Derby City Council

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FINAL
STATEMENT OF
ACCOUNTS
2013 – 2014

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Derby City Council

Financial Statements
Derby City Council 2013/14

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Explanatory Foreword

1. Introduction

Welcome to Derby City Council's annual Statement of Accounts for 2013/14. The accounts have been prepared in line with the Code of Practice on Local Authority Accounting in the United Kingdom 2014 (the Code), published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The information contained within these accounts is presented as simply and clearly as possible. However, the accounts of a large and diverse organisation such as Derby City Council are by their nature both technical and complex, so this foreword explains some of the statements and provides a summary of the Council's financial performance for 2013/14 and its financial prospects. Where necessary, estimates and judgements have been made in preparing these accounts which comply with the Code. Further details of these estimates and judgements are included in Notes 4 and 5 to the Accounts.

In order to provide all stakeholders in the city with the confidence that public money has been properly accounted for, effective internal controls to detect and prevent any irregularities have been rigorously enforced. Details of the systems of internal control are included within the Council's Annual Governance Statement, which is publically available on the Derby City Council web-site.

2. Explanation of the Statements

The following core financial statements summarise the Council's finances for 2013/14 (1 April 2013 to 31 March 2014):

a) Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into usable reserves (i.e. those that can be used to fund expenditure or reduce local taxation) and other unusable reserves.

b) Comprehensive Income and Expenditure Statement

This statement shows the actual financial performance measured in terms of resources generated and consumed by the Council during 2013/14. It is produced in line with International Financial Reporting Standards (IFRS) accounting conventions and therefore the costs shown may be different to the amount to be funded from taxation.

c) Balance Sheet

The Balance Sheet shows the value of the assets and liabilities recognised by the Council as at 31 March 2014. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council.

d) Cash Flow Statement

The Cash Flow Statement shows the total movements in cash and cash equivalents of the Council during 2013/14 arising from transactions with third parties for revenue and capital purposes.

e) Housing Revenue Account

This is a separate statutory account which summarises all income and expenditure arising from the provision, management and maintenance of Council housing.

f) Collection Fund

The Collection Fund statement reflects the Council's statutory requirement to maintain a separate account showing all transactions relating to National Non-Domestic Rates and Council Tax.

g) Statement of Accounting Policies

The Council produces figures in the accounts using general principles recommended by CIPFA. They ensure accounts from different public sector organisations are consistent and comparable. This section explains the main policies which the Council has adopted.

h) Notes to the Core Financial Statements

These notes aim to assist in understanding by breaking down balances shown in the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Balance Sheet and Cash Flow Statement.

3. Revenue Income and Expenditure

a) Financial Performance against Budget

In January 2013, the Council agreed a net revenue budget for 2013/14 of £223.1m. This resulted in a band-D council tax of £1,144.63.

The following table shows that the Council's actual spending was £219.457m against the final approved budget of £223.065m. The budget variance of £3.608m represents -1.62% of the Council's 2013/14 budget requirement. This balance has been transferred to the Council's revenue reserves to help address future pressures, subject to any specific amounts being set aside for individual pressures on approval of the Council's revenue outturn position. These figures are based on directorate responsibilities, rather than the total cost of providing services (including charges for support services, using assets, and adjustments to show the true cost of providing pensions to employees), which is used in the Comprehensive Income and Expenditure Account.

Comparison of Actual Net Spending against Budget for 2013/14:

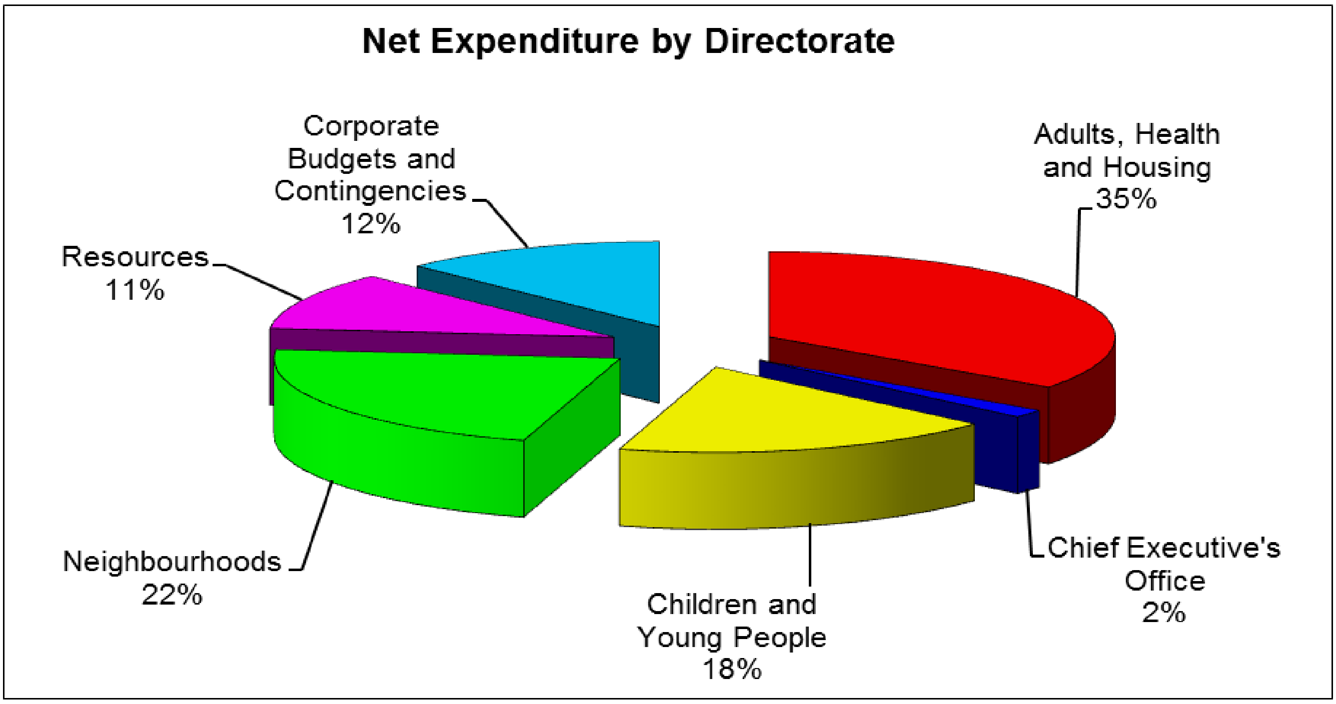
	Final Approved Budget £000	Actual £000	Final (Under) / Overspend £000
Adults, Health and Housing	78,077	78,509	432
Chief Executive's Office	3,633	3,493	(140)
Children and Young People	40,170	39,966	(204)
Neighbourhoods	49,649	49,645	(4)
Resources	25,591	24,605	(986)
Corporate Budgets and Contingencies	15,201	12,495	(2,706)
Total	**212,321**	**208,713**	**(3,608)**
Approved Use of Reserves	10,744	10,744	
Budget Requirement	**223,065**	**219,457**	**(3,608)**

Reconciliation of Budget Requirement to Comprehensive Income and Expenditure Account for 2013/14:

	£000
Cost of Services per CI&E Account	247,743
Plus: Other operating expenditure	(1,137)
Plus: Financing and investment Income and Expenditure	33,768
Less: Deficit on the Provision of Services per CI&E Account	(13,240)
Less: Capital grants and contributions (Note 15)	(34,990)
Less: Uncentralised non ring fenced government grants	(8,296)
Plus: Reduction in share of collection fund surplus	(783)
Budget Requirement	**223,065**

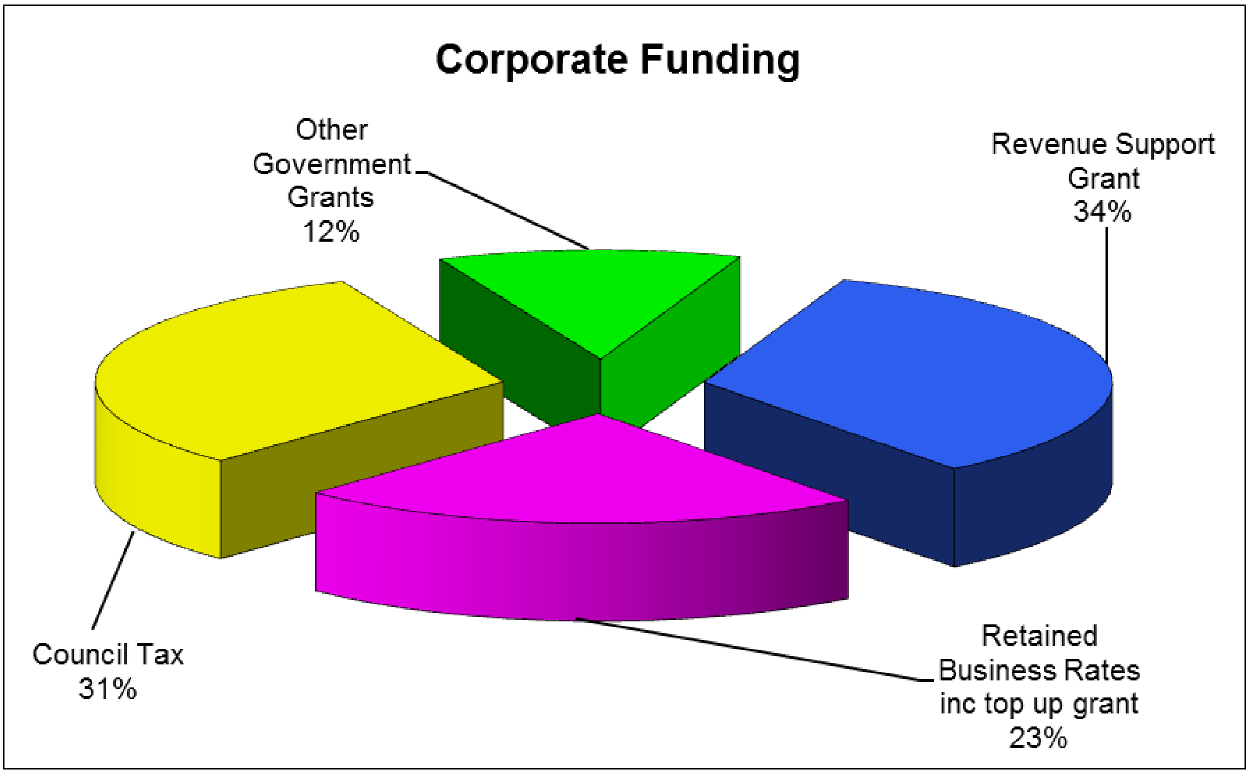
b) Analysis of Revenue Spending

During the year the City Council manages and controls spending on services such as schools, social services and leisure facilities through its General Fund. The Council spending on interest payable and similar charges was £20.305m, a £0.937m increase from 2012/13. A summary of the net cost of running each main service area is shown below:



Further analysis of the Council's revenue spending is provided in Note 9.

This spending is financed from Council Tax, Retained Business Rates and Government Grants as shown below:



c) Housing Revenue Account

The Housing Revenue Account outturn shows a carried forward surplus of £7.232m, credited to the ring-fenced Housing Revenue Account reserve within the Balance Sheet. The increase is mainly due to a reduced use of revenue reserves to fund capital spend.

d) Revenue Reserves

The Council's main revenue reserve for general purposes is the General Fund Balance. This is set aside to support the management of risks in the Revenue Budget and could be used for any purpose if required. The General Fund Balance represents the minimum level of reserves that the Council should hold.

In January 2014, the Council calculated its target range for the General Fund Balance as being between £7,143,000 and £10,071,000. This target level was set by the Strategic Director of Resources after consideration of the Council's strategic and operational risks. At 31 March 2014 the General Fund Balance stands at £7,143,000 and is therefore within the recommended target range.

The Council also holds a number of revenue earmarked reserves to fund specific projects included within the Council's budget and priorities, such as the Council's regeneration programme and waste strategy. As at 31 March 2014 revenue earmarked reserves held by the Council total £68.551m. A detailed review of all revenue earmarked reserves is carried out on an annual basis as part of the Medium Term Financial Strategy planning process. This aims to identify any earmarked reserves which could be redistributed to better support the Council's priorities.

Included within corporate earmarked reserves is a budget risk reserve of £16.682m at 31 March 2014. This reserve is not allocated to any specific risk areas and is held to support future budget planning risks and general unforeseen in-year budget pressures.

The Council considers the current and future projected levels of reserves and balances held by the Council to be adequate to meet estimated future commitments and address on-going risks and uncertainties.

4. Capital Income and Expenditure

Alongside our day-to-day costs, the Council spends money on capital assets such as buildings, roads, major maintenance, vehicles and ICT. During 2013/14 the Council spent £98.805m on capital schemes.

Major Areas of Capital Spend in 2013/14:

Section	Scheme	£000
Children & Young People	New build, extensions and modernisation of schools and education centres. Devolved capital school grants.	19,057
Highways & Transport	Development and maintenance of road and bridge infrastructure.	10,228
Property Improvements	Improvements to council buildings including the council house, museums, libraries and cemeteries.	2,304
Property maintenance	Major repairs and maintenance to council owned properties including leisure centres, museums, libraries, car parks and community centres.	5,797
Regeneration	Regeneration of the public realm areas of the city, regeneration of buildings to create managed workspace and jobs.	18,367
Housing General Fund	Grant aid for private sector tenants for disabled adaptations and improvements.	3,821
HRA	Maintenance to the decent homes standard on all council dwelling stock as well as new build sites.	13,349
Parks & Open Spaces	Improvements to city wide parks and play areas.	704
Streetpride	Refuse vehicles, street cleaning and grounds plant and equipment.	5,106
Flood Defence	Improvements to the Councils flood defences and culverts.	358
ICT	Investment and stabilisation of existing and new technologies for improved efficiency and performance.	2,721
Strategic Projects	Construction of Derby Multi Use Sports Arena	16,993
Total		**98,805**

Capital expenditure is financed from the following sources:

- Supported borrowing (where the interest costs for the debt are funded by central government grant)
- Unsupported borrowing (where the interest costs for the debt are funded from the Council's revenue budget)
- Grants or contributions from the Government, the European Union or another third party
- Proceeds from the sale of capital assets (capital receipts)
- Contributions from the Revenue Budget

Unapplied capital resources, excluding capital receipts, stand at £22.256m at 31 March 2014. These consist of £16.099m unapplied capital grants and £3.389m earmarked capital reserves. The unapplied capital receipts reserve stands at £2.768m at 31 March 2014.

These resources are earmarked and planned to be used over the next five years to fund the Council's capital programme.

5. Borrowing Facilities

In 2013/14 the Council had an authorised limit for external debt of £586m that compares to the actual level of debts outstanding at 31 March 2014 of £473.6m.

Breakdown of Borrowing Figures:

	2012/13	2013/14
	£m	£m
Short-Term Borrowing (i.e. due within 1 year)	28.0	35.0
Long-Term Borrowing	412.6	430.0
Total	**440.6**	**465.0**

During the year the overall outstanding borrowing debt increased by £24.4m from £440.6m at 31 March 2013 to £465m at 31 March 2014. The majority of the external borrowing debt outstanding is £273m from the Public Works Loan Board, £20m taken from the Royal Bank of Scotland and £44m borrowing from other local authorities. The figures above also include debt managed by Derbyshire County Council on Derby City Council’s behalf, and debt deemed to be finance lease liabilities under PFI contracts.

6. Significant Liabilities, Provisions, Contingencies and Write Offs / Impairments

The Council has recognised a significant impairment of £3.170m for the major fire at the assembly rooms car park. The estimated costs for demolition and rebuild costs for the car park are in the region of £5m and the assembly rooms will remain closed for a period of 18 months. Further details of the impairments to Council assets are included in Note 19.

The Council has created a significant provision of £9.252m for the repayment of any successful NDR appeals upheld by the VOA. Prior to the introduction of the Retained Business Rate Scheme the cost of these appeals were met by the national pool administered by central government.

The Council has also created a significant provision of £8.325m for possible Equal Pay Claims. This provision is based on the value of claims outstanding and an estimation of future claims.

7. Private Finance Initiatives

Private Finance Initiative (PFI) schemes are agreements to receive services where the responsibility for making available the fixed assets needed to provide the services passes to the PFI contractor. Payments made by the Council under a contract are mainly split between capital financing liability, interest and service charges, all of which are charged to revenue to reflect the value of services received in each financial year.

Derby City Council has five operational PFI projects as follows:

Operational: Assets included within Council accounts

- Grouped Schools

A 27-year PFI contract with Derby School Solutions (DSS), a private sector consortium, to build, maintain and operate 5 new schools and a Children's Centre including 2 support units in the City. This initiative is funded by a combination of special grant from Central Government, contributions from each school's delegated budget over the life of the contract and Early Years service.

- Street Lighting Columns

A 25-year PFI contract was signed in April 2007 with Connecting roads (Derby), to replace all the life expired lighting units within the city, and to maintain the whole of the lighting of stock for the period of the contract. This initiative is funded by a contribution from the Council's revenue budget and a special grant from Central Government.

- Building Schools for the Future

A 25 year PFI contract was signed in December 2010 with Balfour Beatty to build, maintain and operate two new schools in the city. The schools became fully operational in September 2012 and are now included in the Council's accounts. This initiative is funded by contributions from each school's delegated budget over the life of the contract and a special grant from Central Government.

Operational: Assets not included within the accounts

- Housing Inner City Regeneration

A 30 year contract with Home Housing Association to acquire and refurbish 150 housing properties, which commenced in January 2001. This initiative is funded by a contribution from the Council's revenue budget and a special grant from Central Government.

Non Operational: Assets not included within the accounts

The Council is working with both a single bidder and the Homes and Communities Agency to provide, under a 30-year PFI contract, a minimum of 170 affordable houses in the City. Financial close on the project took place in September 2012 and construction of the properties in Alvaston, Chaddesden & Spondon is now complete.

8. Net Pensions Liability

The Council participates in the Derbyshire County Council defined benefit (open) pension fund and the Teachers' Pension Fund. During the year there was an decrease in the Council's Net Pension Liability of £53.068m. This meant the Council's net pension liability as at 31 March 2014 was £283.428m. A more detailed analysis of the movement in net pension liability can be found in Note 43. The forecast pension payments will be paid out over a period of many years during which time the assets will continue to generate returns towards funding them.

In addition, future changes in the equity market will also adjust the value of the fund assets. In calculating the scheme assets and liabilities the fund's actuaries make a number of assumptions about events and circumstances in the future. The resulting actuarial calculations are subject to uncertainties on the outcome of future events and include assumptions on the income and valuation of investments held by the fund. The principal actuarial assumptions made in relation to these accounts are disclosed in Note 43. This discloses the actuarial gains and losses in the year which reflects where actual outcomes differ from actuarial assumptions made last year together with the effect of consequent revision of the estimates moving forward.

9. Economic Context in 2013/14

Both the local and national economy have shown some signs of recovery during 2013/14. Key economic performance measures in Derby have marginally improved throughout the year, including a reduced unemployment rate, a reduced number of JSA claimants and increases in business start-ups. However, overall the economic climate remains challenging and continued to have an impact on a number of services provided by the Council in 2013/14, as summarised below:

a) Funding. Critically for the Council, the initial signs of economic recovery have had no impact on the amount of central government grant received. In fact, as detailed in the Future Prospects for Council (below), the European sovereign debt crisis has caused a focus on national debt levels and a drive to reduce the national deficit through cuts to the public sector which is set to continue in England until at least 2017/18.

b) Debt collection. Debt collection has remained challenging throughout 2013/14 and the Council has continued to focus on its duty to collect debt whilst recognising individual circumstances where relevant. Policies introduced by the Coalition Government in 2013/14 have created specific new collection challenges, as follows:

- On 1 April 2013 the Government replaced the national Council Tax Benefit Scheme with a local council tax subsidy. At the same time, funding for the new local scheme was cut by over 11% or £2.6m in Derby's case. To make good this funding cut, all working age households in Derby have been charged at least 20% of their Council Tax Bill. The council has performed well in collecting this new debt, but it has proved an additional challenge which has drawn upon resources.

- The wider Welfare Reform agenda has resulted in less money for many households, reducing the ability to pay household bills in some instances. For example, the removal of spare room subsidy – widely referred to as the bedroom tax – affected over 2,000 local households and the benefit cap affected over 100 households. In total, it is estimated that Welfare Reform took £5.1m out of Derby's economy in 2013/14. The Council has worked hard to issue discretionary Housing Payments, but the loss to the local economy is still clear.

c) Bank of England Base Rate. The economy has also had an impact on interest rates, which remain at historically low levels. The Council's average rate of return on its deposits in 2013/14 was 0.52%, compared to the Bank of England base rate of 0.50%. This rate of return is much lower than can be found in the high street for retail customers, since the Government's guarantee scheme does not apply to wholesale investors such as local authorities. As a result of this, in line with guidance from our external Treasury Management advisors Arlingclose, the Council sets financial limits to the size of deposits and only makes deposits with institutions with a Moody and Fitch Credit Rating of A or higher. Deposits generally have short notice periods to ensure funds are accessible. This prudent strategy to deposit only in the safest institutions also has an impact on the rate of interest received. In order to meet its financial commitments to the residents of Derby to make best use of its financial resources, the Council also uses its cash balances to postpone the borrowing required for the capital programme.

Against this economic backdrop, the Council's General Fund and HRA balances both remain above minimum acceptable levels and the overall general fund variance is within the Council's annual net budget target of between 0% and -2%, showing strong and consistent financial management.

10. Future Prospects for the Council

The Council faces a number of key financial challenges in the forthcoming years. There have been unprecedented cuts to public sector funding since the 2010 Comprehensive Spending Review. Despite the first signs of economic recovery, the Coalition Government remains committed to its austerity programme. In fact, the 2014 Budget confirmed public sector funding will continue to face severe cuts until at least 2017/18. It is not clear what the precise level of future cuts for the Council will be, but they are expected to be both sustained and deep. The Council have produced estimates on this basis and is forecasting Revenue Support Grant alone will be reduced by £43m between 2014/15 and 2016/17.

Against this funding backdrop imposed by central government, the Council's Medium Term Financial Strategy is also shaped by the wider local context. Derby has been experiencing above average population growth since the 2011 census, with significant demographic growth in the 0 to 4 age bracket and amongst citizens aged 60+. This demographic growth has contributed to a period of sustained increase in demand for Council services provided to the most vulnerable members of the community, particularly within adult social care and children's services. There are no signs of this demand declining in the foreseeable future.

The promotion of economic growth, job creation and business growth has always been of central importance to the Council. However, from 1 April 2013 councils have been allowed to retain a proportion of the business rates they collect, as detailed in the notes to the collection fund included in this report. This new policy brings with it risks, because if a major business closes the Council's income will be further cut, but it also brings with it opportunities and the Council will continue to work closely with businesses to create an environment which supports and stimulates growth within the city.

The Council is also subject to emerging financial pressures arising from changes in legislation and new areas of responsibility. In some cases government allocates additional funding to the Council to support any new burdens, but this is not always the case.

Against this backdrop of financial austerity and emerging new pressures, the Council delivered a balanced revenue budget position across the three year period from 2014/15 to 2016/17 in its Medium Term Financial Plan (MTFP). The MTFP includes assumptions about anticipated resources from Central Government and Council Tax, inflation, service demand and the deliverability of planned savings. Its successful delivery is also reliant on the establishment of permanent savings amounting to £28m by 2014/15, £30m in 2015/16 and £21m in 2016/17. There are risks identified within the MTFP, particularly around the forecasting of grant and future demographic pressures. However, the current and future levels of reserves held by the Council are considered adequate to address on-going risks and emerging pressures.

