	24	0.989
2.000	Local Authority Mortgage Scheme	23	2.000
0.280	Loan to Police & Crime	24	0.156
0.717	Other Long Term Debtors		0.271
32.749			3.416

23. LOCAL AUTHORITY MORTGAGE SCHEME (LAMS)

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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

The direct scheme was fully utilised and closed to new applicants on 17 June 2013. As at 31 March 2016 the scheme is closed and marked as static. This means that there are no further changes to the scheme unless a borrower defaults or until the 5 year period expires. The Council's contribution to the scheme has resulted in 78 first time buyers getting onto the property ladder, with a total house sale value of approximately £8.4m. There has been no change since 31 March 2015.

The Chesterfield Borough Council scheme closed on 31 July 2016. The scheme has to date supported 33 first time buyers complete on their properties, with a total house sale value of approximately £2.3m. The value of the deposited indemnity for both schemes is held as a long term debtor in the Councils balance sheet.

24. FINANCIAL INSTRUMENTS

Financial Instrument Investments are made up of:

- Current loans and receivables of £178.485m (31 Mar 2016: £180.226m)
- Non-current loans and receivables of £60.616m (31 Mar 2016: £44.000m)

Financial Instrument Debtors are made up of:

- Non-current loans and receivables of £3.416m (31 Mar 2016: £32.750m)
- Current loans and receivables of £59.956m (31 Mar 2016: £47.860m)
- Current finance lease debtors of £0.012m (31 Mar 2016: £0.050m)

Financial Instrument Borrowings are made up of:

- Non-current loans and borrowings of £302.359m (31 Mar 2016: £336.809m)
- Current loans and borrowings of £24.608m (31 Mar 2016: £15.139m)

Other Financial Liabilities are made up of:

- Non-current Private Finance Initiative liability of £71.192m (31 Mar 2016: £74.134m)
- Non-current finance lease liability of £4.400m (31 Mar 2016: £4.564m)
- Current PFI liability of £2.940m (31 Mar 2016: £2.754m)
- Current finance lease liability of £0.160m (31 Mar 2016: £0.147m)
- Current liabilities at contract amounts £82.016m (31 Mar 2016: £77.304m)

NOTES TO THE CORE FINANCIAL STATEMENTS

Financial Instrument Gains/Losses

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

- Liabilities at amortised cost, interest expense of £22.891m (2015-16: £23.697m)
- Assets, loans and receivables, interest income of £4.613m (2015-16: £4.342m)

This has resulted in a net loss for the year of £18.278m (2015-16: £19.355m).

Financial Instruments – Fair Values

Financial assets classified as available for sale and all derivative assets and liabilities are carried in the Balance Sheet at fair value. For most assets, including bonds, treasury bills and shares in money market funds and other pooled funds, the fair value is taken from the market price. The fair values of other instruments have been estimated calculating the net present value of the remaining contractual cash flows at 31 March 2017, using the following methods and assumptions:

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

Financial assets classified as loans and receivables and all non-derivative financial liabilities are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2017, using the following methods and assumptions:

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

NOTES TO THE CORE FINANCIAL STATEMENTS

- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount.

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

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

Non-Current Assets

	Note	Fair Value Level	Carrying Value		Fair Value	
			31 Mar 2016 £m	31 Mar 2017 £m	31 Mar 2016 £m	31 Mar 2017 £m
Investments - Transferred Debt	22	2	30.032	1.145	30.032	1.145
Non-Current Investments		2	44.000	58.190	44.305	58.325
Non Current Trade Debtors	22	*	2.717	2.271	2.717	2.271
Long Term Financial Assets			76.749	61.606	77.054	61.741

* Fair value disclosure not required

At 31 March 2017 twelve non-current investments were held in the balance sheet;

- £10.000m with Derby City Council commenced in September 2014 for four years. This has been valued with a discount rate of 0.66% resulting in a fair value of £10.350m.
- £4.000m with Sheffield City Council commenced in July 2015 for four years. This has been valued with a discount rate of 0.74% resulting in a fair value of £4.116m.
- £4.000m with Sheffield City Council commenced in July 2015 for five years. This has been valued with a discount rate of 0.82% resulting in a fair value of £4.177m.
- £5.000m with Highland Council in April 2016 for 2 years. This has been valued with a discount rate of 0.60% resulting in a fair value of £5.073m.
- £1.000m with Wyre Forest District Council in March 2017 for 2 years. This has been valued with a discount rate of 0.72% resulting in a fair value of £1.002m.
- £0.190m with Derbyshire Developments Ltd in March 2017 for 1 year. Fair value assumed to be at par of £0.190m.
- £5.000m with Churches Charities and Local Authorities' Local Authorities Mutual Investment Trust Property Fund in June 2015 and a further £5.000m in September 2016. This available for sale investment is open ended, however can be realised on a monthly basis. This has been valued at the 31 March 2017 closing bid price resulting in a fair value of £9.480m.
- £5.000m with Federated Sterling Cash Plus Fund commenced in August 2015 and a further £5.000m in December 2015. This available

NOTES TO THE CORE FINANCIAL STATEMENTS

for sale investment is open ended but can be realised at Trade day plus one. This has been valued at the 31 March 2017 closing bid price resulting in a fair value of £10.111m.

- £5.000m with Blackrock Sterling Ultra Short Bond Fund commenced in October 2016. This available for sale investment is open ended but can be realised at Trade day plus one. This has been valued at the 31 March 2017 closing bid price resulting in a fair value of £5.013m.
- £1.000m with Deutsche Sterling Ultra Short Fixed Income Fund commenced in October 2016. This available for sale investment is open ended but can be realised at Trade day plus two. This has been valued at the 31 March 2017 closing bid price resulting in a fair value of £1.002m.
- £3.000m with Legal & General Liquidity Plus Fund commenced in November 2016. This available for sale investment is open ended but can be realised at Trade day plus two. This has been valued at the 31 March 2017 closing bid price resulting in a fair value of £2.999m.
- £5.000m with Standard Life Short Duration Managed Fund commenced in October 2016. This available for sale investment is open ended but can be realised at Trade day plus three. This has been valued at the 31 March 2017 closing bid price resulting in a fair value of £5.004m.

Transferred Debt and Long Term Trade Debtors are not quoted on active markets meaning that fair value cannot be accurately calculated. As such they have been reported at carrying value. Transferred Debt relates to the share of loans owed to the Council by Chesterfield Borough Council (£0.989m) and Derbyshire Police and Crime Commissioner (£0.156m) at the point of the 1997 reorganisation of Local Government. This is being repaid over a number of years, the largest element is being repaid as a 4% reducing balance schedule.

Derby City Council transferred 8.5% of the County's PWLB debt (held on their behalf by the County) on 31 March 2017. The County's debt with the PWLB was reduced by £26.338m. Derby City Council will repay the residual transfer debt of £2.423m (nominal) by 30 June 2017, therefore this Derby City Council amount has been reclassified as a debtor.

Non-Current Trade Debtors in the main (£2.000m) relates to the Council's deposit with Lloyds Bank for the Local Authority Mortgage Scheme. See Note 23 for more information.

NOTES TO THE CORE FINANCIAL STATEMENTS

Current Assets

	Carrying Value		Fair Value	
	31 Mar 2016	31 Mar 2017	31 Mar 2016	31 Mar 2017
	Restated			
	£m	£m	£m	£m
Short Term Investments – Money Markets	241.443	210.456	241.443	210.456
Trade debtors	23.034	21.287	23.034	21.287
Short Term Financial Assets	264.477	231.743	264.477	231.743

The carrying value of short term investments for 2015-16 has been restated at £241.443m, comprising of £180.226m short term investments (previous stated) and £61.217m cash and cash equivalents (previously omitted from the disclosure).

Non-Current Liabilities

	Note	Fair Value Level	Carrying Value		Fair Value	
			31 Mar 2016	31 Mar 2017	31 Mar 2016	31 Mar 2017
			£m	£m	£m	£m
Transferred Debt		2	(3.929)	(0.171)	(3.929)	(0.171)
Public Works Loan Board		2	(305.153)	(274.452)	(386.552)	(381.745)
Lender Option Borrower Option		2	(27.727)	(27.736)	(39.893)	(43.208)
Long term borrowing			(336.809)	(302.359)	(430.374)	(425.124)
PFI liability	30	3	(74.134)	(71.192)	(96.365)	(102.101)
Finance lease liability	30	*	(4.564)	(4.400)	(4.564)	(4.400)
Total Long Term Liabilities			(415.507)	(377.951)	(531.303)	(531.625)

* Fair value disclosure not required

There are 54 loans with the Public Works Loan Board. The earliest start date for these loans was for £10.000m in September 1995 for 24 years. The most recent start date was £5.000m in September 2010 for eight years. The average loan rate across the loans is 4.71%. The average discount rate is 2.26%.

At 31 March 2017 the Council held three Lender Option Borrower Option (LOBO) loans and two long term loans (Barclays waived their LOBO options in June 2016);

- £5.000m Dexia commencing in August 2004 for 35 years at a fixed rate of 4.5%. The fair value is £7.575m using a discount rate of 2.168%.
- £5.000m Commerzbank in February 2002 for 40 years had an introductory interest rate of 2.9% for two years then 4.85% thereafter. The carrying value of the loan was £5.182m and the fair value was £7.983m using a discount rate of 2.216%.
- £8.000m Commerzbank in September 2002 for 40 years had an introductory interest rate of 3.6% for four years at which point the rate stepped up to 4.7%. A premium of £1.592m was also payable at the commencement of the loan. The carrying value of the loan was £6.962m, with a fair value of £12.566m using a discount rate of 2.216%.

NOTES TO THE CORE FINANCIAL STATEMENTS

- £5.000m Barclays in October 2003 for 40 years had an introductory rate of 3.2% for four years when the rate changed to 4.875%. The carrying value of the loan was £5.363m and the fair value was £7.738m using a discount rate of 2.244%.
- £5.000m Barclays commencing in February 2005 for 40 years had an introductory interest rate of 3.7% for four years then 4.5% thereafter. A discount of £0.103m applied at the commencement of the loan. At the balance sheet date, the carrying value of the loan was £5.229m, with a fair value of £7.346m using a discount rate of 2.248%.

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

Current Liabilities

	Carrying Value		Fair Value	
	31 Mar 2016 £m	31 Mar 2017 £m	31 Mar 2016 £m	31 Mar 2017 £m
Public Works Loan Board	(12.500)	(4.575)	(12.500)	(4.575)
Temporary Loans	0.000	(14.000)	0.000	(14.000)
Transferred Debt	(0.160)	(3.665)	(0.160)	(3.665)
Short term borrowing	(12.660)	(22.240)	(12.660)	(22.240)
Accrued Interest	(2.479)	(2.367)	(2.479)	(2.367)
Trade Creditors	(62.542)	(72.031)	(62.542)	(72.031)
Total Short Term Liabilities	(77.681)	(96.638)	(77.681)	(96.638)

25. INVENTORIES

	2015-16			2016-17		
	Allroads Stores £m	Work in Progress £m	Other £m	Allroads Stores £m	Work in Progress £m	Other £m
1 April	0.700	0.738	0.519	1.387	0.558	0.803
Purchase of new stock	1.792	0.000	1.696	2.458	0.000	1.329
Stock issued	(1.103)	(0.180)	(1.411)	(2.341)	(0.458)	(1.105)
Stock written off	(0.002)	0.000	(0.001)	(0.003)	0.000	(0.002)
31 March	1.387	0.558	0.803	1.501	0.100	1.025
Total	2.749			2.613		

26. DEBTORS

The debtor balance can be analysed into the following categories:

NOTES TO THE CORE FINANCIAL STATEMENTS

31 Mar 2016 £m		31 Mar 2017 £m
12.083	From Other Local Authorities	11.526
5.762	From NHS Bodies	5.112
6.192	From Government Departments	12.237
31.941	From Other Sundry Debtors	42.962
1.318	From DCC Pension Fund	0.000
57.296	Total amount Owed to the Council	71.837
0.096	To Other Local Authorities	0.119
0.056	To NHS Bodies	0.000
0.003	To Government Departments	0.000
3.804	To Other Sundry Debtors	4.201
3.959	Total paid in advance by the Council	4.320
61.255	Total Debtors	76.157
(1.600)	Less Provision for Bad Debts	(1.441)
59.655	Carrying Value of Debtors	74.715

27. CASH AND CASH EQUIVALENTS

31 Mar 2016 £m		31 Mar 2017 £m
1.514	County Fund Bank Account Balance	6.598
(6.295)	Adjustment to bank balance for timing	0.001
(4.781)	Cash Book for County Fund Account	6.599
1.302	Schools Cash Income Account Balance	0.242
1.302	Cash Book for Schools Cash Account	0.242
(3.479)	Total Cash Book Balance (Overdraft)	6.841
2.738	Amounts held by Bank Account Schools	3.582
0.200	Amounts held in Petty Cash Tins	0.191
0.283	Amounts held in Imprest Bank Accounts	0.327
(0.002)	Amounts held in Other Bank Accounts	(0.002)
(0.260)	Total Cash Balance (Overdraft)	10.939
21.313	Bank instant-access deposit accounts	1.017
10.000	Money Market Funds	0.000
30.164	Short-term deposits	20.014
61.217	Total Cash and Cash Equivalents	31.971

28. CREDITORS

The creditor balance can be analysed into the following categories:

NOTES TO THE CORE FINANCIAL STATEMENTS

31 Mar 2016 £m		31 Mar 2017 £m
(9.512)	To Other Local Authorities	(4.623)
(2.892)	To NHS Bodies	(1.961)
(13.508)	To Government Departments	(13.694)
0.000	To Inter-Group Organisations	(3.716)
(56.554)	To Other Sundry Creditors	(69.741)
(82.466)	Amounts Owning by the Council	(93.735)
(0.238)	From other Local Authorities	(0.493)
(10.251)	From NHS Bodies	(4.459)
(1.887)	From Government Departments	(2.196)
(1.537)	From Other Sundry Creditors	(2.615)
(13.913)	Income in Advance to the Council	(9.763)
(96.378)	Carrying Value of Creditors	(103.498)

29. PROVISIONS

	Insurance Fund	Exit Packages	Other	Total
	£m	£m	£m	£m
1 April 2015	6.610	7.708	0.302	14.620
New Provisions	2.202	0.000	1.073	3.275
Utilisation of Provision	(2.183)	0.000	(0.234)	(2.417)
Reversal of Provision	0.000	0.000	(0.038)	(0.038)
1 April 2016	6.629	7.708	1.103	15.440
New Provisions	1.692	0.000	0.633	2.325
Utilisation of Provision	(2.013)	(1.879)	(0.292)	(4.184)
Reversal of Provision	0.000	0.000	(0.151)	(0.151)
31 March 2017	6.308	5.829	1.293	13.430

Provision for Voluntary Redundancy

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

Insurance Fund Provision

The Insurance Fund meets the estimated 'excess' of the Council's insurance policies, with amounts held in either the insurance provision or the insurance

NOTES TO THE CORE FINANCIAL STATEMENTS

reserve. The provision represents obligations as at 31 March as a result of past claims. The reserve balance covers claims not yet made where a liability is expected to exist.

31 Mar 16 £m		31 Mar 17 £m
1.456	External premiums	1.389
0.003	General charges and expenses	0.000
0.237	Claims paid in the year	0.968
1.696	Total Expenditure	2.357
(0.393)	Income from schools	(0.296)
(4.701)	General fund contribution	(4.463)
(0.152)	Other income	(0.173)
(5.246)	Total Income	(4.932)
(3.550)	Surplus to move to fund balances	(2.575)

31 Mar 16 £m		31 Mar 17 £m
(2.202)	Contribution (to) / from provision	(1.692)
(1.348)	Contribution (to) / from reserve	(0.883)
(3.550)	Total moved to fund balances	(2.575)

31 Mar 16 £m	Provision	31 Mar 17 £m
(6.610)	Balance at 1 April	(6.630)
(2.202)	Contribution to revenue	(1.692)
2.183	Claims paid and risk management costs	2.014
(6.629)	Balance at 31 March	(6.308)

31 Mar 16 £m	Reserves	31 Mar 17 £m
(17.524)	Balance at 1 April	(18.988)
(1.348)	Contribution (to) / from revenue	0.883
(0.115)	Interest on balances	(0.082)
(18.987)	Balance at 31 March	(18.187)

The total Insurance Fund balance is £24.495m (31 March 2016: £25.616m).

NOTES TO THE CORE FINANCIAL STATEMENTS

30. OTHER NON-CURRENT LIABILITIES

31 Mar 2016 £m	note		31 Mar 2017 £m
(562.371)	15	Pensions Liability - LGPS	(641.390)
(65.787)	15	Pensions Liability - Teachers	(68.512)
(19.616)	48	PFI Phase 1	(18.526)
(24.008)	48	PFI Phase 2	(22.993)
(30.510)	48	PFI - BSF	(29.672)
(3.112)	47	Finance Lease - Joint Service Centre	(3.112)
(1.452)	47	Finance Lease - Other Leases	(1.288)
(706.856)			(785.493)

Further information about the leases, PFI scheme and pension liabilities can be found in notes 47 and 48 respectively.

31. USABLE RESERVES

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

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

Details of the Council's usable reserves can be found in the Movement in Reserves Statement and Notes 15 and 32.

