

# **DRAFT STATEMENT OF ACCOUNTS 2014 – 2015**





**Financial Statements  
Derby City Council 2014/15**

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## **Explanatory Foreword**

### **1. Introduction**

Welcome to Derby City Council's annual Statement of Accounts for 2014/15. 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 2014/15 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 2014/15 (1 April 2014 to 31 March 2015):

#### **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 2014/15. It is produced in line with International Financial Reporting Standards (IFRS) accounting conventions and therefore the costs shown will 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 2015. 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 2014/15 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 the Code of Practice on Local Authority Accounting in the United Kingdom 2014. 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.

#### **i) Group Accounts**

To provide a full picture of the activities of the Council, Group Accounts have been prepared. The accounts of Derby Homes Ltd, a wholly owned subsidiary, have been combined with the Council's single entity accounts on a line by line basis.

### **3. Revenue Income and Expenditure**

#### **a) Financial Performance against Budget**

In March 2014, the Council agreed a net revenue budget for 2014/15 of £218.3m. This resulted in a band-D council tax of £1,165.83.

The following table shows that the Council's actual spending was £214.506m against the final approved budget of £218.283m. The budget variance of £3.777m represents -1.73% of the Council's 2014/15 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 Statement.

### Comparison of Actual Net Spending against Budget for 2014/15:

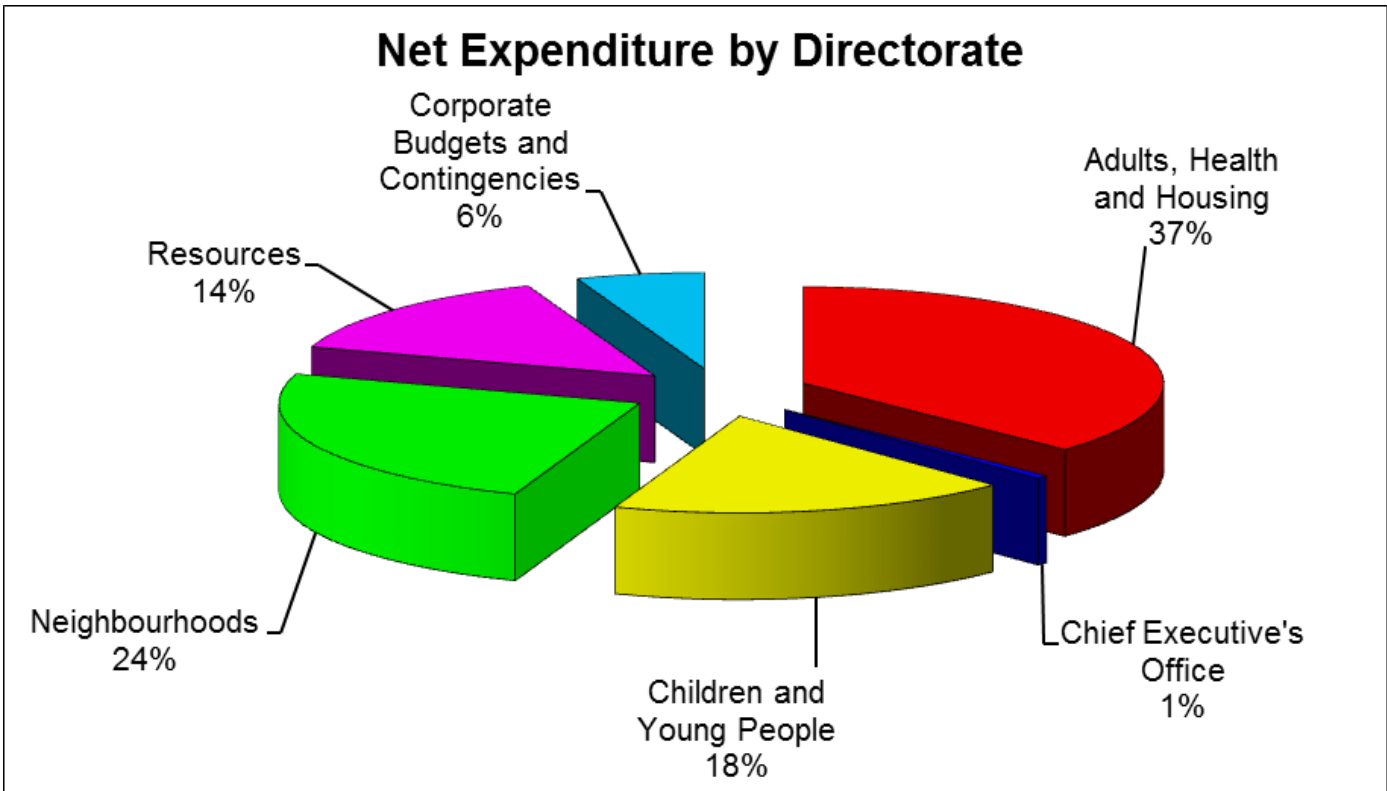
	Final Approved Budget £000	Actual £000	Final (Under) / Overspend £000
Adults, Health and Housing	74,729	74,729	0
Chief Executive's Office	(1,164)	(1,053)	111
Children and Young People	36,057	36,057	0
Neighbourhoods	50,345	48,957	(1,388)
Resources	29,105	28,935	(170)
Corporate Budgets and Contingencies	13,887	11,557	(2,330)
<b>Total</b>	<b>202,959</b>	<b>199,182</b>	<b>(3,777)</b>
Approved Transfer to Reserves	15,324	15,324	
<b>Budget Requirement</b>	<b>218,283</b>	<b>214,506</b>	<b>(3,777)</b>