The Council also has a medium term capital investment programme which totals £317m over the next three years. This includes £60m for the Council's regeneration strategy, a £52m housing improvement programme, £24m for the Local Transport Plan, £37m to complete the Council's leisure strategy, £25m for a jointly funded waste disposal plant with Derbyshire County Council and a £50m schools programme. Delivery of these schemes will be closely monitored during the financial year.

Roger Kershaw
Strategic Director of Resources
30 June 2014

Statement of Responsibilities

The Authority's Responsibilities:

The Authority is required:

(1) 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. At Derby City Council that officer is the Strategic Director of Resources.

(2) To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

(3) To approve the Statement of Accounts.

The Accounts were approved by the Audit and Accounts Committee on 24 September 2014.

Signed: ______________________________

Councillor Tittley - Chair, Audit and Accounts Committee

The Strategic Director of Resources' Responsibilities

The Strategic Director of Resources is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA / LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the Strategic Director of Resources has ensured that:

(1) Suitable accounting policies have been selected and then applied consistently

(2) Judgements and estimates have been made that were reasonable and prudent

(3) Compliance with the Local Authority Code of Practice

The Strategic Director of Resources has also ensured that:

(1) Proper accounting records have been kept which were up to date

(2) Reasonable steps have been taken for the prevention and detection of fraud and other irregularities

Signed: ______________________________

Martyn Marples - Director of Finance and Procurement

Date: 24 September 2014

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for Council Tax setting and dwellings rent setting purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

2012/13

	General Fund Balance (restated) £000	Earmarked General Fund Reserves (restated) £000	Housing Revenue Account (restated) £000	Earmarked HRA Reserves £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves (restated) £000	Unusable Reserves (restated) £000	Total Council Reserves (restated) £000
Balance at 31 March 2012 brought forward	**(14,335)**	**(59,100)**	**(15,089)**	**(2,499)**	**(4,367)**	**(4,339)**	**(26,155)**	**(125,884)**	**(391,382)**	**(517,266)**
Movement in Reserves during 2012/13										
(Surplus) or deficit on the provision of services	37,881	0	1,208	0	0	0	0	**39,089**	0	**39,089**
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	**0**	44,728	**44,728**
Total Comprehensive Income and Expenditure	**37,881**	**0**	**1,208**	**0**	**0**	**0**	**0**	**39,089**	**44,728**	**83,817**
Adjustments between accounting basis & funding basis under regulations (Note 8)	(39,478)	0	(4,354)	0	3,001	(5,250)	5,290	**(40,791)**	40,791	**0**
Net (Increase)/ Decrease before Transfers to Earmarked Reserves	**(1,597)**	**0**	**(3,146)**	**0**	**3,001**	**(5,250)**	**5,290**	**(1,702)**	**85,519**	**83,817**
Transfers (to)/from Earmarked Reserves	1,587	(1,602)	15	0	0	0	0	**0**	0	**0**
(Increase)/ Decrease in 2012/13	**(10)**	**(1,602)**	**(3,131)**	**0**	**3,001**	**(5,250)**	**5,290**	**(1,702)**	**85,519**	**83,817**
Balance at 31 March 2013 carried forward	**(14,345)**	**(60,702)**	**(18,220)**	**(2,499)**	**(1,366)**	**(9,589)**	**(20,865)**	**(127,586)**	**(305,863)**	**(433,449)**

2013/14

	General Fund Balance £000	Earmarked General Fund Reserves £000	Housing Revenue Account £000	Earmarked HRA Reserves £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
Balance at 31 March 2013 brought forward	**(14,345)**	**(60,702)**	**(18,220)**	**(2,499)**	**(1,366)**	**(9,589)**	**(20,865)**	**(127,586)**	**(305,863)**	**(433,449)**
Movement in Reserves during 2013/14										
(Surplus) or deficit on the provision of services	19,697	0	(6,457)	0	0	0	0	**13,240**	0	**13,240**
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	**0**	(203,470)	**(203,470)**
Total Comprehensive Income and Expenditure	**19,697**	**0**	**(6,457)**	**0**	**0**	**0**	**0**	**13,240**	**(203,470)**	**(190,230)**
Adjustments between accounting basis & funding basis under regulations (Note 8)	(31,302)	0	922	0	(1,402)	(967)	4,766	**(27,983)**	27,983	**0**
Net (Increase)/ Decrease before Transfers to Earmarked Reserves	**(11,605)**	**0**	**(5,535)**	**0**	**(1,402)**	**(967)**	**4,766**	**(14,743)**	**(175,487)**	**(190,230)**
Transfers (to)/from Earmarked Reserves	10,932	(11,238)	(1,697)	2,003	0	0	0	**0**	0	**0**
(Increase)/ Decrease in 2013/14	**(673)**	**(11,238)**	**(7,232)**	**2,003**	**(1,402)**	**(967)**	**4,766**	**(14,743)**	**(175,487)**	**(190,230)**
Balance at 31 March 2014 carried forward	**(15,018)**	**(71,940)**	**(25,452)**	**(496)**	**(2,768)**	**(10,556)**	**(16,099)**	**(142,329)**	**(481,350)**	**(623,679)**

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

2012/13				2013/14		
Gross Expenditure (restated) £000	**Gross Income (restated) £000**	**Net Expenditure (restated) £000**		**Gross Expenditure £000**	**Gross Income £000**	**Net Expenditure £000**
40,387	(27,134)	13,253	Central services to the public	25,001	(16,771)	8,230
27,548	(10,837)	16,711	Cultural Related Services	24,148	(8,116)	16,032
33,653	(11,557)	22,096	Environmental & Regulatory Services	29,448	(8,007)	21,441
22,739	(9,389)	13,350	Planning Services	29,661	(9,950)	19,711
278,876	(194,027)	84,849	Education and children's services	255,977	(193,645)	62,332
33,580	(11,481)	22,099	Highways and transport services	29,519	(8,894)	20,625
42,278	(51,982)	(9,704)	Local authority housing (HRA)	41,849	(55,888)	(14,039)
118,140	(98,529)	19,611	Other housing services	114,878	(95,387)	19,491
88,321	(20,944)	67,377	Adult social care	92,431	(18,877)	73,554
8,735	(792)	7,943	Corporate and democratic core	8,220	(1,496)	6,724
0	0	0	Public health	14,858	(2,062)	12,796
742	(5,143)	(4,401)	Non distributed costs	917	(71)	846
694,999	**(441,815)**	**253,184**	**Cost of Services**	**666,907**	**(419,164)**	**247,743**
		4,783	Other operating expenditure (Note 10)			(1,137)
		31,104	Financing and investment income and expenditure (Note 11)			33,768
		(250,171)	Taxation and non-specific grant income (Note 12)			(267,134)
		38,900	**(Surplus) or Deficit on Provision of Services**			**13,240**
		(15,420)	(Surplus) or deficit on revaluation of Property, Plant and Equipment assets			(135,630)
		59,251	Remeasurement of the net defined benefit liability			(67,840)
		1,086	Restatement of Fixed Assets			0
		44,917	**Other Comprehensive (Income) and Expenditure**			**(203,470)**
		83,817	**Total Comprehensive (Income) and Expenditure**			**(190,230)**

Balance Sheet

The Balance Sheet summarises the Council's financial position at 31 March each year. In its top half it contains the assets and liabilities that it holds or has accrued with other parties. As local authorities do not have equity, the bottom half is comprised of reserves that show the disposition of the Council's net worth, falling into two categories; Usable Reserves and Unusable Reserves.

31 March 2013 £000		Notes	31 March 2014 £000
1,130,336	Property, Plant & Equipment	19	1,297,089
74,841	Heritage Assets	20	75,471
931	Investment Property	21	895
2,304	Intangible Assets	22	3,514
332	Long Term Investments	26	325
9,201	Long Term Debtors	29	14,470
1,217,945	**Long Term Assets**		**1,391,764**
1,201	Short Term Investments	26	201
2,099	Assets Held for Sale	28	261
569	Inventories		665
42,347	Short Term Debtors	29	48,157
25,547	Cash and Cash Equivalents	30	43,058
71,763	**Current Assets**		**92,342**
(3,904)	Bank Overdrafts	30	(6,185)
(28,000)	Short Term Borrowing	26	(31,854)
(2,920)	Short Term Finance Lease Liabilities	24,25	(3,360)
(64,612)	Short Term Creditors	31	(70,615)
(1,405)	Provisions	33	(1,336)
(100,841)	**Current Liabilities**		**(113,350)**
(77,739)	Long Term Finance Lease Liabilities	24,25	(88,757)
(559)	Provisions	33	(18,796)
(297,459)	Long Term Borrowing	26	(308,980)
(371,098)	Other Long Term Liabilities	32	(316,617)
(8,563)	Capital Grants Receipts in Advance	15	(13,927)
(755,418)	**Long Term Liabilities**		**(747,077)**
433,449	**Net Assets**		**623,679**
(127,586)	Usable Reserves	35	(142,329)
(305,863)	Unusable Reserves	36	(481,350)
(433,449)	**Total Reserves**		**(623,679)**

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the council are funded by way of taxation and grant income or from the recipients of services provided by the council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

2012/13 £000 (restated)		**2013/14 £000**
38,900	Net (surplus) or deficit on the provision of services	13,240
(67,545)	Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 46)	(104,419)
18,908	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 47)	28,067
(9,737)	Net cash flows from Operating Activities	**(63,112)**
60,284	Investing Activities (Note 49)	55,572
(23,091)	Financing Activities (Note 50)	(7,690)
27,456	Net (increase) or decrease in cash and cash equivalents	**(15,230)**
49,099	Cash and cash equivalents at the beginning of the reporting period	21,643
21,643	**Cash and cash equivalents at the end of the reporting period (Note 30)**	**36,873**

1. Prior Period Adjustments

IAS19 Changes to Accounting Standard

There have been several changes to the International Accounting Standards IAS19 Employee Benefits. In order to be consistent with the new requirements comparator figures for 2012/13 within the CIES and the disclosures for the Council defined benefit pension scheme (note 43) have been restated.

Expected Return on Assets

The key change is that the interest cost and expected return on assets components of profit are now combined into a net figure. This has the effect of replacing the expected return on assets with a figure that is based on the discount rate rather than expected asset assumptions.

Disclosure Requirements

IAS19 requires a more detailed breakdown of pension assets. The value of fund assets is required to be broken down into different types and also between those with a quoted market price and those without. Further disclosures are required for assumptions and fund sensitivity to changes in these assumptions. The published 2012/13 accounts only included a breakdown of the fund assets into the main categories and so these have now been further broken down and expanded.

Restated Comprehensive Income and Expenditure

	2012/13 Net Exp £000	IAS 19 Restatement £000	Restated 2012/13 Net Exp £000
Central services to the public	13,193	60	13,253
Cultural Related Services	16,692	19	16,711
Environmental & Regulatory Services	22,067	29	22,096
Planning Services	13,337	13	13,350
Education and children's services	84,653	196	84,849
Highways and transport services	22,081	18	22,099
Housing Revenue Account	(9,715)	11	(9,704)
Other housing services	19,605	6	19,611
Adult social care	67,323	54	67,377
Corporate and democratic core	7,924	19	7,943
Non distributed costs	(4,401)	0	(4,401)
Cost of Services	**252,759**	**425**	**253,184**
Other operating expenditure (Note 10)	4,783	0	4,783
Financing and investment income and expenditure (Note 11)	28,478	2,626	31,104
Taxation and non-specific grant income (Note 12)	(250,171)	0	(250,171)
(Surplus) or Deficit on Provision of Services	**35,849**	**3,051**	**38,900**
(Surplus) or deficit on revaluation of Property, Plant and Equipment assets	(15,420)	0	(15,420)
Actuarial (gains)/ losses on pension assets/ liabilities	62,302	(3,051)	59,251
Restatement of Fixed Assets	1,086	0	1,086
Other Comprehensive (Income) and Expenditure	**47,968**	**(3,051)**	**44,917**
Total Comprehensive (Income) and Expenditure	**83,817**	**0**	**83,817**

2. Accounting Policies 2013/14

i. General Principles

The Statement of Accounts summarises the Council's transactions for the 2013/14 financial year and its position at the year-end of 31 March 2014. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011, these Regulations require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and the Service Reporting Code of Practice 2013/14, supported by International Financial Reporting Standards (IFRS).
The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. The Statement of Accounts has been prepared on a going concern basis.

ii. Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

1) Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser, it is probable that economic benefits or service potential associated with the transaction will flow to the Council; and the amount of revenue can be measured reliably.

2) Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.

3) Supplies are recorded as expenditure when they are consumed. Where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.

4) Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.

5) Interest receivable on investments and payable on borrowing is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

6) Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

7) Collection Fund

Retained Business Rate and Council Tax income is included in the Comprehensive Income & Expenditure Statement for the year and treated as accrued income.

Both NDR, Top Up Income and Council Tax support are recognised in the Comprehensive Income & Expenditure Statement in the line Taxation & Non-Specific Grant Income. As a billing authority the difference between the NDR and Council Tax included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund shall be taken to the Collection Fund Adjustment Account and reported in the Movement in Reserve Statement. Each major preceptor’s share of the accrued NDR and Council Tax income will be available from the information that is required to be produced in order to prepare the Collection Fund Statement.

iii. 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 from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

iv. Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

v. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

vi. Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service.
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.
- amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance (Minimum Revenue Provision - MRP), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

vii. Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the Council.
An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. untaken flexi leave) earned by employees but not taken before the year end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefits. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the appropriate service in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end.

Post Employment Benefits

Employees of the Council are members of two separate pension schemes:

1) The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE).

2) The Local Government Pensions Scheme, administered by Derbyshire County Council.

Both schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

However, the arrangements for the Teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. The scheme is therefore accounted for as if it was a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Education and Children's Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year.

The Local Government Pension Scheme

The Local Government Scheme is accounted for as a defined benefits scheme.

The liabilities of the Derbyshire County Council pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method - i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc and projections of projected earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate.

The assets of Derbyshire County Council pension fund attributable to the Council are included in the Balance Sheet at their fair value:
- Quoted securities - current bid price
- Unquoted securities - professional estimate
- Unitised securities - current bid price
- Property - market value.

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

1) Current Service Cost - the increases in liabilities as a result of years of service earned this year - allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.

2) Past Service Cost - the increase in liabilities arising from current year decisions whose effect relates to years of service in earlier years - debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.

3) 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 the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

4) Expected Return on Assets - the annual investment return on the fund assets attributable to the Council, based on an average of the expected long term returns - credited to Other Comprehensive Income and Expenditure within the Comprehensive Income and Expenditure Statement.

5) Gains and 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 or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.

6) 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 Pensions Reserve.

7) Contributions paid to the Derbyshire County Council pension fund - cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

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

viii. Events After the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

1) Those that provide evidence of conditions that existed at the end of the reporting period - the Statement of Accounts is adjusted to reflect such events.

2) Those that are indicative of conditions that arose after the reporting period - the Statement of Accounts is not adjusted to reflect such events but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

ix. Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in 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. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

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 accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line 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 Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustments Account in the Movement in Reserves Statement.

Financial Assets

Financial assets are classified into two types:

- Loans and Receivables - assets that have fixed or determinable payments but are not quoted in an active market.
- Available-for-Sale Assets - assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in 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 accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

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 relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Available-for-Sale Assets

Available-for-sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in 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. Where there are no fixed or determinable payments, income is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

Assets are maintained in the Balance Sheet at fair value. 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.

- Equity shares with no quoted market prices - independent appraisal of company valuations (unless deemed not to be material then held at historical cost).

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred - these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale 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 (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

x. Foreign Currency Translation

Where the Council has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

xi. Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- the Council will comply with the conditions attached to the payments; and
- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Business Improvement Districts (BID)

The Council acts as an agent for the Cathedral Quarter Business Improvement District Company and the St Peter's Quarter Business Improvement District Company. The only amounts recognised in the Council's Comprehensive Income and Expenditure Statement for the BID schemes are contributions made by the Council and BID levy collection costs and are shown within the relevant service line(s) of the Cost of Services section.

xii. Heritage Assets

Tangible and Intangible Heritage Assets (described in this summary of significant accounting policies as heritage assets)

Heritage assets are assets that are held by the Council principally for their contribution to knowledge or culture. Most of the heritage assets held by the Council are included in the collections of assets and artefacts either exhibited or stored in the Council's Museums and Art Galleries.

Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets as detailed below. The accounting policies in relation to heritage assets that are deemed to include elements of intangible heritage assets are also presented below.

The Council's heritage asset collections are relatively static and acquisitions and donations are rare. Where they do occur acquisitions are initially recognised at cost and donations are recognised at valuation, using the appropriate methodology for the specific collection. Single item acquisitions below £10,000 are not recognised on the Council’s Balance Sheet in line with the Council’s de minimis threshold for capitalisation.

Unless otherwise detailed below for a specific collection, all heritage assets are reported in the Balance Sheet at insurance valuation. These insurance valuations are reviewed by internal subject experts on an annual basis to reflect any changes for damage, authenticity or deterioration in condition.

Where valuations are not available and the cost of obtaining valuations would be disproportionate to the benefits to the users of the Statement of Accounts, the assets are not recognised on the Balance sheet.

Where the Council's heritage assets are recognised on the balance sheet, they are deemed to have indeterminate lives and a high residual value and therefore the Council does not consider it appropriate to charge depreciation.
The Council's most significant collections of heritage assets are accounted for as follows:

- **Art Collection**

The art collection includes paintings, drawings and sculptures and is reported in the Balance Sheet at insurance valuations. The most significant element of the Council's art collection is its collection of Joseph Wright oil paintings. These were revalued for insurance purposes in 2011/12 by Sotheby's.

- **Decorative Art Collection**

The Council's collection of decorative art includes a wide range of pieces such as textiles, ceramics and porcelain works. These items are reported in the Balance Sheet at insurance valuation.

- **Industrial Collection**

The Council has a collection of industrial heritage artefacts, most notably to do with the city’s aeronautical and engineering history. These items are included in the Balance Sheet at insurance valuation.

- **Natural History Collection**

The natural history collection includes a range of flora and fauna artefacts and a biological records database. The collection is included on the Balance Sheet at insurance valuation.

- **Military Collection**

The Council also has a collection of historic military artefacts, including a collection of 9th and 12th Century Lances. These items are reported in the Balance Sheet at insurance valuation.

- **Civic Regalia**

The Council owns a collection of civic regalia, including items such as the Mayor's chain and mace, as well as dinner services and other decorative items. These items are included in the Balance Sheet using insurance valuations and are revalued on a periodic basis.

- **Sculptures/Monuments**

The Council's Sculptures/Monuments collection includes items from various locations across the city, such as parks and public areas. The Council does not consider that reliable cost or valuation information can be obtained for the items held in its sculptures/monuments collection. This is because of the diverse nature of the assets held and lack of comparable market values. Consequently, the Council does not recognise these assets on the balance sheet.

- **Other Collections**

The Council has a number of other minor collections of heritage artefacts, including archaeological artefacts, historic coinage and costumes. Where reliable information is available, these items are reported in the Balance Sheet at insurance valuation.

Heritage Assets - General

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment - see note xxii in this summary of significant accounting policies.

The trustees of the Council's Museums and Art Galleries will occasionally dispose of heritage assets which have a doubtful provenance or are unsuitable for public display. The proceeds of such items are accounted for in accordance with the Council's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts (see notes xxii and xxvii in this summary of significant accounting policies).

xiii. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licenses) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired. Any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceed greater than £10,000) the Capital Receipts Reserve.

xiv. Interests in Companies and Other Entities

The Council has material interests in companies and other entities that have the nature of subsidiaries associates and jointly controlled entities and require it to prepare group accounts. In the Council's own single-entity accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses.

xv. Inventories and Long Term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using either an average cost or first in first out (FIFO) costing formula, depending on which method is most appropriate.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

xvi. Investment Property

Investment properties are those that are used solely to earn rentals and/or capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services of production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are valued annually according to market conditions at the year end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

xvii. Jointly Controlled Operations and Jointly Controlled Assets

Jointly controlled operations are activities undertaken by the Council in conjunction with other ventures that involve the use of the assets and resources of the ventures rather than the establishment of a separate entity. The Council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure its incurs and the share of income it earns from the activity of the operation.

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Council and other ventures, with the assets being used to obtain benefits for the other ventures. The joint venture does not involve the establishment of a separate entity. The Council accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of if its interest in the joint venture and income that it earns from the venture.

xviii. Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

xix. The Council as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:
- a charge for the acquisition of the interest in the property, plant or equipment applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement)

Property, Plant and Equipment assets recognised under finance leases are accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. if there is a rent-free period at the commencement of the lease).

xx. The Council as Lessor

Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of the disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property - applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by Statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

xxi. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2013/14 (SeRCOP). The total absorption costing principle is used - the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:
1) Corporate and Democratic Core - costs relating to the Council's status as a multi-functional, democratic organisation.
2) Non Distributed Costs - the cost of discretionary benefits awarded to the employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

xxii. Property, Plant and Equipment

Assets that have physical substance and are held for use in production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment - PPE.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains, but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Where the Council incurs capital spend on or revalues any property, plant and equipment this is reviewed to determine whether there are any material components. An identifiable component within a main asset (e.g. a lift within a building) is recognised separately and accounted for like any other piece of property, plant and equipment. For relevant asset categories, excluding Council Dwellings, the Council only reviews material components where the main asset has a gross book value of £3 million or greater. Individual components are only recognised where they represent a significant proportion (25% or greater) of the main asset. For Council Dwellings, the Council has applied the componentisation requirements under HRA Self-Financing regulations introduced for 2013/14. The Council now applies 10 component categories to Council Dwellings with a range of Useful Economic Lives (UEL) between 13 and 60 years. This change in UEL has a subsequent impact on depreciation for each component.

In accordance with the Code of Practice 2013/14, Property, Plant and Equipment assets are only recognised if it is probable that future economic benefits or service potential associated with the item will flow to the Council. The PPE assets of the Council's Community, Voluntary Controlled and Foundation schools are considered to meet the IFRS definition for recognition and are included in the Council's balance sheet. As Voluntary Aided and Academy schools are not owned or fully funded by the Council, they are not considered to meet the recognition criteria and are therefore not included in the Council's Balance Sheet.

Measurement

Assets are initially measured at cost, comprising:
1) The purchase price
2) Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
3) Where relevant, the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

- Infrastructure, community assets and assets under construction - depreciated historical cost
- Dwellings - fair value, determined using the basis of existing use value for social housing (EUVSH)
- All other assets - fair value, determined as the amount that would be paid for the asset in its existing use (existing use value - EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

- 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).
- Where there is no balance in the Revaluation Reverse or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:
- 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)
- Where there is no balance in the Revaluation Reverse or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction). Depreciation is not charged in the year of acquisition but is applied in the year of disposal.

Depreciation is calculated on the following bases:
- Dwellings and other buildings - straight-line allocation over the useful life of the property as estimated by the Valuer (usually 50 years, Council Dwelling roof components 60 years)

- Vehicles, plant, furniture and equipment - a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer (usually between 3 and 20 years)

- Infrastructure - straight-line allocation over 40 years.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable, based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale, adjusted for depreciation, amortisation or revaluations that would have been recognised had they not be classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be 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 appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against Council Tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

xxiii. Private Finance Initiative (PFI) and Similar Contracts

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI schemes, and as ownership of the property, plant and equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

Non current assets recognised on the Balance Sheet are revalued and depreciated in the same way as Property, Plant and Equipment owned by the Council.

The amounts payable to the PFI operators each year are analysed into five elements:
- Fair value of the services received during the year - debited to the relevant service in the Comprehensive Income and Expenditure Statement.