NOTES TO THE CORE FINANCIAL STATEMENTS

32. TRANSFERS TO/FROM EARMARKED RESERVES

	1 Apr 2015 £m	Transfers In £m		Out £m	31 Mar 2016 £m	Transfers In £m		Out £m	31 Mar 2017 £m
Highways, Transport and Infrastructure									
Other HTI Reserves	(8.097)	(1.070)	1.052	(8.115)	(1.682)	0.920	(8.876)		
IT Reserve	(1.245)	(0.071)	0.194	(1.122)	0.000	0.106	(1.016)		
Road Safety	(1.900)	0.000	0.033	(1.867)	0.000	0.233	(1.634)		
Highways DLO	(1.022)	0.000	0.047	(0.975)	0.000	0.001	(0.974)		
Commuted Sums	(0.000)	0.000	0.000	(0.000)	(0.119)	0.000	(0.119)		
Other HTI Grants	(1.411)	(0.001)	0.018	(1.395)	(0.001)	0.000	(1.396)		
Highways Maintenance	(6.000)	0.000	0.803	(5.197)	0.000	5.197	0.000		
Sub Total	(19.675)	(1.142)	2.146	(18.671)	(1.802)	6.458	(14.015)		
Council Services									
Insurance	(17.524)	(1.539)	0.075	(18.988)	(0.965)	0.000	(19.953)		
Other Council Services	(11.150)	(4.569)	7.356	(8.363)	(7.283)	1.654	(13.992)		
Council Services Grants	(0.190)	(0.110)	0.000	(0.300)	0.000	0.300	0.000		
Change Management	(6.395)	0.000	0.610	(5.785)	(0.695)	0.692	(5.788)		
Property DLO	(4.302)	(3.526)	3.018	(4.810)	(0.319)	1.770	(3.359)		
PFI Schools	(3.722)	(0.078)	0.682	(3.118)	(0.830)	1.792	(2.156)		
Computer Purchasing	(3.406)	0.605	(1.008)	(3.809)	(2.241)	1.256	(4.794)		
Derbyshire Property	(1.955)	0.000	0.326	(1.629)	(1.304)	0.980	(1.953)		
IMP Scheme	0.000	(6.238)	0.000	(6.238)	(2.811)	5.116	(3.933)		
Demolition of Buildings	0.000	(0.784)	0.000	(0.784)	0.000	0.227	(0.557)		
Mgt Support	0.000	(12.500)	0.000	(12.500)	0.000	0.000	(12.500)		
Uninsured Fin Loss	0.000	(13.000)	0.000	(13.000)	0.000	0.000	(13.000)		
Comm Priorities Prog	0.000	(4.000)	0.000	(4.000)	0.000	2.271	(1.729)		
Business Rates Pool	0.000	(1.087)	0.000	(1.087)	(1.230)	0.057	(2.260)		
Capital RCCO's	(8.225)	(8.476)	11.139	(5.562)	(7.495)	5.562	(7.495)		
SubTotal	(56.869)	(55.302)	22.198	(89.973)	(25.173)	21.677	(93.469)		
Health & Communities									
Public Health Fund	(7.234)	(12.461)	15.506	(4.189)	(6.130)	3.660	(6.659)		
Other H&C	(1.005)	(1.770)	0.752	(2.023)	(0.540)	0.358	(2.204)		
Derbyshire Sports	(1.131)	0.000	1.111	(0.020)	0.000	0.020	0.000		
Other H&C Grants	(0.371)	(0.037)	0.063	(0.345)	(0.090)	(0.132)	(0.567)		
Sub Total	(9.741)	(14.268)	17.432	(6.577)	(6.760)	3.906	(9.430)		

NOTES TO THE CORE FINANCIAL STATEMENTS

	1 Apr 2015 £m	Transfers In £m	Out £m	31 Mar 2016 £m	Transfers In £m	Out £m	31 Mar 2017 £m
Children's Services							
Schools Balances	(38.724)	(4.155)	0.407	(42.472)	0.000	7.039	(35.433)
Dedicated Schools Grant	(27.106)	(2.475)	13.656	(15.925)	(1.025)	6.336	(10.614)
Other Childrens	(15.514)	(7.256)	5.249	(17.521)	(1.748)	8.345	(10.924)
Nursery Placements	(2.563)	0.000	0.000	(2.563)	0.000	0.070	(2.493)
SEN Reform	(1.608)	(0.171)	1.071	(0.708)	(0.465)	0.758	(0.415)
Capital Maintenance	(1.051)	0.000	1.051	0.000	0.000	0.000	0.000
Other Childrens Grants	(4.986)	(1.645)	2.253	(4.378)	(1.693)	1.551	(4.520)
Uni-Fi Initiative	(0.741)	0.000	0.186	(0.555)	0.000	0.277	(0.278)
MST Pilot	(0.384)	0.000	0.283	(0.101)	0.000	0.101	0.000
Unaccompanied Asylum Seeking Children	0.000	0.000	0.000	0.000	(0.603)	0.052	(0.551)
Complex Inquiry	0.000	0.000	0.000	0.000	(1.500)	0.282	(1.218)
Sub Total	(92.677)	(15.702)	24.156	(84.223)	(7.034)	24.811	(66.446)
Strategic, Policy, Budget and Economic Development							
Equal Pay	(15.184)	(0.134)	13.192	(2.126)	0.000	1.315	(0.811)
Broadband Project	(4.856)	(2.190)	0.000	(7.046)	0.000	0.925	(6.121)
Derbyshire Challenge	(2.590)	0.000	1.546	(1.044)	0.000	0.174	(0.870)
Other SPB	(1.667)	(2.862)	1.100	(3.429)	(1.986)	1.484	(3.930)
Regeneration Unit	(0.016)	(0.074)	0.000	(0.090)	0.000	0.000	(0.090)
Sub Total	(24.313)	(5.260)	15.838	(13.734)	(1.986)	3.899	(11.822)
Adult Social Care							
Care Homes	(1.275)	0.000	1.275	0.000	0.000	0.000	0.000
Carers Emergency Fund	(0.250)	0.000	0.000	(0.250)	0.000	0.000	(0.250)
Voluntary Organisation Grants	0.000	0.000	0.000	0.000	(1.633)	0.000	(1.633)
Previous Years Underspend	0.000	0.000	0.000	0.000	(5.338)	0.000	(5.338)
SubTotal	(1.525)	0.000	1.275	(0.250)	(6.971)	0.000	(7.221)
Overall Totals	(204.800)	(91.674)	83.045	(213.428)	(49.725)	60.751	(202.403)

33. UNUSABLE RESERVES

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

Collection Fund Adjustment Account

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

NOTES TO THE CORE FINANCIAL STATEMENTS

Accumulated Absences Account

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

Financial Instruments Adjustment Account

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

Pensions Reserve

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

Capital Adjustment Account

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

Deferred Capital Receipts Reserve

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

NOTES TO THE CORE FINANCIAL STATEMENTS

receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

Revaluation Reserve

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

	Note	Carrying Value £m	Historic Cost £m	Revaluation Reserve £m
31 March 2017				
Property, Plant & Equipment	16	2,148.796	1,234.430	914.366
Heritage Assets	17	42.358	3.867	38.491
Assets Held for Sale	21	2.938	0.829	2.109
		2,194.092	1,239.126	954.966
31 March 2016				
Property, Plant & Equipment	16	2,175.190	1,320.783	854.407
Heritage Assets	17	42.356	3.709	38.647
Assets Held for Sale	21	0.750	0.000	0.750
		2,218.296	1,324.492	893.804

34. EXTERNAL AUDIT COSTS

2015-16 £m		2016-17 £m
	Audit Fees	
0.125	External Audit Fees	0.125
(0.004)	Audit Commission Rebate	0.000
0.004	External Audit Fees Teachers' Pension Scheme	0.004
0.125		0.129

35. MEMBERS' ALLOWANCES

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

NOTES TO THE CORE FINANCIAL STATEMENTS

2015-16 £m		2016-17 £m
0.959	Allowances	0.977
0.051	Expenses	0.052
1.010		1.029

36. OFFICERS' REMUNERATION

Remuneration paid to the Council's senior officers during the year is set out in the table below. The definition of senior officer is:

- An officer whose salary is £150,000 or more
- A statutory chief officer as per section 2(6) of the Local Government and Housing Act 1989
- A non-statutory chief officer as per section 2(7) of the Local Government and Housing Act 1989.

NOTES TO THE CORE FINANCIAL STATEMENTS

Salary	Employer's Pension Contributions	Compensation for Loss of Employment	Total Remuneration 2015-16		Salary	Employer's Pension Contributions	Total Remuneration 2016-17
£	£	£	£		£	£	£
143,998	9,301	0	153,300	Chief Executive	148,720	0	148,720
113,026	0	0	113,026	Strategic Director of Economy, Transport & Environment	116,885	0	116,885
13,666	2,669	0	16,335	Strategic Director of Children's Services	109,509	21,387	130,896
99,212	19,376	0	118,588	Strategic Director of Children and Younger Adults	0	0	0
76,387	0	0	76,387	Strategic Director of Adult Care	120,084	0	120,084
45,036	8,796	0	53,832	Strategic Director of Adult Care	0	0	0
110,744	21,628	0	132,372	Strategic Director of Corporate Resources	114,581	22,377	136,958
111,224	21,722	62,034	194,980	Strategic Director of Health and Communities	0	0	0
0	0	0	0	Director of Public Health	57,054	8,159	65,213
30,078	4,303	0	34,380	(Acting) Director of Public Health	30,606	4,385	34,992
71,455	10,218	0	81,673	Director of Public Health	0	0	0
88,525	17,289	0	105,813	Assistant Chief Executive	91,549	17,880	109,429
93,209	18,204	0	111,413	Director of Finance and ICT	94,141	18,386	112,527

- The Strategic Director of Children and Younger Adults retired on the 28 February 2016, the post was re-titled as Director of Children's Services and the current post holder started on 15 February 2016.
- The previous Strategic Director of Adult Care retired on the 31 August 2015, the current post holder started on 10 August 2015.
- The Strategic Director of Health and Communities retired on 31 March 2016. This post has now been deleted and the duties split between two existing Strategic Directors.
- The previous Director of Public Health retired on the 18 December 2015, the Director of Public Health (Acting) was in post from 14 December 2015 until the current post holder was appointed on 1 August 2016.

NOTES TO THE CORE FINANCIAL STATEMENTS

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

2015-16				2016-17		
No of Employees Restated				No of Employees		
School Staff	Other	Total	Remuneration Between:	School Staff	Other	Total
140	83	223	£50,000 and £54,999	141	57	198
112	23	135	£55,000 and £59,999	121	51	172
67	20	87	£60,000 and £64,999	70	22	92
24	8	32	£65,000 and £69,999	33	7	40
11	2	13	£70,000 and £74,999	16	3	19
6	6	12	£75,000 and £79,999	7	7	14
5	3	8	£80,000 and £84,999	6	4	10
2	1	3	£85,000 and £89,999	2	3	5
4	4	8	£90,000 and £94,999	2	2	4
0	0	0	£95,000 and £99,999	2	1	3
3	0	3	£100,000 and £104,999	2	0	2
0	0	0	£105,000 and £109,999	1	0	1
0	0	0	£110,000 and £114,999	0	1	1
0	0	0	£115,000 and £119,999	0	1	1
0	0	0	£135,000 and £139,999	0	1	1
0	0	0	£205,000 and £209,999	0	1	1
374	150	524		403	161	564

Remuneration includes gross income and compensation for loss of employment; 2015-16's figures have been restated to include compensation for loss of employment.

37. TERMINATION BENEFITS

The Council has terminated the contracts of a number of employees in 2016-17, incurring liabilities of £1.846m (2015-16: £1.179m). The termination benefits are split by banding below:

NOTES TO THE CORE FINANCIAL STATEMENTS

	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	
	2015-16	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16	2016-17
	actual	actual	actual	actual	actual	actual	actual	actual
							£m	£m
£0-£20k	73	109	80	152	153	261	0.717	1.234
£20k-£40k	3	7	11	9	14	16	0.400	0.451
£40k-£60k	0	1	0	0	0	1	0.000	0.049
£60k-£80k	1	0	0	0	1	0	0.062	0.000
£100k-£150k	0	0	0	1	0	1	0.000	0.111
	77	117	91	162	168	279	1.179	1.846

38. POOLED BUDGETS

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

Better Care Fund

	2016-17	Pool Share
Income	£m	%
Derbyshire County Council	7.338	11.29
NHS North Derbyshire CCG	21.324	32.81
NHS Southern Derbyshire CCG	18.810	28.94
NHS Hardwick Derbyshire CCG	8.179	12.58
NHS Erewash Derbyshire CCG	7.129	10.97
NHS Tameside & Glossop CCG	2.212	3.40
	64.991	100.00

	2016-17
Expenditure	£m
CCG schemes aimed at reducing Delayed Transfer of Care	27.588
Disabled Facilities Grant	5.481
Equipment	6.917
Reablement	4.427
Joint working	7.834
Administration	0.490
Care Bill	2.058
Carers	1.758
Mental health	1.000
Support people to remain out of hospital	6.703
Total Expenditure	64.256
Net position for Pool	(0.735)

NOTES TO THE CORE FINANCIAL STATEMENTS

On 1 April 2015 the Derbyshire Better Care Fund (BCF) became operational. Derbyshire County Council are partners to the fund along with NHS Northern Derbyshire Clinical Commissioning Group, NHS Southern Derbyshire Clinical Commissioning Group, NHS Hardwick Clinical Commissioning Group, NHS Erewash Clinical Commissioning Group and NHS Tameside & Glossop Clinical Commissioning Group. The operation of the pool is ultimately managed by the Derbyshire Health and Wellbeing Board represented by members from each of the partners. The Fund operates as a Section 75 pooled budget and total agreed contributions to the pool are £64.991m. Derbyshire County Council's contribution towards the pool is £7.338m (11.29%).

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

The BCF underspend of £0.735m will be used to reduce contributions to the 2017-18 pool. Under the agreement, the BCF Plan for Derbyshire is split into 2 areas:

- Contributions to a pooled fund by all partners and commissioned by Derbyshire County Council who are host and lead commissioner
- Commissioning of existing funded schemes directly by each partner.

Children with complex needs with North Derbyshire, South Derbyshire, Hardwick, Erewash Clinical Commissioning Groups

The CCG's contribute 33%, the remainder is funded by the Council. Any surplus or deficit carries forward to meet next year's contributions as per the partnership agreement, and as such an Earmarked Reserve is in place to hold the unspent amount.

31 Mar 2016 £m		31 Mar 2017 £m
	Funding provided to the pooled budget:	
(3.469)	The Council	(3.404)
(1.618)	The Health Trust	(1.677)
	Expenditure met by the pooled budget	
3.349	The Council	3.404
1.650	The Health Trust	1.677
(0.088)	(Surplus)	0.000
(0.059)	The Council's share of the (Surplus)	0.000

NOTES TO THE CORE FINANCIAL STATEMENTS

39. TRUST FUNDS

Trust Funds are made up of donations or bequests made to the Council. These funds are not part of the Council's Accounts. Other Funds includes monies held for residents in the Council's residential homes.

2015-16 Total £m		2016-17		
		Trust Funds £m	Other Funds £m	Total £m
7.313	Opening Balance	1.103	5.779	6.882
0.099	Add Income	0.015	0.005	0.020
(0.531)	Less Expenditure	(0.027)	(0.812)	(0.839)
6.882	Closing Balance	1.091	4.972	6.063
	The funds are represented by:			
0.044	Investments	0.050	0.000	0.050
6.838	Cash & temporary loans	1.041	4.972	6.013
6.882	Total Assets	1.091	4.972	6.063
(0.015)	Increase/(Decrease) in unrealised profit on investments included in expenditure	0.006	0.000	0.006
62	No of Funds (actual not £m)	53	9	62

40. DEDICATED SCHOOLS GRANT (DSG)

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

The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school. The in-year adjustment comprises a recovery deducted in 2016-17 for Early Years provision during 2015-16 following final calculation of the amount due from the Department for Education. This has been covered by use of reserves.

Actual Central expenditure includes items that have been transferred to an earmarked reserve but remain unspent as at the end of the year. Details of the deployment of the DSG receivable for 2016-17 are as follows:

NOTES TO THE CORE FINANCIAL STATEMENTS

	2016-17		
	Central	Individual	Total
	Expenditure £m	Schools Budget £m	£m
Final DSG for 2016-17 before Academy recoupment			515.378
Less Academy figure recouped for 2016-17			(98.760)
Total DSG after Academy recoupment for 2016-17			416.618
Brought forward from 2015-16			20.099
Carry forward to 2017-18 agreed in advance			(12.401)
Agreed initial budgeted distribution in 2016-17	70.452	353.864	424.316
In year adjustments	0.000	(0.492)	(0.492)
Final budgeted distribution for 2016-17	70.452	353.372	423.824
Less Actual central expenditure	(70.112)		(70.112)
Less Actual spend against unallocated ISB		0.000	0.000
Less Actual ISB deployed to Private, Voluntary and Independent Settings for Nursery Education		(13.846)	(13.846)
Less Actual ISB deployed to schools		(340.018)	(340.018)
Add local authority contribution for 2016-17	0.000	0.000	0.000
Add Carry forward to 2017-18 agreed in advance	12.401		12.401
Carry-forward to 2017-18	12.741	(0.492)	12.249

41. GRANT INCOME

Revenue Grants	2016-17						2015-16
	Cash	Prev Yr		New		Income	Income
	Received £m	IIA £m	Dr £m	IIA £m	Dr £m	in Ledger £m	in Ledger £m
Dedicated Schools Grant (DSG) DfE	416.126	0.000	0.000	0.000	0.000	416.126	430.539
Public Health Grant DoH	42.670	0.000	0.000	0.000	0.000	42.670	38.183
Pupil Premium Grant DfE	24.360	0.250	0.000	0.000	0.000	24.610	25.015
Sixth Form Funding DfE	13.023	0.000	0.000	0.000	0.000	13.023	14.644
Adult and Community Learning BIS	6.017	0.178	0.000	(0.064)	0.000	6.131	6.300
Universal Free School Meals for Infant Pupils DfE	7.975	0.000	0.000	0.000	0.000	7.975	8.461
PE and Sport Grant EFA	2.976	0.000	0.000	0.000	0.000	2.976	2.993
Music Service Grant Arts Council	1.423	0.000	0.000	0.000	0.000	1.423	1.435
Other grants Various	12.328	1.127	(0.244)	(1.366)	0.974	12.818	15.209
Total Departmental	526.898	1.555	(0.244)	(1.430)	0.974	527.752	542.779
Education Services Grant DfE	8.376	0.000	0.000	0.000	0.000	8.376	6.901
Business Rates DCLG	2.358	0.000	0.000	0.000	0.000	2.358	4.943
Private Finance Initiative EFA	10.504	0.000	0.000	0.000	0.000	10.504	10.504
Adult Social Care Grant DoH	0.000	0.000	0.000	0.000	0.000	0.000	3.706
New Homes Bonus DCLG	2.864	0.000	0.000	0.000	0.000	2.864	2.224
Other Grants Various	6.186	0.000	0.000	0.000	0.000	6.186	7.852
Total Corporate Income	30.288	0.000	0.000	0.000	0.000	30.288	36.129
Total Grants	557.186	1.555	(0.244)	(1.430)	0.974	558.040	578.908