### Reconciliation of Final (Under)/Overspend to Total Comprehensive Income and Expenditure for 2014/15:

	£000
Total Comprehensive (Income) and Expenditure	(40,791)
Plus: Surplus or deficit on revaluation of Property, Plant and Equipment assets	94,696
Less: Remeasurement of the net defined benefit liability	(52,064)
Less: Adjustment between GF and HRA accounting basis and funding basis	(24,781)
Plus: HRA Appropriations	3,750
Plus: Movements in schools balances	(427)
Plus: Appropriations to General Fund reserves	11,338
<b>Overall (Under)/Overspend</b>	<b>(8,279)</b>
<b>Breakdown of Underspend:</b>	
General Fund Underspend	<b>(3,777)</b>
HRA Underspend	<b>(4,504)</b>

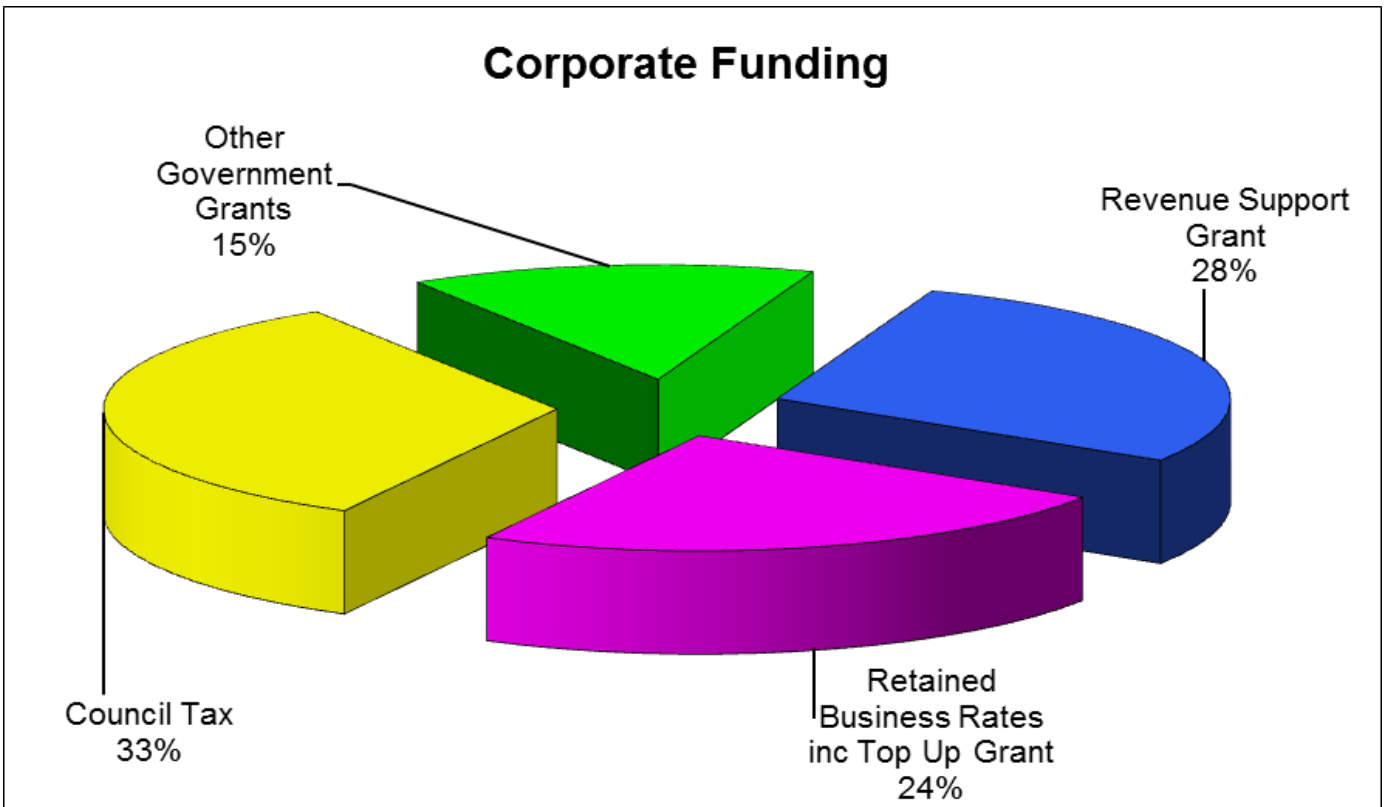
### b) Analysis of Revenue Spending

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 £21.199m, a £0.894m increase from 2013/14. 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 £8.254m, 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 February 2015, the Council calculated its target range for the General Fund Balance as being between £7,063,000 and £10,585,000. This target level was set by the Chief Finance Officer after consideration of the Council's strategic and operational risks. At 31 March 2015 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 2015 revenue earmarked reserves held by the Council total £83.775m. 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 £20.540m at 31 March 2015. 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 2014/15 the Council spent £105.799m on capital schemes.

## Major Areas of Capital Spend in 2014/15:

Section	Scheme	£000
Children & Young People	New build, extensions and modernisation of schools and education centres. Devolved capital school grants	25,516
Highways & Transport	Highways and transportation	8,994
Property Improvements	Improvements to council buildings including the council house, museums, libraries and cemeteries	2,762
Property maintenance	Major repairs and maintenance to council owned properties including leisure centres, museums, libraries, car parks and community centres	2,695
Regeneration	Regeneration of the public realm areas of the city, regeneration of buildings to create managed workspace and jobs	26,070
Housing General Fund	Grant aid for private sector tenants for disabled adaptations and improvements	4,212
HRA	Maintenance to the decent homes standard on all council dwelling stock as well as new build sites	16,977
Parks & Open Spaces	Improvements to city wide parks and play areas	1,353