- Finance cost - an interest charge of 5.21% - 5.31% on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- Contingent rent - increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- Payment towards liability - applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease).
- Lifecycle replacement costs - proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

xxiv. Provisions, Contingent Liabilities and Contingents Assets

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential and a reliable estimate an be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year - where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

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

The Council has made provision for the payment of Equal Pay claims. Statutory arrangements allow settlements to be financed from the General Fund and HRA in the year that the payments actually take place, not when the provision is established. The provision made is therefore balanced by an Equal Pay Back Pay Account created from amounts credited to the General Fund and HRA balances in the year that the provision was made or modified. The balance on the Equal Pay Back Pay Account will be debited back to the General Fund and HRA balances in the Movement in Reserves Statement in future financial years as payments are made.

Contingent Liabilities

A contingent liability arises where an event has taken place that give 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 circumstance where a provision would otherwise be made but either is not probable than an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

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.

xxv. Carbon Reduction Allowances

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

xxvi. Reserves

The Council sets aside specific amounts as reserves for future policy purposes to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement, so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits, and do not represent usable resources for the Council - these unusable reserves are explained in the relevant policies.

xxvii. Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions, but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account, then reverses out the amounts charged, so that there is no impact on the level of council tax.

xxviii. Accounting for Local Government Schools

The treatment of land and buildings for each type of school is based on the legal framework underlying each type of school. The Council controls the management and running of community, special and voluntary controlled schools and therefore the land and buildings of those schools are separately shown on the Council's balance sheet. The land and buildings of foundation schools are shown on the balance sheet of the Council as the Council fully funds the school and is responsible for financial reporting. The land and buildings of voluntary aided schools are owned and controlled by the trustees of the schools and are therefore not shown on the Council's balance sheet.

All activities of community, special, foundation and voluntary controlled schools are accounted for by the Council. For example, capital expenditure is added to the balances for those schools. Capital expenditure on voluntary aided schools is treated as "REFCUS" (Revenue from Capital under Statute") expenditure and written off each year to the Comprehensive Income and Expenditure Statement within Education and Children's services.

The Dedicated Schools Grant is allocated between central Council Budget and budgets allocated to individual schools ("delegated school budgets"). Expenditure from central Council budgets and delegated schools budgets is charged to the Comprehensive Income and Expenditure Statement under Education and Children's services.

Individual schools' balances at 31st March 2014 are included in the balance sheet of the Council as any unspent delegated schools budgets remain the property of the Council.

PFI Schemes

The Council has a number of schools subject to PFI contracts. The PFI buildings for community, foundation and voluntary controlled schools are shown on the Council's balance sheet.

The PFI liabilities in respect of all PFI schools remain on the Council's balance sheet as the Council is the party to the contract with the PFI Operator.

xxix. VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

3. Accounting Standards that have been issued but have not yet been adopted

The Council is required to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

The Code of Practice introduces a number of changes in accounting policy that will need to be fully adopted in the 2014/15 Statement of Accounts. If these had been adopted for the 2013/14 financial year there would be no material changes.

IFRS10 Consolidated Statement

This standard introduces a new definition of 'control' which is used to define the group boundary. This is used to determine which entity accounts are consolidated into the Councils group accounts. The Council currently has one subsidiary, Derby Homes, which is wholly owned and has been consolidated into the accounts. There are no other entities that would be consolidated under the new definition.

IFRS11 Joint Arrangements

This standard introduces new definitions for Joint Arrangements and reduces the classification from three to two, Joint Operations and Joint Ventures. The Council currently has no joint arrangements to disclose.

IFRS12 Disclosures of Interests in Other Entities

IFRS12 requires disclosure of interests in subsidiaries, associates and joint ventures. The

Derby Homes is a wholly owned Arms Length Management Association (ALMO) incorporated by the Council in 2002. Derby Homes manages and maintains the Council's HRA housing stock including collection of rent and delivery of the repairs and maintenance programme.

IAS 27 Separate Financial statements - IAS 8 Investments in Associates and Joint Ventures

These standards have been amended in line with the changes to IFRS10, IFRS11 and IFRS12. As these changes resulted in no amendments to the financial statements there is no impact from IAS27 and IAS 28.

IAS 32 Financial Instruments Presentation

Amendments have been made to this standard clarify the guidance and application for offsetting assets and liabilities. It also requires additional disclosures to be made. The Council has not offset assets and liabilities and so no further disclosure is required.

IAS 1 Presentation of Financial Statements

The changes clarify the disclosure of prior year comparator information. The Statement of Accounts disclosures all comparator information and so this will have no impact.

4. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 2, the Council has made certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

1) Government Funding:
There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.

2) PFI Schemes:
The Council has five PFI schemes in operation which are included within the Statement of Accounts. In all cases, judgements have been made about the nature and timing of future project expenditure given the complexity of projects. The actual profiling of future project costs may be subject to change due to unforeseen circumstances. Further details of the Council's PFI schemes are included in Note 25.

3) Provisions:
The Council has set aside a number of provisions in 2013/14. These provisions include amounts for third party public and employee liability claims, identified redundancy and retirement costs, NDR appeals and equal pay claims. In each case, the Council has estimated the likely liability based on the most up to date information available. Further details of the Council's provisions are included in Note 33.

4) Contingent Liabilities:
The Council has identified four contingent liabilities for the 2013/14 year. In each case, the estimated level of uncertainty means that no transactions have been included within these accounts. Further details are included in Note 44.

5) Leases:
The Council has a number of leases, both as a lessee and lessor, which have been classified within the Accounts as being either finance or operating leases. A number of criteria have been used to form a judgement on the classification of each lease, including assessing whether the net present value of lease payments/rental income amounts to substantially all of the fair value of the leased asset and whether the lease term is for the major part of the economic life of the asset. Further details of the Council's leases are included in Note 24.

6) Investment Properties:
The Council holds a number of fixed assets for investment purposes. These are defined as assets which are held by the Council solely to earn rentals or for capital appreciation or both. If any asset is held for these reasons but also for any additional purpose, then they have not been classified as investments. Assessment of the uses of assets has been carried out by the Council's Valuers. Further details of the Council's investment properties are included in Note 21.

7) Componentisation of Property, Plant and Equipment:
The Code of Practice on Local Authority Accounting 2013/14 requires that the Council

depreciates separately any part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item.

In order to identify any such significant components, the Council has made a number of assumptions with regards to materiality and the proportion of the cost of the overall asset made up by the individual components. For all relevant asset categories, excluding Council Dwellings, a materiality threshold of £3m for individual assets, and 25% for significant components were established based on the materiality of potential movement in depreciation. For Council Dwellings, the Council has applied the componentisation breakdown required under HRA Self-Financing regulations introduced for 2013/14. The Council now applies 10 component categories to Council Dwellings with a range of Useful Economic Lives (UEL) between 13 and 60 years. This change in UEL has a subsequent impact on depreciation for each component.

Council Property Officers have applied professional judgement in determining the components which need to be separated, based on estimated cost and asset lives. Where historic component information is not available, professional judgement has also been applied in forming reasonable assumptions for significance and estimated cost.

8) Valuation of Council Dwellings:
The fair value of Council Dwellings are measured to their Existing Use Value as Social Housing (EUV-SH) using the Beacon method. Under this method, the Council's Valuers split Council Dwellings into Asset groups of properties which have value-relevant uniting features, such as location, type, number of bedrooms, construction and age. Each Asset Group is then represented by a representative Beacon property , which are valued to EUV-SH in accordance with DCLG guidelines.

9) Residual Values of Property, Plant and Equipment:
The residual values of assets classified as PPE are calculated by the Council's Valuers by determining the underlying value of the land element of the asset. The fair value of the asset is established as described in IAS 16 with the land and building elements being separately considered. The residual values are calculated by direct comparison to relevant comparable evidence appropriate to the land element of the individual asset.

10) Heritage Assets:
The Code of Practice on Local Authority Accounting 2013/14 requires that the Council accounts for its tangible and intangible heritage assets in accordance with FRS 30 Heritage Assets. As a result, values for these assets are now recognised in the Council's balance sheet position, except where valuations are not available and the cost of obtaining valuations would be disproportionate to the benefits to the users of the Statement of Accounts.

The Council has identified a number of heritage asset collections where valuations are not available and it is considered the cost of obtaining valuations would be disproportionate. Further details of these collections are provided in Note 20.

11) Accounting for Schools:
Under the Education Act, the Council is required to secure sufficient schools for the provision of education for compulsory school-aged persons within their area. All fully-Council funded schools within the Derby City area are considered to ensure the Council meets this requirement, and therefore provide the Council with the service potential associated with these schools. This includes all Community, Voluntary Controlled (VC) and Foundation schools, and these are included in the Council's balance sheet.

Voluntary Aided (VA) schools are not fully funded by the Council and are therefore not considered to be solely in place to ensure the Council delivers against its requirement for school provision. Therefore, the main flow of service potential is not considered to go to the Council and the VA school assets are not recognised in the Council's balance sheet. Further details of the Council's accounting treatment for schools are provided in Note 13.

12) Pensions
The Council operates three pension schemes, The Local Government Pension Scheme, the Teachers' Pension Scheme and the NHS pension scheme. Details of the judgements and assumptions used in accounting for these schemes are provided in notes 42 and 43.

13) Equal Pay
Under the Equal Pay Act 1970, as amended by the Equal Pay Act (Amendment) Regulations 2003, employees are entitled to equal pay for work of equal value. The Council has received a number of claims under the Equal Pay Act and, as a result, has set aside a provision in the accounts. The provision is based upon the value of claims outstanding and an estimation of future claims.

5. Assumptions made about the future and other major sources of estimation uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumption and estimates. The items in the Council's Balance Sheet at 31 March 2014 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment - Depreciation	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for the 'Other land & buildings' category would increase by £0.341 million for every year that useful lives had to be reduced. Further details regarding the level of depreciation recognised by the Council is included in Note 19.
Property, Plant and Equipment - Valuation	The Council's portfolio of Other Land and Buildings is revalued as part of a 5 year rolling programme. The value of those assets is based upon calculations and estimation techniques employed by the Council's Valuers following the Royal Institute of Chartered Surveyors (RICS) guidance. Changes in asset values are largely influenced by market forces which can be volatile. Therefore it is uncertain that the Council's assets will not see a significant change in value.	Any revaluation of assets either upward or downward would be reflected in the Council's asset base. It is estimated that a 1% change in asset values would result in a change of £5.877 million.
Provisions - NDR appeals	The Council has made a provision of £9.252 million for the repayment of any successful NDR appeals upheld by the VOA. The final value of any repayments will be derived from the actual results of the VOA assessment of each individual claim.	An increase/decrease over the forthcoming year of 10% of the appeals success rate would have the effect of increasing or decreasing the provision needed by £0.925m. The impact of any variation would be shared with the preceptors of which the Council's share would be 49%.
Provisions - Equal Pay	The Council has made provision of £8.325m for the settlement of equal pay claims. There is a reasonable level of uncertainty due to the potential volume and complexity of claims. The final value of claims settled will depend on a number of factors.	A variation of 10% in the calculation would have effect of increasing or decreasing the provision by £0.83m.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	Details of the effect of changes in the key actuarial assumptions are included in note 43.
Arrears	At 31 March 2014, the Council had a balance of short-term debtors of £48.157 million. The Council has applied an impairment of doubtful debts of £18.097 million based on age of debt and historic experience of rates of recovery. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate a 10% increase in the number of bad and doubtful debts would require an additional £1.810 million to be set aside as an allowance. The Council's impairment of doubtful debts include £8.946m in relation to Council Tax and NDR based on assumed collection rates. A 1% reduction in these rates would require an additional impairment of £0.839m to be put aside.
Compensated Absences	The Council has estimated the value of accrued annual leave and flexi leave at 31 March 2014 at £4.508 million. Circumstances may subsequently arise which alter the intended leave period that the employee actually takes.	Excluding the estimated value of accrued annual leave for Teachers, if the levels of annual leave and flexi leave carried forward increased by 10% the Council would require an additional £0.091 million to be set aside as an allowance.

6. Events after the balance sheet date

The Statement of Accounts was authorised for issue by the Audit and Accounts Committee on 24th September 2014. Events taking place after this date are not reflected in the financial statements or notes.

The Council is not aware of any events that occurred between the 31 March 2014 and this authorisation date, that would require disclosure.

7. Acquired and Discontinued Operations

The Council acquired Public Health from the NHS in April 2013 following the Health and Social Care Act 2012. Derby City Council is now responsible for improving a number of aspects of health of residents within the City. Additional ring fenced grant for public health services also transferred to the Council.

8. Adjustments between accounting basis and funding basis under regulations

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 the statutory provisions as being available to the Council to meet future capital and revenue expenditure.

2013/14	Usable					Unusable
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation and impairment of non-current assets	(29,128)	(19,410)	0	0	0	48,538
Revaluation losses on Property Plant and Equipment	(24,543)	(1,707)	0	0	0	26,250
Revaluation gains matched to prior years impairments	3,903	8,965	0	0	0	(12,868)
Movements in the market value of Investment Properties	0	0	0	0	0	0
Amortisation of intangible assets	(893)	0	0	0	0	893
Capital grants and contributions applied	27,208	0	0	0	0	(27,208)
Revenue expenditure funded from capital under statute	(8,121)	(1,290)	0	0	0	9,411
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(368)	(4,470)	0	0	0	4,838
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	11,501	0	0	0	0	(11,501)
Capital expenditure charged against the General Fund and HRA balances	2,268	1,697	0	0	0	(3,965)
Adjustments for Transferred Debt	1,224	57	0	0	0	(1,281)

2013/14	Usable					Unusable
	General Fund Balance £000	**Housing Revenue Account £000**	**Capital Receipts Reserve £000**	**Major Repairs Reserve £000**	**Capital Grants Unapplied £000**	**Movement in Unusable Reserves £000**
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	7,869	0	0	0	(7,869)	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	12,635	(12,635)
Adjustment primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,161	5,845	(7,006)	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	4,610	0	0	(4,610)
Use of Capital Receipts Reserve towards administrative costs of non-current capital receipts pool	(1,004)	0	1,004	0	0	0
Transfer from deferred capital receipts reserve upon receipt of cash	0	0	(10)	0	0	10
Adjustment primarily involving the Major Repair Reserve:						
Reversal of Major Repairs Allowance credited to the HRA	0	11,452	0	(11,452)	0	0
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	10,485	0	(10,485)

2013/14	Usable					Unusable
	General Fund Balance £000	**Housing Revenue Account £000**	**Capital Receipts Reserve £000**	**Major Repairs Reserve £000**	**Capital Grants Unapplied £000**	**Movement in Unusable Reserves £000**
Adjustment primarily involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(53)	(222)	0	0	0	275
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(35,977)	(201)	0	0	0	36,178
Employers pensions contributions and direct payments to pensioners payable in the year	21,207	199	0	0	0	(21,406)
Adjustments primarily inolving the Unequal Pay Back Pay Adjustment Account:						
Amounts by which the amounts charged for Equal Pay claims to the Comprehensive Inome and Expenditure Statement are different from the costs of settle emnts chargable in the year in acordance with statutory requirements.	(8,325)	0	0	0	0	8,325
Adjustable primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	783	0	0	0	0	(783)
Adjustment primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(14)	7	0	0	0	7
Total Adjustments	**(31,302)**	**922**	**(1,402)**	**(967)**	**4,766**	**27,983**

2012/13 Comparative Figures	Usable					Unusable
	General Fund Balance (Restated) £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000 (restated)
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation and impairment of non-current assets	(46,726)	(12,605)	0	0	0	59,331
Revaluation losses on Property Plant and Equipment	(12,858)	(3,532)	0	0	0	16,390
Revaluation gains matched to prior years impairments	2,282	0	0	0	0	(2,282)
Movements in the market value of Investment Properties	0	0	0	0	0	0
Amortisation of intangible assets	(150)	0	0	0	0	150
Capital grants and contributions applied	15,771	0	0	0	0	(15,771)
Revenue expenditure funded from capital under statute	(14,327)	0	0	0	0	14,327
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(5,331)	(1,844)	0	0	0	7,175
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	10,327	0	0	0	0	(10,327)
Capital expenditure charged against the General Fund and HRA balances	3,950	1,950	0	0	0	(5,900)
Adjustments for Transferred Debt	1,346	66	0	0	0	(1,412)

2012/13 Comparative Figures	Usable					Unusable
	General Fund Balance (Restated) £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000 (restated)
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	12,167	0	0	0	(12,167)	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	17,457	(17,457)
Adjustment primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	3,293	(24)	(3,269)	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	6,115	0	0	(6,115)
Use of Capital Receipts Reserve towards administrative costs of non-current capital receipts pool	(875)	0	875	0	0	0
Transfer from deferred capital receipts reserve upon receipt of cash	0	0	(720)	0	0	720
Adjustment primarily involving the Major Repair Reserve:						
Reversal of Major Repairs Allowance credited to the HRA	0	11,791	0	(11,791)	0	0
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	6,541	0	(6,541)

2012/13 Comparative Figures	Usable					Unusable
	General Fund Balance (Restated) £000	**Housing Revenue Account £000**	**Capital Receipts Reserve £000**	**Major Repairs Reserve £000**	**Capital Grants Unapplied £000**	**Movement in Unusable Reserves £000 (restated)**
Adjustment primarily involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(53)	(176)	0	0	0	229
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(27,539)	(437)	0	0	0	27,976
Employers pensions contributions and direct payments to pensioners payable in the year	20,147	466	0	0	0	(20,613)
Adjustable primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(862)	0	0	0	0	862
Adjustment primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(40)	(9)	0	0	0	49
Total Adjustments	**(39,478)**	**(4,354)**	**3,001**	**(5,250)**	**5,290**	**40,791**

9. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Best Value Code of Practice. However, decisions about resource allocation are taken by the Council's Cabinet on the basis of budget reports analysed across directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:
1) No charges are made in relation to capital expenditure (whereas depreciation, revaluation amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
2) The cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year
3) Expenditure on some support services is budgeted for centrally and not charged to directorates

The income and expenditure of the Council's principal directorates recorded in the budget reports for the year is as follows:

Directorate Income and Expenditure 2012/13	Children and Young People (restated) £000	Adults, Health and Housing (restated) £000	Neighbour - hoods (restated) £000	Chief Executive's Office (restated) £000	Resources and Corporate Budgets (restated) £000	Total (restated) £000
Fees, charges &other service income	(24,899)	(24,115)	(42,008)	(4,366)	(16,502)	**(111,890)**
Government Grants	(167,882)	(1,235)	(704)	(795)	(109,566)	**(280,182)**
Total income	**(192,781)**	**(25,350)**	**(42,712)**	**(5,161)**	**(126,068)**	**(392,072)**
Employee expenses	157,066	22,088	33,116	4,827	19,658	**236,755**
Other service expenses	76,582	75,687	63,183	4,163	131,566	**351,181**
Support service recharges	0	0	112	0	0	**112**
Total expenditure	**233,648**	**97,775**	**96,411**	**8,990**	**151,224**	**588,048**
Net Expenditure	**40,867**	**72,425**	**53,699**	**3,829**	**25,156**	**195,976**

Directorate Income and Expenditure 2013/14	Children and Young People £000	Adults, Health and Housing £000	Neighbour - hoods £000	Chief Executive's Office £000	Resources and Corporate Budgets £000	Total £000
Fees, charges &other service income	(28,614)	(20,625)	(45,433)	(740)	(15,765)	**(111,177)**
Government Grants	(164,614)	(1,129)	(2,005)	(4,610)	(90,779)	**(263,137)**
Total income	**(193,228)**	**(21,754)**	**(47,438)**	**(5,350)**	**(106,544)**	**(374,314)**
Employee expenses	151,667	28,121	33,144	3,370	20,832	**237,134**
Other service expenses	83,028	78,393	64,248	5,473	107,081	**338,223**
Support service recharges	0	0	105	0	0	**105**
Total expenditure	**234,695**	**106,514**	**97,497**	**8,843**	**127,913**	**575,462**
Net Expenditure	**41,467**	**84,760**	**50,059**	**3,493**	**21,369**	**201,148**

Reconciliation of Directorate, Income and Expenditure to Cost of Service in the Comprehensive Income and Expenditure Statement

The reconciliation shows how the figures in the analysis of directorate income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	2012/13 £000 (restated)	2013/14 £000
Net expenditure in the Directorate Analysis	195,976	201,148
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis (including HRA)	57,208	46,595
Cost of Services in Comprehensive Income and Expenditure	**253,184**	**247,743**

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

	Directorate Analysis (restated)	Amounts not reported to management for decision making (restated)	Allocation of Recharges (restated)	Cost of Services (restated)	Corporate Amounts (restated)	Derby City Council Total (restated)	Derby Homes (restated)	Group Total (restated)
2012/13	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Fees, charges &other service income	(111,890)	(54,564)	(32,490)	**(198,944)**	0	**(198,944)**	(30,062)	**(229,006)**
Interest and Investment Income	0	0	0	**0**	(293)	**(293)**	0	**(293)**
Redistribution of Non-Domestic Rates	0	0	0	**0**	(103,606)	**(103,606)**	0	**(103,606)**
Income from Council Tax	0	0	0	**0**	(81,117)	**(81,117)**	0	**(81,117)**
Government Grants and Contributions	(280,182)	0	0	**(280,182)**	(65,448)	**(345,630)**	0	**(345,630)**
Total income	**(392,072)**	**(54,564)**	**(32,490)**	**(479,126)**	**(250,464)**	**(729,590)**	**(30,062)**	**(759,652)**
Employee expenses	236,755	1,548	155	**238,458**	12,555	**251,013**	13,257	**264,270**
Other service expenses	351,181	21,597	32,335	**405,113**	0	**405,113**	15,335	**420,448**
Support service recharges	112	4	0	**116**	0	**116**	0	**116**
Depreciation, amortisation and impairment	0	88,623	0	**88,623**	0	**88,623**	396	**89,019**
Interest payments	0	0	0	**0**	18,842	**18,842**	12	**18,854**
Housing Capital Receipts Pooling	0	0	0	**0**	875	**875**	0	**875**
Gain or Loss on Disposal of Fixed Assets	0	0	0	**0**	3,908	**3,908**	0	**3,908**
Total expenditure	**588,048**	**111,772**	**32,490**	**732,310**	**36,180**	**768,490**	**29,000**	**797,490**
Surplus or deficit on the provision of services	**195,976**	**57,208**	**0**	**253,184**	**(214,284)**	**38,900**	**(1,062)**	**37,838**

2013/14	Directorate Analysis	Amounts not reported to management for decision making	Allocation of Recharges	Cost of Services	Corporate Amounts	Derby City Council Total	Derby Homes	Group Total
	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges &other service income	(111,177)	(63,650)	(25,671)	**(200,498)**	0	**(200,498)**	(32,296)	**(232,794)**
Interest and Investment Income	0	0	0	**0**	(586)	**(586)**	0	**(586)**
RSG	0	0	0	**0**	(75,794)	**(75,794)**	0	**(75,794)**
Retained Business Rates	0	0	0	**0**	(37,759)	**(37,759)**	0	**(37,759)**
Business Rate Top Up grant	0	0	0	**0**	(12,667)	**(12,667)**	0	**(12,667)**
Income from Council Tax	0	0	0	**0**	(70,845)	**(70,845)**	0	**(70,845)**
Government Grants and Contributions	(263,137)	0	0	**(263,137)**	(70,069)	**(333,206)**	0	**(333,206)**
Total income	**(374,314)**	**(63,650)**	**(25,671)**	**(463,635)**	**(267,720)**	**(731,355)**	**(32,296)**	**(763,651)**
Employee expenses	237,134	1,240	241	**238,615**	14,093	**252,708**	13,772	**266,480**
Other service expenses	338,223	26,488	25,430	**390,141**	0	**390,141**	18,472	**408,613**
Support service recharges	105	1,185	0	**1,290**	0	**1,290**	0	**1,290**
Depreciation, amortisation and impairment	0	81,332	0	**81,332**	0	**81,332**	370	**81,702**
Interest payments	0	0	0	**0**	20,261	**20,261**	67	**20,328**
Housing Capital Receipts Pooling	0	0	0	**0**	1,004	**1,004**	0	**1,004**
Gain or Loss on Disposal of Fixed Assets	0	0	0	**0**	(2,141)	**(2,141)**	0	**(2,141)**
Total expenditure	**575,462**	**110,245**	**25,671**	**711,378**	**33,217**	**744,595**	**32,681**	**777,276**
Surplus or deficit on the provision of services	**201,148**	**46,595**	**0**	**247,743**	**(234,503)**	**13,240**	**385**	**13,625**

10. Other operating expenditure

2012/13 £000		2013/14 £000
875	Payments to the Government Housing Capital Receipts Pool	1,004
3,908	Gains/losses on the disposal of non-current assets	(2,141)
4,783	**Total**	**(1,137)**

11. Financing and investment income and expenditure

2012/13 (restated) £000		2013/14 £000
18,907	Interest payable and similar charges	20,305
12,555	Net interest on the net defined benefit liability	14,093
(293)	Interest receivable and similar income	(586)
(65)	Income and expenditure in relation to investment properties and changes in their fair value	(44)
31,104	**Total**	**33,768**

12. Taxation and Non-Specific Grant Income

2012/13 £000		2013/14 £000
(81,978)	Council tax income	(70,535)
861	Share of prior year Collection Fund Surplus	(310)
(103,606)	Revenue Support Grant	(75,794)
0	Retained Business Rates	(37,759)
0	Business Rates Retention Top Up Grant	(12,667)
(36,453)	Non-ring-fenced government grants	(35,079)
(28,995)	Capital grants and contributions	(34,990)
(250,171)	**Total**	**(267,134)**

13. Accounting for Local Government Schools

The Council has the following maintained schools:

	Community	Voluntary Controlled	Voluntary Aided	Foundation	Special	**Total**
Number of schools, (including nursery schools and excluding PFI schools)	61	1	9	5	6	**82**
Value of land and buildings at 31st March 2014	£247.3m	£1.1m	£0.4m	£95.2m	£23.6m	**£367.6m**
Number of schools subject to PFI contracts	4	0	0	2	0	**6**
Value of land and buildings at 31st March 2014	£11.6m	0	0	£66.7m	0	**£78.3m**

The treatment of land and buildings for each type of school is based on the legal framework underlying each type of school. The Council controls the management and running of community, special and voluntary controlled schools and therefore the land and buildings of those schools are shown on the Council's balance sheet. The land and buildings of foundation schools are also shown on the balance sheet as the Council fully funds the school and is responsible for financial reporting. The land and buildings of voluntary aided schools are owned and controlled by the trustees of the schools and are therefore not shown on the Council's balance sheet.