NOTES TO THE CORE FINANCIAL STATEMENTS

		2016-17						2015-16
		Cash Received £m	Prev Yr Reversal		New Accrual		Income in Ledger £m	Income in Ledger £m
Capital Grants			IIA* £m	Dr** £m	IIA* £m	Dr** £m		
Highways Capital Maintenance	DfT	18.464	0.000	0.000	0.000	0.000	18.464	18.981
Capital Maintenance Grant	EFA	9.877	0.000	0.000	0.000	0.000	9.877	9.920
Lottery Funding		7.337	0.000	0.000	0.000	0.000	7.337	0.000
Local Growth Fund		22.371	0.000	0.000	0.000	0.000	22.371	0.000
Integrated Transport	DfT	3.644	0.000	0.000	0.000	0.000	3.644	3.644
Basic Need Grant	EFA	6.047	0.000	0.000	0.000	0.000	6.047	5.240
Devolved Formula Capital	DFE	2.319	0.000	0.000	0.000	0.000	2.319	2.454
Digital Derbyshire	BDUK	0.902	0.000	0.000	0.000	0.000	0.902	8.685
Pot Hole Funding	DfT	1.837	0.000	0.000	0.000	0.000	1.837	0.000
Land Reclamation Grant		5.260	0.000	(5.260)	0.000	1.650	1.650	3.286
Adults' Personal Social Services Grant	DoH	0.000	0.000	0.000	0.000	0.000	0.000	2.020
Pedal Peak Phase 2	DfT	0.000	0.000	0.000	0.000	0.000	0.000	3.884
Capital Growth Fund	DCLG	0.000	0.000	0.000	0.000	0.000	0.000	2.020
Other Capital Grants	Various	6.068	0.000	0.000	0.000	0.000	6.068	3.443
		84.126	0.000	(5.260)	0.000	1.650	80.517	63.577

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

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

42. CASH FLOW – INVESTING ACTIVITIES

2015-16 £m		Note	2016-17 £m
(93.648)	Purchase of Fixed Assets		(110.301)
(246.069)	Purchase of New Investments		(0.380)
2.249	Proceeds from Sale of Fixed Assets		10.077
63.374	Capital Grants Received	41	80.517
220.117	Investments Redeemed		(11.084)
(53.977)			(31.171)

43. CASH FLOW – FINANCING ACTIVITIES

2015-16 £m		Note	2016-17 £m
(33.738)	Repay Amounts Borrowed		(85.728)
(2.757)	Principal Repayment on PFI & Leases	47	(3.107)
25.000	New Short Term Loans		55.000
(11.495)			(33.835)

NOTES TO THE CORE FINANCIAL STATEMENTS

44. CASH FLOW – OPERATING ACTIVITIES

2015-16 £m		Note	2016-17 £m
(591.984)	Payments to and on behalf of employees		(584.968)
(529.183)	Other Operating Payments		(504.567)
265.092	Council Tax	8	279.930
104.406	Business Rates	8	104.841
93.241	Revenue Support Grant	8	67.722
574.060	Other Revenue Grants	41	555.170
141.086	Other Income		131.699
56.719	Operating Costs of Providing Services		49.826
(17.543)	External Interest Paid		(13.370)
(6.015)	Interest on PFI & Finance Leases		(5.828)
3.387	Interest Received		5.138
36.549			35.767

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

2015-16 £m		Note	2016-17 £m
(374.521)	Surplus/(Deficit) on the Provision of Services		(210.156)
	Non Cash Transactions:		
54.304	Depreciation	15	44.053
63.320	Impairment	15	62.173
55.377	Movement in Pension Liability	50	38.867
2.424	Adjustment for Collection Fund		(2.447)
3.450	Movement in Revenue Debtors		11.938
(0.647)	Movement in Bad Debt Provision		0.159
(6.506)	Movement in Revenue Creditors		16.306
(0.792)	Movement in Inventories	25	0.136
0.820	Movement in Provisions	29	(2.009)
171.749	Total Non Cash Transactions		169.176
	Items Classified Elsewhere		
287.755	Net charge for disposal of fixed assets	6	135.341
15.143	Revenue expenditure funded from capital under statute	14	21.921
(63.577)	Capital Grants	41	(80.517)
36.549			35.765

NOTES TO THE CORE FINANCIAL STATEMENTS

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

	2015-16 £m	2016-17 £m	Movement £m
Current Investments	180.226	178.485	(1.741)
Non Current Investments	44.000	58.190	14.190
Cash and Cash Equivalents	61.217	31.971	(29.246)
Current Borrowing	(15.139)	(24.608)	(9.469)
Non Current Borrowing	(336.809)	(302.359)	34.450
PFI & Finance Lease Liabilities	(78.698)	(75.591)	3.107
	(145.203)	(133.912)	11.291

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

Reconciliation between the cash movement and the movement in net debt for 2016-17 and 2015-16:

2015-16 £m		2016-17 £m
(28.920)	Decrease/(Increase) in Cash & Cash Equivalents	(29.246)
(220.635)	Investments repaid (and accrued interest)	11.856
246.267	New investments (and accrued interest)	0.593
(25.115)	Loans Raised (and interest accrued)	(58.615)
40.160	Loans Repaid (includes accrued interest)	83.597
2.902	Payment of PFI & Lease Principal	3.107
14.659		11.292

47. 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 16 shows the net value of assets held under Finance Leases.

NOTES TO THE CORE FINANCIAL STATEMENTS

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

2015-16 £m				2016-17 £m		
Interest	Liability	MLP		Interest	Liability	MLP
0.565	0.147	0.712	Within 1 year	0.552	0.160	0.712
2.114	0.732	2.846	Within 2 to 5 years	2.046	0.797	2.843
7.186	3.967	11.153	More than 5 years	7.186	3.889	11.075
9.300	4.699	13.999	Total Non-Current	9.232	4.686	13.918
9.865	4.846	14.711		9.784	4.846	14.630

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

OPERATING LEASES – COUNCIL AS LESSEE

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

- 33 as part of the delivery of education locally (2015-16: 33);
- 8 local libraries (2015-16: 8);
- 5 for Youth Information and Clubs (2015-16: 5);
- 23 for Community and Environmental purposes (2015-16: 23); and
- 24 for miscellaneous use including office accommodation (2015-16: 24).

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

- 3 other vehicles including vans (2015-16: 3); and
- 1 miscellaneous other including trailers and platforms (2015-16: 1).

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

2015-16 £m				2016-17 £m		
PPE	PVE	Total		PPE	PVE	Total
1.287	0.000	1.287	Within 1 year	0.604	0.000	0.604
2.048	0.000	2.048	Within 2 to 5 years	1.878	0.000	1.878
3.201	0.000	3.201	More than 5 years	2.741	0.000	2.741
6.536	0.000	6.536		5.223	0.000	5.223

No buildings leased under operating leases are sub-let. The Council entered into a number of operating leases for fire vehicles and water ladders whilst the Derbyshire Fire and Rescue Service was under Council control. The

NOTES TO THE CORE FINANCIAL STATEMENTS

remaining vehicle is sub-let to them. The rental expenditure that was charged to the Net Cost of Services in relation to these assets was:

2015-16 £m		2016-17 £m
0.021	Minimum Lease Payment	0.014
(0.017)	Less sublease income	(0.013)
0.004		0.001

FINANCE LEASES – COUNCIL AS LESSOR

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

- Castleton Former Cross Works leased to Peak District National Park Authority on a 100 year lease commencing in 1987 for a one-off payment of £34,000.
- Grassmoor Golf Centre to Grassmoor Golf Ltd on a 1,000 year lease commencing in 2002 for a one-off payment of £230,000.
- Buxton Magistrates Court, Peak Buildings to the Secretary of State on a 125 year lease commencing in 2005.
- Unit C1 Holmewood Business Park to SBK Property Limited on a 99 year lease commencing in 2015.

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

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

The numbers of vehicles leased out are:

2015-16		2016-17
10	Vans	10
5	Cars	5
9	Other Vehicles	9
2	Miscellaneous	2

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

NOTES TO THE CORE FINANCIAL STATEMENTS

2015-16 £m			2016-17 £m	
Gross Investment	Minimum Lease Payment		Gross Investment	Minimum Lease Payment
0.050	0.020	Within 1 year	0.012	0.000
0.000	0.000	Within 2 to 5 years	0.000	0.000
0.000	0.000	More than 5 years	0.000	0.000
0.001	0.000	Unearned finance income	0.000	0.000
0.051		Gross investment	0.012	
0.031		Unguaranteed residual value	0.012	
0.020	0.020	Minimum Lease Payments	0.000	0.000

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 now utilises very few vehicles under the terms of operating leases, the majority of the fleet is not financed through capital borrowing. In addition, there is a Fire Service vehicle still held on an operating lease, entered into prior to the disaggregation of Derbyshire Fire and Rescue Service from Local Authority control. The vehicle types are one each of a hydraulic platform, Land Rover and a van.

2015-16 £m				2016-17 £m		
Vehicles	Land & Building	Total		Vehicles	Land & Building	Total
0.006	1.145	1.151	Within 1 year	0.006	0.782	0.788
0.000	1.943	1.943	Within 2 to 5 years	0.000	1.712	1.712
0.000	5.441	5.441	More than 5 years	0.000	5.470	5.470
0.006	8.529	8.535		0.006	7.964	7.970

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.

48. PRIVATE FINANCE INITIATIVE (PFI) AND SIMILAR CONTRACTS

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

- Phase 1 – in 2001 the Council signed a contract for two secondary schools at Tupton and Chapel-en-le Frith. They were completed and occupied in April 2003 under a 26 year contract.
- Phase 2 – during 2004-05 the Council signed a contract for two further schools at Newbold and Long Eaton which became operational in February 2006 under a 26 year contract. Long Eaton School became an Academy on 1 April 2011. Newbold School became an Academy, known as Outwood Academy Newbold, on 1 January 2015.
- Phase 3 – Schools provided under the Building Schools for the Future (BSF) programme opened in November 2010 at Bolsover and Springwell (Staveley). These were designed and built as PFI schools and will be operated on a 25 year contract. Bolsover School became an Academy on 1 October 2012.

Payments

The Council makes an agreed payment each year (the unitary charge) which is increased by inflation and can be reduced if the contractor fails to meet availability and performance standards.

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

The liability outstanding to pay the liability to the contractor for capital expenditure incurred is as follows:

NOTES TO THE CORE FINANCIAL STATEMENTS

	2015-16			2016-17		
	Ph 1 £m	Ph 2 £m	BSF £m	Ph 1 £m	Ph 2 £m	BSF £m
Unitary Charge Paid						
Delivery of services	2.536	2.650	2.677	2.409	2.233	2.645
Interest Payment	1.502	1.650	2.286	1.435	1.593	2.234
Reduction to Liability	0.952	0.897	0.730	1.019	0.954	0.782
Unitary Charge Paid	4.990	5.198	5.693	4.863	4.780	5.661
Loan Liability B Fwd	(21.587)	(25.859)	(32.020)	(20.634)	(24.962)	(31.290)
Reduction to Liability	0.952	0.897	0.730	1.019	0.954	0.782
Loan Liability C Fwd	(20.634)	(24.962)	(31.290)	(19.615)	(24.008)	(30.509)
Liability in Creditors	(1.019)	(0.954)	(0.782)	(1.090)	(0.897)	(0.730)
Non Current Liabilities	(19.615)	(24.008)	(30.509)	(18.526)	(23.111)	(29.779)
Loan Liability C Fwd	(20.634)	(24.962)	(31.290)	(19.615)	(24.008)	(30.509)

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

	2015-16			2016-17		
	Ph 1 £m	Ph 2 £m	BSF £m	Ph 1 £m	Ph 2 £m	BSF £m
Within one year:						
Service charge	2.409	2.233	2.442	2.437	2.233	2.442
Interest element	1.435	1.593	2.234	1.364	1.532	2.178
Repayment of liability	1.019	0.954	0.782	1.090	1.015	0.837
Within two to five years:						
Service charge	9.747	8.930	9.770	9.747	8.930	9.770
Interest element	4.982	5.724	8.337	4.645	5.439	8.071
Repayment of liability	4.834	4.466	3.726	5.171	4.751	3.992
Within six to ten years:						
Service charge	12.183	11.163	12.212	12.183	11.163	12.212
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 eleven to fifteen years:						
Service charge	7.508	11.163	12.212	5.072	10.898	12.212
Interest element	0.950	2.674	6.095	0.492	2.015	5.454
Repayment of liability	6.589	10.063	8.984	4.593	10.384	9.626
Within sixteen to twenty years:						
Service charge	0.000	1.968	11.251	0.000	0.000	8.808
Interest element	0.000	0.117	2.347	0.000	0.000	1.531
Repayment of liability	0.000	2.093	11.436	0.000	0.000	9.236

NOTES TO THE CORE FINANCIAL STATEMENTS

All of the PFI schools will be handed back to the Council (or the Governors of the School for Academies) when the relevant contract expires. In the case of the Phase 1 schools this will be on 28 April 2029, for the Phase 2 schools it will be 12 February 2032 and for the BSF schools on 31 October 2035.

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

Property Plant and Equipment

The schools are recognised on the Council's Balance Sheet, except those which are Academies. Movements in their value over the year are detailed in the analysis of the movement on the Property, Plant and Equipment balance in Note 16.

49. DEFINED CONTRIBUTION PENSION SCHEMES

Teachers' Pension Scheme

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

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

In 2016-17 the Council paid £46.038m to Teachers' Pensions (2015-16: £46.008m) in respect of teachers' retirement benefits. During 2016-17 the Employer's Contribution rate for the Teachers' Pension Scheme was 16.48% (2015-16: 14.1% to 31 August 2015; 16.48% from 1 September 2015).

NHS Pension Scheme

Former NHS employees working in the Surestart and Public Health fields that moved to the Council in 2008 and 2013, respectively, and new Public Health staff employed since then, are members of the NHS Pension Scheme, administered by the Department of Health. The Scheme provides these employees with specified benefits upon their retirement, and the Council

NOTES TO THE CORE FINANCIAL STATEMENTS

contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

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

In 2016-17 the Council paid £0.482m to the NHS Pension Scheme (2015-16: £0.506m) in respect of the retirement benefits of these Council employees. The Employer's Contribution rate during 2016-17 for the NHS Pension Scheme was 14.3% (2015-16: 14.3%). No further disclosures are required because of the immateriality of the information.

50. DEFINED BENEFIT SCHEME

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

The Council participates in two post-employment schemes:

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

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

The following transactions have been made during the year:

NOTES TO THE CORE FINANCIAL STATEMENTS

	Notes/ Statement	LGPS		Teachers	
		2015-16 £m	2016-17 £m	2015-16 £m	2016-17 £m
Current service cost		89.722	75.981	0.000	0.000
Net interest cost	7	22.093	20.035	2.288	2.225
Past service costs & curtailments	12	0.203	0.474	0.000	0.000
Benefits charged to the CIES		112.018	96.490	2.288	2.225
Actuarial (gains) and losses	CIES	(168.066)	37.884	(5.671)	4.993
Total (Gain) / Loss		(56.048)	134.374	(3.383)	7.218
Movements in Reserves Statement:					
Reversal of charges made	15	(112.018)	(96.490)	(2.288)	(2.225)
Contributions - unfunded benefits	15	2.616	2.577	0.000	0.000
Employers' contributions payable	15	51.708	52.778	4.605	4.493

Assets and Liabilities in Relation to Post-Employment Benefits

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

	Funded liabilities:		Unfunded liabilities:	
	2015-16 £m	2016-17 £m	2015-16 £m	2016-17 £m
Opening balance at 1 April	2,247.975	2,142.057	73.775	65.787
Current service cost	89.722	75.981	0.000	0.000
Interest cost	72.548	75.407	2.288	2.225
Contributions by participants	16.333	16.535	0.000	0.000
Actuarial gains and losses	(217.094)	380.485	(5.671)	4.993
Benefits paid	(65.014)	(62.334)	0.000	0.000
Unfunded benefits paid	(2.616)	(2.577)	(4.605)	(4.493)
Past service costs	0.203	0.474	0.000	0.000
Closing balance at 31 March	2,142.057	2,626.028	65.787	68.512

The expected return on assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date.

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

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	Local Government	
	2015-16	2016-17
	£m	£m
Opening balance at 1 April	(1,575.232)	(1,579.686)
Expected rate of return	(50.455)	(55.372)
Actuarial gains	49.028	(342.601)
Employer contributions	(51.708)	(52.778)
Contributions by participants	(16.333)	(16.535)
Benefits paid	65.014	62.334
Closing balance at 31 March	(1,579.686)	(1,984.638)

Scheme History

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The total liability on the LGPS of £641.390m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

- the deficit on the Local Government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme Actuary;
- finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

	Present value of liabilities:		Present Value of assets:	(Surplus)/deficit in the Scheme:		
	LGPS	Discretionary Benefits		LGPS	Discretionary Benefits	Total
	£m	£m	£m	£m	£m	£m
2012-13	1,936.773	69.791	(1,307.154)	629.619	69.791	699.410
2013-14	1,875.235	67.761	(1,407.197)	468.038	67.761	535.799
2014-15	2,247.975	73.775	(1,575.232)	672.743	73.775	746.518
2015-16	2,142.057	65.787	(1,579.686)	562.371	65.787	628.158
2016-17	2,626.028	68.512	(1,984.638)	641.390	68.512	709.902

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2018 is £54.023m.

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

NOTES TO THE CORE FINANCIAL STATEMENTS

dependant on assumptions about mortality rates, salary levels etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, with estimates for the Council Fund being based on the latest full valuation of the scheme as at 31 March 2016.

The principal assumptions used by the Actuary have been:

	2015-16	2016-17
Mortality Assumptions:		
Longevity at 65 (current pensioners):		
-Men	22.0	21.9
-Women	24.2	24.4
Longevity at 65 (future pensioners):		
-Men	24.1	23.9
-Women	26.6	26.5
Inflation Rates:		
Increase in salaries (LGPS only)	3.2%	2.9%
Increase in pensions	2.2%	2.4%
Discounting scheme liabilities	3.5%	2.6%

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below, showing the impact of a change at 31 March 2017:

	Local Government	
	Approximate increase to employer liability	Approximate monetary amount £m
0.5% decrease in real discount rate	10%	0.253
0.5% increase in salary increase rate	2%	0.041
0.5% increase in pension increase rate	8%	0.208

The Actuary has noted that in order to quantify the impact of a change in the financial assumptions used, the value of the scheme liabilities at 31 March 2017 has been calculated and compared on varying bases. The approach taken is consistent with that adopted to derive the IAS19 figures provided by the Actuary for the accounts.

To quantify the uncertainty around life expectancy, the Actuary has calculated the difference in cost to the Employer of a one year increase in life expectancy. For sensitivity purposes, this is assumed to be an increase in the cost of benefits of around 3-5%. In practice the actual cost of a one year increase in life expectancy will depend on the structure of the revised assumption (i.e. if improvements to survival rates predominantly apply at younger or older ages).

NOTES TO THE CORE FINANCIAL STATEMENTS

These figures have been derived based on the membership profile of the Employer as at the date of the most recent actuarial valuation.

The return on the Fund in market value terms for the period to 31 March 2017 is estimated based on actual Fund returns as provided by the Administering Authority and index returns where necessary. The total return for the period from 1 April 2016 to 31 March 2017 is 20.8% (2015-16: 0.1%).