Vehicles Plant and Equipment	Refuse vehicles, street cleaning and grounds plant and equipment	1,637
Flood Defence	Improvements to the Councils flood defences and culverts	257
ICT	Information and communication technology	2,110
Strategic Projects	Major projects including the leisure strategy	8,871
Finance Leases	New finance leases for Arena gym equipment and Council photocopiers	421
Housing General Fund	Additional properties completed as part of the Affordable Housing PFI	3,925
<b>Total</b>		<b>105,799</b>

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 other third parties
- Proceeds from the sale of capital assets (capital receipts)
- Contributions from the Revenue Budget

Unapplied capital resources, excluding capital receipts, stand at £18.570m at 31 March 2015. These consist of £15.580m unapplied capital grants and £2.990m earmarked capital reserves. The unapplied capital receipts reserve stands at £4.509m at 31 March 2015.

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 2014/15 the Council had an authorised limit for external debt of £604m that compares to the actual level of debts outstanding at 31 March 2015 of £462m.

### Breakdown of Borrowing Figures:

	2013/14	2014/15
	£m	£m
Short-Term Borrowing (i.e. due within 1 year)	31.9	8.1
Long-Term Borrowing	309.0	329.0
Long-Term PFI and finance leases	88.7	89.6
Short-Term PFI and finance leases	3.4	3.5
Debt managed by Derbyshire County Council	32.6	31.3
Debt managed by Erewash Borough Council	0.6	0.6
<b>Total</b>	<b>466.2</b>	<b>462.0</b>

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

The Council is carrying a significant provision of £7.203m (£9.252m in 2013/14) 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, but now the council is liable for 49% of the cost of appeals.

The Council has also maintained 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. The value of future claims has not been revised from 2013/14 but will need to be reviewed following the completion of the new Job Evaluation review.

## **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. 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.

#### Housing PFI

A 30-year PFI contract was signed in September 2012 to provide a minimum of 170 affordable houses in the City. This initiative is funded by 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. This has not been included in the accounts as the Council does not control a significant residual interest in the assets or have the option to purchase the assets or to receive the assets for nil consideration.