Capital expenditure on community, special, foundation and voluntary controlled schools is added to the balances for those schools as reported in Note 19. Capital expenditure on voluntary aided schools is treated as Revenue Expenditure Funded from Capital under Statute and written off each year to the Comprehensive Income and Expenditure Statement within Education and Children's services.

The Council receives Dedicated Schools Grant ("DSG") for all it's maintained schools and therefore includes both income and expenditure items within the accounts for all schools including those not shown on the balance sheet.

Dedicated Schools Grant ("DSG") is credited to the Comprehensive Income and Expenditure Statement within Taxation and Non Specific Grant Income based on amounts due from the Department for Education for 2013/14.

The DSG is allocated between central Council Budget and budgets allocated to individual schools ("delegated school budgets"). Expenditure from central Council budgets and delegated schools budgets is charged to the Comprehensive Income and Expenditure Statement under Education and Children's services. Further details regarding the Council's DSG allocation are provided in Note 14.

Individual schools' balances at 31st March 2014 are included in the balance sheet of the Council under the heading Usable Reserves.

PFI Schemes
The Council has 4 schools as part of its Grouped Schools PFI contract. The buildings for community and voluntary controlled schools are shown on the Council's balance sheet with the related liability.

The Council previously had 5 schools under this contract, but one of these converted to Academy status in 2011/12. The building assets for the school were transferred to the Academy and treated as a disposal within the Council's Statement of Accounts.

The PFI liabilities in respect of all 5 PFI Grouped Schools remains on the Council's balance sheet as the Council is the party to the contract with the PFI Operator.

The Council also has one school which is subject to its BSF PFI contract. This school, and the associated PFI liabilities, are also shown on the Council's Balance Sheet.

14. Dedicated Schools Grant

The Council’s expenditure on schools is funded primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2011. 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.

Details of the deployment of DSG receivable for 2013/14 are as follows .

Schools Budget Funded by Dedicated Schools Grant			
	Central Expenditure	**Individual Schools Budget**	**Total**
	£000	**£000**	**£000**
Final DSG for 2013/14 before Academy recoupment			(193,083)
Academy figure recouped for 2013/14			41,805
Total DSG after Academy recoupment for 2013/14			**(151,278)**
plus: brought forward from 2012/13			(844)
less: Carry-forward to 2014/15 agreed in advance			**0**
Agreed initial budgeted distribution in 2013/14	(15,628)	(136,494)	**(152,122)**
In year adjustments	(234)	234	**0**
Final budget distribution for 2013/14	(15,862)	(136,260)	**(152,122)**
Actual central expenditure	17,304		**17,304**
Actual ISB deployed to schools		136,260	**136,260**
Carried forward to 2014/15	1,442	0	**1,442**

15. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2013/14

	2012/13 £000	2013/14 £000
Credited to Taxation and Non Specific Grant Income		
Non Specific Grants	23,982	11,738
Public Health Grant	0	13,167
Revenue Support Grant	2,008	0
PFI Grant	6,384	8,296
Council Tax Freeze Grant	2,049	0
Housing Benefit Administration	2,030	1,878
Capital Grants	28,995	34,990
Total	**65,448**	**70,069**
Credited to Services		
Housing Benefit Subsidy	55,998	52,801
Council Tax Benefit	17,891	25
Rent Rebate - Housing Benefit	33,134	33,901
Social Care	587	1,914
Early Years and Sure Start	222	10
YPLA & Learning and Skills	7,231	6,491
Standards Fund	6,225	9,118
Dedicated Schools Grant	156,921	151,278
Further Education Funding Council	240	39
Youth Justice Board	565	674
Street Lighting PFI	938	2,874
Arts Council	196	0
Other Neighbourhood Revenue Grants	1,678	2,561
Other	990	992
Other Adults, Health & Housing Revenue Grants	552	376
Other Corporate Grants	380	1,169
Other Resources Grants	1,260	464
Total	**285,008**	**264,687**

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that had not been met at the Balance Sheet date which may require the monies or property to be returned to the giver. The balances at the year-end are:

	2012/13 £000	2013/14 £000
Capital Grants Receipts in Advance		
Children & Young People (CYP) Grants	167	1,647
CYP Primary Capital Programme Grant	1,863	1,863
CYP Extended Schools Capital Grant	66	66
Housing Revenue Account (HRA) Grants	209	210
HRA HCA New Build Grant	54	18
Housing General Fund (HGF) Grants	0	150
Regional Growth Fund	31	21
HGF Housing Intelligence 4 East Midlands - CLG Grant	240	240
Neighbourhoods Grants	43	3,632
DfT Connecting Derby Grant	29	29
School's Devolved Contributions	1,028	1,000
Section 106 contributions	4,717	4,815
Capital Receipts - CPO	116	237
Total	**8,563**	**13,928**

16. Trading Operations

The Council has one trading unit, the provision of golfing facilities on two sites within Derby, operated on a commercial basis. The trading objective is to breakeven, whilst also achieving the Council's wider objectives. The catering trading unit and building cleaning / caretaking trading unit ceased to be operated as trading accounts on 1 April 2013.

	2012/13 £000	2013/14 £000
Building Cleaning / Caretaking		
Turnover	(776)	0
Expenditure	957	0
Deficit	181	0
Catering		
Turnover	(54)	0
Expenditure	50	0
(Surplus)/Deficit	(4)	0
Golf		
Turnover	(385)	(335)
Expenditure	547	481
Deficit	162	146

Cumulative surplus over last two financial years:

	2012/13 £000	2013/14 £000
Turnover	(1,211)	(335)
Expenditure	1,558	481
FRS17/IAS19 Pensions Adjustment	(20)	0
Deficit	327	146

Trading operations are incorporated into the Comprehensive Income and Expenditure Statement. Golf services is now the only Trading Account and is a service to the public.

17. External Audit Costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by Grant Thornton, the Council's external auditors:

	2012/13 £000	2013/14 £000
Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor for the year	189	190
Fees payable to Grant Thornton for the certification of grant claims and returns for the year	80	44
Refund from Audit Commission in respect of IFRS transformation	(17)	0
Total	**252**	**234**

18. Pooled Budgets

The Council has entered into a pooled budget arrangement with Southern Derbyshire Clinical Commissioning Group to provide an integrated disabled children's service (IDCS) across Derby City. The IDCS pooled budget operates under Section 75 of the National Health Service Act and the Council acts as the host partner. The pooled budget hosts the grant Aiming High for Disabled Children which became fully operational during 2009/10, however there has been no extra allocation to the IDCS and, therefore, this has not affected the pooled budget. The Council's contribution to the budget in 2013/14 was £1,052,000. Income and expenditure for the 2013/14 financial year was as follows:

	2012/13 £000		2013/14 £000	
Funding provided to the pooled budget:				
Derby City Council	(998)		(1,052)	
Derby City SDCCG	(971)		(1,011)	
		(1,969)		**(2,063)**
Expenditure met from the pooled budget:				
Residential Services	1,025		1,090	
Community Service Team (Outreach service)	266		311	
Disability and Fieldwork Social Work services	5		1	
Management and Administration	621		635	
		1,917		**2,037**
Net deficit/(surplus) arising on the pooled budget during the year		**(52)**		**(26)**
Council share of the net surplus arising on the pooled budget		**(26)**		**(13)**

The purpose of the IDCS pooled budget is to provide a range of services for disabled children which include:

- Residential overnight short breaks
- Community activities and family support
- Nursery, early years and group work for under 5's
- Assessment and care planning
- Provision of equipment and aids
- Emergency support to families

The objective of the IDCS are to:

- support and prevent family breakdown
- prevent children requiring tier 4 services (hospitalisation / public care)
- support families through crisis
- promote independence and develop skills of the children
- quality assure packages of support
- enable children to live safely in appropriate environments
- provide early years education for babies and toddlers who may be prevented from accessing provision due to their complex health and disability needs

19. Property, Plant and Equipment

a) Movements on Balances

Movements in 2012/13	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets under Construction (Restated) £000	Total Property, Plant & Equipment £000	PFI Assets Included in Property, Plant & Equipment (Restated) £000
Cost of Valuation at 1 April 2012	**317,192**	**530,618**	**86,500**	**182,610**	**17,884**	**11,201**	**45,293**	**1,191,298**	**52,739**
Restatement of Opening Balances	(129,529)	(1,028)	129,529	(50)	0	(378)	0	**(1,456)**	0
Recategorisations	129	39,259	249	427	42	17	(38,276)	**1,847**	0
Additions (Restated)	4,383	67,397	20,030	6,677	239	0	23,214	**121,940**	40,503
Revaluation increases/(decreases) recognised in the Revaluation Reserve	2,473	(3,513)	8,852	0	0	0	0	**7,812**	283
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(3,509)	(39,788)	0	0	0	(17)	0	**(43,314)**	0
Derecognition - disposals	0	(5,280)	(3,686)	0	0	0	0	**(8,966)**	0
Assets reclassified (to)/from Held for Sale	(945)	(1)	(873)	0	0	(130)	0	**(1,949)**	0
Other movements in cost or valuation	0	0	(4,694)	0	0	0	0	**(4,694)**	0
At 31 March 2013	**190,194**	**587,664**	**235,907**	**189,664**	**18,165**	**10,693**	**30,231**	**1,262,518**	**93,525**

Movements in 2012/13:	Council Dwellings (restated) £000	Other Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets under Construction £000	Total Property, Plant & Equipment £000	PFI Assets Included in Property, Plant & Equipment (Restated) £000
Accumulated Depreciation and Impairment at 1 April 2012	**(6,275)**	**(51,873)**	**(27,970)**	**(30,194)**	**(522)**	**(1,365)**	**0**	**(118,199)**	**(2,166)**
Restatement of Opening Balances	2,180	102	(2,180)	14	0	0	0	**116**	0
Recategorisations	(25)	67	(42)	0	0	0	0	**0**	0
Depreciation charge	(4,149)	(15,013)	(11,849)	(3,891)	0	0	0	**(34,902)**	(1,729)
Depreciation written out of the Revaluation Reserve	0	13,677	87	0	0	0	0	**13,764**	0
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	3,231	80	0	0	0	0	**3,311**	695
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(2,893)	2,915	(142)	0	0	0	0	**(120)**	0
assets reclassified (to)/from Held for Sale	21	(21)	0	0	0	0	0	**0**	0
Derecognition - disposals	0	269	3,579	0	0	0	0	**3,848**	0
Other movements in depreciation and impairment	0	0	0	0	0	0	0	**0**	0
At 31 March 2013	**(11,141)**	**(46,646)**	**(38,437)**	**(34,071)**	**(522)**	**(1,365)**	**0**	**(132,182)**	**(3,200)**
Net Book Value									
At 31 March 2013	**179,053**	**541,018**	**197,470**	**155,593**	**17,643**	**9,328**	**30,231**	**1,130,336**	**90,325**
At 1 April 2012	**310,917**	**478,745**	**58,530**	**152,416**	**17,362**	**9,836**	**45,293**	**1,073,099**	**50,573**

Movements in 2013/14:	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets under Construction £000	Total Property, Plant & Equipment £000	PFI Assets Included in Property, Plant & Equipment £000
Cost of Valuation at 1 April 2013	**190,194**	**587,664**	**235,907**	**189,664**	**18,165**	**10,693**	**30,231**	**1,262,518**	**93,525**
Restatement of Opening Balances	(6,992)	(5,466)	(7,877)	(2,165)	(522)	(1,365)	0	**(24,387)**	11,631
Recategorisations	0	13,457	1,349	479	54	0	(17,074)	**(1,735)**	0
Additions	12,058	29,290	8,319	2,049	190	0	46,464	**98,370**	15,899
Revaluation increases/(decreases) recognised in the Revaluation Reserve	10,613	108,769	(2,136)	0	0	(494)	0	**116,752**	9,122
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(1,824)	(25,595)	0	0	0	(48)	0	**(27,467)**	(16,836)
Derecognition - disposals	0	0	(2,782)	0	0	0	0	**(2,782)**	0
Assets reclassified (to)/from Held for Sale	(1,824)	(388)	(1,676)	0	0	(1,000)	0	**(4,888)**	0
Other movements in cost or valuation	256	911		0	0	888	0	**2,055**	997
At 31 March 2014	**202,481**	**708,642**	**231,104**	**190,027**	**17,887**	**8,674**	**59,621**	**1,418,436**	**114,338**

Movements in 2013/14	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets under Construction £000	Total Property, Plant & Equipment £000	PFI Assets Included in Property, Plant & Equipment £000
Accumulated Depreciation and Impairment at 1 April 2013	**(11,141)**	**(46,646)**	**(38,437)**	**(34,071)**	**(522)**	**(1,365)**	**0**	**(132,182)**	**(3,200)**
Restatement of Opening Balances	6,988	5,476	7,878	2,162	523	1,365	0	**24,392**	0
Recategorisations	0	0	0	0	0	0	0	**0**	0
Depreciation charge	(3,937)	(16,716)	(13,924)	(4,225)	(152)	0	0	**(38,954)**	(1,519)
Depreciation written out to the Revaluation Reserve	3,071	8,267	7,168	0	0	0	0	**18,506**	2,370
Depreciation written out to the Surplus/Deficit on the Provision of Services	1,148	2,870	0	0	0	0	0	**4,018**	0
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	106	0	0	0	0	0	**106**	0
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	42	0	0	0	0	0	**42**	0
Assets reclassified (to)/from Held for Sale	0		0	0	0	0	0	**0**	0
Derecognition - disposals	0		2,593	0	0	0	0	**2,593**	0
Other movements in depreciation and impairment	(28)	90	70	0	0	0	0	**132**	0
At 31 March 2014	**(3,899)**	**(46,511)**	**(34,652)**	**(36,134)**	**(151)**	**0**	**0**	**(121,347)**	**(2,349)**
Net Book Value									
At 31 March 2014	**198,582**	**662,131**	**196,452**	**153,893**	**17,736**	**8,674**	**59,621**	**1,297,089**	**111,989**
At 1 April 2013	**179,053**	**541,018**	**197,470**	**155,593**	**17,643**	**9,328**	**30,231**	**1,130,336**	**90,325**

b) Depreciation
The following useful lives and depreciation rates have been used in the calculations of depreciation:
Council Dwellings - 50 years
Other Land and Buildings - 50 years
Vehicles, Plant, Furniture & Equipment 3 - 40 years
Infrastructure - 40 years

c) Capital Commitments

As at 31 March 2014 the Council had entered into a number of contracts for the enhancement of property, plant and equipment with future costs estimated as £33.418 million. The equivalent figure as at 31 March 2013 was £12.504 million.The major commitments are summarised by directorate:

Strategy Area	2013/14 £000
Schools	106
Highways & Transport	3,059
Housing	10,489
Property	998
Streetpride	85
Parks	710
Regeneration	12,340
ICT	5,614
Flood Defence	10
Strategic projects	7
Total	**33,418**

The Council's capital commitments include the following significant balances for ongoing capital schemes:

Strategy Area	Scheme	Commitment £000
ICT	Investment in new efficiency generating technologies	2,508
Regeneration	Innovation Campus, purpose built business centre for SMEs	9,447
HRA	Construction of new extra car scheme at Bath St Mills	9,042
Highways and Transport	Complete reconstruction of London Rd Bridge	2,248

d) Revaluation

The Council carries out a rolling programme for its Property, Plant and Equipment assets which are measured at fair value is revalued at least every five years. All valuations were carried out internally by qualified valuers employed by the Council. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market or latest list price adjusted for the condition of the asset.

The significant assumptions applied in estimating the fair values are:

1) Rolling Programme of Valuations - Our rolling programme of asset valuations comprises the valuation of 20% of the asset register on an annual basis. The rolling programme of valuations now applies to the assets classified as Property Plant and Equipment as specified in IAS 16. All assets have been valued at Fair Value as described in the RICS Guidance Notes. The Property Plant and Equipment assets have been valued at Fair Value (Existing Use Value). The effective date for these valuations is 1st April 2013.

2) Housing Revenue Account - The assets held in the Housing Revenue Account, which include the residential properties let to Housing Associations and the Shared Ownership residential properties, have been valued using the guidance from DCLG as described in the Guidance for Valuers 2010. The adjustment factor applicable for the East Midlands as contained within this guidance is 34% and this has been applied to the relevant asset valuations.

3) De minimus - The de minimus level adopted for the 2013/14 revaluation is £50,000. All assets have been valued but a valuation report has not been produced for those assets with a Fair Value below £50,000.

	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Heritage Assets £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets under Construction £000	**Total Property, Plant & Equipment £000**
Carried at Historical Cost	0	0	231,104	72,091	190,027	17,887	0	59,621	570,730
Valued at Fair Value as at:									
31 March 2010	0	26,553	0	0	0	0	3,409	0	29,962
31 March 2011	0	44,119	0	0	0	0	0	0	44,119
31 March 2012	0	20,874	0	0	0	0	0	0	20,874
31 March 2013	0	77,631	0	0	0	0	1,940	0	79,571
31 March 2014	202,481	539,464	0	3,380	0	0	3,325	0	748,650
Total cost or Valuation	202,481	708,642	231,104	75,471	190,027	17,887	8,674	59,621	1,493,907

20. Heritage Assets

Heritage Assets consist of the Council's collections of art, decorative art, industrial heritage artifacts, natural history, military artefacts, civic regalia, sculptures/monuments and other minor collections. For further information on Derby City Council's Heritage Assets please see section xii of note 2 - Accounting Policies.

Reconciliation of the Carrying Value of Heritage Assets Held by the Council

	Civic Regalia £000	Art Collection £000	Decorative Art Collection £000	Industrial Collection £000	Natural History Collection £000	Other £000	Total £000
Cost or Valuation							
01 April 2010	**608**	**39,179**	**3,892**	**1,320**	**1,167**	**3,630**	**49,796**
Additions	0	25	0	0	0	10	**35**
31 March 2011	**608**	**39,204**	**3,892**	**1,320**	**1,167**	**3,640**	**49,831**
Disposals	0	0	0	(124)	0	0	**(124)**
Revaluations	0	27,688	0	0	0	0	**27,688**
Impairment Losses / (reversals) recognised in the Revaluation Reserve	0	(2,804)	0	0	0	0	**(2,804)**
31 March 2012	**608**	**64,088**	**3,892**	**1,196**	**1,167**	**3,640**	**74,591**
Additions	0	167	0	0	0	0	167
Revaluations recognised in the Revaluation Reserve	0	0	0	0	83	0	83
31 March 2013	**608**	**64,255**	**3,892**	**1,196**	**1,250**	**3,640**	**74,841**
Revaluations recognised in the Revaluation Reserve	0	130	0	0	0	500	630
31 March 2014	**608**	**64,385**	**3,892**	**1,196**	**1,250**	**4,140**	**75,471**

The Council does not hold historic information about it's heritage asset collections. This means it is not possible to provide a 5 year summary of transactions relating to Heritage Assets. However in accordance with the minimum disclosure requirements in the Code of Practice details of transactions from 1 April 2010 are provided.

21. Investment Properties

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

	2012/13 £000	2013/14 £000
Rental income from investment property	(65)	(42)
Direct operating expenses arising from investment property	0	0
Net (gain)/loss	**(65)**	**(42)**

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

The following table summarises the movement in the fair value of investment properties over the year.

	2012/13 £000	2013/14 £000
Balance at start of the year	2,778	931
Net gain/losses from fair value adjustments	0	0
Transfers:		
to/from Property, Plant and Equipment	(1,847)	(36)
Balance at the end of the year	**931**	**895**

22. Intangible Assets

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets relate to purchased software licenses.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. The useful lives assigned to the major software suites used by the Authority are all 3 years.

The movement on Intangible Asset balances during the year is as follows:

	2012/13 £000	2013/14 £000
Balance at start of year		
Gross Carrying Amounts	1,004	3,094
Accumulated Amortisation	(640)	(790)
Net Carrying Amount at Start of Year	**364**	**2,304**
Recategorisations	0	0
Additions - Purchases	2,090	2,102
Amortisation for the Year	(150)	(893)
Balance at end of year		
Gross Carrying Amounts	3,094	5,196
Accumulated Amortisation	(790)	(1,682)
Net Carrying Amount at end of year	**2,304**	**3,514**

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £893,000 charged to revenue in 2013/14 was charged as an overhead across the relevant service headings:

	2012/13 £000	2013/14 £000
Cultural, Environmental, Regulatory and Planning Services	0	70
Education and Children's Services	0	0
Corporate and Democratic Core	143	816
Trading Services	7	7
Total Amortisation for the Year	**150**	**893**

23. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The movement in CFR is analysed in the second part of this note.