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:

	2015-16 %	2016-17 %
Equity investments	69.0	68.9
Debt instruments:		
Government bonds	11.0	10.5
Other bonds	8.0	7.9
Property	6.0	6.4
Cash and cash equivalents	4.0	4.6
Other assets	2.0	1.7
Total	100.0	100.0

History of Experience Gains and Losses

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

	LGPS	Teachers
	Actuarial (gain) / loss on assets over total assets	Actuarial (gain) / loss on liabilities over total liabilities
	Actuarial (gain) / loss on liabilities over total liabilities	
2012-13	(7.64%)	10.95%
2013-14	(3.02%)	(8.34%)
2014-15	(6.83%)	10.75%
2015-16	(3.10%)	(8.62%)
2016-17	17.26%	7.29%

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Forecast for next year

	Local Government		Teachers Pensions	
	£m	£m	£m	£m
Projected service cost				
Estimated pay:	267.540		0.000	
Service cost (% of pay)	40.6%		n/a	
Implied service cost next year:		107.900		0.000
Net interest cost		17.349		1.723
Administration expenses		0.803		0.000
Total pension cost recognised		126.052		1.723
Projected employer contributions				
Normal contributions	54.023		4.492	
Total employer contributions next year		54.023		4.492
Current deficit		641.390		68.512
Projected deficit next year		713.419		65.743

51. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Overall Procedures for Managing Risk

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

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

Credit risk

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria. The financial institutions' credit ratings are monitored throughout the year and significant changes are reported to Cabinet. The Annual Investment Strategy also imposes a maximum sum to be invested and a maximum duration of each loan for counterparties.

The Council's maximum exposure to credit risk in relation to its investments in banks, building societies and money market funds is £256.641m, all of which was deposited in the UK except £0.016m deposited in Sweden, and is made up as shown in the table below. A risk of non-recovery applies to all of the Council's deposits, but there was no evidence at 31 March 2017 that this was likely to crystallise.

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	AAA or equivalent £m	AA or equivalent £m	A or equivalent £m	Not Rated £m
Cash and cash equivalents	0.000	20.016	1.000	0.000
Loans and receivables	0.000	128.516	72.500	1.000
Available for sale	0.000	0.000	0.000	33.609
Total financial assets	0.000	148.532	73.500	34.609

The Council's potential maximum exposure to credit risk on other financial assets, based on experience of default, adjusted to reflect current market conditions is £21.287m (2015-16: £23.034m) this relates purely to trade debtors. Customers for goods and services are vetted, taking into account their financial position, past experience and other factors. The Council does not generally allow credit for its trade debtors. The past due amount can be analysed by age as follows:

	31 Mar 2016 £m	31 Mar 2017 £m
Less than three months	14.288	11.691
Three to six months	1.327	1.525
Six months to one year	1.580	1.288
More than one year	5.840	6.783
Total	23.034	21.287

Liquidity risk

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

The contractual maturity for Financial Liabilities is as follows:

	31 Mar 2017 £m
Less than one year	(35.719)
Between one and two years	(7.320)
Between two and five years	(13.725)
Between five and ten years	(24.876)
More than ten years	(239.123)
Total financial liabilities	(320.763)

NOTES TO THE CORE FINANCIAL STATEMENTS

Interest rate risk

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

	Floating rate	Fixed rate	Fixed rate	
	£m	£m	Weighted average int rate (%)	Weighted average period (years)
Financial assets - in sterling	65.625	191.016	0.900%	1
Financial liabilities - in sterling	(14.000)	(306.763)	4.521%	20

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

	Impact on provision of services £m	Impact on net worth £m
Increase by 1% (100 basis points)	2.566	52.960
Decrease by 1% (100 basis points)	(2.310)	(52.960)

Statement of Accounts Derbyshire Pension Fund 2016-17

PENSION FUND ACCOUNTS

EXPLANATORY FOREWORD

Derbyshire County Council administers the Local Government Pension Scheme (LGPS) for employees, pensioners and dependents of a variety of bodies in Derbyshire, including Councils, Police and Fire Authorities, the University of Derby, colleges and over 115 other organisations including academies, charities and some private companies providing services to local councils.

Derbyshire Pension Fund manages the pensions of over 98,000 individuals, either active contributors, pensioners or deferred pensioners, receiving over £164m in contributions and this year paying out over £152m in pension benefits. The Fund also manages investment assets of £4.4bn over a full range of asset classes, including equities, gilts, other bonds, property, alternatives and cash.

In the 2015 Summer Budget, following a long review into the future structure of LGPS, the Government announced its intention of inviting 89 administering authorities within LGPS to formulate plans for pooling the investment of assets, with the aim of reducing costs significantly, whilst maintaining investment performance. Derbyshire Pension Fund subsequently announced its participation in LGPS Central, a Midlands based collaboration of nine local government pension schemes (the “Partner Funds”). As a multi-asset manager, utilising both internal and external investment expertise, it is intended that LGPS Central will manage approximately £40bn of assets on behalf of Partner Funds, with a strong focus on maintaining performance returns, whilst reducing costs, in a robust governance structure. Working together with our Partner Funds, Derbyshire Pension Fund has made, and continues to make, a significant contribution to the development of LGPS Central. LGPS Central is scheduled to be launched on 1 April 2018, after which, the investment management of the Fund’s investments will be transitioned to LGPS Central, with the Fund retaining responsibility for strategic asset allocation. The development and implementation of LGPS Central remains a major strategic focus for the Fund.

The Fund’s membership records and subsequent calculations of benefits and other pension matters were transferred to a new pensions administration system during 2014. This system was selected after a public procurement exercise. System implementation has proved to be very difficult and despite continued efforts to devise workable solutions, backlogs of work have built up, impacting the delivery of the pensions administration service. A review of the position concluded that it was advisable to take advantage of the first end date in the contract and to go out to the market, to see if a better solution is available. In the meantime, the pensions administration team is continuing to work with the current provider to improve the delivery of the service.

PENSION FUND ACCOUNTS EXPLANATORY FOREWORD

Membership Statistics

	Actuals		
	31 Mar 2015	31 Mar 2016	31 Mar 2017
Contributors	38,230	40,030	40,640
Pensioners and Dependants	25,608	26,622	27,599
Deferred Pensioners	26,030	27,240	30,327

Employers' Contributions

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

Council	2016-17	2017-18
Derbyshire County	13.5% plus £15.079m	14.5% plus £15.230m
Derby City	12.5% plus £6.776m	13.5% plus £6.844m
Amber Valley Borough	13.0% plus £1.026m	14.0% plus £1.036m
District of Bolsover	12.9% plus £0.934m	13.9% plus £0.943m
Chesterfield Borough	13.2% plus £1.932m	14.2% plus £1.951m
Derbyshire Dales	12.6% plus £0.626m	13.6% plus £0.632m
Erewash Borough	12.1% plus £1.092m	13.1% plus £1.103m
High Peak Borough	12.4% plus £1.779m	12.4% plus £1.797m
North East Derbyshire	12.7% plus £1.482m	13.7% plus £1.497m
South Derbyshire	12.8% plus £0.658m	13.8% plus £0.665m

The percentage rates determined by the Actuary in the valuation of the Fund at 31 March 2013, for 2014-15 onwards and at 31 March 2016, for 2017-18 onwards, are intended to cover the cost of future service of active Fund members, with the past service deficit being identified as a fixed cash amount.

Members' Contributions

For 2016-17 the contribution rates payable by members into the Fund are determined by The Local Government Pension Scheme 2013 Regulations. The rates are between 5.5% and 12.5% of members' pay, including non-contractual overtime, depending on their pay banding.

PENSION FUND ACCOUNTS

EXPLANATORY FOREWORD

Investment Policy

During 2016-17 responsibility for policy matters rested with a Pensions and Investments Committee of eight County Councillors, two Derby City Councillors and two Trade Union representatives attending as non-voting members. The Pensions and Investments Committee received advice from the Director of Finance and ICT and from one independent external adviser.

Day-to-day management of the Fund is delegated to the Director of Finance and ICT and his in-house staff, operating within a policy framework laid down by the Committee.

Policy is determined by reference to The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, which require that advice is taken at regular intervals and place an onus on administering authorities to determine the balance of their investments and take account of risk.

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

The table below shows the Fund's returns over 1, 3, 5 and 10 years to 31 March 2017, compared to those of its specific benchmark, as well as the impact of inflation on Fund returns.

Periods to 31 Mar 2017	Return		Inflation		Fund Real Return	
	Derbyshire Fund	Benchmark	CPI	RPI	Versus CPI Inflation	Versus RPI Inflation
	% pa	% pa	%	%	%	%
1 Year	21.1	20.3	2.3	3.1	18.8	17.2
3 Years	10.7	10.3	0.9	1.9	9.8	8.4
5 Years	10.4	10.0	1.5	2.7	8.9	7.3
10 Years	7.2	6.7	2.3	2.8	4.9	3.9

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

PENSION FUND ACCOUNTS

EXPLANATORY FOREWORD

The Fund outperformed its benchmark over the one, three, five and ten year periods. It is important to note that the Fund returns over each of the periods were comfortably ahead of inflation, delivering real returns over these periods. Asset returns overall in the period were well above long term averages.

In the twelve months to March 2017 equity returns to Sterling investors were extremely strong, ranging from 22.0% in the UK to 36.8% in the Asia Pacific, with political events being the dominant driver. Equity returns were particularly strong following the EU Referendum, as the value of Sterling fell sharply against both the US Dollar (down 14.7% since the EU Referendum) and the Euro (down 9.5% since the EU Referendum). Equity returns were further boosted on expectations of higher economic growth and lighter regulations in the United States of America, following the outcome of the US Presidential Elections in November 2016.

Bond returns were also positive in the period, with UK Gilts returning 6.6%, UK Index-Linked Bonds returning 19.9% and Corporate Bonds returning 11.0%. Following a very strong performance in the first half of 2016, bond returns weakened in the second half of the year, in response to resilient economic data and higher inflation expectations. Increasing scepticism about the ability to reflate the US economy led to renewed strength in bond markets in the first quarter of 2017. Property returned 4.1% in 2016-17 as the boost from falling yields appeared to come to an end and the focus turned to rental growth. The commercial property market was also impacted by increased economic uncertainty following the EU Referendum and weakening demand for retail property.

Actuarial Position of the Fund

Every three years an actuarial valuation of the Fund is undertaken in accordance with the provisions of The Local Government Pension Scheme Regulations 2013. 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 2016 to set the level of employer contributions for the three years commencing 1 April 2017.

At 31 March 2016 the Net Assets of the Fund were £3.672bn and the Past Service Liabilities were £4.236bn. The Fund's deficit of £0.564bn is being recovered in accordance with its Funding Strategy Statement, which is available on the Council's website at www.derbyshire.gov.uk/working_for_us/pensions/investments/funding_strategy.

The funding level is the Fund's ratio of assets to liabilities at the valuation date. The funding level at the 2016 valuation was 86.7%, an improvement on the funding level at the 2013 valuation of 82.5%.

PENSION FUND ACCOUNTS EXPLANATORY FOREWORD

A number of factors, both positive and negative, have impacted on the funding level. The overall funding level has improved because the market value of the Fund's assets has increased by more than the increase in the cash value of the Fund's past service liabilities. Actual investment returns were approximately 4% greater than the expected three-year return assumed in the 2013 actuarial valuation, improving the funding level. The overall impact of demographic experience has also improved the funding level but this has been off-set by changes in financial assumptions which have worsened it, including a decrease in the real discount rate between 2013 and 2016.

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. Assumptions used are detailed in the following table.

	Assumption
Asset Out-Performance*	1.80%
Discount Rate (Pre Retirement)	4.00%
Discount Rate (Post Retirement)	4.00%
CPI Price Inflation	2.10%
Real Earnings Inflation (Over CPI Inflation)	0.60%
Salary Increases**	2.70%
Pension Increases (except pre 88 GMP***)	2.10%
Revaluation of deferred pension	2.10%

* Asset Out-Performance assumptions represent the expected out-performance of investment returns relative to gilts.

** An allowance is also made for promotional pay increases.

*** The Guaranteed Minimum Pension (GMP) is the minimum pension which a United Kingdom occupational pension scheme has to provide for those employees who were contracted out of the State Earnings-Related Pension Scheme (SERPS) between 6 April 1978 and 5 April 1997. Different rules applied to GMP annual inflation-linked increases in two distinct periods; 1978 to 1988 and 1988 to 1997. This means that GMP can rise at different rates depending on when a pension entitlement is built up. For service before 1988 there is no duty on a scheme to provide inflation-linked increases, whilst for service between 1988 and 1997 a scheme has to provide inflation-linked increases up to a cap of 3 per cent.

The contribution rates required have been determined using a "risk based" approach. The level of contribution rate to give an appropriate likelihood of meeting an employer's funding target (usually a 100% funding level), within the agreed timeframe, is determined for each employer. The full rate of an employer's contribution provides for the cost of year-by-year accrual of

PENSION FUND ACCOUNTS EXPLANATORY FOREWORD

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

Further Information

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

PENSION FUND ACCOUNTS

FUND ACCOUNT

FUND ACCOUNT

2015-16 £m		Note	2016-17 £m
	Dealings with Members, Employers and Others Directly Involved in the Fund		
152.029	Contributions	7,24	157.030
2.507	Transfers in from Other Pension Funds	8	7.160
154.536			164.190
(139.622)	Benefits	9,24	(145.892)
(6.504)	Payments to and on Account of Leavers	10	(6.897)
(146.126)			(152.789)
8.410	Net Additions from Dealings with Members, Employers and Others Directly Involved in the Fund		11.401
(17.153)	Management Expenses	11	(21.279)
(8.743)	Net Withdrawals Including Fund Management Expenses		(9.878)
	Returns on Investments		
80.347	Investment Income	12	84.331
(4.063)	Taxes on Income	13	0.401
(90.109)	Profits and Losses on Disposal of Investments and Changes in Value of Investments	14	725.894
(13.825)	Net Return on Investments		810.626
(22.568)	Net (Decrease)/Increase in the Net Assets Available for Benefits During the Year		800.748
3,694.389	Opening Net Assets of the Fund		3,671.821
3,671.821	Closing Net Assets of the Fund		4,472.569

PENSION FUND ACCOUNTS

NET ASSETS STATEMENT

NET ASSETS STATEMENT

31 Mar 2016			31 Mar 2017
£m		Note	£m
3,667.397	Investment Assets	14-16	4,469.137
(1.567)	Investment Liabilities	14-16	(4.960)
11.149	Current Assets	18	13.959
(5.158)	Current Liabilities	19	(5.567)
3,671.821	Net Assets of the Scheme Available to Fund Benefits at the Period End		4,472.569

The accounts summarise the transactions of the Fund and deal with the net assets at the disposal of the Pensions and Investments Committee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Fund year. The actuarial present value of promised retirement benefits is disclosed in Note 23 of these accounts.

PENSION FUND ACCOUNTS

NOTES TO THE PENSION FUND ACCOUNTS

Derbyshire Pension Fund (“the Fund”) is administered by Derbyshire County Council and is governed by regulations made under The Superannuation Act 1972 and The Public Service Pensions Act 2013. The Fund is administered in accordance with the following secondary legislation:

- The Local Government Pension Scheme Regulations 2013 (as amended)
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

The Fund is a funded defined benefit scheme, administered locally by the Council on behalf of its own employees (except teachers, former NHS employees and new employees working in Public Health, for whom separate pension arrangements apply), Unitary and District Council employees within Derbyshire and employees of other bodies who are specifically authorised by the Regulations. On 1 April 2014, the Fund, which had previously been a final salary scheme, became a Career Average Revalued Earnings (CARE) scheme.

1. Basis of preparation

The accounts have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2016-17 (“the Code”), which is based upon International Financial Reporting Standards (IFRS), which require the Fund’s accounts to comply with IAS 26 Accounting and Reporting by Retirement Benefit Plans, subject to the interpretations and adaptations for the Public Sector detailed in the Code and the Statement of Recommended Practice 2015 (“SORP”): Financial Reports of Pension Schemes insofar as it is relevant.

The accounts summarise the transactions of the Fund and deal with the net assets at the disposal of the Pensions and Investments Committee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Fund year. The actuarial present value of promised retirement benefits is disclosed in Note 23 of these accounts.

The amount of separately invested Additional Voluntary Contributions (“AVCs”) paid by members during the year and their value at the net assets statement date are not included in the Pension Fund financial statements in accordance with Regulation 4 (1)(b) of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

PENSION FUND ACCOUNTS

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2. Accounting policies

Contributions

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

Benefits

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

Transfers

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

Management expenses

Management expenses are accounted for on an accruals basis. They are analysed in accordance with CIPFA Guidance "Accounting for Local Government Pension Scheme Management Costs (2016)".

Investment income

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

Taxes on income

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

PENSION FUND ACCOUNTS

NOTES TO THE PENSION FUND ACCOUNTS

Foreign currency transactions

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

Cash and cash equivalents

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

3. Basis of valuation

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

The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS13 (Note 16).

4. Accounting Standards issued and not yet applied

The CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2017-18 has been issued and includes the following accounting disclosure changes:

- Amendment to the reporting of pension scheme transaction costs to include the total amount of direct transaction costs of significant asset classes and to explain the nature of transaction costs. The additional disclosures recommended in the 2016-17 Code, which are required in the 2017-18 Code, have been included in Note 11.
- Amendment to the reporting of investment concentration which clarifies that any single investments exceeding 5% of the net assets available for benefits should be disclosed, rather than giving a choice between this and exceeding 5% of any class or type of security in the 2016-17 Code. The disclosure in Note 14 complies with the disclosure required by both the 2016-17 Code and the 2017-18 Code.

PENSION FUND ACCOUNTS

NOTES TO THE 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

	2015-16	2016-17
	£m	£m
Employers		
Normal	78.888	83.297
Deficit Funding	36.458	35.974
Members		
Normal	36.683	37.759
	152.029	157.030

Employers' contributions rates payable in 2015-16 and 2016-17 were set as part of the 2013 valuation which revealed an overall funding level of 82.5%.

8. Transfers in from other pension funds

	2015-16	2016-17
	£m	£m
Group transfers in from other pension funds	1.462	-
Individual transfers in from other pension funds	1.045	7.160
	2.507	7.160

In 2015-16 group transfers in relates to £1.462m cash received in respect of the LGPS benefits of members of the Northamptonshire police force, following the transfer of a number of functions to the Derbyshire Police Force as part of the East Midlands Police Collaboration Programme. As part of the agreement between the forces, any deficits that arise in the Fund in relation to these group transfers are to be recovered from the respective forces over a seven year period. Payments to the Fund can only be made by the Derbyshire force as a participating employer. Given this, a legal agreement has been drawn up to allow deficit recovery payments from each of the ceding police forces to be

PENSION FUND ACCOUNTS

NOTES TO THE PENSION FUND ACCOUNTS

made to the Derbyshire force, which in turn will pay the deficit recovery amounts to the Fund.