## **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 increase in the Council's Net Pension Liability of £67.589m. This meant the Council's net pension liability as at 31 March 2015 was £351.017m. A more detailed analysis of the movement in net pension liability can be found in the notes supporting the financial statements. 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 the supporting note. 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. New Accounting Policies**

In 2014/15, one significant change has been made, as detailed in the accounting policies section of this report. In summary, voluntary aided school properties are for the first time recognised in the Council's accounts, in line with the Code of Practice. This change of accounting policy has been discussed with the Council's external auditors who agree with the proposed application.

## **10. Economic Context in 2014/15**

Both the local and national economy have shown continued signs of recovery and growth during 2014/15. Key economic performance measures in Derby have improved throughout the year, including a reduced unemployment rate, a reduced number of Job Seekers Allowance claimants and increases in business start-ups. However, overall the economic climate remains challenging and continues to have an impact on the Council, as summarised below:

### **Funding**

As detailed in the Future Prospects for the Council (below), the European sovereign debt crisis has caused a focus on national debt levels. This has resulted in a drive to reduce the national deficit through cuts to the public sector which is set to continue in England until at least 2018/19.

### **Debt collection**

Debt collection has remained challenging throughout 2014/15 and the Council has continued to focus on its duty to collect debt whilst recognising individual circumstances where relevant. The collection environment is complex for a number of reasons, including the effects of the wider welfare reform agenda (resulting in less money for many households) and policies introduced during the last Parliament such as the localisation, reduction and redesign of what was previously Council Tax Benefit.

### Bank of England Base Rate

Interest rates remain at historically low levels. The Council's average rate of return on its deposits in 2014/15 was 0.49%, compared to the Bank of England base rate of 0.50%. This rate of return is 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, the Council sets limits to the size of deposits and only invests with the most secure institutions. Deposits generally have short notice periods to ensure funds are accessible. This prudent strategy to deposit only in the safest counterparties 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.

### Local Business Performance

There continues to be relatively high levels of business start-ups and a moderate growth in the local business rate base which has manifested itself in additional income for the Council.

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.

## **11. 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 on-going progress of the economic recovery, the Government remains committed to the austerity programme. In fact, the 2015 Budget confirmed public sector funding will continue to face severe cuts until at least 2018/19. It is not clear what the precise level of cuts will be for the Council, we await the Spending Review in the Autumn to have a clearer understanding - but they are expected to be both sustained and deep. The Council have produced estimates based on headline cuts for the whole of England and is forecasting Revenue Support Grant alone will reduce by £30m between 2015/16 and 2018/19.

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+. There has also been a significant increase of European families with young children in Derby during 2014/15. 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 policy brings with it risks, as variations in business rates further effect the

councils income, 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 proposed combined authority with the rest of the councils in Derbyshire provides further opportunities in this area, allowing local councils to work as one democratically accountable body around the key areas of economic development, regeneration and transport. It also means the Council is better placed to take advantage of any new opportunities that emerge from the Government's commitment to devolution, which is being championed by new Secretary of State for Communities and Local Government, Greg Clark.

The Council is also subject to emerging financial pressures arising from changes in legislation and new areas of responsibility. Specific risk areas moving forward include new responsibilities relating to the Care Act and welfare reform, these changes are significant but not yet fully defined.

Against this backdrop of financial austerity and emerging new pressures, the Council delivered a balanced revenue budget position for 2015/16 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 significant levels of permanent savings between 2015/16 and 2017/18. 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 immediate on-going risks and emerging pressures.

Performance - At the end of quarter four (up to 31 March 2015), 63% of priority measures have provisionally met or exceeded their year-end target. Performance has improved or been maintained in 2014/15 across 70% of our priority measures when compared with performance in 2013/14 and there are some areas of strong performance. Improvement activity through Departmental Management Teams and Surgeries has been rigorous during the year. The rate of improvement has slowed in 2014/15, reflecting both increased pressures facing the Council as well as reducing budgets.

The Council also has a medium term capital investment programme which totals £263m over the next three years. This includes £54m for the Council's regeneration strategy, a £58m housing improvement programme, £18m for the Local Transport Plan, £34m for the new flood defence scheme, 'Our City Our River', £25m for a jointly funded waste disposal plant with Derbyshire County Council and a £35m schools programme. Delivery of these schemes will be closely monitored during the financial year.