	2012/13 £000	2013/14 £000
Opening Capital Financing Requirement	**(493,335)**	**(568,839)**
Capital Investment:		
Property, Plant and Equipment	(122,110)	(99,201)
Intangible Assets	(2,090)	(2,102)
Revenue Expenditure Funded from Capital Under Statute	(14,328)	(9,411)
LAMS/Long Term Debtors	(1,000)	(4,725)
Sources of finance:		
Capital Receipts	6,115	4,610
Capital Reserves	8,613	10,485
Government grants and other contributions	33,228	39,843
Sums set aside from revenue:		
Direct revenue contributions	4,329	3,965
Minimum Revenue Provision	10,327	11,500
Transferred Debt	1,412	1,281
Closing capital financing requirement	**(568,839)**	**(612,594)**

Explanation of movements in year		
Increase, (decrease) in underlying need to borrowing (supported by government financial assistance)	2,734	1,334
Increase in underlying need to borrowing (unsupported by government financial assistance)	32,423	26,742
Assets acquired under finance leases	(156)	(220)
Assets acquired under PFI/PPP contracts	40,503	15,899
Increase/(decrease) in capital financing requirement	**75,504**	**43,755**

24. Leases

Authority as Lessee

Finance Leases

The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

	2012/13 £000	2013/14 £000
Other Land and Buildings	7,300	6,342
Vehicles, Plant, Furniture and Equipment	1,014	708
Total	**8,314**	**7,050**

The following amounts were charged in depreciation for these assets:

	2012/13 £000	2013/14 £000
Other Land and Buildings	(352)	(110)
Vehicles, Plant, Furniture and Equipment	(289)	(384)
Total	**(641)**	**(494)**

The Council is committed to making minimum payments under these leases comprising settlement of the long term liability for the interest in the property acquired by the Council and finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

	2012/13 £000	2013/14 £000
Finance lease liabilities (net present value of minimum lease payments):		
Current	315	231
Non-current	810	590
Finance costs payable in future years	431	382
Minimum lease payments	**1,556**	**1,203**

The minimum lease payments will be payable over the following periods:

	Minimum Lease Payments		Finance Lease Liabilities	
	31/03/2013 £000	31/03/2014 £000	31/03/2013 £000	31/03/2014 £000
Not later then one year	364	270	315	231
Later than one year and not later than five years	546	317	429	218
Later than five years	646	616	381	372
	1,556	**1,203**	**1,125**	**821**

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. These amounts cannot currently be quantified, as they are dependent on future movements in market conditions and interest rates.

Operating Leases

The total future minimum lease payments due under non-cancellable leases in future years are:

	31/03/2013 (restated) £000	31/03/2014 £000
No later than one year	458	318
Later than one year and not later than five years	815	892
Later than five years	1,140	1,140
Total	**2,413**	**2,350**

The expenditure charged to Cost of Services in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

	31/03/2013 £000	31/03/2014 £000
Minimum lease payments	1,577	346
Total	**1,577**	**346**

Authority as Lessor

Finance Leases

The Council has a gross investment in a number of finance leases, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for the assets when the leases come to an end. The minimum lease payments comprise settlement of the long-term debtors for the interests in the assets acquired by the lessees and finance income that will be earned by the Council in future years whilst the debtors remain outstanding. The gross investment is made up of the following amounts:

	31/03/2013 £000	31/03/2014 £000
Finance lease debtors (net present value of minimum lease payments):		
Current	4	4
Non-current	1,552	1,547
Unearned finance income	2,676	2,638
Unguaranteed residual value of property	(79)	(79)
Gross investment in the lease	**4,153**	**4,110**

The gross investment in the leases and the minimum lease payments will be received over the following periods:

	Gross Investment in the Lease		Minimum Lease Payments	
	31/03/2013 £000	31/03/2014 £000	31/03/2013 £000	31/03/2014 £000
Not later then one year	43	43	4	4
Later than one year and	171	171	18	18
Later than five years	3,939	3,896	1,455	1,450
Total	**4,153**	**4,110**	**1,477**	**1,472**

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. These amounts have proven to be unquantifiable.

<u>Operating Leases</u>

The Council leases out property and equipment under operating leases for the following purposes:

The future minimum lease payments receivable under non-cancellable in future years are:

	31/03/2013 £000	31/03/2014 £000
No later than one year	1,103	1,140
Later than one year and not later than five years	3,427	3,428
Later than five years	19,635	18,604
Total	**24,165**	**23,172**

The minimum lease payments receivable do not include rents are contingent on events taking place after the lease was entered into, such as adjustment following rent reviews. These amounts have proven to be unquantifiable.

25. Private Finance Initiatives and Similar Contracts

Future PFI charges are subject to partial indexation using RPIx tables. This therefore leads potential uncertainties about future levels of payments.

Future performance related obligations under operational PFI contracts are as follows:

Street Lighting

A 25-year PFI contract was signed in April 2007 with Connect Roads (Derby), to replace all the life expired lighting units within the city, and to maintain the whole of the lighting stock for the period of the contract.

The rentals payable in 2013/14 were £4,541,792 (2012/2013 £4,453,143), of which £667,490 related to write down of obligations, £1,138,340 finance costs and the remainder to service charges/prepayments/contingent rent.

Outstanding obligations to make payments under the Street Lighting PFI finance lease at 31 March 2014, accounted for as part of long-term liabilities, are as follows:

	Payment for Services £000	Reimbursement of Capital Expenditure £000	Interest £000	Total £000
Payable in 2014/15	2,215	703	1,103	4,021
Payable within two to five years	8,861	3,205	4,018	16,084
Payable within six to ten years	11,076	5,062	3,967	20,105
Payable within eleven to fifteen years	11,076	6,556	2,473	20,105
Payable within sixteen to twenty years	7,162	5,245	593	13,000
Payable within twenty one to twenty two years	0	0	0	0
Total	**40,390**	**20,771**	**12,154**	**73,315**

Finance lease obligations are recognised on a stage of completion basis during the Core Investment Period (CIP - 2007/08-2012/13) and therefore there are no finance lease liability costs at 31 March 2014.

Although the payments 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 balance outstanding to pay the liability to the contractor for capital expenditure incurred is as follows:

	2012/13 £000	2013/14 £000
Balance outstanding at start of year	21,336	21,440
Payments during the year	(633)	(667)
Capital expenditure incurred in the year	737	0
Balance outstanding at year end	**21,440**	**20,773**

At the end of the PFI contract the right to retain the Street Lighting assets will be held by the Council. The Council also has the right to terminate the contract if the contract conditions are not complied with.

Affordable Housing

A 30 year PFI contract, to provide a minimum of 170 affordable houses in the City was signed in September 2012 with The Riverside Group Ltd to provide 104 new build properties in Alvaston, Chaddesden & Spondon area of Derby and 66 refurbished and acquired properties across the City.

The construction of the first properties were completed in 2013/14 in July and payments commenced in August 2013. Further properties were completed on a phased approach and by 31 March 2014, there were 104 new build properties and 6 of the refurbished and acquired completed. The total rentals payable in 2013/14 were £330,028 of which £318,797 related to the write down of obligations (i.e. repayment of principal).

The total capital repayment to Riverside for the whole of the contract is £25.637m and the finance lease obligations are recognised on a phased stage of completion of the properties. The table below shows the oustanding oblligations to make payments at 31 March 2014.

	Reimbursement of Capital Expenditure £000	Interest £000	Total £000
Payable in 2014/15	331	298	629
Payable within two to five years	1,455	1,380	2,835
Payable within six to ten years	2,039	1,511	3,550
Payable within eleven to fifteen years	2,311	1,239	3,550
Payable within sixteen to twenty years	2,620	931	3,551
Payable twenty one to twenty five years	2,969	581	3,550
Payable within thirty years	2,773	185	2,958
Total	**14,498**	**6,125**	**20,623**

Payments made to the contractor are described as unitary payments, they relate to capital expenditure incurred and interest payable. Lifecycle and on-going serving of the houses and payment for services are made by the tenant direct to Riverside through the rental stream and do not form part of the outstanding obligations between the Council and the provider as part of the Housing PFI contract.

	2013/14 £000
Balance outstanding at start of year	-
Payments during the year	(318)
Capital expenditure incurred in the year	14,817
Balance outstanding at year end	**14,499**

At the end of the PFI contract the Council has the option to purchase the assets from the Riverside. Although, is not guaranteed this option, it is guaranteed the option of control over the residual interests and control of the infrastructure. The Council also has the right to terminate the contract if the contract conditions are not complied with.

Housing Inner City Regeneration

There is a 30-year contract with Home Housing Association, which commenced in January 2001. Gross service charge payments of £0.47m are anticipated in 2014/15. Future cash payments between 2014/15 and the end of the contract are expected to be approximately £8.610m.

Grouped Schools

A 27-year PFI Contract was signed in November 2004 with Derby School Solutions (DSS), a private sector consortium, to build, maintain and operate 5 new schools and a Children's Centre with two support units in the City. Interim operational services commenced immediately after the contract was signed in respect of the existing schools. The first new school became fully operational in October 2005. Ultimately, the value of contract payments depend on the level of performance of DSS, measured against predetermined standards. Amounts include a variation made to the contract in November 2007 to design, build, finance and operate two additional support units and a Children's Centre at Lakeside Primary School. Services commenced during September 2008. The contract end date for the variation finishes in line with the original grouped schools contract agreement.

The rentals payable were £5,331,512 in 2013/14 (£5,378,486 in 2012/13) of which £1,577,197 related to write down of obligations (i.e. repayment of principal), £1,336,415 interest costs and the remainder to service charges/prepayments.

Outstanding obligations to make payments under the Grouped Schools PFI finance lease at 31 March 2014, accounted for as part of long-term liabilities, are as follows:

	Payment for Services £000	Reimbursement of Capital Expenditure £000	Interest £000	Total £000
Payable in 2014/15	2,290	1,541	1,256	5,087
Payable within two to five years	9,748	5,861	4,252	19,861
Payable within six to ten years	13,620	6,847	3,679	24,146
Payable within eleven to fifteen years	15,410	6,626	1,957	23,993
Payable within sixteen to twenty years	9,330	3,673	347	13,350
Payable within thirty years	0	0	0	0
Total	**50,398**	**24,548**	**11,491**	**86,437**

The above amounts will be partially subject to indexation (RPIx).

Although the payments 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 balance outstanding to pay the liability to the contractor for capital expenditure incurred is as follows:

	2012/13 £000	2013/14 £000
Balance outstanding at start of year	27,741	26,125
Payments during the year	(1,616)	(1,577)
Balance outstanding at year end	26,125	24,548

At the end of the PFI contract the right to retain the school building will be held by the Council, subject to resolution of the on-going discussions regarding the treatment of academy conversions. The Council also has the right to terminate the contract if the contract conditions are not complied with.

Building Schools for the Future (BSF)

A 25 year PFI Contract was signed in December 2010 with Balfour Beatty to build and maintain and operate two new schools in the City and the schools became fully operational in September 2012. Ultimately, the contract payments depend on the level of performance of Balfour Beatty, in relation to facilities management.

The rentals payable were £5,002,345 in 2013/14 (£2,756,819 in 2012/13) of which £492,524 related to write down of obligations (i.e. repayment of principal), £2,406,012 interest costs and the remainder to service charges/prepayments.

Outstanding obligations to make payments under the BSF Schools PFI finance lease at 31 March 2014, accounted for as part of long-term liabilities, are as follows:

	Payment for Services £000	Reimbursement of Capital Expenditure £000	Interest £000	Total £000
Payable in 2014/15	2,156	530	2,369	5,055
Payable within two to five years	9,178	2,548	9,046	20,772
Payable within six to ten years	12,824	4,424	10,069	27,317
Payable within eleven to fifteen years	14,509	6,359	8,134	29,002
Payable within sixteen to twenty years	16,416	9,140	5,353	30,909
Payable within twenty one to twenty five years	14,673	8,476	1,427	24,576
Total	**69,756**	**31,477**	**36,398**	**137,631**

The above amounts will be partially subject to indexation (RPIx).

Although the payments 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 balance outstanding to pay the liability to the contractor for capital expenditure incurred is as follows:

	2012/13 £000	2013/14 £000
Balance outstanding at start of year	32,175	31,969
Payments during the year	(206)	(493)
Balance outstanding at year end	31,969	31,476

26. Financial Instruments

Categories of Financial Instruments

The Council's treasury management activity is underpinned by CIPFA's Code of Practice on Treasury Management. This code of practice advises local authorities to focus on security and liquidity rather than yield.

	Long - term		Current	
	31/03/13 £000	31/03/14 £000	31/03/13 £000	31/03/14 £000
Investments				
Loans and receivables	332	324	201	201
Available for sale investments	0	0	1,000	0
Total investments	**332**	**324**	**1,201**	**201**
Debtors				
Loans and receivables	0	0	18,436	18,799
Total debtors	**0**	**0**	**18,436**	**18,799**
Borrowings				
Financial liabilities at amortised cost	(297,459)	(308,980)	(28,000)	(31,854)
Total borrowings	**(297,459)**	**(308,980)**	**(28,000)**	**(31,854)**
Other Long Term Liabilities				
PFI and finance lease liabilities	(77,739)	(88,668)	(2,920)	(3,449)
Total other long term liabilities	**(77,739)**	**(88,668)**	**(2,920)**	**(3,449)**
Creditors				
Financial liabilities carried at contract amount	0	0	(41,329)	(47,592)
Total creditors	**0**	**0**	**(41,329)**	**(47,592)**

In the table above the principal amount figures represent the actual value of the loan, not arising from any adjustments. The amortised cost figures represent the principal amount of the loan or receivable, plus any interest accruing as at 31 March 2014.

Income, Expense, Gains and Losses

	2012/13			2013/14		
	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and receivables £000	Total £000	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and receivables £000	Total £000
Interest expense	(18,907)	0	**(18,907)**	(20,305)	0	**(20,305)**
Total expense	**(18,907)**	**0**	**(18,907)**	**(20,305)**	**0**	**(20,305)**
Interest Income	0	254	**254**	0	202	**202**
Total income	**0**	**254**	**254**	**0**	**202**	**202**
Net gain/(loss)	**(18,907)**	**254**	**(18,653)**	**(20,305)**	**202**	**(20,103)**

Fair Values of Assets and Liabilities

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

- Estimated ranges of interest rates at 31 March 2014 of 3.48% to 6.75% for loans from the Public Works Loan Board (PWLB), based on the new lending rates for equivalent loans at that date.
- For loans from the PWLB and other loans payable, premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures.
- For loans receivable prevailing benchmark market rates have been used to provide the fair value.
- No early repayment impairment is recognised.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

	31 March 2013		31 March 2014	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Financial Liabilities				
Long Term	(297,459)	(389,859)	(308,980)	(376,466)
Short Term	(28,000)	(28,000)	(31,854)	(31,854)
PFI	(77,739)	(125,941)	(91,297)	(116,419)
Short-term creditors	(38,692)	(38,692)	(47,592)	(47,592)
Total	**(441,890)**	**(582,492)**	**(479,723)**	**(572,331)**

The fair value of the liabilities differs from the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable differs from the prevailing rates at the Balance Sheet date.

	31 March 2013		31 March 2014	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Assets				
Loans and receivables	18,436	18,436	18,799	18,799
Money market investments < 1 yr	201	201	201	201
Available for Sale Investments	1,000	1,000	0	0
Total	**19,637**	**19,637**	**19,000**	**19,000**

The fair values for financial liabilities have been determined by reference to the PWLB redemption rules and prevailing PWLB redemption rates as at each balance sheet date, and include accrued interest.

27. Nature and Extent of Risks arising from Financial Instruments

The Council activities expose it to a variety of financial risks:

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

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. The procedures for risk management are set out in the Local Government Act 2003 and the associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public services Code of Practice and Investment Guidance issued through the Act. Risk management is carried out by a central treasury team, under policies approved by the Council in the annual Treasury Management Strategy. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk and the investment of surplus cash. Overall these procedures require the Council to manage risk in the following ways:

- by formally adopting the requirements of the Code of Practice
- its maximum and minimum exposures to fixed and variable rates
- its maximum and minimum exposures to maturity structure of its debt.
- its maximum annual exposures to investments maturing beyond a year.
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with Government Guidance.

These are required to be reported and approved at or before the Council sets it's annual Council Tax. These items are reported with the annual Treasury Management Strategy, which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported annually to Members.

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

Credit Risk

The Council manages credit risk by ensuring that investments are placed with the Debt Management Office, other local authorities, A rated money market funds or Banks and

Building Societies having sufficiently high credit worthiness as set out in the Treasury Management Strategy.

A limit of £15m is placed on the amount of money that can be invested with a single counterparty. The Council also sets a total group investment limit for institutions that are part of the same banking group. No more than £10m in total can be invested for a period longer than one year. The Council has no historical experience of counterparty default.

The following analysis summarises the Council's potential maximum exposure to credit risk based on experience of default assessed by the ratings agencies and the Council's experience of its customer collection levels over the last five financial years, adjusted to reflect current market conditions.

Deposits with money market funds, banks and institutions	Amount at 31 March 2014 £000	Market historical experience of default %	Adjustment for market conditions at 31 March 2014	Estimated maximum exposure to default as at 31 March 2014 £000	Estimated maximum exposure to default as at 31 March 2013 £000
	(a)	(b)	(c)	(a * c)	
AAA rated	9,117	0.00%	0.00%	0	0
AA rated	0	0.03%	0.03%	0	0
A rated	31,257	0.07%	0.07%	22	17
Trade Debtors	14,282	4.00%	4.00%	571	737
Total	**54,656**			**593**	**754**

It must also be noted that although credit ratings remain a key source of information, the Council recognises that they have limitations and investment decisions are based on a range of market intelligence. All investments have been made in line with the Council's Treasury Management Strategy Statement for 2013/14, approved by Council Cabinet on 23 January 2013.

Throughout 2013/14 the minimum criteria for new investments has been a long term rating of A (Fitch) and a short term rating of F1 (Fitch).

The table below summarises the nominal value of the Council's investment portfolio at 31st March 2014, including cash equivalent and confirms that all investments were made in line with the Council's approved credit rating criteria:

Counterparty	Credit Rating Criteria Met When Investment Placed?	Credit Rating Criteria Met on 31 March 2014?	Balance Invested as at 31 March 2014		Total
			Up to 1 month £000	Over 1 month £000	Total £000
Banks UK	Yes	Yes	0	0	0
Building Societies - UK	Yes	Yes	0	0	0
Other Local Authorities	Yes	Yes	0	0	0
Money Market Funds	Yes	Yes	9,117	0	9,117
Call Accounts	Yes	Yes	31,257	0	31,257
Total			**40,374**	**0**	**40,374**

The Council does not generally allow credit for its trade debtors, such that £4.307m of the £14.282m balance, as at 31 March 2014, is past its due date for payment. The past due amount can be analysed by age as follows:

	2012/13 £000	2013/14 £000
Less than 3 months	2,541	1,185
Three to six months	2,687	378
Six months to one year	419	495
More than one year	2,008	2,249
	7,655	**4,307**

Liquidity Risk

The Council has ready access to borrowings from the Money Markets to cover any day to day cash flow need, and whilst the Public Works Loans Board (PWLB) provides access to longer term funds, it also acts as a lender of last resort to Councils (although it will not provide funding to a Council whose actions are unlawful). The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through cash flow management procedures required by the Code of Practice.

The maturity analysis of financial liabilities is as follows:

	2012/13 £000	2013/14 £000
Less than one year	28,000	29,000
Between one and two years	4,000	20,000
Between two and five years	20,000	10,000
Between five and ten years	16,000	9,521
More than ten years	257,459	269,459
	325,459	**337,980**

All trade and other payables are due to be paid in less than one year; trade debtors are not shown in the table above.

Market Risk

Interest Rate Risk

The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing investment periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- borrowings at variable rates, the interest expense charged to the Income and Expenditure Account will rise.
- borrowings at fixed rates, the fair value of the borrowing liability will fall.
- investments at variable rates, the interest income credited to the Income and Expenditure Account will rise.
- investments at fixed rates, the fair value of the assets will fall.

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

The Council has a number of strategies for managing interest rate risk. The annual Treasury Management Strategy draws together the Council's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. From this strategy a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure. The Council monitor market and forecast interest rates within the year to adjust exposures accordingly. For instance, 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.

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

	£000
Increase in interest payable on variable rate borrowings	0
Increase in interest receivable on variable rate investments	(561)
Increase in government grant receivable for financing costs	0
Impact on Surplus of Deficit on the Provision of Services	**(561)**
Share of overall impact debited to the HRA	0
Decrease in fair value of fixed rate investment assets	0
Impact on Other Comprehensive Income and Expenditure	(561)
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	0

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed, however given the fact that most investments are currently held at less than 1% this situation is unlikely to occur.

Price Risk
The Council does not invest in equity shares and so is not exposed to losses arising from movements in share prices.

Foreign Exchange Risk
The Council has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

28. Assets Held for Sale

	Current	
	2012/13 £000	2013/14 £000
Balance outstanding at start of year	2,190	2,099
Assets newly classified as held for sale: Property, plant and equipment	2,056	4,888
Additions	7	79
Revaluation losses recognised in the Revaluation Reserve	(16)	0
Revaluation losses recognised in the Revaluation Reserve	141	0
Impairment losses	0	0
Assets declassified as held for sale: Property, plant and equipment	(107)	0
Other movements	0	(2,018)
Assets sold	(2,172)	(4,787)
Balance outstanding at year-end	**2,099**	**261**

29. Debtors

29a. Current Debtors

	31 March 2013 £000	31 March 2014 £000
Central government bodies	12,579	18,739
Other local authorities	3,583	1,932
NHS Bodies	1,885	2,492
Council Taxpayers	5,195	7,406
NNDR	0	2,091
Housing Rents	669	737
Sundry Debtors	18,436	14,760
Total	**42,347**	**48,157**

29b. Non-Current Debtors

	31 March 2013 £000	31 March 2014 £000
Mortgages for sale of Council Housing	29	25
Derbyshire County Council 1974 Transferred Funds	3,298	3,166
Other Loans	201	4,903
PFI Prepayments	3,200	3,908
Finance Lease Receivables	1,473	1,468
Deferred Capital Receipts	1,000	1,000
Total	**9,201**	**14,470**

30. Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

	31 March 2013 £000	31 March 2014 £000
Cash held by the Council	126	112
Bank current accounts	2,601	2,572
Short-term deposits with building societies	22,820	40,374
Sub Total	**25,547**	**43,058**
Bank Overdrafts	(3,904)	(6,185)
Total Cash and Cash Equivalents	**21,643**	**36,873**

31. Creditors

	31 March 2013 £000	31 March 2014 £000
Central government bodies	(8,613)	(10,164)
Other local authorities	(8,803)	(7,910)
NHS Bodies	(601)	(1,896)
Council Taxpayers	(765)	(1,408)
Short-term Employee Benefits	(4,501)	(4,508)
Sundry Creditors	(41,329)	(44,729)
Total	**(64,612)**	**(70,615)**

32. Other Long Term Liabilities

	31 March 2013 £000	31 March 2014 £000
Share of liability for the payment of a proportion of the County Council's debt charges on becoming a Unitary Authority on 1 April 1997	(33,911)	(32,556)
Loans transferred from neighbouring authorities in 1968	(691)	(633)
Net Pensions Liability (Note 43)	(336,496)	(283,428)
Total Deferred Liabilities	**(371,098)**	**(316,617)**

33. Provisions

Equal Pay Claims

Under the Equal Pay Act 1970, as amended by the Equal Pay Act (Amendment) Regulations 2003, employees are entitled to equal pay for work of equal value. The Council has received a number of claims under the Equal Pay Act and, as a result, has set aside a provision of £8.325m which incorporates all unpaid claims received to 31 March 2014 and an estimate of future claims.