9. Benefits

	2015-16	2016-17
	£m	£m
Pensions	109.528	113.127
Commutation of pensions and lump sum retirement benefits	26.628	28.834
Lump sum death benefits	3.466	3.931
	139.622	145.892

10. Payments to and on account of leavers

	2015-16	2016-17
	£m	£m
Refund of contributions to members leaving the Fund	0.301	0.709
Group transfers out to other pension funds	0.483	0.217
Individual transfers out to other pension funds	5.720	5.971
	6.504	6.897

The Single Fraud Investigation Service (SFIS) is a partnership between the Department for Work and Pensions, HMRC and local authorities. Group transfers out in 2016-17 relates to the transfer of members who are past and present employees of Bolsover District Council to SFIS. Following the finalisation of transfer regulations, £0.217m was paid in cash from the Fund to SFIS in respect of their share of the Fund's assets. All liabilities in relation to these members have also transferred to LPFA.

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

11. Management expenses

Management expenses are analysed in accordance with CIPFA Guidance "Accounting for Local Government Pension Scheme Management Costs (2016)".

PENSION FUND ACCOUNTS

NOTES TO THE PENSION FUND ACCOUNTS

	2015-16	2016-17
	£m	£m
Investment management expenses	15.272	18.898
Administrative costs	1.450	1.547
Oversight and governance costs	0.431	0.834
	17.153	21.279

Oversight and governance costs increased by £0.403m, to £0.834m in 2016-17, mainly as a result of an increase in legal fees in relation to the Fund's direct property investments and because for the first time in 2016-17, fees have been recharged to the Fund in respect of the development of LGPS Central. Included within oversight and governance costs are audit fees of £0.029m (2015-16: £0.029m).

Investment management expenses are analysed below:

	2015-16	2016-17
	£m	£m
Fund value based management fees	12.857	16.422
In house management fees	0.659	0.740
Transaction costs	1.723	1.697
Custody fees	0.033	0.039
	15.272	18.898

Fund value based management fees increased by £3.565m, to £16.422m in 2016-17, reflecting an increase in the value of underlying investments and a shift in the Fund's asset mix to above average cost alternative investments, following a revision to the Fund's approved Asset Allocation, which increased the proportion of the Fund's investments required to be invested in private equity, infrastructure and indirect property investments. Fund value based management fees expressed as a proportion of investment assets increased from 0.35% in 2015-16 to 0.37% in 2016-17.

Transaction costs relate to the following asset classes:

PENSION FUND ACCOUNTS

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	2015-16	2016-17
	£m	£m
Equities	1.688	1.672
Bonds	0.035	0.025
	1.723	1.697

Transaction costs are incremental costs that are directly attributable to the acquisition or disposal of an investment financial asset or liability. An incremental cost is one that would not have been incurred if the scheme had not acquired or disposed of the financial instrument. Transaction costs include fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges and transfer taxes and duties.

Directly held investment properties are not financial assets and transaction costs in respect of them are capitalised into their initial cost, rather than expensed.

Direct transaction costs do not include debt premiums or discounts, financing costs or internal administration or handling costs.

Costs are incurred indirectly by the Fund on sales and purchases of pooled investment vehicles through the difference between the highest price a buyer of a security or other asset is willing to pay and the lowest price a seller is willing to offer (bid-offer spread). Such costs are not separately identifiable but are reflected in the cost of these investment purchases and in the proceeds from their sale (Note 14).

12. Investment income

	Restated 2015-16	2016-17
	£m	£m
Income from equities	59.894	60.081
Income from bonds	10.678	9.770
Net rents from properties	6.574	8.005
Income from pooled investment vehicles	2.583	5.750
Interest on cash deposits	0.618	0.725
	80.347	84.331

Rents from properties include £0.082m of property income (2015-16, net of £0.057m property expenses). The income or expense each year is the net of property management expenses recovered by service charges to tenants and

PENSION FUND ACCOUNTS

NOTES TO THE PENSION FUND ACCOUNTS

irrecoverable property management expenses, for instance, rates on vacant properties.

Investment income in 2015-16 has been restated in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2016-17, to combine interest from fixed interest securities and income from index-linked securities as income from bonds.

13. Taxes on income

	2015-16	2016-17
	£m	£m
Irrecoverable taxation payable/(receivable)	4.063	(0.401)

Taxes on income have decreased by £4.464m, from a charge of £4.063m in 2015-16 to a credit of £0.401m in 2016-17, mainly as a result of a change in the way UK dividends are reported and accounted for from 6 April 2016. Dividends paid by UK companies before 6 April 2016 were reported as though a notional 10% tax charge had been applied, which was one-ninth of the dividend. These were recorded gross in the financial statements with the notional tax recorded separately. From 6 April 2016 there are no notional tax charges for UK dividends, reducing reported taxes on income in 2016-17. The tax credit relates to reclaimed withholding taxes in respect of overseas investment income which are recoverable by the Fund.

PENSION FUND ACCOUNTS

NOTES TO THE PENSION FUND ACCOUNTS

14. Investment assets and liabilities

	Restated Value at 1 Apr 2016	Purchases & hedging payments	Sales & hedging receipts	Profits & losses on disposal of investments & changes in value of investments	Value at 31 Mar 2017
	£m	£m	£m	£m	£m
Investment assets					
Equities	1,748.701	456.125	(568.705)	420.814	2,056.935
Bonds	500.869	68.718	(82.072)	41.970	529.485
Pooled investment vehicles	1,098.111	245.543	(164.547)	268.318	1,447.425
Properties	134.950	20.943	-	5.307	161.200
Currency hedging contracts	1.473	288.747	(279.592)	(10.515)	0.113
	3,484.104	1,080.076	(1,094.916)	725.894	4,195.158
Cash deposits & short term loans	168.602			-	253.586
Other investment balances	14.691			-	20.393
	3,667.397			725.894	4,469.137
Investment liabilities					
Other investment balances	(1.567)			-	(4.960)
	(1.567)			-	(4.960)
	3,665.830			725.894	4,464.177

Investment assets at 1 April 2016 have been restated in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2016-17, to combine fixed interest securities and index-linked securities as bonds.

The total of profits and losses on disposal of investments and changes in value of investment assets and investment liabilities has increased the Fund's value by £725.894m during 2016-17 (2015-16, £90.109m decrease). This total includes all increases and decreases in the market value of investments held at any time during the year and profits and losses realised on sales of investments during the year.

At 31 March 2017 the value of the Fund's investment in the UBS Life Europe Ex-UK Equity Tracker Fund was £458.447m, representing 10.3% (2016, £329.079m, 9.0%) of the total value of the Fund's net assets available for

PENSION FUND ACCOUNTS

NOTES TO THE PENSION FUND ACCOUNTS

benefits. This holding is categorised as an in-house investment, which is consistent with the categorisation of existing pooled investment vehicles held as stock selection decisions.

Currency hedging receipts and payments represent the transactions settled during the year on currency hedging contracts. The Fund's objective is to decrease risk in the portfolio by entering into forward contracts to match a proportion of assets that are already held in the portfolio without disturbing the underlying assets. At the year end, there was one currency hedging contract, with less than six months to expiry, with a gross contract value of £77.806m (2016, two contracts, with less than six months to expiry, with a gross contract value of £66.360m).

Investment assets are further analysed below:

PENSION FUND ACCOUNTS

NOTES TO THE PENSION FUND ACCOUNTS

	Restated 31 Mar 2016	31 Mar 2017
	£m	£m
Equities		
UK quoted	1,160.674	1,312.896
Overseas quoted	588.027	744.039
	1,748.701	2,056.935
Bonds		
UK quoted	426.954	451.757
Overseas quoted	73.915	77.728
	500.869	529.485
Pooled Investment Vehicles		
Property – unquoted	89.354	94.393
Property - quoted	18.278	22.896
Other quoted	747.555	967.809
Other unquoted	242.924	362.327
	1,098.111	1,447.425
Properties		
UK freehold	89.400	114.950
UK leasehold	45.550	46.250
	134.950	161.200
Cash deposits and short term loans		
Sterling cash deposits	24.152	24.574
Money market funds	35.000	39.000
Other Sterling short term loans	101.000	177.400
Foreign currency	8.450	12.612
	168.602	253.586

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. The analysis at 31 March 2016 has been restated to separately disclose Colliers Capital Holdings Ltd, who were appointed in 2015-16 to directly manage the Fund's property investments. Pooled investment vehicles held as stock selection decisions are included under 'in-house'.

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	Restated 31 Mar 2016		31 Mar 2017	
	£m	%	£m	%
In-house	3,107.967	84.8	3,782.658	84.7
Wellington Management International Ltd	421.421	11.5	518.243	11.6
Colliers Capital Holdings Ltd	136.442	3.7	163.276	3.7
	3,665.830	100.0	4,464.177	100.0

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

registration Fund	Country of of fund manager
Aberdeen Global Japan Smaller Companies Fund	Luxembourg
AMP Capital Infrastructure Debt Fund III	Luxembourg
Barings Global Private Loan Fund I	Luxembourg
Barings Global Private Loan Fund II	Luxembourg
Daiwa SBI – Japan Equity Fundamental Active	Luxembourg
Fidelity Eurozone Select Real Estate Fund	Luxembourg
Invesco Real Estate Europe Fund	Luxembourg
J P Morgan Funds Latin American Equity Fund	Luxembourg
Polunin Emerging Markets Developing Countries Fund	Luxembourg
Baring Australia Fund	Republic of Ireland
FPP Global Emerging Markets Fund	Republic of Ireland
JO Hambro Capital Management Japan Fund	Republic of Ireland
Legg Mason Martin Currie Greater China Fund	Republic of Ireland
Montanaro UK Smaller Companies Fund	Republic of Ireland
Saracen UK Alpha Fund	Republic of Ireland
Baird Capital Partners Europe Fund	Channel Islands
Foresight Solar	Channel Islands
Granville PE Managers	Channel Islands
HICL Infrastructure Company Limited	Channel Islands
International Public Partnerships Limited	Channel Islands
Macquarie European Infrastructure Fund 5 (MEIF 5)	Channel Islands

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Macquarie European Infrastructure 5 Co Investment Fund	Channel Islands
Partners Group – Global Value 2008 Fund	Channel Islands
The Renewables Infrastructure Group Limited	Channel Islands

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

	31 Mar 2016		31 Mar 2017	
	£m	%	£m	%
UK	2,280.967	62.2	2,610.110	58.5
N America	491.596	13.4	611.270	13.7
Europe	345.243	9.4	521.640	11.7
Asia and other	548.024	15.0	721.157	16.1
	3,665.830	100.0	4,464.177	100.0

UK investments increased by £329.143m between 31 March 2016 and 31 March 2017 but fell as a proportion of the total investment portfolio, from 62.2% to 58.5%, principally reflecting agreed reductions to UK Equities in the Fund's Asset Allocation. The increase in the proportion of European investments, from 9.4% to 11.7%, reflects a combination of new investments in the European sector in Multi-Asset Credit and relatively stronger market performance in this geographical sector. The increase in the proportion of Asia and other investments largely reflects particularly strong equity returns across the Asia Pacific and Emerging Market regions during 2016-17.

16. Fair value – Basis of valuation

The basis of valuation of each class of financial investment asset and liability is set out below. There has been no change in the valuation techniques used during the year. All investment assets and liabilities have been valued using fair value techniques as follows:

- Market quoted investments, where there is a readily available market price, are valued at the bid market price on the final day of the accounting period.
- Quoted bonds are valued at net market value excluding accrued income.
- Pooled investment vehicles are included at closing bid price for funds with bid/offer spreads, or if single priced, at the closing price. For unquoted pooled investment vehicles this is at the price advised by the fund manager.
- Unquoted investments are valued at fair value, at the price or net asset value advised by the fund manager, or for private equity investments,

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based on the Fund's share of net assets at the year end, using the latest financial information available from the respective fund managers, adjusted for drawdowns and distributions to the final day of the accounting period, if the latest financial information is not produced to that date.

- Property is included at market value on the final day of the accounting period, determined in accordance with the Royal Institution of Chartered Surveyors' Valuation Standards. The property portfolio was independently valued by Savills, Property Advisers.
- Fair value for investment property is calculated using the investment method of valuation, the premise of which is that all current and future income streams are capitalised at a rate or rates compared against yields achieved in market investment transactions and adjusted for individual characteristics of the subject property, based on valuer's opinions, wholly derived from observable prices achieved in market transactions.
- 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.

Financial investment assets and liabilities valued using fair value techniques have been classified into the three levels of what is known as a fair value hierarchy. The hierarchy is ordered according to the quality and reliability of information used to determine recurring fair values, with Level 1 being of the highest quality and reliability.

Level 1 – Assets and liabilities assigned to Level 1 in the fair value hierarchy are those derived from unadjusted quoted prices in active markets for identical assets or liabilities. The Fund's investments classified as Level 1 are quoted UK and Overseas Equities and quoted UK and Overseas Bonds issued by governments.

Level 2 – Assets and liabilities assigned to Level 2 in the fair value hierarchy are those where quoted market prices are not available, for instance in a market that is not considered to be active, or where observable valuation techniques are used to determine fair value. The Fund's investments classified as Level 2 are quoted Pooled Investment Vehicles and Currency Hedging Contracts.

Level 3 – Assets and liabilities assigned to Level 3 in the fair value hierarchy are those where at least one input which could have a significant effect on an instrument's valuation is not based on observable market data. The Fund's investments classified as Level 3 are unquoted Pooled Investment Vehicles and Properties.

The Fund's fair value hierarchy of investment financial assets, loans and receivables and financial liabilities is as follows:

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	31 Mar 2016	31 Mar 2017
	£m	£m
Financial Assets		
Level 1		
UK quoted equities	1,160.674	1,312.896
Overseas quoted equities	588.027	744.039
UK quoted bonds	426.954	451.757
Overseas quoted bonds	73.915	77.728
	2,249.570	2,586.420

	31 Mar 2016	31 Mar 2017
	£m	£m
Level 2		
Property - quoted pooled investment vehicles	18.278	22.896
Other quoted pooled investment vehicles	747.555	967.809
Currency hedging contracts	1.473	0.113
	767.306	990.818
Level 3		
Property – unquoted pooled investment vehicles	89.354	94.393
Other unquoted pooled investment vehicles	242.924	362.327
UK freehold properties	89.400	114.950
UK leasehold properties	45.550	46.250
	467.228	617.920
Loans and Receivables		
Sterling cash deposits	24.152	24.574
Money market funds	35.000	39.000
Other Sterling short term loans	101.000	177.400
Foreign currency	8.450	12.612
Other investment balances	14.691	20.393
	183.293	273.979
Financial Liabilities		
Other investment balances	(1.567)	(4.960)
	(1.567)	(4.960)
	3,665.830	4,464.177

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Below is a reconciliation of the movement in fair value measurements within Level 3 of the fair value hierarchy from the start to the end of 2016-17:

	Value at 1 Apr 2016	Purchases	Sales	Unrealised gains/ (losses)	Realised gains/ (losses)	Value at 31 Mar 2017
	£m	£m	£m	£m	£m	£m
Financial Assets						
Level 3						
Pooled investment vehicles						
Property – unquoted	89.354	4.858	(3.242)	3.259	0.164	94.393
Other unquoted	242.924	147.397	(56.124)	22.862	5.268	362.327
Properties						
UK freehold	89.400	20.903	-	4.647	-	114.950
UK leasehold	45.550	0.040	-	0.660	-	46.250
	467.228	173.198	(59.366)	31.428	5.432	617.920

Unrealised and realised gains and losses are recognised in the profit and losses on disposal of investments and changes in value of investments line of the fund account.

17. Additional Voluntary Contributions

In accordance with Regulation 4(1)(b) of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, 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:

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	31 Mar 2016	31 Mar 2017
	£m	£m
Equitable Life Assurance Society		
with profits fund	0.268	0.247
unit-linked funds	0.491	0.487
building society fund	0.008	-
Total Equitable Life Assurance Society	0.767	0.734

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	31 Mar 2016	31 Mar 2017
	£m	£m
Standard Life		
managed fund	0.629	0.747
multi asset managed fund	0.058	0.060
protection fund	0.045	0.072
ethical fund	0.086	0.098
with profits fund	0.263	0.285
Total Standard Life	1.081	1.262
Prudential Assurance Company Ltd		
deposit fund	2.878	3.036
with profits cash accumulation fund	1.497	2.380
cash fund	0.049	0.080
discretionary fund	0.317	0.526
fixed interest fund	0.076	0.093
global equity fund	0.129	0.261
index-linked fund	0.192	0.280
international equity fund	0.115	0.231
property fund	0.126	0.154
retirement protection fund	0.120	0.125
socially responsible fund	0.028	0.053
UK equity fund	0.094	0.138
UK equity (passive) fund	0.141	0.234
Total Prudential Assurance	5.762	7.591
Clerical Medical		
with profits fund	0.365	0.316
unit linked fund	0.050	0.051
Total Clerical Medical	0.415	0.367
Total AVC Investments	8.025	9.954
Death in Service Cover		
Equitable Life	0.142	0.142

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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 Regulations 2013 require the death grant payable for contributors to be 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		Standard	Clerical	
	Life	Prudential	Life	Medical	Total
	£m	£m	£m	£m	£m
Value at 31 Mar 2016	0.767	5.762	1.081	0.415	8.025
Income					
Contributions received	0.009	2.186	0.033	0.016	2.244
Interest and bonuses and change in market value	0.077	0.427	0.166	(0.023)	0.647
Transfers in	-	0.024	-	-	0.024
Expenditure					
Life assurance premiums	(0.001)	-	-	-	(0.001)
Retirement benefits	(0.117)	(0.808)	(0.018)	(0.017)	(0.960)
Transfers out and withdrawals	(0.001)	-	-	(0.024)	(0.025)
Value at 31 Mar 2017	0.734	7.591	1.262	0.367	9.954

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18. Current assets

	31 Mar 2016	31 Mar 2017
	£m	£m
Employers' contributions due	6.288	7.007
Employees' contributions due	1.675	1.842
Amounts owed by Derbyshire County Council	-	3.716
Sundry debtors	1.096	0.790
Cash balance	2.090	0.604
	11.149	13.959

Employers' and employees' contributions due at 31 March 2017 have been received since the year-end.

19. Current liabilities

	31 Mar 2016	31 Mar 2017
	£m	£m
Unpaid benefits	2.086	2.568
Amounts owed to Derbyshire County Council	1.318	-
Sundry creditors	1.754	2.999
	5.158	5.567

20. Related party transactions

Derbyshire County Council is the administering authority for the purposes of the Fund under The Local Government Pension Scheme Regulations 2013.