Martyn Marples  
Director of Finance and Procurement  
30 June 2015

## 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 Director of Finance and Procurement.

(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 29 September 2015.

Signed: \_\_\_\_\_

### The Director of Finance and Procurements' Responsibilities

The Director of Finance and Procurement 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 Director of Finance and Procurement 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 Director of Finance and Procurement 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: 30th June 2015



## 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.

### 2013/14

	General Fund Balance (restated) £000	Earmarked General Fund Reserves (restated) £000	Housing Revenue Account £000	Earmarked HRA Reserves (restated) £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 2013 brought forward	(14,345)	(60,702)	(18,220)	(2,499)	(1,366)	(9,589)	(20,865)	(127,586)	(305,863)	(433,449)
Adjustments per note 1	0	0	0	0	0	0	0	0	(25,992)	(25,992)
Revised balance at 31 March 2013 brought forward	(14,345)	(60,702)	(18,220)	(2,499)	(1,366)	(9,589)	(20,865)	(127,586)	(331,855)	(459,441)
<b>Movement in Reserves during 2013/14</b>										
(Surplus) or deficit on the provision of services	21,197	0	(6,457)	0	0	0	0	14,740	0	14,740
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	(205,942)	(205,942)
<b>Total Comprehensive Income and Expenditure</b>	<b>21,197</b>	<b>0</b>	<b>(6,457)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>14,740</b>	<b>(205,942)</b>	<b>(191,202)</b>
Adjustments between accounting basis & funding basis under regulations (Note 8)	(32,802)	0	922	0	(1,402)	(967)	4,766	(29,483)	29,483	0
<b>Net (Increase)/ Decrease before Transfers to Earmarked Reserves</b>	<b>(11,605)</b>	<b>0</b>	<b>(5,535)</b>	<b>0</b>	<b>(1,402)</b>	<b>(967)</b>	<b>4,766</b>	<b>(14,743)</b>	<b>(176,459)</b>	<b>(191,202)</b>
Transfers (to)/from Earmarked Reserves	10,932	(10,932)	(1,697)	1,697	0	0	0	0	0	0
<b>(Increase)/ Decrease in 2013/14</b>	<b>(673)</b>	<b>(10,932)</b>	<b>(7,232)</b>	<b>1,697</b>	<b>(1,402)</b>	<b>(967)</b>	<b>4,766</b>	<b>(14,743)</b>	<b>(176,459)</b>	<b>(191,202)</b>
Balance at 31 March 2014 carried forward	(15,018)	(71,634)	(25,452)	(802)	(2,768)	(10,556)	(16,099)	(142,329)	(508,314)	(650,643)

## 2014/15

	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 2014 brought forward	(15,018)	(71,634)	(25,452)	(802)	(2,768)	(10,556)	(16,099)	(142,329)	(508,314)	(650,643)
<b>Movement in Reserves during 2014/15</b>										
(Surplus) or deficit on the provision of services	8,052	0	(6,212)	0	0	0	0	1,840	0	1,840
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	(42,631)	(42,631)
<b>Total Comprehensive Income and Expenditure</b>	<b>8,052</b>	<b>0</b>	<b>(6,212)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,840</b>	<b>(42,631)</b>	<b>(40,791)</b>
Adjustments between accounting basis & funding basis under regulations (Note 8)	(22,754)	0	(2,027)	0	(1,741)	3,757	519	(22,246)	22,246	0
<b>Net (Increase)/ Decrease before Transfers to Earmarked Reserves</b>	<b>(14,702)</b>	<b>0</b>	<b>(8,239)</b>	<b>0</b>	<b>(1,741)</b>	<b>3,757</b>	<b>519</b>	<b>(20,406)</b>	<b>(20,385)</b>	<b>(40,791)</b>
Transfers (to)/from Earmarked Reserves	15,131	(15,131)	(15)	15	0	0	0	0	0	0
<b>(Increase)/ Decrease in 2014/15</b>	<b>429</b>	<b>(15,131)</b>	<b>(8,254)</b>	<b>15</b>	<b>(1,741)</b>	<b>3,757</b>	<b>519</b>	<b>(20,406)</b>	<b>(20,385)</b>	<b>(40,791)</b>
Balance at 31 March 2015 carried forward	(14,589)	(86,765)	(33,706)	(787)	(4,509)	(6,799)	(15,580)	(162,735)	(528,699)	(691,434)

This statement has been restated for the prior period adjustments in note 1.