Provisions for Future Pension Payments

The Council has a provision in place for continued funding of liabilities for the former DCT (passenger transport) employees' pension. This provision relates to the Council's on-going pension liability for former employees of the Council when it provided a public transport service. The payments are made to Derbyshire County Council Superannuation fund. The provision represents an estimate of the amounts which the Council will have to pay, but where the exact amount and the dates of payment are uncertain.

Other Provisions

The Council is currently subject to a public enquiry in relation to the planning application for a new Waste Treatment facility. The Planning Inspector has awarded full costs against the Council as the Local Planning Authority. A settlement amount has been provisionally agreed.

The Council has a number of outstanding uninsured claims that are due to be settled during 2014/15. The provision represents an estimate of the amounts, which the Council will have to pay for claims arising before 31 March 2015, but where the exact amount and the date of payment are uncertain.

The Council has set aside a provision of £690,000 for the potential purchase of the Duckworth square site. The Council has a legal agreement to purchase the site if development has not progressed within an allotted time frame.

The Council has created a new provision of £9.252m for the repayment of any successful NDR appeals upheld by the VOA. Prior the introduction of the Business Rates Retention Scheme these appeals costs were met by the centralised business rate pool administered by central government.

	Equal Pay Claims	Provision for future pension payments		Other provisions	Other provisions	Total	
	Non - Current £000	Current £000	Non-Current £000	Current £000	Non-Current £000	Current £000	Non-Current £000
Balance at 1 April 2012	**0**	**47**	**571**	**3,681**	**0**	**3,728**	**571**
Additional provisions made in 2012/13	0	0	0	1,242	0	**1,242**	**0**
Transferred to Current Provisions	0	12	(12)	0	0	**12**	**(12)**
Amounts used in 2012/13	0	(29)	0	(3,346)	0	**(3,375)**	**0**
Provision written back in year	0	0	0	(202)	0	**(202)**	**0**
Balance at 31 March 2013	**0**	**30**	**559**	**1,375**	**0**	**1,405**	**559**
				0			
Balance at 1 April 2013	**0**	**30**	**559**	**1,375**	**0**	**1,405**	**559**
Additional provisions made in 2013/14	8,325	0	0	736	9,942	**736**	**18,267**
Transferred to Current Provisions	0	30	(30)	0	0	**30**	**(30)**
Amounts used in 2013/14	0	(30)	0	(802)	0	**(832)**	**0**
Provision written back in year	0	0	0	(3)	0	**(3)**	**0**
Balance at 31 March 2014	**8,325**	**30**	**529**	**1,306**	**9,942**	**1,336**	**18,796**

34. Transfers to/from earmarked reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2032/14

	Balance at 31 March 2012 £000	Transfers Out 2012/13 £000	Transfers In 2012/13 £000	Movement between earmarked reserves 2012/13 £000	Balance at 31 March 2013 £000	Transfers Out 2013/14 £000	Transfers In 2013/14 £000	Movement between earmarked reserves 2013/14 £000	Balance at 31 March 2014 £000
General Fund									
Unallocated General Fund Balance	**(7,143)**	0	0	0	**(7,143)**	0	0	0	**(7,143)**
Balances held by schools under a scheme of delegation	**(7,192)**	0	(10)	0	**(7,202)**	7,202	(7,875)	0	**(7,875)**
TOTAL	**(14,335)**	**0**	**(10)**	**0**	**(14,345)**	**7,202**	**(7,875)**	**0**	**(15,018)**
Revenue Earmarked Reserves									
Asbestos Reserve	**(1,123)**	0	(140)	0	**(1,263)**	0	0	0	**(1,263)**
Regeneration Reserve	**(2,052)**	852	(736)	0	**(1,936)**	760	(312)	0	**(1,488)**
Accommodation Strategy	**(1,996)**	1,854	(100)	0	**(242)**	170	0	0	**(72)**
Waste Strategy Corporate Reserve	**(2,320)**	57	0	0	**(2,263)**	445	0	0	**(1,818)**
Supporting People Corporate Reserve	**(2,270)**	2,270	0	0	**0**	0	0	0	**0**
Trading Services Reserve	**(1,140)**	729	(616)	0	**(1,027)**	629	(93)	0	**(491)**
Budget Risk Reserve	**(4,609)**	2,328	(6,623)	3,751	**(5,153)**	1,200	(11,869)	(860)	**(16,682)**
Job Evaluation Reserve	**(1,401)**	0	(71)	(2,631)	**(4,103)**	550	(550)	0	**(4,103)**
LABGI Defined Corporate Reserve	**(1,895)**	0	0	1,895	**0**	0	0	0	**0**
Treasury Management Reserve	**(1,667)**	0	(800)	667	**(1,800)**	0	0	0	**(1,800)**
Building Schools For The Future Reserve	**(938)**	0	0	0	**(938)**	0	0	0	**(938)**
Transformation Corporate Reserve	**(1,862)**	1,464	(479)	0	**(877)**	369	(93)	0	**(601)**
Older Peoples Strategy Corporate Reserve	**(1,337)**	0	0	0	**(1,337)**	126	0	0	**(1,211)**
Partnership Reserves	**(637)**	425	(213)	10	**(415)**	285	(395)	0	**(525)**
PFI Reserves	**(13,444)**	359	(1,526)	0	**(14,611)**	25	(2,636)	0	**(17,222)**

	Balance at 31 March 2012 £000	Transfers Out 2012/13 £000	Transfers In 2012/13 £000	Movement between earmarked reserves 2012/13 £000	Balance at 31 March 2013 £000	Transfers Out 2013/14 £000	Transfers In 2013/14 £000	Movement between earmarked reserves 2013/14 £000	Balance at 31 March 2014 £000
Business Rate Volatility Reserve	**0**	0	0	(2,000)	**(2,000)**	0	0	0	**(2,000)**
Priority Families Reserve	**0**	0	0	0	**0**	34	(327)	(626)	**(919)**
Looked After Children Reserve	**0**	0	0	(2,350)	**(2,350)**	2,062	(1,282)	600	**(970)**
Connecting Derby Compensation Claims Reserve	**0**	0	0	(1,000)	**(1,000)**	22	0	500	**(478)**
Multi Use Sports Arena Reserve	**0**	0	0	0	**0**	0	(900)	0	**(900)**
Other Service Reserves	**(11,567)**	4,282	(5,389)	855	**(11,819)**	5,595	(2,328)	399	**(8,153)**
Other Corporate Reserves	**(4,857)**	627	(200)	503	**(3,927)**	630	(3,607)	(13)	**(6,917)**
TOTAL	**(55,115)**	**15,247**	**(16,893)**	**(300)**	**(57,061)**	**12,902**	**(24,392)**	**0**	**(68,551)**
Capital Earmarked Reserves									
Earmarked Capital Reserves	**(3,985)**	1,327	(1,283)	300	**(3,641)**	1,351	(1,099)	0	**(3,389)**
TOTAL	**(3,985)**	**1,327**	**(1,283)**	**300**	**(3,641)**	**1,351**	**(1,099)**	**0**	**(3,389)**
HRA									
Housing Revenue Account	**(15,089)**	1,958	(5,089)	0	**(18,220)**	0	(7,232)	0	**(25,452)**
Other Earmarked HRA Reserves	**(2,499)**	0	0	0	**(2,499)**	2,003	0	0	**(496)**
TOTAL	**(17,588)**	**1,958**	**(5,089)**	**0**	**(20,719)**	**2,003**	**(7,232)**	**0**	**(25,948)**

35. Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and Note 8.

36. Unusable Reserves

31 March 2013 £000		31 March 2014 £000
(229,078)	Revaluation Reserve	(351,523)
(415,619)	Capital Adjustment Account	(423,428)
(1,531)	Financial Instruments Adjustment Account	(1,255)
336,496	Pensions Reserve	283,427
(1,498)	Deferred Capital Receipts Reserve	(1,488)
867	Collection Fund Adjustment Account	84
4,501	Accumulated Absences Account	4,508
(1)	Available for Sale Financial Instruments	0
0	Unequal Pay Back Pay Adjustment Account	8,325
(305,863)	**Total Unusable Reserves**	**(481,350)**

36a. Revaluation Reserve

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

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

2012/13 £'000			2013/14 £'000	
	(221,132)	**Balance at 1 April**		**(229,078)**
(27,521)		Upward revaluation of assets	(144,892)	
12,101		Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	9,261	
	(15,420)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		(135,631)
371		Restatement of opening balance	2,666	
2,303		Difference between fair value depreciation and historical cost depreciation	10,132	
4,800		Accumulated gains on assets sold or scrapped	388	
	7,474	Amount written off to the Capital Adjustment Account		13,186
	(229,078)	**Balance at 31 March**		**(351,523)**

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

36b. Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement with reconciling postings from the Revaluation Reserve. The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The Account also contains accumulated gains and losses on Investment Properties.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 8 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2012/13 £000		2013/14 £000
(440,800)	**Balance at 1 April**	**(415,619)**
714	Opening Balance restatement	(2,666)
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
34,903	Charges for depreciation of non-current assets	38,955
24,429	Charges for impairment of non-current assets	9,584
16,390	Revaluation losses on Property, Plant and Equipment	26,249
(2,282)	Revaluation gains matched to prior year impairments	(12,868)
0	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	0
150	Amortisation of intangible assets	893
14,328	Revenue expenditure funded from capital under statute	9,411
7,176	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive and Expenditure Statement	4,838
(7,103)	Adjusting amounts written off of the Revaluation Reserve	(10,521)

2012/13 £000		2013/14 £000
Capital financing applied in the year:		
(6,115)	Use of the capital receipts reserve to finance new capital expenditure	(4,610)
(6,541)	Use of the Major Repairs Reserve to finance new capital expenditure	(10,485)
0	Use of other earmarked reserves	0
(15,771)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(27,208)
(17,457)	Application of grants to capital financing from the Capital Grants Unapplied Account	(12,635)
(10,327)	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(11,500)
(1,412)	Transferred Debt	(1,281)
(5,901)	Capital expenditure charged against the General Fund and HRA balances	(3,965)
(415,619)	**Capital Adjustment Account Balance at 31 March**	**(423,428)**

36c. Financial Instruments Adjustment Account

The Financial Instrument 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 benefiting from gains per statutory provisions.

2012/13 £'000			2013/14 £'000	
	(1,760)	**Balance at 1 April**		**(1,531)**
0		Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	0	
229		Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	276	
	229	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from		276
	(1,531)	**Balance at 31 March**		**(1,255)**

36d. Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside by the time the benefits come to be paid.

2012/13 (restated) £000		2013/14 £000
270,071	**Balance at 1 April**	**336,496**
59,251	Remeasurement of the net defined benefit liability	(67,840)
27,787	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	36,177
(20,613)	Employer's pensions contributions and direct payments to pensioners payable in the year	(21,406)
336,496	**Balance at 31 March**	**283,427**

36e. Deferred Capital Receipts Reserve

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

2012/13 £000		2013/14 £000
(2,218)	**Balance at 1 April**	**(1,498)**
0	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0
720	Transfer to the Capital Receipts Reserve upon receipt of cash	10
(1,498)	**Balance at 31 March**	**(1,488)**

36f. Collection Fund Adjustment Account

The Collection Fund Adjustment 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 Fund from the Collection Fund.

2012/13 £000		2013/14 £000
5	**Balance at 1 April**	**867**
862	Amount by which collection fund income credited to the Comprehensive Income and Expenditure Statement is different from collection fund income calculated for the year in accordance with statutory requirements	(783)
867	**Balance at 31 March**	**84**

36g. Accumulated Absences Accounts

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

2012/13 £000		2013/14 £000
4,452	**Balance at 1 April**	**4,501**
(4,452)	Settlement or cancellation of accrual made at the end of the preceding year	(4,501)
4,501	Amounts accrued at the end of the current year	4,508
49	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	7
4,501	**Balance at 31 March**	**4,508**

37. Related Parties

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

Central Government

Central Government has effective control over the general operations of the Council - it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (eg council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 7 on reporting for resources allocation decisions.

Members and Chief Officers

Members of the Council have direct control over the Council's financial and operating policies. The total of Members' allowances paid in 2013/14 is shown in Note 38. Council Members make disclosures of their pecuniary and non-pecuniary interests to the Council's Monitoring Officer and have to make declarations on individual committee agenda items in accordance with section 117 of the Local Government Act 1972. In addition, where Members are nominated by the Council to sit on outside bodies, this is reported to the Council.

During 2013/14 services to the value of £708,000 were commissioned from companies in which 3 Members had interests. These relationship had no bearing on any decision made. Contracts were entered into following full compliance with the Council's procedure rules.

Other Public Bodies (subject to common control by central government)

The Council has a pooled budget arrangement with NHS Derby City for the provision of an integrated disabled children's service. Transactions and balances outstanding are detailed in Note 17.

The Council has outstanding borrowing with a number of Local Authorities totalling £44m the most significant of these is £15m with Staffordshire County Council.

Subsidiary and Associated Companies

The Council has included £0.319m income (£0.348m in 2012/13) from Derby Homes Limited for the provision of support services, paid out of the management fee Derby Homes received from the Housing Revenue Account. This income is included in the Income and Expenditure Account. Derby Homes is treated as a Subsidiary Company within these accounts.

At the 31st March 2014 the Council had two ongoing loan agreements in operation with Derby Homes totalling £1.276m, including a £1.1m loan made to Derby Homes in 2013/14.

The Council had no other subsidiary or associated companies during the financial year.

Contribution to Joint Committees and Joint Bodies

The City Council contributes to Derbyshire County Council towards the cost of the Coroners, Emergency planning and Concessionary Fare Services.

38. Trust Funds

Derby City Council administers a number of Trust Funds. Some of these are funds made up of donations or bequests made to the Council, where the benefactors have specified the use to which the fund is to be put - for example the provision of educational prizes. The Council also holds, as Trustee, funds granted to children in care. The funds are invested externally in accordance with the provisions of the Trustee Investments Act 1961, or held with the Council.

These funds are not part of the Council's accounts and have therefore been excluded from the Balance Sheet.

2012/13 £000	Aggregate Revenue Account	2013/14 £000
2,238	Opening balance 1 April	2,311
151	Income during the year	460
2,389	Total Funds available in the year	**2,771**
(78)	Expenditure during the year	(305)
2,311	**Closing balance 31 March**	**2,466**

2012/13 £000	The funds are represented by:	2013/14 £000
	Investments	
32	COIF Charity Funds	27
172	Building Society Deposits	181
2,107	Cash	2,258
2,311	**Total Assets**	**2,466**
33	**Number of Funds**	**32**

39. Members' Allowances

The Council paid the following amounts to Members of the Council during the year:

	2012/13 £000	2013/14 £000
Allowances	792	803
Expenses	13	12
Total	**805**	**815**

40. Officers' Remuneration

The remuneration paid to the Council senior employees is as follows:

a) Senior Officer Remuneration

		Salary, Fees and Allowances £	Expenses Allowances £	Pension Contribution £	Total £
A. Wilkinson (Chief Executive)	2013/14	160,000	24	31,658	**191,682**
	2012/13	160,156	250	29,984	**190,390**
Strategic Director of Neighbourhoods	2013/14	121,562	67	24,057	**145,685**
	2012/13	118,890	0	22,280	**141,170**
Strategic Director of Adult ,Health and Housing.	2013/14	118,890	132	23,528	**142,550**
	2012/13	119,433	64	22,280	**141,777**
Strategic Director of Resources	2013/14	118,890	161	23,528	**142,579**
	2012/13	119,926	173	22,280	**142,379**
Strategic Director of Children and Young People.	2013/14	118,890	41	23,528	**142,459**
	2012/13	124,550	15	22,280	**146,845**
Strategic Director of Public Health.*	2013/14	110,095	11	17,616	**127,722**
	2012/13	0	0	0	**0**
TOTAL	**2013/14**	**748,326**	**435**	**143,915**	**892,677**
	2012/13	**642,955**	**502**	**119,104**	**762,561**

* The Strategic Director of Public Health is a new statutory post that has been created following the transfer of Public Health from the NHS at 1 April 2013.

b) Number of Employees by Remuneration Band

Remuneration Band	2012/13	2013/14
£50,000 - £54,999	61	52
£55,000 - £59,000	61	50
£60,000 - £64,000	34	24
£65,000 - £69,000	13	13
£70,000 - £74,999	8	8
£75,000 - £79,000	9	15
£80,000 - £84,999	10	3
£85,000 - £89,999	2	2
£90,000 - £94,999	3	0
£95,000 - £99,999	0	1
£100,000 - £109,999	0	0
£110,000 - £114,999	0	1
£115,000 - £119,999	2	4
£120,000 - £124,999	2	1
£125,000 - £129,999	0	0
£130,000 - £159,999	0	0
£160,000 - £164,999	1	1
£165,000 - £179,999	0	0
£180,000 - £184,999	0	1
Total	**206**	**176**

c) Exit Costs

Exit package cost band (including special payments)	Head count number of compulsory redundancies		Head count number of other departures agreed		Total head count by cost band		Total cost of exit packages in each band	
	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14
	£	£	£	£	£	£	£	£
£0-£20,000	59	50	178	86	237	136	1,532,777	688,262
£20,001-£40,000	0	1	49	4	49	5	1,317,476	130,883
£40,001-£100,000	0	0	5	0	5	0	221,760	0
£100,001-£160,000	0	0	0	1	0	1	0	113,351
Total	**59**	**51**	**232**	**91**	**291**	**142**	**3,072,013**	**932,496**

In 2012/13, Derby City Council offered an enhanced exit package for employees taking voluntary redundancy, in 2013/14 no enhanced package has been offered which has resulted in a decrease in 2013/14 exit costs.

41. Termination Benefits

During 2013/14 the Council continued with the on-going voluntary redundancy programme to meet the reduced Council funding set by Central Government. This exercise resulted in 91 employees leaving the organisation during 2013/14.

The associated costs of this redundancy programme consisted of £862,593 redundancy payments and £371,947 pension shortfall costs. The Council has funded these costs through a combination of provisions, use of specific reserves set aside for this purpose and the temporary release of earmarked revenue reserves. The repayment of relevant reserves over the next 3 years has been built into the Council's Medium Term Financial Plan.

42. Pensions Schemes Accounted for as Defined Contribution Schemes

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 technically a defined benefit scheme. However, the Scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Council is not able to identify its share of underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme. In 2013/14 the Council paid £8.163m to Teachers' Pensions in respect of teachers' retirement benefits representing 14.1% of pensionable pay. The figures for 2012/13 were £8.890m and 14.1%.

There were no contributions remaining payable at the year-end. The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in Note 43.

Under the new arrangements for public health, staff performing public health functions who were compulsorily transferred from the PCT's to Derby City Council and who had access to the NHS pension scheme on 31st March 2013 retained access to that scheme on transfer at 1st April 2013.

As the NHS bodies account for the scheme as a defined contribution plan, it would be extremely unlikely that local authorities would be able to identify the underlying scheme assets and liabilities for NHS staff who have transferred across. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme. In 2013/14 the Council paid £0.150m to the NHS in respect of retirement benefit's for those public health staff who transferred across on 1st April 2013 representing 14.0% of pensionable pay.

43. Defined Benefit Pension Schemes

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, 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 need to be disclosed at the time that employees earn their future entitlement.

The Council participates in two post employment schemes:

1) The Local Government Pension Scheme, administered locally by Derbyshire County Council - this is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

2) 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 pensions liability, and cash has to be generated to meet actual pensions payments as they eventually fall due.

Transactions Relating to Post-Employment Benefits

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 which is required to be made against council tax is based on the cash payable in the year, so the real cost of post employment retirement is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves during the year.

Comprehensive Income and Expenditure Statement

	2012/13 £000	2013/14 £000
Comprehensive Income and Expenditure Statement		
Service Costs:		
Current service cost	17,761	21,651
Past service cost	981	434
Settlements and curtailments	(3,510)	0
Financing and Investment Income and Expenditure:		
Net interest on the net defined benefit liability	12,555	14,093

Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	27,787	36,178
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement:	0	0
Remeasurement of the net defined benefit liability	59,251	(67,840)
Total Post Employment Benefit Charged to the Comprehensive and Expenditure Statement	**87,038**	**(31,662)**
Movement in Reserves		
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(7,363)	(14,772)
Actual amount charged against the General Fund Balance for pensions in the year:		
Employers' contributions payable to scheme	20,613	21,406

The amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2014 is a gain of £67.84m.

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

	2012/13	2013/14
Opening balance at 1 April	(775,252)	(908,474)
Current service cost	(17,761)	(21,651)
Interest cost	(37,270)	(38,220)
Contributions by scheme participants	(5,980)	(5,941)
Change in demographic assumptions	(9,153)	8,422
Change in financial assumptions	(93,697)	207
Remeasurement from other experience	0	27,451
Benefits paid	25,940	21,545
Past services costs	(981)	(434)
Curtailments	(978)	0
Settlements	6,658	0
Closing balance at 31 March	**(908,474)**	**(917,095)**

Reconciliation of fair value of the scheme (plan) assets

	2012/13 £000 (restated)	2013/14 £000
Opening balance at 1 April	505,181	571,978
Expected rate of return	24,715	24,127
Actual gains and (losses) excluding interest	43,599	31,760
Employer contributions	20,613	21,406
Contributions by scheme participants	5,980	5,941
Benefits paid	(25,940)	(21,545)
Settlement	(2,170)	0
Closing balance at 31 March	**571,978**	**633,667**

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

Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.
The actual return on scheme assets in the year 2013/14 was £55.887m. This is based on an actual gain of £31.760m and interest of £24.127m. The return for 2012/13 was £68.314m.

Scheme History

	2009/10 £000	2010/11 £000	2011/12 £000	2012/13 £000	2013/14 £000
Present value of liabilities					
Local Government Pension Scheme	(747,337)	(692,214)	(753,547)	(884,612)	(877,379)
Discretionary Benefits	(22,708)	(21,422)	(21,705)	(23,862)	(39,716)
Fair value of assets in the Local Government Pension Scheme	477,650	495,917	505,181	571,978	633,667
Surplus/(deficit) in the scheme					
Local Government Pension Scheme	(269,687)	(196,297)	(248,366)	(312,634)	(243,712)
Discretionary Benefits	(22,708)	(21,422)	(21,705)	(23,862)	(39,716)
Total	**(292,395)**	**(217,719)**	**(270,071)**	**(336,496)**	**(283,428)**

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of £917.095m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in a net pensions deficit balance of £283.428m. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

(i) The deficit on the local government scheme will be made good by increased contributions over the remaining working life of benefits (i.e. before payments fall due), as assessed by the scheme actuary
(ii) Finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total employer contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2015 are £19.37m.

Pension Scheme Assets

	2012/13		2013/14	
	£000	%	£000	%
Quoted prices in active markets				
Equity Investments				
Consumer	44,735	7.8%	54,641	8.6%
Manufacturing	82,708	14.5%	89,765	14.1%
Energy	49,285	8.6%	56,549	8.9%
Financial Institutions	93,258	16.3%	110,123	17.4%
Health	29,197	5.1%	33,694	5.3%
ICT	16,097	2.8%	17,658	2.8%
Other	7,119	1.2%	9,300	1.5%
Government Bonds	79,082	13.8%	78,698	12.4%
Corporate Bonds	3,126	0.6%	3,145	0.5%
Other Bonds	15,030	2.6%	18,434	2.9%
Private Equity	3,066	0.5%	3,112	0.5%
Real Estate	17,794	3.1%	18,761	3.0%
Investment Funds - Equities	63,303	11.1%	69,027	10.9%
Cash	37,561	6.6%	35,167	5.6%
Quoted prices not in active markets				
Private Equity	1,682	0.3%	1,776	0.3%
Property	9,411	1.7%	11,020	1.7%
Investment Funds - Equities	1,128	0.2%	1,293	0.2%
Investment Funds - Bonds	15,835	2.8%	18,719	3.0%
Investment Funds - Infrastructure	2,561	0.4%	2,785	0.4%
Total	**571,978**	**100%**	**633,667**	**100%**

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actual basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependant on assumptions about mortality rates, salary levels etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates for the Council being based on the latest full valuation (conducted every 3 years) of the scheme as at 31 March 2014.