Included in management expenses in 2016-17 are charges from Derbyshire County Council of £2.252m (2015-16, £2.019m) for expenses incurred in respect of oversight and governance of the Fund, for Fund administration and for management of the Fund's in-house investments.

At 31 March 2017 the Council owed the Fund £3.716m (2016, the Fund owed the Council £1.318m).

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 35 and 36 of the Council's Statement of Accounts.

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21. Investment commitments

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

	31 Mar 2016	31 Mar 2017
	£m	£m
Unquoted investments	72.921	163.990
Other Sterling short-term loans	8.000	75.000
	80.921	238.990

Unquoted investments commitments are commitments to invest in Multi-Asset Credit, Private Equity, Infrastructure and Indirect Property investments, not yet drawn-down by the managers. A revision of the Fund's approved Asset Allocation in October 2015 increased the proportion of the Fund's investments required to be invested in Multi-Asset Credit, Private Equity, Infrastructure and Indirect Property investments from 5% to 14%.

This has resulted in an increase in the level of unquoted investment commitments which will be drawn-down over the next few years, as action is taken to increase their weightings.

The Other Sterling short-term loans commitments are commitments to make short-term investments at the year-end. There is no provision or creditor for these amounts in the financial statements as the legal obligation to pay was not fulfilled at 31 March 2017. These commitments will be met using funds received from the maturity of earlier investments and therefore have no impact on the financial position reported. There were ten such commitments at 31 March 2017 (2016, two), which were secured to take advantage of higher rates available at that time because of a cash shortage in the market.

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

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

As required by the Fund's Statement of Investment Principles and from March 2017, its Funding Strategy Statement, the Fund is invested in accordance with strategic Asset Allocation Guidelines, to maximise returns within appropriate levels of risk, taking into account the Fund's liabilities and projected cashflows. These Asset Allocation Guidelines were approved by the Pensions and Investments Committee, following an external asset/liability study.

Economic background, market returns, asset allocation, investment activity, investment strategy and investment performance are monitored and reviewed by the Committee on a quarterly basis.

Credit risk

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

Treasury activities - The Fund places security of capital and liquidity ahead of investment return. Credit risk on treasury activities is minimised through the Fund's annual Treasury Management Strategy, which requires that deposits

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are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poor's Ratings Services and are approved counterparties on this basis. Investments with local authorities, the Government's Debt Management Office, UK Treasury Bills and Certificates of Deposit are also permissible. The Fund has agreed maximum loan durations and joint limits for each counterparty.

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

The Treasury Management Investment Strategy for 2016-17 was approved by the Full Council on 10 February 2016.

The Fund's maximum exposure to credit risk in relation to its treasury/cash deposit investments and operating cash in banks, building societies, money market funds and UK local authorities of £254.190m (2016, £170.692m) 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 2017 that this was likely to occur. No breaches of the Fund's counterparty criteria occurred during the reporting period. At 31 March 2017 the Fund had £0.604m in its operational account with Lloyds Bank.

Forward currency contracts - Credit risk from forward currency contracts is minimised by limiting the extent of these contracts to managing the currency risk on overseas bonds, the value of which comprise 2% (2016, 2%) of investment assets at the year end and by selecting large banks as the counterparties. The forward currency contract at the year end was with Bank of New York Mellon.

The maximum credit risk exposure on forward currency contracts is the full amount of the foreign currency which the Fund pays when the settlement occurs, should the counterparty fail to pay the amount which it is committed to pay the Fund. At the year end, there was one currency hedging contract, with less than six months to expiry, with a gross contract value of £77.806m (2016, two contracts, with less than six months to expiry, with a gross contract value of £66.360m). The Fund does not expect any losses from non-performance by any of its counterparties in relation to this contract.

Other financial assets - Bonds mainly include investments in UK and US Government securities and certain corporate bond funds. The Fund does not

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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. Current Pensions and Investments Committee guidelines limit investments in property to 12%, multi asset credit to 6% and alternatives to 12%.

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

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

Maturity analysis for liabilities at the year end:

- There were no financial liabilities within the portfolio at the year end other than those that arose from the trading of investments. Such liabilities fall due within 12 months of the year end.
- There were no derivative financial liabilities held at the year-end in respect of currency hedging contracts (2016, none).

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Market risk

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

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

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

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

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

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

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

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

The Fund manages price risk by holding fixed interest 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

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managers.

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

The table below quantifies the level of price risk that the Fund's investment assets and liabilities at 31 March 2017 are potentially exposed to. Potential price changes are determined based on the observed historical volatility of asset class returns, for example, 'riskier' assets such as equities display greater potential volatility than bonds. The potential volatilities are consistent with a one standard deviation movement in the change in value of the assets over the last three years. The volatility shown for total investment assets and liabilities in both tables below incorporates the impact of correlation across asset classes, which dampens volatility, therefore the value on increase/decrease figures of the asset classes will not sum to the total assets figure.

	Value at 31 Mar 2017 £m	Change %	Value on increase £m	Value on decrease £m
Underlying asset type				
UK Government bonds	247.164	7.26	265.108	229.220
UK index-linked	204.593	8.83	222.659	186.527
UK corporate bonds	238.577	5.72	252.224	224.930
Overseas index-linked	64.116	14.11	73.163	55.069
Overseas bonds	80.395	3.90	83.530	77.260
UK equities	1,245.951	8.88	1,356.591	1,135.311
Overseas equities	1,681.517	10.41	1,856.563	1,506.471
Alternatives	154.356	6.05	163.695	145.017
Cash	253.586	0.47	254.778	252.394
Other investment balances	15.433	-	15.433	15.433
Properties (non-financial instruments)	278.489	6.83	297.510	259.468
Total investment assets and liabilities	4,464.177	6.73	4,764.616	4,163.738

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

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The table below quantifies the level of currency risk that the Fund's overseas investment assets at 31 March 2017 are potentially exposed to. Currency risk on overseas public sector bonds is managed using forward currency contracts and overseas public sector bonds have therefore been excluded from the table. Potential aggregate currency exposure within the Fund at 31 March 2017 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. The outcomes are then applied to all unhedged overseas assets.

	Value at		Value	Value
	31 Mar 2017	Change	on increase	on decrease
	£m	%	£m	£m
Underlying asset type				
Overseas equities	1,681.517	7.60	1,809.312	1,553.722
Overseas bonds	66.670	7.60	71.737	61.603
Overseas cash	12.612	9.25	13.779	11.445
Overseas investment assets	1,760.799	7.60	1,894.620	1,626.978

23. Actuarial Present Value of Promised Retirement Benefits

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

"The promised retirement benefits at 31 March 2017 (2016) have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2016 (2013). The approximation involved in the roll forward model means that the split of benefits between the three classes of member may not be reliable. However, I am satisfied that the total figure is a reasonable estimate of the actuarial present value of benefit promises. The figures below include both vested and non-vested benefits, although the latter is assumed to have a negligible value. Further, I have not made any allowance for unfunded benefits.

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	31 Mar 2016	31 Mar 2017
	£m	£m
Active members	2,859.000	2,922.000
Deferred members	716.000	1,169.000
Pensioners	1,505.000	2,025.000
Present Value of Promised Retirement Benefits	5,080.000	6,116.000

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

Assumptions

The assumptions used are those adopted for the Administering Authority's IAS19 report and are different as at 31 March 2017 and 31 March 2016. I estimate that the impact of the change in financial assumptions to 31 March 2017 is to increase the actuarial present value by £1,070m. I estimate that the impact of the change in demographic and longevity assumptions is to decrease the actuarial present value by £82m.

Financial assumptions

Year ended (% p.a.)	31 Mar 2016	31 Mar 2017
Pension Increase Rate	2.20%	2.40%
Salary Increase Rate	3.20%	2.90%
Discount Rate	3.50%	2.60%

Longevity assumptions

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2013 model, assuming the current rate of improvements has reached a peak and will converge to a long term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners	21.9 years	24.4 years
Future Pensioners*	23.9 years	26.5 years

**Future pensioners are assumed to be aged 45 at the most recent formal valuation as at 31 March 2016.*

Please note that the longevity assumptions have changed since the previous IAS26 disclosure for the Fund.

PENSION FUND ACCOUNTS

NOTES TO THE PENSION FUND ACCOUNTS

Commutation assumptions

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

Sensitivity Analysis

CIPFA guidance requires the disclosure of the sensitivity of the results to the methods and assumptions used. The sensitivities regarding the principal assumptions used to measure the liabilities are set out below:

<i>Sensitivity to the assumptions for the year ended 31 Mar 2017</i>	<i>Approximate increase to liabilities %</i>	<i>Approximate monetary amount £m</i>
<i>0.5% p.a. increase in the Pension Increase Rate</i>	8%	471
<i>0.5% p.a. increase in the Salary Increase Rate</i>	3%	154
<i>0.5% p.a. decrease in the Real Discount Rate</i>	10%	638

The principal demographic assumption is the longevity assumption. For sensitivity purposes, I estimate that a 1 year increase in life expectancy would approximately increase the liabilities by around 3-5%."

Geoff Nathan FFA

25 April 2017

For and on behalf of Hymans Robertson LLP

PENSION FUND ACCOUNTS

NOTES TO THE PENSION FUND ACCOUNTS

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 104 Scheduled and 53 Admission Bodies. The Unitary and District Councils are listed in the foreword of this Annual Report. Other participating employers are listed on the following pages.

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

	2015-16		2016-17	
	Benefits payable	Contributions receivable	Benefits payable	Contributions receivable
	£m	£m	£m	£m
Derbyshire County Council	65.391	66.832	71.072	68.747
Scheduled Bodies	69.693	81.235	69.380	84.141
Admission Bodies	4.538	3.962	5.440	4.142
	139.622	152.029	145.892	157.030

	Total contribution rate % of pensionable payroll	
	2016-17	2017-18
Scheduled Bodies		
Peak District National Park Authority	13.0 plus £0.217m	14.0 plus £0.219m
Chesterfield Crematorium	17.8 plus £0.028m	17.8 plus £0.028m
Derbyshire Police Authority	11.9 plus £1.422m	12.9 plus £1.436m
Derbyshire Fire & Rescue	12.2 plus £0.165m	13.2 plus £0.167m
Derby Homes Limited	12.4 plus £0.281m	13.4 plus £0.284m
Rykneld Homes	15.0 plus £0.020m	16.4
University of Derby	11.7 plus £0.723m	12.7 plus £0.730m
Chesterfield College	12.9 plus £0.153m	13.9 plus £0.155m
Derby College	12.7 plus £0.428m	13.7 plus £0.432m
Landau Forte College	11.3 plus £0.003m	12.3 plus £0.003m
Akaal Academy Trust Derby	20.2	19.5
Allenton Primary	22.8 plus £0.025m	27.9
Al-Madinah School	20.0	20.0

PENSION FUND ACCOUNTS
NOTES TO THE PENSION FUND ACCOUNTS

	Total contribution rate % of pensionable payroll	
	2016-17	2017-18
Bishop Lonsdale Church of England Primary School	20.8 plus £0.009m	25.8
Brimington Infant School - from 1 December 2016	-	18.9
Brimington Junior School - from 1 December 2016	-	18.3
Brookfield Academy	13.4 plus £0.072m	20.0
Cavendish Multi-Academy Trust - from 1 September 2016	-	19.3
Chellaston Academy	13.4 plus £0.052m	20.9
Christ Church Church of England Primary School - from 1 September 2016	-	21.5
City of Derby Academy	14.4 plus £0.042m	22.8
David Neiper Academy - from 1 September 2016	-	17.8
Derby Pride Academy	11.5 plus £0.005m	15.5
Dovedale Primary School (Willows Academy Trust)	19.6 plus £0.002m	20.9
Ecclesbourne Academy	15.2 plus £0.041m	22.6
English Martyrs Catholic Voluntary Academy	14.2 plus £0.010m	18.5
Grampian Primary Academy	13.3 plus £0.006m	19.2
Heanor Gate Science College	14.6 plus £0.059m	20.5
Holbrook Primary School - from 1 October 2016	-	22.4
Hope Valley College	14.1 plus £0.044m	23.3
Inkersall Primary School	20.2	20.2
Immaculate Conception Academy Trust	19.6 plus £0.004m	20.7
John Port Academy	13.7 plus £0.063m	20.4
John Flamsteed Community School - from 1 April 2016	-	20.2
Kirk Hallam Academy	13.0 plus £0.054m	18.4
Landau Forte Moorhead Academy	15.3 plus £0.015m	19.6
Leesbrook School	12.3 plus £0.079m	19.7
Merrill Academy	12.1 plus £0.043m	22.5
Newbold Church of England Primary School	16.1 plus £0.002m	17.3
Outwood Academy Newbold	20.2	20.2
Pennine Way Junior Academy	13.8 plus £0.012m	19.7
Queen Elizabeth's Grammar School Ashbourne Academy - to 1 April 2017	12.6 plus £0.073m	-
QEGS Multi-Academy Trust - from 1 April 2017	-	20.2
Redhill Primary School	14.7 plus £0.009m	20.7

PENSION FUND ACCOUNTS

NOTES TO THE PENSION FUND ACCOUNTS

	Total contribution rate % of pensionable payroll	
	2016-17	2017-18
Sawley Infant School (Willows Academy Trust)	17.7 plus £0.009m	20.0
Sawley Junior School (Willows Academy Trust)	19.2 plus £0.003m	21.2
Shardlow Primary School (Willows Academy Trust)	21.1 plus £0.002m	23.3
Shirebrook Academy	13.9 plus £0.054m	20.4
St Benedict Voluntary Catholic Academy	13.7 plus £0.103m	22.0
St Edward's Catholic Academy - from 1 October 2016	-	20.0
St George's Voluntary Catholic Academy	12.8 plus £0.019m	20.1
St Giles Church of England Aided Primary School	20.2	20.3
St John Fisher Catholic Voluntary Academy	14.4 plus £0.010m	21.7
St John Houghton Catholic Voluntary Academy	13.6 plus £0.032m	20.6
St Joseph's Catholic Primary School (Matlock) - from 1 November 2016	-	20.0
St Joseph's Catholic Primary School Voluntary Academy	16.6 plus £0.002m	17.6
St Laurence Primary School	20.2	21.2
St Mary's Catholic High School Academy Trust	15.5 plus £0.046m	21.4
St Philip Howard Catholic Voluntary Academy	20.2	20.2
Staveley Netherthorpe School - to 1 September 2016	13.7 plus £0.035m	-
Swanwick Hall School - from 1 April 2016	-	20.2
The Bolsover Academy	14.2 plus £0.037m	20.9
The Long Eaton Academy	13.6 plus £0.057m	19.9
The Ormiston Ilkeston Enterprise Academy	13.3 plus £0.078m	23.7
The Ripley Academy	22.2 plus £0.019m	25.0
Turnditch Church of England Primary School	20.2	20.2
Walter Evans Primary School - from 1 April 2016	-	21.0
West Park Academy	15.3 plus £0.059m	21.2
William Gilbert Endowed (C of E) Primary School	20.2	21.2
Woodlands School	12.8 plus £0.051m	19.9
Wyndham Primary Academy (Boulton Primary School)	13.0 plus £0.011m	16.7
Town and Parish Councils - Group 1	22.8	23.8
Town and Parish Councils - Group 2	16.2	17.2

PENSION FUND ACCOUNTS

NOTES TO THE PENSION FUND ACCOUNTS

Town and Parish Councils

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

PENSION FUND ACCOUNTS

NOTES TO THE PENSION FUND ACCOUNTS

The following Admission Bodies also participate:

	Total contribution rate % of pensionable payroll	
	2016-17	2017-18
4 Children - ceased 31 August 2016	15.5	-
7 Hills Leisure Trust	25.7	25.3
ABM Catering Ltd (Derby Moor School) - ceased 30 June 2016	26.9	-
ABM Catering Ltd (Gayton Primary School) - ceased 30 June 2016	14.4	-
Acclaim Housing Group Limited	16.4 plus £0.112m	28.1 plus £0.018m
Action for Children - from 1 September 2016	*	*
Active Nation	19.9 plus £0.002m	28.2 plus £0.002m
Arvato Government Services Ltd (Derbyshire Dales)	15.0	13.8
Arvato Government Services (Sefton) Ltd	23.9 plus £0.016m	14.5
Aspens Services Ltd	23.1	28.2 plus £0.001m
Balfour Beatty Power Networks Ltd	24.4	16.5
Engie	18.4	20.6
Barnados	19.4 plus £0.001m	21.1
Belper Leisure Centre Ltd	22.8 plus £0.021m	31.4
Brookwood	19.6	14.4
Catering Academy - from 1 December 2015	*	*
Chesterfield Care Group	19.3 plus £0.003m	25.2
Churchill Contractor Services	18.1	25.9
Clean Slate (UK) Ltd (City Schools)	22.8	22.8
Clean Slate (UK) Ltd (Pottery)	23.4	30.4 plus £0.001m
Compass Contract Services (UK) Ltd	10.3	10.3
Compass Services Ltd (DCC)	20.4	16.5
CSE Education - from 1 December 2016	*	*
DCS Cleaning Solutions - from 1 April 2016	-	20.3
Dell Corporation Ltd - ceased 31 October 2016	13.9	-
Derby County Community Trust	16.4	23.1
Derby Museums & Arts Trust	20.9	19.2
Derbyshire Building Control - from 30 March 2017	*	*
Derbyshire Coalition for Inclusive Living (DCIL)	26.7 plus £0.015m	26.7 plus £0.015m
Derbyshire Student Residences Ltd	21.6 plus £0.002m	25.8

PENSION FUND ACCOUNTS

NOTES TO THE PENSION FUND ACCOUNTS

	Total contribution rate % of pensionable payroll	
	2016-17	2017-18
Elior UK plc	27.0	32.7
Elite Cleaning and Environmental Services	36.9	32.8
EMH Homes	14.1 plus £0.139m	22.3 plus £0.161m
European Electronique Ltd	13.4	13.4
Futures Homescape Ltd	13.8 plus £0.057m	23.9 plus £0.103m
Initial Catering Services Ltd	22.8	20.2
Initial Facilities Management Ltd	26.2	7.1
Kier Ltd	22.9 plus £0.003m	13.8
Leisure Amber Valley BC	18.2	13.8
Leisure High Peak BC	13.1	1.4
Macintyre Care Ltd	2.0	2.0
Mellors Catering	31.5	25.7
Mitie Facilities Services Ltd	24.9	37.7
Northgate Information Solutions UK Ltd (South Derbys DC)	23.5	23.5
Norwest Holst Ltd (previously Vinci plc)	28.7	33.0
NSL Ltd	27.7	22.3
SIV Enterprises Ltd	4.6	4.6
Superclean Services Wothorpe Ltd (Fire)	11.2	11.2
Taylor Shaw - from 4 July 2016	-	34.7
Tramway Museum Society	24.0 plus £0.015m	24.0 plus £0.015m
Veolia (Amber Valley Refuse)	24.7	6.1
Veolia (Chesterfield Refuse)	26.5	17.5
Veolia Ltd (contract with High Peak BC)	-	5.3
Voluntary and Community Services Peaks and Dales - from 1 April 2016	-	33.3
Vinci Construction	19.2	18.8
Vinci Construction UK (Ashcroft & Portway)	25.6	31.7
Vinci plc (Ravensdale)	33.3	29.9

* Rates not yet finalised

PENSION FUND ACCOUNTS
NOTES TO THE PENSION FUND ACCOUNTS

ANNUAL GOVERNANCE STATEMENT

**TO BE ADDED WHEN APPROVED BY AUDIT COMMITTEE ON
27 SEPTEMBER 2017**

AUDITOR'S OPINION

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ACCOUNTING POLICIES

INTRODUCTION

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

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

This document outlines how the Council will account for all income, expenditure, assets and liabilities held and incurred during the 2016-17 financial year.