## 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.

2013/14 restated				2014/15		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
25,001	(16,771)	8,230	Central services to the public	27,767	(16,188)	11,579
24,148	(8,116)	16,032	Cultural Related Services	22,027	(6,746)	15,281
29,448	(8,007)	21,441	Environmental & Regulatory Services	30,123	(8,499)	21,624
29,661	(9,950)	19,711	Planning Services	30,004	(17,809)	12,195
257,477	(193,645)	63,832	Education and children's services	274,860	(204,095)	70,765
29,519	(8,894)	20,625	Highways and transport services	28,214	(10,670)	17,544
41,849	(55,888)	(14,039)	Local authority housing (HRA)	44,756	(58,411)	(13,655)
114,878	(97,265)	17,613	Other housing services	107,047	(100,078)	6,969
92,431	(18,877)	73,554	Adult social care	85,864	(18,733)	67,131
8,220	(1,496)	6,724	Corporate and democratic core	9,359	(2,153)	7,206
12,796	(13,167)	(371)	Public health	14,925	(15,825)	(900)
917	(71)	846	Non distributed costs	3,443	(19)	3,424
<b>666,345</b>	<b>(432,147)</b>	<b>234,198</b>	<b>Cost of Services</b>	<b>678,389</b>	<b>(459,226)</b>	<b>219,163</b>
		(1,137)	Other operating expenditure (Note 10)			14,372
		33,768	Financing and investment income and expenditure (Note 11)			32,133
		(252,089)	Taxation and non-specific grant income (Note 12)			(263,828)
		<b>14,740</b>	<b>(Surplus) or Deficit on Provision of Services</b>			<b>1,840</b>
		(138,102)	(Surplus) or deficit on revaluation of Property, Plant and Equipment assets			(94,695)
		(67,840)	Remeasurement of the net defined benefit liability (note 37)			52,064
		<b>(205,942)</b>	<b>Other Comprehensive (Income) and Expenditure</b>			<b>(42,631)</b>
		<b>(191,202)</b>	<b>Total Comprehensive (Income) and Expenditure</b>			<b>(40,791)</b>

This statement has been restated for the prior period adjustments in note 1.

## 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 2014 restated £000		Notes	31 March 2015 £000
1,324,053	Property, Plant & Equipment	17	1,418,195
75,471	Heritage Assets	18	75,471
895	Investment Property		898
3,514	Intangible Assets		2,565
325	Long Term Investments	22	325
14,470	Long Term Debtors	24	22,462
<b>1,418,728</b>	<b>Long Term Assets</b>		<b>1,519,916</b>
201	Short Term Investments	22	5,203
261	Assets Held for Sale		1,770
665	Inventories		728
48,157	Short Term Debtors	24	39,428
43,058	Cash and Cash Equivalents	25	43,366
<b>92,342</b>	<b>Current Assets</b>		<b>90,495</b>
(6,185)	Bank Overdrafts	25	(1,692)
(31,854)	Short Term Borrowing	22	(8,110)
(3,360)	Short Term Finance Lease Liabilities	20,21	(3,474)
(70,615)	Short Term Creditors	26	(61,377)
(1,336)	Provisions	28	(998)
<b>(113,350)</b>	<b>Current Liabilities</b>		<b>(75,651)</b>
(88,757)	Long Term Finance Lease Liabilities	20,21	(89,561)
(18,796)	Provisions	28	(16,032)
(308,980)	Long Term Borrowing	22	(328,990)
(316,617)	Other Long Term Liabilities	27	(382,846)
(13,927)	Capital Grants Receipts in Advance	15	(25,897)
<b>(747,077)</b>	<b>Long Term Liabilities</b>		<b>(843,326)</b>
<b>650,643</b>	<b>Net Assets</b>		<b>691,434</b>
(142,329)	Usable Reserves	30	(162,735)
(508,314)	Unusable Reserves	31	(528,699)
<b>(650,643)</b>	<b>Total Reserves</b>		<b>(691,434)</b>

This statement has been restated for the prior period adjustments in note 1.

The unaudited financial statements were approved for issue on 30th June 2015 by the Director of Finance and Procurement.