The principal assumptions used by the actual have been:

	2012/13	2013/14
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	22.2	22.0
Women	24.8	24.2
Longevity at 65 for future pensioners:		
Men	24.0	24.1
Women	26.8	26.6
Rate of inflation CPI	2.5%	2.4%
Rate of increase in salaries	4.2%	3.4%
Rate of increase in pensions	2.4%	2.6%
Rate of discounting scheme liabilities	4.2%	4.1%

Sensitivity

The estimation of the defined benefit obligation is sensitive to the actuarial assumptions set out in the table above. Changes in market conditions and UK life expectancy can have a significant effect on the value of the liabilities reported. The table below shows the impact of variations in the key assumptions.

Change in assumptions at 31 March 2014	Approximate % increase to employer liability	Approximate Monetary Amount £000
0.5% decrease in real discount rate	11%	100,002
1 year increase in member life expectancy	3%	27,476
0.5% increase in Salary Increase Rate	3%	30,655
0.5% increase in the Pension Increase	7%	68,340

Defined Benefit Obligation

The figures below apply only to funded obligations and do not include any unfunded pensioner liabilities. The durations are as they stood at the previous formal valuation as at 31 March 2013.

	Liability Split	Weight Average Duration
Active members	40.7%	24.0
Deferred members	18.4%	22.1
Pensioner members	40.9%	8.9
Total	**100.0%**	**16.8**

44. Contingent Liabilities

At 31 March 2014, the Council had four material contingent liabilities.

The Council is in the process of introducing Single Status for all employees subject to NJC terms and conditions. The main aim of this is to create fair and non-discriminatory grading structures in the Council. Nationally Local Authorities have experienced high volumes of equal pay claims. The Council has created a specific provision for a select number of claims. However a reliable estimation of other claims against the Council cannot be made and so the Council has recognised a Contingent liability for potential claims. To date the Council has not received a significant number of equal pay claims.

The physical impact of opening new roads following completion of the Council's Connecting Derby project presents a possibility that the Council could receive claims for compensation. The financial effect and anticipated timing of any claims cannot be reliably estimated at this time and will be closely monitored during 2014/15.

The Council has made provision for successful business rate appeals based on actual appeals received as at 31 March 2014. However the impact of any new claims not yet received is not known.

The Council is one of a number of parties involved in a long running Employers' Liability (EL) Trigger Litigation in respect of claims made for asbestos related diseases (mesothelioma). In March 2012, the Supreme Court ruling meant that for the period that Municipal Mutual Insurance (MMI) provided EL cover (1958 to 1993), the Council will continue to have the benefit of insurance for mesothelioma claims arising from asbestos exposures. However, after several years of deteriorating solvency, largely due to higher than anticipated claims for industrial disease particularly mesothelioma, the MMI scheme of arrangement was triggered and the administrator announced an initial rate of levy of 15%. This means that members of the scheme face a 15% call on all claims paid since 1993 and only 85% cover of future claims. The Council has settled the initial liability from the scheme arrangement. However the administrator will review the levy rate annually and it is therefore possible that further levies will be imposed. The timing and actual financial impact of payments for increases in the levy rate or any new claims is not known.

The Council faces significant budget pressures for the 2015/16 financial year, and as a result, may need to make unquantified staffing reductions. The actual costs associated with any necessary redundancies will depend on the level of savings required and therefore cannot be reliably quantified at this time.

45. Contingent Assets

The Council does not have any contingent assets in 2013/14 (nil in 2012/13).

46. Cash Flow Statement - Adjustments for Non-Cash Movements

2012/13 (restated) £000		2013/14 £000
(35,053)	Depreciation and amortisation	(39,846)
(38,537)	Impairment and downward valuations	(22,965)
(1,280)	(Increase)/decrease in impairment for provision for bad debt	(5,522)
1,908	(Increase)/decrease in creditors	(15,742)
11,190	Increase/(decrease) in debtors	16,601
33	Increase/(decrease) in Stock	96
2,335	(Increase)/decrease in Provisions	(18,168)
(7,363)	Pension liability	(14,772)
(778)	Other non-cash items charged to the net Surplus or Deficit on the Provision of Services	(4,101)
(67,545)	**Total Non-Cash Movements**	**(104,419)**

47. Adjustments for items that are investing or financing activities

2012/13 (restated) £000		2013/14 £000
0	Purchase of short-term and long-term investments	0
3,269	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	7,005
(4,449)	Other items that are investing and financing activities	0
20,088	Capital grants credited to surplus or deficit on provision of services	21,062
18,908	**Total adjustments for items that are investing and**	**28,067**

48. Operating Activities

The cash flows for operating activities include the following items:

2012/13 £000		2013/14 £000
(432)	Interest Received	(586)
16,152	Interest Paid	20,305
15,720		**19,719**

49. Cash Flow Statement - Investing Activities

2012/13 (restated) £000		2013/14 £000
85,152	Purchase of property, plant and equipment, investment property and intangible assets	90,832
1,332	Purchase of short-term and long-term investments	0
0	Proceeds from the sale of short term investments	(1,007)
(3,269)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(7,005)
(22,931)	Other receipts from investing activities	(27,248)
60,284	**Net Cash Flows from Investing activities**	**55,572**

50. Cash Flow Statement - Financing Activities

2012/13 £000		2013/14 £000
(37,000)	Cash receipts of short and long-term borrowing	(35,521)
4,449	Other receipts from financing activities	0
2,793	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on balance sheet PFI contracts	3,418
6,667	Repayments of short- and long-term borrowing	24,413
(23,091)	**Net cash flows from financing**	**(7,690)**

51. Transport Act 2000

The Council participates in schemes covered by the Transport Act 2000. The most significant of these are shown below.

Service Description	Exp £000	Inc £000	Net £000
Concessionary fares for public transport – English National Concessionary Travel Scheme for older and disabled people (and b-line scheme for young people) administrated by Derbyshire County Council.	6,109	(6)	6,103

HOUSING REVENUE ACCOUNT INCOME & EXPENDITURE STATEMENT

The Housing Revenue Account (HRA) income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government

HRA Income and Expenditure Statement	2012/13 (restated) £000	2013/14 £000
Expenditure		
Repairs and Maintenance	13,727	15,390
Supervision and Management	11,682	12,323
Negative HRA subsidy payable	(73)	0
Rents, rates, taxes and other charges	0	0
Depreciation and impairments of non-current assets	16,121	13,442
Debt Management costs	316	153
Movement in allowance for bad debts	505	420
Total Expenditure	**42,278**	**41,728**
Income		
Dwelling rents	(48,587)	(51,711)
Non dwelling rents	(518)	(526)
Charges for Services and facilities	(2,877)	(3,651)
Contributions towards expenditure	0	0
Total Income	**(51,982)**	**(55,888)**
Net cost of HRA Services as included in the Comprehensive Income and Expenditure account	**(9,704)**	**(14,160)**
HRA services share of Corporate and Democratic Core	93	121
HRA Share of other amounts included in the whole authority Cost of Services but not allocated to specific reserves	0	0
Net Income for HRA Services	**(9,611)**	**(14,039)**
HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:		
Gain or loss on sale of HRA non-current assets	1,756	(1,375)
Interest payable and similar charges	9,208	9,139
Interest and Investment income	(145)	(182)
Capital Grant Income	0	0
(Surplus) / Deficit for the year on HRA services	**1,208**	**(6,457)**

MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT

Movement on the Housing Revenue Account Balance Statement	2012/13 (restated) £000	2013/14 £000
Balance on the HRA at the end of the previous year	**(15,089)**	**(18,220)**
(Surplus) or deficit for the year on the HRA income and expenditure Account	1,208	(6,457)
Adjustments between accounting basis and funding basis under Statute:		
Difference between interest payable and similar charges determined in accordance with the Code and those determined in accordance with Statute	(176)	(165)
Difference between any other item of income and expenditure determined in accordance with the Code and those determined in accordance with Statute	(9)	7
Gain or loss on sale of HRA non-current assets	(1,868)	1,375
HRA share of contributions to or from the Pensions Reserve	29	(2)
Capital expenditure funded by the HRA	1,950	1,697
Net (Increase) or decrease before transfers to/from reserves	**1,134**	**(3,545)**
Transfers (to) or from reserves:		
Transfers (to)/from the Major Repairs Reserve	0	0
Transfers (to)/from the Capital Grants Unapplied Reserve	0	0
Transfers (to)/from the Capital Adjustment Account	(4,280)	(1,990)
Transfers (to)/from the Housing Repairs Account	0	0
Transfers (to)/from other Earmarked Reserves	15	(1,697)
Increase or (decrease) in year on the HRA	**(3,131)**	**(7,232)**
Balance on the HRA at the end of the current year	**(18,220)**	**(25,452)**

NOTES TO HOUSING REVENUE ACCOUNT

1 The Number and Types of Dwellings in the Authority's Housing Stock

Dwelling Type	31 March 2013 £000	31 March 2014 £000
Houses	7,840	7,764
Flats	4,328	4,278
Bungalows	1,323	1,339
Total	**13,491**	**13,381**

Operational/ Non Operational Assets

The value of assets held by the HRA at 31 March was:

a. Operational Assets

	31 March 2013 £000	31 March 2014 £000
Dwellings	179,053	198,584
Other Land and Buildings	8,912	8,730
Infrastructure	1,840	1,792
Vehicles, plant and equipment	159,153	155,606
Community Assets	513	513
	349,471	**365,225**

The regional adjusting factor for Existing Use Value for Social Housing (EUVSH) has remained at 34%.

b. Non Operational Assets

	31 March 2013 £000	31 March 2014 £000
Surplus properties	3,693	1,894
Assets held for sale	80	100
Construction & Work in progress	33	33
	3,806	**2,027**

2. Council Dwellings Vacant Possession Value

The total vacant possession value of dwellings within the HRA at 1 April 2013 was £1,032m (1,022m at 1 April 2012). ODPM guidance requires that the balance sheet valuation of £351.033m at 1 April 2013, (£347.646m at 1 April 2012) be determined by applying a regional multiplier 34% for the East Midlands (34% for the East Midlands in 2013) to the vacant possession value of dwellings.

This shows the economic cost to the Government of providing Council housing at less than open market rents.

During 2013/14 the housing market has taken an upturn and as such the housing stock has been uplifted by 3.75% to take account of market conditions. The total vacant possession value of dwellings within the HRA at 1 April 2014 is estimated to be £1,076m after applying the uplift. The balance sheet valuation after applying the regional multiplier 34% is £365.975m when adding the 3.75% uplift.

3. Major Repairs Reserve

The movements on the Major Repairs Reserve are shown below:

	2012/13 £000	2013/14 £000
Balance at beginning of the year	(4,361)	(9,588)
MRA allowance	(11,790)	(11,452)
	(16,151)	**(21,040)**
Debit to MRA in respect of capital expenditure on properties within the HRA	6,563	10,484
Balance at end of Year	**(9,588)**	**(10,556)**

4. Housing Repairs Account

An analysis of the movements on the Housing Repairs Account is shown below:

	2012/13 £000	2013/14 £000
Balance at beginning of the year	(15)	(15)
Add contributions during the year	0	0
	(15)	**(15)**
Less actual expenditure incurred	0	0
Balance at end of Year	**(15)**	**(15)**

Housing repairs cost are now included within the management contract with Derby Homes. The Council no longer operates a separate Housing Repairs Account within the HRA.

5a. Summary of Capital Expenditure and Financing

	2012/13 £000	2013/14 £000
Expenditure		
Land	1,842	1,697
Dwellings	9,866	11,652
Other (HRA self financing payment)	0	0
Total Capital Expenditure	**11,708**	**13,349**
Sources of Funding		
Borrowing	30	0
Capital Receipts	0	1,088
Revenue Contributions	1,958	1,697
Other Contributions and Grants	3,180	79
Major Repairs Reserve	6,540	10,485
Balance at end of Year	**11,708**	**13,349**

5b. Summary of Capital Receipts

	2012/13 £000	2013/14 £000
Dwellings	3,093	5,947
Land	0	0
Total Receipts	**3,093**	**5,947**

6. Depreciation

	2012/13 £000	2013/14 £000
Operational		
Council Dwellings	4,149	3,937
Other operational land and buildings	406	390
Infrastructure	48	48
VPE	7,187	7,077
Total Depreciation HRA	**11,790**	**11,452**
Net of MRA Allowance	0	0
Net Charge to HRA	**11,790**	**11,452**

7. Impairment

In order to ensure compliance with the Decent Homes Standard, Council Dwellings are regularly maintained and as such large capital expenditure is incurred to undertake refurbishments. The valuation of Council Dwellings is required to be adjusted by a regional factor for Existing Use Value Social Housing (34%) and as such the capital expenditure for the year must also be written down by the same adjusting factor. This is effectively the impairment charge for works to Council Dwellings and equates to £7.958m in 2013/14 (£7.731m in 2012/13).

The HRA impairment charges are summarised below:

Asset Category	Impairment Charge on 2013/14 Capital Expenditure	Impairment Funded directly from Revaluation Reserve	Impairment Charged to HRA Income & Expenditure Account
Council Dwellings	(7,958)	0	(7,958)
Surplus Assets	0	0	0
Vehicles Plant & Equipment	0	0	0
Total	**(7,958)**	**0**	**(7,958)**

8. Revenue Expenditure Funded from Capital under Statute

There has been £1,290m Revenue Expenditure Funded from Capital under Statute attributable to the HRA for 2013/14 (Nil in 2012/13).

9. Amount of Rent Arrears and the Aggregate Balance Sheet Provision in Respect of Uncollectible Debts

	2012/13 £000	2013/14 £000
Amount of rent arrears	**2,323**	**2,570**
Aggregate Balance sheet provision in respect of uncollectable debts	**2,159**	**2,396**
Analysed as follows:		
Weekly Rents	1,960	2,202
Housing Benefit overpayments	53	42
Other Debts	146	152
	2,159	**2,396**

10. Analysis of HRA Share of Contributions to/from the Pensions Reserve

	2012/13 £000	2013/14 £000
Current Service Cost	426	201
Reversal of net charges made to the Surplus or Deficit for the Provision of services for post employment benefits in accordance with the Code	(466)	(199)
HRA share of Contributions to/from the Pensions Reserve	**(40)**	**2**

THE COLLECTION FUND

Business Rates £000	Council Tax £000	Total 2012/13 £000	INCOME AND EXPENDITURE	Business Rates £000	Council Tax £000	Total 2013/14 £000
			Income:			
0	(81,347)	(81,347)	Council Tax	0	(88,298)	(88,298)
(82,763)	0	(82,763)	Business Rates	(85,765)	0	(85,765)
0	(18,155)	(18,155)	Council Tax Benefit			0
(82,763)	**(99,502)**	**(182,265)**	**Total Income**	**(85,765)**	**(88,298)**	**(174,063)**
			Expenditure:			
			Precepts and Demands			
0	81,978	81,978	Derby City Council	37,768	70,535	108,303
0	11,908	11,908	Derbyshire Police Authority	0	10,288	10,288
0	4,885	4,885	Fire Precept	771	4,139	4,910
			Business Rates			
80,926	0	80,926	Payment to National Pool	38,539	0	38,539
316	0	316	Costs of Collection	315	0	315
			Provision for bad and doubtful debts			
0	1,768	1,768	Council Tax	0	760	760
1,521	0	1,521	Business Rates	2,852	0	2,852
0	0	0	Business Rate Appeals	9,252	0	9,252
			Transfer of previous years estimated surplus			
0	0	0	Derby City Council	0	(473)	(473)
0	0	0	Derbyshire Police Authority	0	(69)	(69)
0	0	0	Derbyshire Fire Authority	0	(28)	(28)
82,763	**100,539**	**183,302**	**Total Expenditure**	**89,497**	**85,152**	**174,649**
0	1,036	1,036	(Surplus) / Deficit for the year	3,732	(3,146)	586
0	8	8	(Surplus) / Deficit brought forward	0	1,044	1,044
0	**1,044**	**1,044**	**(Surplus) / Deficit at the end of the year**	**3,732**	**(2,102)**	**1,630**
			Share of Collection Fund			
			Central Government	1,866	0	1,866
	867	867	Derby City Council	1,829	(1,745)	84
	126	126	Derbyshire Police Authority		(254)	(254)
	51	51	Derbyshire Fire Precept	37	(103)	(66)
0	**1,044**	**1,044**	**(Surplus) / Deficit at the end of the year**	**3,732**	**(2,102)**	**1,630**

NOTES TO THE COLLECTION FUND

1. Council Tax

The Council's tax base for 2013/14 was 61,622.88, (72,726.75 in 2012/13). This is the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply) converted to an equivalent number of band D dwellings. Details are as follows:

Band	Ratio	Band D Equivalent Dwellings
A	6/9	22,137.02
B	7/9	12,712.73
C	8/9	12,100.71
D	9/9	7,413.25
E	11/9	4,844.04
F	13/9	3,036.46
G	15/9	938.61
H	18/9	20.13
		63,202.95
Less adjustment for non-collection		(1,580.07)
Council Tax Base		**61,622.88**

2. Income from Business Ratepayers

The Council collet Non Domestic Rates (NDR) for its local. NDR is based on the individual rateable property values set by the Valuation Office Agency (VOA) multiplied by a national multiplier set by Central Government. In previous years the amount due less an allowance for collection was paid the Central Government pool which was then redistributed to local authorities based on a standard formula.

From April 2013 administration of business rate income changed following the introduction of the retained business rate scheme. Instead or paying collected business rate to the central pool, administered by the Government, local authorities retain a proportion of the income due. Derby's local share is 49% and the remainder is distributed to the preceptors, Central Government (50%) and Derbyshire Fire and Rescue Service)1%).

The non-domestic rateable value at 31 March 2014 was £212.050m (£212.014m in 2012/13).

The national non-domestic multiplier for 2013/14 was 47.1p (45.8p in 2012/13).

GROUP ACCOUNTS

Local Authorities are required to examine their relationship with other organisations. This is with a view to checking whether the Council needs to prepare group accounts because of another organisation being classified as a subsidiary or associate.

INTRODUCTION

The Accounting Code of Practice requires that where an Authority has material financial interest and a significant level of control over one or more entities it should prepare group Accounts. The aim of these statements is to give an overall picture of the Council's financial activities and the resources employed in carrying out these activities.

There is no material difference between the Single Entity Accounts and the Group Accounts, therefore no new additional notes have been provided. Reference should be made to the Notes to the Core Financial Statements.

INCLUSION WITHIN THE GROUP ACCOUNTS

Derby Homes Limited, the Council's arms length management organisation (ALMO) is a limited company wholly owned by the Council. It was incorporated on 25 February 2002. It manages Derby City Council's stock of Council houses. The ALMO is classed as a subsidiary of the Council, and its financial activities have been consolidated into the group financial statements on a 100% basis.

The full Derby Homes Limited company accounts can be obtained from:

Derby Homes Limited,
Floor 3,
The Council House,
Corporation Street,
Derby, DE1 2FT

Definitions

Subsidiary

An entity is a subsidiary of the reporting authority if the authority is able to exercise control over the operations financial policies of the entity and the authority is able to gain benefits from the entity or is exposed to the risk of potential losses arising from this control.

The operating income and expenditure of the Council's subsidiary has been included within the appropriate services lines Net Cost of Services on the Group Comprehensive Income and Expenditure Account.

Associate

An entity other than a subsidiary or joint venture in which the reporting authority has significant influence (20%-50% of voting power)

Group Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, and its subsidiaries and associates, analysed into 'usable reserves' (ie those that can be applied to fund expenditure or reduce local taxation) and other reserves.

	Total Council Usable Reserves (Restated) £000	Total Council Unusable Reserves (Restated) £000	Total Council Reserves (Restated) £000	Total Derby Homes Usable Reserves £000	Total Derby Homes Unusable Reserves £000	Total Derby Homes Reserves £000	Total Group Usable Reserves (Restated) £000	Total Group Unusable Reserves (Restated) £000	Total Group Reserves (Restated) £000
Balance at 31 March 2012 carried forward	**(125,884)**	**(391,382)**	**(517,266)**	**(2,850)**	**10,022**	**7,172**	**(128,734)**	**(381,360)**	**(510,094)**
Movement in Reserves during 2012/13									
(Surplus) or deficit on the provision of services	39,089	0	**39,089**	(1,062)	0	**(1,062)**	38,027	0	**38,027**
Other Comprehensive Income and Expenditure	0	44,728	**44,728**	0	3,512	**3,512**	0	48,240	**48,240**
Total Comprehensive Income and Expenditure	**39,089**	**44,728**	**83,817**	**(1,062)**	**3,512**	**2,450**	**38,027**	**48,240**	**86,267**
Adjustments between accounting basis & funding basis under regulations.	(40,791)	40,791	0	0	0	0	**(40,791)**	**40,791**	0
Net (Increase) / Decrease before Transfers to Earmarked Reserves	**(1,702)**	**85,519**	**83,817**	**(1,062)**	**3,512**	**2,450**	**(2,764)**	**89,031**	**86,267**
Transfers (to)/from Earmarked Reserves.	0	0	0	0	0	**0**	0	0	0
(Increase) / Decrease in 2012/13	**(1,702)**	**85,519**	**83,817**	**(1,062)**	**3,512**	**2,450**	**(2,764)**	**89,031**	**86,267**
Balance at 31 March 2013 carried forward	**(127,586)**	**(305,863)**	**(433,449)**	**(3,912)**	**13,534**	**9,622**	**(131,498)**	**(292,329)**	**(423,827)**

	Total Council Usable Reserves £000	Total Council Unusable Reserves £000	Total Council Reserves £000	Total Derby Homes Usable Reserves £000	Total Derby Homes Unusable Reserves £000	Total Derby Homes Reserves £000	Total Group Usable Reserves £000	Total Group Unusable Reserves £000	Total Group Reserves £000
Balance at 31 March 2013 carried forward	**(127,586)**	**(305,863)**	**(433,449)**	**(3,912)**	**13,534**	**9,622**	**(131,498)**	**(292,329)**	**(423,827)**
(Surplus) or deficit on the provision of services	13,240	0	**13,240**	385	0	**385**	13,625	0	**13,625**
Other Comprehensive Income and Expenditure	0	(203,470)	**(203,470)**	0	(2,579)	**(2,579)**	0	(206,049)	**(206,049)**
Total Comprehensive Income and Expenditure	**13,240**	**(203,470)**	**(190,230)**	**385**	**(2,579)**	**(2,194)**	**13,625**	**(206,049)**	**(192,424)**
Adjustments between accounting basis & funding basis under regulations.	(27,983)	27,983	0	0	0	0	**(27,983)**	**27,983**	0
Net (Increase) / Decrease before Transfers to Earmarked Reserves	**(14,743)**	**(175,487)**	**(190,230)**	**385**	**(2,579)**	**(2,194)**	**(14,358)**	**(178,066)**	**(192,424)**
Transfers (to)/from Earmarked Reserves.	0	0	0	0	0	**0**	0	0	0
(Increase) / Decrease in 2013/14	**(14,743)**	**(175,487)**	**(190,230)**	**385**	**(2,579)**	**(2,194)**	**(14,358)**	**(178,066)**	**(192,424)**
Balance at 31 March 2014 carried forward	**(142,329)**	**(481,350)**	**(623,679)**	**(3,527)**	**10,955**	**7,428**	**(145,856)**	**(470,395)**	**(616,251)**