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

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

ACCOUNTING PRINCIPLES

1.1. Going Concern

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

1.2. Accruals Concept

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

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

1.3. Cost of Services

Internal support service costs (e.g. Human Resources) are apportioned across the core service areas to represent the total cost of delivering that service to the public, in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2016-17 (SerCOP).

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

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

1.4. Value Added Tax

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

1.5. Changes in Accounting Policy

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

- The nature of the change in accounting policy;

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

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

1.6. **Prior Year Adjustments**

These typically arise from omissions and misstatements in the Council's financial statements for one or more prior periods. For the error to be a prior year adjustment, it would need to have arisen from a failure to use or misuse, reliable information that:

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

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

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

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

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

1.7. **Unidentified Income**

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

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

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

1.9. **Exceptional Items**

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

1.10. **Contingent Assets and Liabilities**

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

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

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

CAPITAL ACCOUNTING

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

In accordance with International Accounting Standard 16 (IAS 16), the Council recognises non-current assets as:

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

APPENDIX ONE

and defines them as :-

- Assets held for use in the production or supply of goods or services, rental to others, or for administrative purposes.
- Assets expected to be used for more than one financial periods.

The initial measurement of an asset is recognised to be:

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

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

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

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

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

- £10,000 and below – all expenditure at this level is deemed to be non-enhancing unless funded by a Capital grant, and therefore is charged to revenue as it is incurred. This includes initial recognition of assets and subsequent asset expenditure.
- Above £500,000 - expenditure meeting the definitions above will be treated as capital expenditure, either as initial recognition or as an enhancement. However, in order to ensure that the subsequent asset expenditure is enhancing the value of the asset, the Council will instruct a valuation of the asset by a Royal Institute of Chartered Surveyors (RICS) qualified valuer, and any impairment or additional enhancement recognised as necessary.
- Any expenditure above £10,000 and below £500,000 will be treated as capital expenditure as the amount is significant enough to increase the useful life of an asset, however is not material

enough to warrant individual impairment review, until the time the asset would normally be valued.

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

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

1.12. Donated Assets

These are acquired at less than fair value or transferred for nil consideration. When the Council receives a donated non-current asset, the initial recognition of the asset will be at fair value.

Once any condition attached to the donation has been satisfied, the credit which is the difference between any cash payment and fair value will be treated as income in the relevant service in the Comprehensive Income and Expenditure Statement. To ensure there is no impact on Council Tax this will then be reversed in the Movement in Reserves Statement and credited to the Capital Adjustment Account.

Until the condition has been satisfied the credit will be recognised in the Donated Assets account. If there is no condition, the recognition of the credit in the Comprehensive Income and Expenditure Statement will occur upon acquisition of the asset.

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

1.13. Non-Current Asset Classification

The Council manages its assets in the following categories:

➤ **Intangible Assets**

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

➤ **Property, Plant and Equipment Assets**

Property Plant and Equipment Assets are subcategorised into Operational Land & Buildings, Community Assets, Vehicles Plant & Equipment, Infrastructure Assets, and Non-Operational Assets, these being Surplus Assets and Assets under Construction

○ Land and/or Buildings Assets.

These assets are recorded, valued and accounted for based on their significant components in line with IAS 16. The Council recognises a significant asset to be 25% of the total asset base. A component would be recognised if its expenditure in a given financial year exceeds 25% of the total value of the significant asset and has a substantially different life to the overall asset:

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

○ Community Assets

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

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

○ Infrastructure Assets

These include all tangible (physical) assets that are not connected to the Council's Highways Network Asset. There is no prospect for sale of infrastructure assets; expenditure is only recoverable through continued use of the asset.

○ Vehicles, Plant and Equipment Assets and Assets Under Construction
These assets are also classified as Property Plant and Equipment where they do not meet the criteria for Investment Property Assets or Assets Held for Sale.

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○ Non-Operational (Surplus) Assets

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

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

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

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

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

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

Existing use value for the following assets:

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

Fair value for the following assets:

- Investment assets
- Surplus assets
- Assets Held for Sale

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

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

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

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

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

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

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

➤ **Investment Property Assets**

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

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

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

➤ **Heritage Assets**

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

➤ **Assets Held for Sale**

The Council will classify assets as held for sale where all of the following criteria have been met:

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

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

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

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

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

1.14. Non-Current Asset Valuation Methodology

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

Where there is an upward revaluation, the carrying value is increased and the associated credit charged directly to the Revaluation Reserve. This is then reflected in the Comprehensive Income and Expenditure

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Statement as a revaluation gain. Where there is a revaluation resulting in a lower than carrying amount valuation, this is treated in line with Accounting Policy 15 – impairment of Non-Current Assets.

Valuations are completed as follows:

- **Intangible Assets** – the Council recognises Intangible Assets at cost. The Council will revalue intangible assets annually where there is a determinable market value for the asset.
- **Property Plant and Equipment (PPE)** – Property Assets are held at current value which is the amount that would be paid for the asset in its existing use. This requirement is met by providing a valuation on the basis of Existing Use Value (EUV) in accordance with United Kingdom Practice Statement (UKPS) 1.3 of the RICS Valuation Standards. Where no other valuation method can be used, Depreciated Replacement Cost (DRC) is used. Vehicles, Plant and Equipment, IT Hardware, and Assets Under Construction within PPE are held at historic cost (not valued).
- **Infrastructure Assets** – the Council recognises Infrastructure Assets at Depreciated Historical Cost.
- **Investment Property Assets** – Investment Properties are annually revalued at fair value which is interpreted as the amount that would be paid for the asset in its highest and best use, i.e. market value. This includes Investment Property Under Construction. The fair value of Investment Property held under a lease is the lease interest.
- **Community Assets** – the Council recognises Community Assets at historic cost.
- **Heritage Assets** – where it is possible to determine a valuation for Heritage Assets, then the Council will recognise the asset in the Balance Sheet at that valuation. All Heritage Assets are disclosed in the notes to the accounts, even where they are not held in the Balance Sheet. Where there is evidence of impairment to Heritage Assets e.g. where an item has suffered a physical deterioration or where there is a doubt to the authenticity of a piece of art, any impairment is recognised and measured in accordance with the Council's general policies on impairment.
- **Assets Held for Sale** – Assets held for sale are, at initial classification and at the end of each reporting year, valued at the lower of carrying amount and fair value less costs to sell.

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

1.15. Impairment of Non-Current Assets

This accounting policy has been created in accordance with IAS 36

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

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

The Council recognises impairment as:

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

Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains). Any further impairment or if there has been no previous revaluation, the impairment is charged to revenue. This is then reversed through the Movement in Reserves Statement and charged to the Capital Adjustment Account.

1.16. Disposal of Non-Current Assets

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

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

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

1.17. **Depreciation / Amortisation Methodology**

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

The economic lives of assets are:

- **Intangible Assets** – 5 years.
- **Property Plant and Equipment**
 - Combined Group for Flat Roof and Mechanical Engineering – 20 years
 - Land – not depreciated
 - Temporary Buildings – 15 years
 - Modular Buildings – 25 years
 - Combined group for structure, external works, pitched roof and components of less than 25% of the overall structure value – 40 years
 - Other unique features (i.e. a swimming pool) – as required
 - Fixtures and Fittings – 10 years
 - IT Hardware – 5 years
 - Vehicles – 3 to 10 years
- **Infrastructure Asset**
 - Carriage ways – 40 years
 - Footways and cycle tracks – 40 years
 - Structures – 40 years
 - Lighting – 25 years
 - Traffic management – 25 years
 - Street furniture – 25 years
- **Investment Property Assets** – not depreciated
- **Community Assets** – Community Assets are depreciated in line with the normal policy for assets of that nature (i.e. land assets are not depreciated). Under rare circumstances if it is not possible to determine a useful life (such as works of art) in those instances the asset is not depreciated.
- **Assets Held for Sale** – are not depreciated

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

1.18. Leases

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

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

1.19. Defining a Finance Lease

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

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

- If the lessee will gain ownership of the asset at the end of the lease term (e.g. hire purchase)
- If the lessee has an option to purchase the asset at a sufficiently favourable price that it is reasonably certain, at the inception of the lease, that it will be exercised
- If the lease term is for the major part of the economic life of the asset even if the title is not transferred. Measures to identify this are:
 - The economic life of the asset is deemed to be that which is consistent with the class of asset in the depreciation policy.
 - The Council recognises 'major part' to be 75% of the life of the asset, unless on an individual case basis this would not give a true representation of the substance of the transaction.
- At the inception of the lease, the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset. Measures to identify this are:
 - Fair value of the leased asset is assessed by a RICS qualified valuer.
 - The present value of the minimum lease payments is calculated by discounting at the rate inherent in the lease.
 - If this rate cannot be determined the incremental borrowing rate applicable for that year is used.
 - The Council recognises 'substantially all' to be 75% of the value of the asset, unless on an individual case basis this would not give a true representation of the substance of the transaction.
- The leased assets are of such a specialised nature that only the lessee can use them without major modifications.

- If the lessee cancels the lease, the losses of the lessor, associated with the cancellation are borne by the lessee.
- Gains or losses from the fluctuation in the fair value of the residual accrue to the lessee (e.g. in the form of a rent rebate equalling most of the sales proceeds at the end of the lease).
- The lessee has the ability to continue the lease for a secondary period at a rent that is substantially lower than market rent.

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

1.20. Defining an Operating Lease

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

1.21. Lessee Accounting for a Finance Lease

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

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

1.22. Lessor Accounting for a Finance Lease

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

1.23. Lessor Accounting for an Operating Lease

Where the Council is the lessor for an operating lease, it will retain the property as either an item of Property Plant and Equipment or as an Investment Property on the Balance Sheet. Any rental income is credited to the relevant service income.

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

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

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

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

PFI Credits are treated as general revenue government grants.

1.25. Capital Grants and Contributions

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

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

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

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

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

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

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

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

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

The Council will provide for 2.5% of debt outstanding on all debt as at 31 March 2008. On any new debt since this date the Council will provide 2.5% of the balance on all borrowing, unless any unsupported borrowing relates to any significant assets with a life of less than 20 years. In this case an annual amount based on the expected useful life of the individual assets is used and where those assets are vehicles then an average life of five years is used.

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

1.28. **Capital Reserves**

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

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

REVENUE ACCOUNTING

1.29. **Recognition of Revenue Expenditure**

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

1.30. **Employee Costs**

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

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

Short Term Employee Benefits

- **Salaries and Wages** – The total salary and wages earned by employees during the financial year are charged to the Comprehensive Income and Expenditure Statement. Where the amount accrued exceeds the amount paid at the 31 March, a creditor will be reflected in the accounts.
- **Leave Owed, Accumulating Absences** – The Council allows employees to earn time off in one period with the resulting cost to the Council in a later period when that time is either taken off or paid to the employee. Examples of this accumulating leave are annual leave, flexi-time and time off in lieu.

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

In order to correctly reflect the cost of time owed to staff, a charge has been made to the Comprehensive Income and Expenditure Statement and a creditor accrual has been reflected in the Balance Sheet. This charge is reflective of the estimated time cost value of all accumulating leave owed to employees. Vesting leave will be charged in full; however non-vesting leave has been adjusted to reflect the turnover of staff.

- **Easter Bank Holiday** – When Good Friday and/or Easter Monday fall in April, the preceding financial year only accounts for 6 or 7 bank holidays rather than the statutory 8. When this occurs a charge is made to the Comprehensive Income and Expenditure Statement and a creditor accrual is reflected in the Balance Sheet.
- **Non-accumulating Absences** – are periods of leave that cannot be carried forward for use in future periods. Examples include Maternity Leave, Special Leave, Sick Leave and Jury Service. The Council does not recognise non-accumulating compensated absences until the time that the absence occurs.
- **Non-monetary Benefits** – Where employees have non-monetary benefits (e.g. retirement benefits or life insurance), the associated cost of providing that benefit has been charged to the Comprehensive Income and Expenditure Statement.

Termination Benefits

- **Redundancy Costs** – The obligation to pay redundancy costs occurs when there is a formal plan to create redundancies. The plan would

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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 creates a creditor in the Balance Sheet. Where the payable amount is due in more than 12 months from the year end date, the costs are discounted at the rate determined by reference to market yields. In the case of an offer to encourage voluntary redundancy, the Council has recognised the estimated cost based on the expected number of employees taking the offer.

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

Pensions Costs

- **Teachers' Pension Scheme** – is a defined benefit scheme administered by the Department for Education. The assets and liabilities of the Teachers' Pension Scheme are not attributable to the Council, therefore the Council accounts for the scheme as if it were a defined contribution scheme. This means that the Children and Education Services line in the Comprehensive Income and Expenditure Statement will only include the Council's contributions payable to the scheme.
- **Local Government Pension Scheme** – is a defined benefit scheme. The liabilities of the scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions such as mortality rates and employee turnover rates, and projections of earnings for current employees.

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

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

- **Current Service Cost** – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement within the relevant service area dependant on staff employed at the Council. The current service cost includes an allowance for administration expenses
- **Past Service Cost** – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs

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- Gains/Losses on Settlements and Curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited to the Net Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- Interest Cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to Net Operating Expenditure in the Comprehensive Income and Expenditure Statement
- Interest Income on Plan Assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to Net Operating Expenditure in the Comprehensive Income and Expenditure Statement
- Actuarial Gains and Losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Movement in Reserves Statement.
- Employer Contributions – cash paid by the Council to the Pension Fund.

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

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

1.31. Lessee Accounting for an Operating Lease

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

1.32. Revenue Grants and Contributions

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

Revenue grants will either be received to be used only for a specific purpose, or can be used for general purpose. Those for a specific purpose are recognised in the Comprehensive Income and Expenditure Statement within the Net Cost of Services. Those which are for general purpose are shown within Other Operating (Income) and Expenditure in the Comprehensive Expenditure and Income Statement.

1.33. Provisions

Provisions are made where an event has taken place that gives the Council an obligation that probably requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain.

Provisions are charged to the appropriate service revenue account in the year that the Council recognises an obligation, based on the best estimate of the likely settlement. When payments are eventually made, it is charged to the provision. Where payment is not expected for more than 365 days after the balance sheet date, the provision has been discounted using the rate of a high quality corporate bond.

Estimated settlements are reviewed at the end of each financial year and adjustments with the Comprehensive Income and Expenditure Statement are made as required.

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

The Council does not hold any general provisions.

1.34. Revenue Reserves

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

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

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

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

1.35. Research Costs

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

1.36. Members Allowances

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

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

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

1.37. Council Tax and Business Rates Recognition

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

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

1.38. Inventories and Work in Progress

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

Work in progress is subject to an interim valuation at the year-end and recorded in the Balance Sheet at cost plus any profit reasonably attributable to the works.

1.39. Provisions for bad and doubtful debts

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

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

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

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

TREASURY MANAGEMENT

1.40. Definition of Treasury Management Activities

The Council has adopted the following definition of Treasury Management activities:

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

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

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

1.41. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in the value.

1.42. Financial Liabilities

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

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

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

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

1.43. Financial Assets

Financial assets are classified into two types:

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

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

When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement for the present value of the interest

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

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

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

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

2) Available for Sale Financial Assets – assets that have a quoted market price and/or do not have fixed or determinable payments. These are non-derivative financial assets that are designated as available for sale or are not classified as

- a. Loans and receivables
- b. Held to maturity investments
- c. Financial assets at fair value through profit or loss

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

Values are based on the following principles:

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

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

1.44. Interests in Companies and Other Entities

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

AA rated corporate bonds

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

Account

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

Accounting Policies

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

Accounting Principles

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

Accounting Standard

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

Accrual

The accruals concept requires that the cost or benefit of a transaction is shown in the period to which the goods or services are received or provided, rather than when the cash is paid or received.

Accruals Concept

Requires operations of the Council to be reported in the financial statements at the point which they took place, rather than when the cash was paid or received.

Accumulating Absences

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

Acquired / Acquisition

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

Actuarial

The estimation technique applied when estimating the liabilities to be recognised for defined benefit pension schemes in the financial statements of an organisation.

Actuaries

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

Amortisation

The term used to describe the charge made for the cost of using intangible fixed assets. The charge for the year will represent the amount of economic benefits consumed aka wear and tear.

Amortised Cost

The cost of intangible assets reduced by the amount of amortisation charged to date.

Annual Leave

Yearly entitlement of paid time off for Council staff.

GLOSSARY OF TERMS

Asset Register

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

Assets

Right or other access to future economic benefits.

Assets Held For Sale

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

Assets Under Construction

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

Associates

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

Authorised For Issue

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

Available For Sale Financial Asset

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

Balance Sheet

Shows all balances including reserves, long-term debt, fixed and net current assets, together with summarised information on the fixed assets held.

Balance Sheet Date

The date at which the Council reports its financial statements. For Derbyshire County Council, this date is the 31 March.

Bias

Influence or direction.

Billing Authorities

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

Borrowing Requirement

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

Business Rates

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

Cabinet

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

Capital

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

GLOSSARY OF TERMS

Capital Adjustment Account

Capital reserve largely comprising of resource applied to capital financing and is not available to the Council to support new investment.

Capital Appreciation

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

Capital Costs

Reflects the element of annual payment for PFI or Leased assets which is in relation to the reduction in the long term debt associated with the asset.

Capital Expenditure

Expenditure on the acquisition of, or enhancement to fixed assets. This cannot be merely to maintain the value of an existing asset.

Capital Financing Requirement

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

Capital Grant

Grant which is intended to fund capital expenditure.

Capital Grants Unapplied Reserve

Balance of capital grants received which is available to finance future capital expenditure.

Capital Receipts

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

Capital Reserves

Reserve balances held for capital purposes.