## 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.

2013/14 restated £000		2014/15 £000
14,740	Net (surplus) or deficit on the provision of services	1,840
(105,919)	Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 40)	(89,138)
28,067	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 41)	30,607
<b>(63,112)</b>	Net cash flows from Operating Activities	<b>(56,691)</b>
55,572	Investing Activities (Note 43)	42,098
(7,690)	Financing Activities (Note 44)	9,792
<b>(15,230)</b>	Net (increase) or decrease in cash and cash equivalents	<b>(4,801)</b>
21,643	Cash and cash equivalents at the beginning of the reporting period	36,873
<b>36,873</b>	<b>Cash and cash equivalents at the end of the reporting period (Note 25)</b>	<b>(41,674)</b>

This statement has been restated for the prior period adjustments in note 1.

## 1. Prior Period Adjustments

### Accounting for Voluntary Aided (VA) schools

The Council has reviewed its accounting policy on accounting for VA schools. The value of VA school building assets have not previously been recognised in the consolidated accounts. However after reviewing the recognition criteria contained within the relevant accounting standards (primarily IAS 16 Property, Plant and Equipment) the accounting policy has been revised to include VA schools.

Within the 2014/15 Code of Practice on Local Government Accounting in the UK CIPFA have included transitional arrangements for the recognition of non current assets. This requires the opening balances for 2013/14 comparator figures within the statements to be restated to include initial recognition of the asset value. Entries are then included from this point onwards the same as any other non current asset. While undertaking this restatement several entries were also identified that required reversal and restatement to ensure a correct and consistent treatment.

### Specific Grants

The Council has also amended the allocation of specific grants (Public Health and Housing Benefit Admin). These have previously been included within Taxation and Non Specific grants. However in 2014/15 these grants were credited to the specific service line within the cost of service. The 2013/14 comparator figures have been restated for consistency.

The 2013/14 financial statements have been restated as per the extracts below.

<b>Balance Sheet</b>	<b>Final 2013/14 SOA £000</b>	<b>Restatement £000</b>	<b>Restated 2013/14 SOA £000</b>
Property, Plant & Equipment	1,297,089	26,964	1,324,053
Other Long Term Assets	94,675		94,675
<b>Long Term Assets</b>	<b>1,391,764</b>	<b>26,964</b>	<b>1,418,728</b>
<b>Current Assets</b>	<b>92,342</b>		<b>92,342</b>
<b>Current Liabilities</b>	<b>(113,350)</b>		<b>(113,350)</b>
<b>Long Term Liabilities</b>	<b>(747,077)</b>		<b>(747,077)</b>
<b>Net Assets</b>	<b>623,679</b>	<b>26,964</b>	<b>650,643</b>
Usable Reserves	(142,329)		(142,329)
Unusable Reserves	(481,350)	(26,964)	(508,314)
<b>Total Reserves</b>	<b>(623,679)</b>	<b>(26,964)</b>	<b>(650,643)</b>

<b>Consolidated Income and Expenditure Statement</b>	<b>2013/14 Net Expenditure £000</b>	<b>Restatement £000</b>	<b>Restated 2013/14 £000</b>
Central services to the public	8,230		8,230
Cultural Related Services	16,032		16,032
Environmental & Regulatory Services	21,441		21,441
Planning Services	19,711		19,711
Education and children's services	62,332	1,500	63,832
Highways and transport services	20,625		20,625
Local authority housing (HRA)	(14,039)		(14,039)
Other housing services	19,491	(1,878)	17,613
Adult social care	73,554		73,554
Corporate and democratic core	6,724		6,724
Public health	12,796	(13,167)	(371)
Non distributed costs	846		846
<b>Cost of Services</b>	<b>247,743</b>	<b>(13,545)</b>	<b>234,198</b>
Other operating expenditure (Note 10)	(1,137)		(1,137)
Financing and investment income and expenditure (Note 11)	33,768		33,768
Taxation and non-specific grant income (Note 12)	(267,134)	15,045	(252,089)
<b>(Surplus) or Deficit on Provision of Services</b>	<b>13,240</b>	<b>1,500</b>	<b>14,740</b>
(Surplus) or deficit on revaluation of Property, Plant and Equipment assets	(135,630)	(2,472)	(138,102)
Remeasurement of the net defined benefit liability	(67,840)		(67,840)
<b>Other Comprehensive (Income) and Expenditure</b>	<b>(203,470)</b>	<b>(2,472)</b>	<b>(205,942)</b>
<b>Total Comprehensive (Income) and Expenditure</b>	<b>(190,230)</b>	<b>(972)</b>	<b>(191,202)</b>

<b>Cash Flow extract</b>	<b>2013/14 £000</b>	<b>Restatement £000</b>	<b>2013/14 £000</b>
Net (surplus) or deficit on the provision of services	13,240	1,500	14,740
Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 40)	(104,419)	(1,500)	(105,919)
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 41)	28,067	0	28,067
<b>Net cash flows from Operating Activities</b>	<b>(63,112)</b>	<b>0</b>	<b>(63,112)</b>