GROUP COMPREHENSIVE INCOME AND EXPENDITURE ACCOUNT

2012/13				2013/14		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
40,387	(27,134)	13,253	Central services to the public	25,001	(16,771)	8,230
27,548	(10,837)	16,711	Cultural Related Services	24,148	(8,116)	16,032
33,653	(11,557)	22,096	Environmental & Regulatory Services	29,448	(8,007)	21,441
22,739	(9,389)	13,350	Planning Services	29,661	(9,950)	19,711
278,876	(194,027)	84,849	Education and children's services	255,977	(193,645)	62,332
33,580	(11,481)	22,099	Highways and transport services	29,519	(8,894)	20,625
46,135	(57,363)	(11,228)	Local authority housing (HRA)	43,031	(57,003)	(13,972)
118,140	(98,529)	19,611	Other housing services	114,878	(95,387)	19,491
88,321	(20,944)	67,377	Adult social care	92,431	(18,877)	73,554
8,735	(792)	7,943	Corporate and democratic core	8,220	(1,496)	6,724
0	0	0	Public health	14,858	(2,062)	12,796
742	(5,143)	(4,401)	Non distributed costs	917	(71)	846
698,856	**(447,196)**	**251,660**	**Cost of Services**	**668,089**	**(420,279)**	**247,810**
		4,783	Other operating expenditure			(1,137)
		31,755	Financing and investment income and expenditure			34,086
		(250,171)	Taxation and non-specific grant income			(267,134)
		38,027	**(Surplus) or Deficit on Provision of Services**			**13,625**
		(15,420)	(Surplus) or deficit on revaluation of Property, Plant and Equipment			(135,631)
		62,586	Remeasurement of the net defined benefit liability			(70,418)
		1,074	Restatement of Fixed Assets			0
		48,240	**Other Comprehensive (Income) and Expenditure**			**(206,049)**
		86,267	**Total Comprehensive (Income) and Expenditure**			**(192,424)**

GROUP BALANCE SHEET

31 March 2013 £000		31 March 2014 £000
1,132,070	Property, Plant & Equipment	1,300,466
74,841	Heritage Assets	75,471
931	Investment Property	895
2,538	Intangible Assets	3,627
332	Long Term Investments	325
9,201	Long Term Debtors	14,470
1,219,913	**Long Terms Assets**	**1,395,254**
1,201	Short Term Investments	201
2,099	Assets Held for Sale	261
700	Inventories	841
42,594	Short Term Debtors	52,881
25,549	Cash and Cash Equivalents	43,060
72,143	**Current Assets**	**97,244**
(3,904)	Bank Overdrafts	(6,185)
(28,000)	Short Term Borrowing	(31,854)
(2,920)	Short Term Finance Lease Liabilities	(3,360)
(60,659)	Short Term Creditors	(71,115)
(1,405)	Provisions	(1,336)
(96,888)	**Current Liabilities**	**(113,850)**
(77,739)	Long Term Finance Lease Liabilities	(88,757)
(559)	Provisions	(18,796)
(297,643)	Long Term Borrowing	(310,238)
(386,837)	Other Long Term Liabilities	(330,679)
(8,563)	Capital Grants Receipts in Advance	(13,927)
(771,341)	**Long Term Liabilities**	**(762,397)**
423,827	**Net Assets**	**616,251**
(127,586)	Usable Reserves	(142,329)
(305,863)	Unusable Reserves	(481,350)
(3,912)	Derby Homes Usable Reserves	(3,527)
13,534	Derby Homes Unusable Reserves	10,955
(423,827)	**Total Reserves**	**(616,251)**

GROUP CASH FLOW

2012/13 £000		2013/14 £000
38,027	Net (surplus) or deficit on the provision of services	13,625
(65,567)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(103,914)
18,908	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	28,067
(8,632)	Net cash flows from Operating Activities	**(62,222)**
59,380	Investing Activities	54,749
(23,292)	Financing Activities	(7,757)
27,456	Net (increase) or decrease in cash and cash equivalents	**(15,230)**
49,101	Cash and cash equivalents at the beginning of the reporting period	21,645
21,645	**Cash and cash equivalents at the end of the reporting period**	**36,875**

Audit Opinion

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DERBY CITY COUNCIL

Opinion on the financial statements

We have audited the financial statements of Derby City Council for the year ended 31 March 2014 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Group Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Group Comprehensive Income and Expenditure Statement, the Balance Sheet, the Group Balance Sheet, the Cash Flow Statement, the Group Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

This report is made solely to the members of Derby City Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Strategic Director of Resources and auditor

As explained more fully in the Statement of the Strategic Director of Resources Responsibilities, the Strategic Director of Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Strategic Director of Resources; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Derby City Council as at 31 March 2014 and of its expenditure and income for the year then ended;
- give a true and fair view of the financial position of the Group as at 31 March 2014 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and applicable law.

Opinion on other matters

In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

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

We have nothing to report in these respects.

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

Respective responsibilities of the Authority and the auditor

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

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

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2013, as to whether the Authority has proper arrangements for:

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

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2013, we are satisfied that, in all significant respects, Derby City Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed our consideration of the Council's ongoing work to investigate issues relating to failures of governance highlighted in the Council's Annual Governance Statement. We are satisfied that these matters do not have a material effect on the financial statements or a significant impact on our value for money conclusion.

Phil Jones
Director
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Colmore Plaza
20 Colmore Circus
Birmingham
B4 6AT

Date

GLOSSARY

This Glossary explains terms that may be encountered in discussion of Local Government finance. Definitions are intended to assist a general audience, rather than reflecting exactly the technical sense in which the terms are used.

All Local Authorities have adopted International Financial Reporting Standards (IFRS) from 1 April 2010 as their standard basis of accounting. These replace UK Generally Accepted Accounting Practices (UK GAAP) which have been the basis for previous sets of financial statements and bring with them some notable changes in terminology:

IFRS	UK GAAP
Non Current Assets	Fixed Assets
Property, Plant & Equipment	Tangible Fixed Assets
Inventories	Stock
Non Current Liabilities	Creditors: Amounts falling due after more than one year
Receivables	Debtors
Payables	Creditors

Accounting Period: The period of time covered by the accounts, normally twelve months commencing on 1 April to 31 March this being the Balance Sheet date.

Accounting Policies: Within the range of possible methods of accounting, a statement of the accruals method chosen locally and used to prepare these accounts.

Account and Audit Regulations: The current sets of regulations which detail the accounts needed, how they should be published, the right of electors, and the conduct of the annual statutory audit.

Accruals: Concept that items of income and expenditure are recognised as they are earned or incurred not as money is received or paid.

Actuarial Gains and Losses: The actuarial gains or losses to the pension fund are made up of:

- actual gains or losses to the value of the fund's investments;
- changes to the number, age and sex of staff that contribute to the pension fund; and
- changes to the assumptions about the growth of investments and the liabilities of the scheme.

Agency Work: When an organisation provides services on the Council's behalf, which the Council pays for.

AGS: Annual Governance Statement.

Amortised: The reduction in an amount carried on the Balance Sheet by the regular debiting or crediting to an Income and Expenditure Account.

Apportionment: A way of sharing the cost of management and administration to services using an appropriate method (for example, the amount of floor space taken up by accommodation-related support services).

Appropriation: An account in the Comprehensive Income and Expenditure Account used to transfer an amount between specific reserves on the balance sheet.

Asset: Something of value which is measurable in monetary terms owned by the Council and is convertible in to cash.

Assets held for sale: Assets are held for sale if their value will be recovered through a sale transition rather than continuing use, within one year.

Associate: An organisation or company other than a subsidiary or joint venture in which the Council has an interest and over whose operating and financial policies it has some influence.

Audit Commission: The Audit Commission is responsible for appointing external auditors to Local Authorities and setting standards for those auditors.

Balances: The reserves of the Council, both revenue and capital, which represent the accumulated surplus of income and expenditure on any of its funds.

Balance Sheet: A statement of the recorded assets, liabilities and other balances at the end of an accounting period.

Billing Authority: Derby City Council is the billing authority responsible for the local collection of Council tax and non-domestic rates. The Council tax includes amounts for precepting authorities (Derbyshire Fire Authority and Derbyshire Police Authority).

Budget: A statement of the Council's expected level of service expressed as an amount of spending over a set period, usually one year.

BVACOP: Best Value Accounting Code of Practice. This is the requirement to produce information that provides comparability across authorities. Information about how private sector companies are managed is useful to users because each company may be providing different goods or services in different areas, and information about how the companies are managed will be useful for investment decisions. Local Authorities on the other hand provide a comparable range of services, so there is not the same need to have information that will be of use to investors. Service information that allows users to compare the performance of different authorities for a particular service is therefore more likely to be of benefit, and is provided by the inclusion of the BVACOP statement.

Capital Adjustment Account: The financing of capital expenditure passes through this account.

Capital Charges: Charges the Council makes to services for using non-current assets when providing the service.

Capital Contributions and grants: Money the Council receives towards paying for capital spending on a particular service or scheme.

Capital Expenditure: Spending on buying or creating a non-current asset or spending that adds to and does not just maintain the value of an existing asset, for example, land, buildings, roads, new furniture, vehicles and equipment.

Capital Financing: The raising of money to pay for capital expenditure. There are various methods of financing capital expenditure including borrowing, direct revenue financing, usable capital receipts, capital grants, capital contributions and revenue reserves.

Capital Financing Requirement: Reflects the Council's level of debt relating to capital expenditure.

Capital Programme: The capital schemes the Council intends to carry out over a specified time period.

Capital Receipts: Money the Council receives from selling non-current assets (buildings, land etc). Capital receipts from sales of housing assets cannot be used entirely to fund new capital expenditure; a proportion must be paid to Government.

Capitalisation: Capitalisation of an asset takes place when its cost is written off bit by bit, over its useful life, instead of writing off the cost in the year the asset was bought.

Carry-forwards: Revenue budgets not spent, which services can use in future years.

Cash and cash equivalents: This comprises cash in hand, cash overdrawn and short term investments which are readily convertible into known amounts of cash.

Cash Flow: Movement in money received and paid by the Council in the accounting period.

Central Government Grants: There are different types of grant;

- Revenue Support Grant - the main government grant to support Local Authority services.
- Specific Service Grants - payments from the Government to cover Local Authority spending on a particular service or project (for example, Standards Fund for schools). Specific grants are often a fixed percentage of the costs of a service or project.
- Supplementary Grants - grants towards capital spending for highway schemes.

CIPFA (Chartered Institute of Public Finance and Accountancy): This is the professional institute governing how public money is used and how it has to be reported.

Comprehensive Income and Expenditure Account (CI&E): This statement reports the net cost of all services and functions which the Council is responsible for, and demonstrates how this has best been financed from general government grants and income from local tax payers.

Collection Fund: An account kept by the Council into which Council tax is paid and through which national non-domestic rates pass, and which pays out money to fund expenditure from the General Fund and the precept made by the Police and Fire

Community Assets: Assets that the Council plans to hold forever, have no set useful life, and may have restrictions on how the Council sells or otherwise disposes of them. Examples of community assets are parks, historic buildings and various conservation

Consistency: This is the application of consistent accounting treatment from one accounting period to another.

Consolidated: Added together with adjustments to avoid double counting of income, expenditure or to avoid exaggeration e.g. receivables, payables as a result of trading between services within the Council which are reported as a whole in the consolidated financial accounts.

Contingent Assets/Liabilities: An asset or liability that is not recognised in the accounts due to the level of uncertainty surrounding it but is disclosed as it is possible that it may result in a future inflow or outflow of resources.

Contributions paid to the pension fund: Cash paid as employer's contribution to the pension fund.

Council Tax: This is a tax which is levied on the broad capital value of domestic properties, and charged to the resident or owner of the property.

Corporate and Democratic Core: Spending relating to the Council's need to co-ordinate and account for the many services provided to the public.

Corporate Management: Those activities and costs which provide the framework for services to be undertaken and information required for public accountability.

CPA: Comprehensive Performance Assessment.

Current Assets/Liabilities: Assets/liabilities that are easily converted into cash.

Current Service Cost: The increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Account to the revenue account of services for which the employees work.

DCLG: Department for Communities and Local Government – responsible for Government policy and advice on community affairs and Local Government.

DFE: Department For Education (previously DCSF- Department for Children, Schools and Families) – responsible for Government policy and advice in connection with education and the social welfare of children and families.

Debt Impairment: Debts which may be uneconomical to collect or unenforceable, (previously called 'bad and doubtful debt').

Deficit: There are two types of deficits. A fund is said to be in deficit when its liabilities are higher than its assets. An in-year deficit is achieved when spending is higher than

Deferred Capital Receipts: Amounts derived from the asset sale which will be received in instalments over a period of a year.

Deferred Consideration: A prepaid amount paid to the contractor in advance of services, written off over the life of the contract in equal instalments to the revenue account, in order to reduce the overall cost to the contract.

DEFRA: Department for Environment, Food and Rural Affairs – responsible for the Government policy and advice on environmental, agricultural and rural issues.

Depreciation: The reduction in the value of assets, for example, through wear and tear, charged over the useful life of the asset.

Discretionary Benefits: Awards of retirement benefits in the event of early retirement accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

Direct Service Organisations (DSOs): Independent organisations within Local Authority which, following competition with the private sector, have been successful in being awarded contracts for carrying out specified work for the Council.

DWP: Department for Work and Pensions. This is the Government Department responsible for welfare and employment issues.

Earmarked Reserves: These reserves represent the monies set aside that can only be used for a specific usage or purpose.

Employee Benefits: All forms of consideration given by the Council in exchange for service rendered by employees.

Employment Costs: The salaries and wages of staff and spending on training as well as the costs of the redundancy.

EUVSH: Existing Use Value for Social Housing.

Exceptional: Material items which arise from events or transactions that fall within the ordinary activities of the Council and which by virtue of their size or incidence need to be disclosed separately to give a fair presentation of the accounts.

Expected Return on Assets: The annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to Net Operating Expenditure in the Comprehensive Income and Expenditure Account.

Expenditure Funded From Capital Under Statute: These are charges resulting from capital expenditure that does not result in the creation of a non-current asset and therefore has no continuing value to the Council.

Fair Value: The price at which the Council could buy or sell an asset or loan in a transaction with another organisation, less any grants received towards buying or using that asset.

Fees and Charges: Money raised by charging for the use of facilities or services.

Financial Instrument: Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

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 Account as part of Non Distributed Costs.

General Fund: The main revenue account of the Council, which brings together all income and expenditure other than recorded in the Housing Revenue Account and the Collection Fund.

Government Support / Grants: Assistance by Government and inter-Government agencies and similar bodies, whether local, national or international, in the form of cash or transfer of assets to an authority in return for past or future compliance with certain conditions relating to the activities of the authority.

Gross Book Value: This is the original or revalued cost of an asset before any depreciation is taken off it. (See also Net Book Value).

Heritage Assets: These are assets with historic, artistic, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture.

Historical Cost: What a non-current asset cost the Council to buy originally, plus the costs of bringing the asset into use.

Housing Benefits: A system of financial assistance to individuals towards certain housing costs administered by Local Authorities and subsidised by Central Government.

Housing Revenue Account (HRA): A separate account to the General Fund, which includes the expenditure and income arising from the provision of housing accommodation by the Council. The HRA is ring-fenced: no cross subsidy is allowed between the HRA and the General Fund.

Impairment Loss: Where an asset's value has been reduced by physical deterioration or other factors beyond usual wear and tear. The asset's value in the accounts is reduced to reflect this impairment.

Income: The amount the Council receives, or expects to receive, from any source. Service revenue income includes grants, sales, rents, fees and charges.

Infrastructure Assets: A non-current asset that cannot be taken away or transferred, and which the Council can only continue to benefit from by actually using it. Examples of infrastructure assets are roads, bridges and footpaths.

Intangible Assets: Non-financial non-current assets that do not exist physically but that the Council owns or has a right to use.

Interest Costs: 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 Account.

Inventories: These are goods purchased by the Council that will be used at a later date to provide services to the public. For example, the quantity of grit in storage for bad weather.

Investment Properties: Property (land or a building-or part of a building-or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both, rather than for:

- Use in the production or supply of goods or services or for administration purposes;
- sale in the ordinary course of business.

Joint Ventures: The Council jointly controls a business with one or more other organisation. Financial and operating decisions essential to the activities of the business need the permission of each organisation.

Leases - Finance: A lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred.

Leases - Operating Lease: Any lease that is not a finance lease.

Levy: The money paid to the Environment Agency (for flood defence and land drainage purposes).

Liabilities: Amounts due to individuals or organisations which will have to be paid at some time in the future.

LOBO Loans: Lender Option, Borrower Option loans. This is a loan in which the lender can, at a predetermined time, request to change the interest rate at which the loan is being charged. If the borrower does not agree to the rate change, the borrower then has the option to repay the loan.

Long Term Borrowing: Loans raised to finance capital spending which have to be repaid over a period longer than 1 year from the date of the accounts.

Long Term Investments: Those investments which the Council plans to hold on a continuous basis (for example, money held with a bank or building society for more than 12 months).

Local Public Services Agreement LPSA: Local Public Services Agreement Grant.

Material: The concept that any mistake in the accounts should not affect the understanding of those reading the statements.

Major Repairs Allowance (MRA): The MRA is an element of housing subsidy, and represents the capital cost of keeping the HRA dwellings stock in its current condition.

Minimum Revenue Provision (MRP): The minimum amount which must be charged to the Income and Expenditure account each year and set aside as provision for repaying external loans and meeting other credit liabilities.

National Non-Domestic Rates (NNDR): Represents the rate of taxation on business properties. Central Government have the responsibility for setting the rate and Local Authorities are responsible for the billing and collection of the tax.

Net Book Value: The value of an asset as recorded in the accounts. It is usually the net current replacement or original cost less any depreciation charged.

Net Realisable Value: The selling value of an asset less the costs of selling it.

Net current replacement cost: The cost of replacing an asset in its existing condition and use.

Net Present Value: The net present value (NPV) of an asset is the current net value of the future receipts and payments associated with it.

Net Service Underspend: A service's total spending less that service's allocated budget, plus money that is carried forward from previous years.

Netted Off: Where money that is due to be paid is reduced by money that is owed to the Council.

Non-distributed costs: Specific overheads relating to unused assets and certain pension costs for employees' service in previous years. These are not allocated to service departments because they do not relate to the current year's cost of providing the service.

Non-funded Pension Schemes: Pension schemes that do not have an actual fund from which pensions are paid and contributions are paid into. Instead payments are made to current pensioners directly from the year's budget. The teachers' pension scheme is an example of a non-funded scheme.

Notionally funded pension schemes: A form of non-funded pension scheme that are treated similarly to funded schemes. There is stock of investments, but employer contribution rates are set as if there were investments, based upon figures set by government actuaries. The Teachers' Pension Scheme is notionally funded.

Officers' Remuneration: Includes taxable salary payments to employees less employees' pension contributions, together with non-taxable payments when employments ends (which include redundancy, pension enhancement payments, and pay in lieu of notice), taxable expense allowances and any other taxable benefits. (also see Termination Benefits).

Operating Activities: are the principal revenue-producing activities of the Council and other activities that are not investing or financing activities.

Past Service Cost: The increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Net Cost of Services in the Comprehensive Income and Expenditure Account as part of Non Distributed Costs.

Payables: People the Council owe money to for work, goods or services received but which have not been paid for by the end of the financial year.

Pooled Budget: An aggregation of balances that belong to the pooled budget partners rather than an the Council in its own right.

Post Balance Sheet Events: Events which happened after the Council produced the balance sheet (31 March).

Precept: The demand from the collection fund maintained by the Council.

Principal: The original amount borrowed. It does not include interest or other charges.

Procurement: The process of gaining or purchasing supplies, services and construction work.

Private Finance Initiative (PFI): This is an initiative for utilising private sector funding to provide public sector assets.

Prior Year Adjustment: Material adjustments to the accounts of earlier years arising from changes in accounting policies or from the correction of fundamental errors. They do not include normal recurring correction or adjustments of accounting estimates made in prior years. The prior period adjustments are allowed for comparative purpose under IAS 8.

Property Plant & Equipment: Items such as land, buildings, vehicles and major items of equipment, which benefit the Council over more than one year.

Provision: An amount of money set aside to meet liabilities or losses that are likely or certain to arise in the future, but where the amounts or dates on which they will arise are uncertain.

Provision for credit liabilities: Money set aside to repay debts or to cover spending which the Council has borrowed money for. Details are included in the Capital Adjustment Account.

Prudential Code: The Prudential Code has been introduced by the regulations supporting the Local Government Act 2003. Local authorities can borrow money to pay for capital spending in a similar way as people can get a mortgage to buy a house. Until April 2004, the Government used to tell local authorities how much they could borrow. This code replaces central government control with self-regulation - each local authority is now responsible for deciding how much it can afford to borrow. Under the regulations, when the Council are making this decision it must keep within the Prudential Code, which sets out the principles that local authorities must follow. These include the following:

- Affordability - can the Council afford to make the repayments?
- Prudence - are the Council planning to borrow sensibly?
- Value for Money - will the loan pay for something that is good value for money?
- Service Delivery - will the loan help the Council to provide services in the way it wants to?

Public Works Loan Board (PWLB): A Government agency providing long and short-term loans to local authorities. Interest rates are generally lower than the private sector, and slightly higher than the rates at which the Government itself may borrow.

Receivables: People who owe the Council money that it's due to receive but which has not been paid by the end of the financial year.

Related Parties: Under accounting rules, the Council has to show transactions between itself and other organisations which are also funded by the Government. This includes transactions between the Council and the immediate families of Councillors or Chief Officers, and any companies or organisations that they have a controlling interest in.

Reserves: The amount of set aside for future purposes. Earmarked reserves are those established for a specific purpose.

Reserves - unusable: This is money held by the Council that can not be used to support revenue expenditure across the whole authority. It will have restrictions in place that mean it can only be spent in relation to certain things.

Reserves - usable: This is money held by the Council that can be used to support one off projects within the council. It has no restrictions in terms of what it is spent on as long as it has been approved via the relevant channels.

Residual Value: This is the estimated amount that the Council would currently obtain from disposal of an asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

Revenue Spending: The day-to-day spending on employment costs, other operating costs and capital charges, less any income from fees and charges.

Revenue Support Grant: A central Government grant paid to each Local Authority to help to finance its general expenditure. The distribution of the grant between Authorities is intended to allow the provision of similar standards of services throughout the country for a similar Council Tax levy.

Ring-fenced grant: This is money received from the Government that can only be used for approved purposes.

Segregation of duties: Where individual tasks involved with financial procedures (for example, buying goods, making payments or receiving income) are separated out among different employees. This makes sure that no one person is too involved in these procedures and this helps to prevent the Council suffering losses in areas of high risk.

Slippage: Capital spending which happens later than was originally planned.

Sums directed by the Secretary of State that are expenditure: In preparation for the commencement of self-financing of the Housing Revenue Account which took effect on 1 April 2012 the Settlement Payments Determination 2012 required that Local Authorities made payments to the Secretary of State on or before 28 March 2012.

Surplus: There are two types of surplus. A fund is said to be in surplus when its assets are higher than its liabilities. An in-year surplus is achieved when the Council spends less than the income received.

Termination Benefits: Amounts payable as a result of a decision to terminate employment before the normal retirement date, for example an officers decision to accept voluntary redundancy.

Transfer values: Payments made between pension schemes of accumulated pension funds for employees who change their employment.

Trust Funds: Money that the Council does not own but that it manages for the owners. This can be on behalf of minors and others for such purposes as prizes, charities and specific projects.

Work-in-progress: The value of work on an unfinished project at the end of the year which the Council has yet to recover from the client.

Write down: To reduce the value of an asset in a set of accounts.

Write off: To reduce the value of an asset to nothing in a set of accounts.