Carrying Value

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

Cash Flow Statement

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

Cash Flows

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

Chartered Institute of Public Finance And Accountancy (CIPFA)

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

CIPFA Code

A publication produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) that provides comprehensive guidance on the content of a Council's Statement of Accounts.

Collection Fund

The fund maintained by authorities who have responsibility to bill Council Tax and Non-Domestic Rate payers (billing authorities).

GLOSSARY OF TERMS

Collection Fund Adjustment Account

Revenue reserve to represent the difference between the income received by a local authority in Council Tax and the amount attributable to them.

Collection Fund Statements

The statutory financial statements produced as part of the Statement of Accounts by authorities who have responsibility to bill Council Tax and Non-Domestic Rate payers (billing authorities).

Community Assets

Assets which are held for the benefit of the community where there is no determinable useful life, such as works of art.

Comparative Year

The previous year to that which is being reported.

Component Accounting

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

Comprehensive Income And Expenditure Statement

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

Condition

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

Contingent Assets And Liabilities

Potential income or costs that the Council may incur in the future because of something that happened in the past, but there is no certainty that a cost will occur.

Contributions

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

Core Service Areas

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

Corporate And Democratic Core

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

Council

The Council comprises all of the democratically elected Councillors who represent the various electoral divisions.

Council Tax

Council Tax is a local taxation that is levied on dwellings within the local Council area, and funds all Council services.

Credit

A credit represents income to a revenue account.

Creditor

GLOSSARY OF TERMS

Represents the amount that the Council owes other parties.

Current Service Cost

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

Current Value

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

Current Year Entry

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

Curtailments

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

Debit

A debit represents expenditure against a revenue account.

Debt Outstanding

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

Debtors

Represents the amounts owed to the Council.

Defined Benefit Scheme

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

Defined Contribution Scheme

Also known as a Money Purchase Scheme. Pension scheme arrangement where the employer's liability is restricted to the amount that they contribute. Benefits payable to the members depend on the performance of the invested contributions of the members and the employer, the level of contributions invested, the charges deducted by the product provider and the annuity rate at retirement.

De-Minimis

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

Department For Education

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

GLOSSARY OF TERMS

Depreciable Replacement Cost (DRC)

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

Depreciation

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

Derecognition

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

Discount

An allowance received through the early repayment of debt.

Discounted

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

Discounted Cash Flow

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

Discretionary Benefits

Benefits given to employees which are not statutorily obliged.

Disposal

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

Donated Assets

Assets which have been acquired at below market cost.

Dowry

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

Earmarked Reserves

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

Economic Life

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

Effective Rate

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

Employee

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

Employee Benefits

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

GLOSSARY OF TERMS

Employee Costs

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

Employer Contributions

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

Enhancement Expenditure

Expenditure which increases the value of an asset.

Entity

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

Events After The Balance Sheet Date

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

Exceptional Items

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

Existing Use Value (EUV)

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

Exit Packages

The payment made to an employee upon leaving the Council.

Expenditure

Payments made of goods or services.

Extraordinary Items

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

Fair Value

Usually the amount that would be paid for an asset in an active market, however where there is no market for a certain type of asset (such as schools) other methods to determine fair value are used.

Finance Income

Interest receipts.

Finance Lease

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

Financial Assets

A right to future economic benefits controlled by the Council.

Financial Instruments

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

Financial Instruments Adjustment Account

Revenue reserve which records the timing differences between the rate at which gains and losses are recognised and the rate at which debits and credits are required to be made against Council tax.

Financial Liabilities

GLOSSARY OF TERMS

An obligation to transfer economic benefits controlled by the Council.

Financial Statements

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

Financial Year

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

Five Year Financial Plan

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

Fixed Assets

See Non-Current Assets.

Flexi-Time

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

Gain

Where income exceeds expenditure.

General Provisions

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

General Reserve

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

General Revenue Government Grants

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

Going Concern

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

Goods Or Services

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

Grants

Payment towards the cost of local authority services. These are either for particular purposes or services (specific grants) or in aid of local services generally (formula grant).

Group Accounts

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

Hire Purchase

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

Historic Cost

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

GLOSSARY OF TERMS

HM Revenue & Customs

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

HM Treasury

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

IFRIC

International Financial Reporting Interpretation Committee.

Immateriality

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

Impairment

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

Inception

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

Income

Cash flows into the Council.

Income In Advance

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

Infrastructure Assets

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

Intangible Asset

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

Interest Accrued

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

Interest Payable

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

Interest Rate

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

Interest Receivable

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

International Accounting Standards (IAS)

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

GLOSSARY OF TERMS

International Financial Reporting Standards (IFRS)

Regulations outlining the method of accounting for activities, issued by the International Accounting Standards Board.

International Public Sector Accounting Standards (IPSAS)

Public Sector regulations outlining the method of accounting for activities.

Inventories

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

Investment Property

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

Joint Venture

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

Lease

Financial contract for the continuing use of an asset.

Lease Interest

The interest rate inherent within a lease allowing for regular rental payments and an adjustment for the time value of money.

Lease Payments

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

Leases

A method of funding expenditure by payment over a defined period of time.

Lessee

The person or organisation that is using or occupying an asset under lease (tenant).

Lessor

The person or organisation that owns an asset under lease (landlord).

Liabilities

An obligation to transfer economic benefits. Current liabilities are payable within one year.

Loans And Receivables

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

Long Term Debtor

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

Long Term Liability

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

Loss

Where expenditure exceeds income.

Materiality / Material

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

Maternity Leave

Statutory time off due to pregnant women and new mothers.

Members

GLOSSARY OF TERMS

Elected Councillors responsible for the democratic leadership of the Council.

Members Allowances

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

Minimum Lease Payments

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

Minimum Revenue Provision (MRP)

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

Misstatement

An error whereby something was included in the accounts wrongly.

Modern Equivalent Asset (MEA)

The MEA should give the same service and performance as the existing asset, but should use modern materials and technology.

Movement In Reserves Statement (MiRS)

The statement detailing the movement in the reserves of the Council.

Net Cost Of Services

The direct cost of delivering the Councils services after allowing for specific income received by those services.

Net Operating Expenditure

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

Net Realisable Value

The value an asset could be worth to the Council after allowing for any required expenditure; for example, how much an inventory item may be sold for.

Non Distributed Costs

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

Non-Accumulating Absences

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

Non-Current Assets

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

Non-Vesting

An obligation which cannot be settled by a monetary payment.

Notes To The Accounts

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

Obligation

The requirement to transfer economic benefits.

Operating Lease

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

Operational

The normal activities of the Council.

Past Service Cost

GLOSSARY OF TERMS

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

Payment In Advance

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

Pension Liabilities

The cost, calculated by an Actuary, of providing the current members of a pension scheme with retirement benefits as set out in the pension scheme rules.

Pensions Costs

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

PFI

See Private Finance Initiative.

PFI Credits

The financial support provided to Local Authorities to part fund PFI capital projects.

Premium

A payment made in association with the early repayment of debt.

Pre-Payments

See payment in advance.

Present Value

See Discounted.

Previous Year Adjustments

These are material adjustments relating to prior year accounts that are reported in subsequent years and arise from changes in accounting policies or from the correction of fundamental errors.

Principal

The amount of repayment to a lender which relates to the reduction in the loan, rather than the interest paid on the loan.

Private Finance Initiative (PFI)

A Government initiative that enables, through the provision of financial support, Authorities to carry out capital projects through partnership with the private sector.

Projected Unit Method

This is a common actuarial funding method to value pension scheme liabilities.

Property, Plant And Equipment Assets (PPE)

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

Provisions

Potential costs that the Council may incur in the future because of something that happened in the past, which are likely or certain to be incurred and a reliable estimate can be made to the costs.

Prudent

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

Quoted Market Prices

GLOSSARY OF TERMS

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

Recognition

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

Residual

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

Retirement Benefits

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

Retrospectively

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

Revaluation Gain

The increase to the fair value of an asset following a valuation.

Revaluation Reserve

This reserve contains revaluation gains on assets recognised since 1 April 2007 only, the date of its formal implementation.

Revenue

The cost associated with providing Council services.

Revenue Expenditure

Expenditure which is not capital.

Revenue Expenditure Funded From Capital Under Statute (REFCUS)

This is expenditure that is classified as capital although it does not result in the creation of a fixed asset.

Revenue Grant

Grant which is not capital.

Risk

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

Royal Institute Or Chartered Surveyors (RICS)

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

Salaries And Wages

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

Service Concession Arrangements

Arrangements which involve the supply and maintenance of assets and service delivery.

Service Costs

Reflects the element of annual payment for PFI or Leased assets which is in relation to services provided within the contract.

Service Expenditure Reporting Code of Practice (SERCOP)

CIPFA guidelines on reporting revenue expenditure.

Service Level Agreements

Contract of service.

Short Term

GLOSSARY OF TERMS

Less than 365 days from the balance sheet date.

Short Term Benefits

Employee benefits earned and consumed during employment.

Significant

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

Soft Loans

Low interest rate loans.

Spot Yields

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

Staff

See employee.

Statute

Set out in legislation.

Straight Line Basis

The method of calculating depreciation via charging the same amount each year over the life of the asset.

Support Services

Indirect costs of providing Council services including HR, Finance, Legal and Property Maintenance.

Surplus

Arises when income exceeds expenditure or when expenditure is less than available budget.

Surplus Assets

Assets which are no longer in operation.

Tangible

Physical, can be touched.

Tenant

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

Termination Benefits

Employee benefits paid upon termination of employment such as redundancy.

The Code

CIPFA guidelines on accounting within Local Government.

Transactions

Individual items of income or expenditure.

Treasury Management

Utilisation of cash flows through investments and loans.

Unidentified Income

Income received by the Council where the reason for the income is unknown.

Unusable

Balances which are not available to support future spending.

Usable

Balances which are available to support future spending.

GLOSSARY OF TERMS

Useful Life

The period with which an asset is expected to be useful to the Council in its current state.

Value Added Tax

National taxation charged on goods and services.

Vesting

Obligation due which can be paid in cash.

Work In Progress

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

If you require any further assistance

E-mail :

contactcentre@derbyshire.gov.uk

Phone :

01629 533190

Schedule of Audit Changes to the Statement of Accounts

	Accounts Reference	Audit Issue
1	Narrative Report	Change reference in cash flow section from 2016-17 to 2017-18 in respect of borrowing additional sums at long-term fixed rates.
2	Primary Statements	Add sentence below Comprehensive Income and Expenditure Statement, Expenditure and Funding Analysis, Balance Sheet, Cash Flow Statement and Movement in Reserves Statement, to state "The accompanying notes form an integral part of the financial statements".
3	Note 13 Related Party Transactions	Repeat prior year note that "Until May 2016 the spouse of a Member served as Derbyshire's Police and Crime Commissioner." Expand disclosure to additionally refer to the following: "During 2016-17 a Member was appointed as Derbyshire's Deputy Police and Crime Commissioner".
4	Note 36 Officers' Remuneration	Include prior year comparative for Strategic Director of Health and Communities in Senior Officers table. Repeat prior year note that they retired on 31 March 2016 and their post has been deleted, with duties split between two existing Strategic Directors. Adjust remuneration bandings in the table of employees earning above £50,000 to ensure no overlap between the bands, e.g. £110,000 changed to £109,999.
5	Note 51 Risks Financial Instruments	Officer corrections – Reanalysis of the Liquidity risk table and amendment of the total to agree to borrowing in Note 24 Financial Instruments. Amendment of the amounts for fixed rate financial assets and liabilities, the fixed rate weighted average interest rate for liabilities and the impact on net worth of a 1% change in interest rates in the Interest rate risk tables.
6	Pension Fund Note 11 Management Expenses	Include sentence to state that within oversight and governance costs are audit fees of £0.029m (2015-16: £0.029m).
7	Valuations	The audit identified a number of errors that required accounting adjustments. This has resulted in changes to the main statements and some minor changes to the notes to the accounts, in particular, the PPE note.

Corporate Resources Department

Peter Handford

Director of Finance
County Hall
Matlock
Derbyshire DE4 3AH

Telephone (01629) 538700

Ask for Peter Handford

Our ref PH/SJP

Your ref

Date September 2017

John Cornett
KPMG LLP
St Nicholas House
31 Park Row
NOTTINGHAM
NG1 6FQ

Dear John

This representation letter is provided in connection with your audit of the financial statements of Derbyshire County Council ("the Authority"), for the year ended 31 March 2017, for the purpose of expressing an opinion:

- (i) as to whether these financial statements give a true and fair view of the financial position of the Authority as at 31 March 2017 and of the Authority's expenditure and income for the year then ended;
- (ii) whether the Pension Fund financial statements give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2017 and the amount and disposition of the Fund's assets and liabilities as at 31 March 2017, other than liabilities to pay pensions and other benefits after the end of the scheme year; and
- (iii) whether the financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016-17.

These financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and the related notes. The Pension Fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes.

The Authority confirms that the representations it makes in this letter are in accordance with the definitions set out in the Appendix to this letter.

The Authority confirms that, to the best of its knowledge and belief, having made such inquiries as it considered necessary for the purpose of appropriately informing itself:

Financial statements

- 1 The Authority has fulfilled its responsibilities, as set out in regulation 8 of the Accounts and Audit (England) Regulations 2011, for the preparation of financial statements that:
 - i. give a true and fair view of the financial position of the Authority as at 31 March 2017 and of the Authority's expenditure and income for the year then ended;
 - ii. give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2017 and the amount and disposition of the Fund's assets and liabilities as at 31 March 2017, other than liabilities to pay pensions and other benefits after the end of the scheme year;
 - iii. have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016-17;
 - iv. the financial statements have been prepared on a going concern basis.
2. Measurement methods and significant assumptions used by the Authority in making accounting estimates, including those measured at fair value, are reasonable.
3. All events subsequent to the date of the financial statements and for which IAS 10 *Events after the reporting period* requires adjustment or disclosure have been adjusted or disclosed.
4. The effects of uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to this representation letter.

Information provided

5. The Authority has provided you with:
 - access to all information of which it is aware, that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
 - additional information that you have requested from the Authority for the purpose of the audit; and
 - unrestricted access to persons within the Authority from whom you determined it necessary to obtain audit evidence.
6. All transactions have been recorded in the accounting records and are reflected in the financial statements.

7. The Authority confirms the following:

- i) The Authority has disclosed to you the results of its assessment of the risk that the financial statements may be materially misstated as a result of fraud.

Included in the Appendix to this letter are the definitions of fraud, including misstatements arising from fraudulent financial reporting and from misappropriation of assets.

- ii) The Authority has disclosed to you all information in relation to:

- a) fraud or suspected fraud that it is aware of and that affects the Authority and involves:
- management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements; and
- b) allegations of fraud, or suspected fraud, affecting the Authority's financial statements communicated by employees, former employees, analysts, regulators or others.

In respect of the above, the Authority acknowledges its responsibility for such internal control as it determines necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In particular, the Authority acknowledges its responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

8. The Authority has disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
9. The Authority has disclosed to you and has appropriately accounted for and/or disclosed in the financial statements, in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets, all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.
10. The Authority has disclosed to you the identity of the Authority's related parties and all the related party relationships and transactions of which it is aware. All related party relationships and transactions have been appropriately accounted for and disclosed in accordance with IAS 24 *Related Party Disclosures*.

11. The Authority confirms that:

- a) The financial statements disclose all of the key risk factors, assumptions made and uncertainties surrounding the Authority's ability to continue as a going concern as required to provide a true and fair view.
- b) Any uncertainties disclosed are not considered to be material and therefore do not cast significant doubt on the ability of the Authority to continue as a going concern.

12. On the basis of the process established by the Authority and having made appropriate enquiries, the Authority is satisfied that the actuarial assumptions underlying the valuation of defined benefit obligations are consistent with its knowledge of the business and are in accordance with the requirements of IAS 19 (revised) Employee Benefits.

The Authority further confirms that:

- a) all significant retirement benefits, including any arrangements that are:
 - statutory, contractual or implicit in the employer's actions;
 - arise in the UK and the Republic of Ireland or overseas;
 - funded or unfunded; and
 - approved or unapproved,have been identified and properly accounted for; and
- b) all plan amendments, curtailments and settlements have been identified and properly accounted for.

This letter was tabled and agreed at the meeting of the Audit Committee on 27 September 2017.

Yours sincerely

Chair of the Audit Committee

Chief Financial Officer

**Appendix to the Authority Representation Letter of Derbyshire County Council:
Definitions**

Financial Statements

A complete set of financial statements comprises:

- A Comprehensive Income and Expenditure Statement for the period
- A Balance Sheet as at the end of the period
- A Movement in Reserves Statement for the period
- A Cash Flow Statement for the period
- Expenditure and Funding Analysis
- Notes, comprising a summary of significant accounting policies and other explanatory information.

A local authority is required to present group accounts in addition to its single entity accounts where required by chapter nine of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

A housing authority must present:

- a HRA Income and Expenditure Statement; and
- a Movement on the Housing Revenue Account Statement.

A billing authority must present a Collection Fund Statement for the period showing amounts required by statute to be debited and credited to the Collection Fund.

A pension fund administering authority must prepare Pension Fund accounts in accordance with Chapter 6.5 of the Code of Practice.

An entity may use titles for the statements other than those used in IAS 1. For example, an entity may use the title 'statement of comprehensive income' instead of 'statement of profit or loss and other comprehensive income'.

Material Matters

Certain representations in this letter are described as being limited to matters that are material.

IAS 1.7 and IAS 8.5 state that:

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"Material omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement' judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor."

Fraud

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorisation.

Error

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

Prior period errors are omissions from, 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.

Management

For the purposes of this letter, references to "management" should be read as "management and, where appropriate, those charged with governance".

Related Party and Related Party Transaction

Related party:

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24 *Related Party Disclosures* as the "reporting entity").

- a) A person or a close member of that person's family is related to a reporting entity if that person:
 - i. has control or joint control over the reporting entity;
 - ii. has significant influence over the reporting entity; or
 - iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- b) An entity is related to a reporting entity if any of the following conditions applies:
 - i. The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - ii. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - iii. Both entities are joint ventures of the same third party.
 - iv. One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - v. The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
 - vi. The entity is controlled, or jointly controlled by a person identified in (a).
 - vii. A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Key management personnel in a local authority context are all chief officers (or equivalent), elected members, the chief executive of the authority and other persons having the authority and responsibility for planning, directing and controlling the activities of the authority, including the oversight of these activities.

A reporting entity is exempt from the disclosure requirements of IAS 24.18 in relation to related party transactions and outstanding balances, including commitments, with:

- a) a government that has control, joint control or significant influence over the reporting entity; and

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- b) another entity that is a related party because the same government has control, joint control or significant influence over both the reporting entity and the other entity.

Related party transaction:

A transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.