## Movement in Reserves Statement

2013/14

	General Fund Balance £000	Other Reserves	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
<b>Balance at 31 March 2013 brought forward</b>	<b>(14,345)</b>	<b>(113,241)</b>	<b>(127,586)</b>	<b>(305,863)</b>	<b>(433,449)</b>
Effect of Restatement	0	0	0	(25,992)	(25,992)
<b>Restated balance at 31 March 2013 brought forward</b>	<b>(14,345)</b>	<b>(113,241)</b>	<b>(127,586)</b>	<b>(331,855)</b>	<b>(459,441)</b>
<b>Movement in Reserves during 2013/14</b>					
(Surplus) or deficit on the provision of services	19,697	(6,457)	13,240	0	13,240
Effect of restatement	1,500	0	1,500	0	1,500
<b>Restated (Surplus) or deficit on the provision of services</b>	<b>21,197</b>	<b>(6,457)</b>	<b>14,740</b>	<b>0</b>	<b>14,740</b>
Other Comprehensive Income and Expenditure	0	0	0	(203,470)	(203,470)
Effect of restatement	0	0	0	(2,472)	(2,472)
<b>Restated Other Comprehensive Income and Expenditure</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(205,942)</b>	<b>(205,942)</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>21,197</b>	<b>(6,457)</b>	<b>14,740</b>	<b>(205,942)</b>	<b>(191,202)</b>
Adjustments between accounting basis & funding basis under regulations (Note 8)	(31,302)	3,319	(27,983)	27,983	0
Effect of restatement	(1,500)	0	(1,500)	1,500	0
<b>Restated Adjustments between accounting basis &amp; funding basis under regulations (Note 8)</b>	<b>(32,802)</b>	<b>3,319</b>	<b>(29,483)</b>	<b>29,483</b>	<b>0</b>
<b>Net (Increase)/ Decrease before Transfers to Earmarked Reserves</b>	<b>(11,605)</b>	<b>(3,138)</b>	<b>(14,743)</b>	<b>(176,459)</b>	<b>(191,202)</b>
Transfers (to)/from Earmarked Reserves	10,932	(10,932)	0	0	0
<b>(Increase)/ Decrease in 2013/14</b>	<b>(673)</b>	<b>(14,070)</b>	<b>(14,743)</b>	<b>(176,459)</b>	<b>(191,202)</b>
<b>Balance at 31 March 2014 carried forward</b>	<b>(15,018)</b>	<b>(127,311)</b>	<b>(142,329)</b>	<b>(508,314)</b>	<b>(650,643)</b>



## **2. Accounting Policies 2014/15**

### **i. General Principles**

The Statement of Accounts summarises the Council's transactions for the 2014/15 financial year and its position at the year-end of 31 March 2015. 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 2014/15 and the Service Reporting Code of Practice 2014/15, 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. This is measured at the full amount receivable.

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.

While the Council Tax and NNDR income for the year credited to the Collection Fund is the accrued income for the year, regulations determine when it should be released from the Collection Fund and transferred to the Council's General Fund, or paid out from the Collection Fund to the major preceptors. The amount credited to the General Fund under statute is the Council's demand on the Fund for that year, plus/(less) the Council's share of any surplus/(deficit) on the Collection Fund for the previous year. This amount may be more or less than the accrued income for the year in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

### **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. 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.

#### **v. 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 non current 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 non current 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.

#### **vi. 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 in exchange for those benefits and are charged on an accruals basis to the appropriate service or, where applicable, to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement at the earlier of when the authority can no longer withdraw the offer of those benefits or when the authority recognises costs for a restructuring.

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 the following components:

1) Service costs comprising:

a) 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.

b) past service cost - the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned 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.

c) net interest on the net defined benefit liability (asset), i.e. net interest expense for the Council - the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement - this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period - taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

2) Remeasurements comprising:

a) the return on plan assets - excluding amounts included in net interest on the net defined benefit liability (asset) - charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

b) 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 - charged to the Pensions Reserve as Other Comprehensive Income and Expenditure

3) 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.

### **vii. 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.

### **viii. 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).



## **ix. 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.

## **x. 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 9<sup>th</sup> and 12<sup>th</sup> 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).

## **xi. 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.

## **xii. 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).

### **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.

#### **xiv. 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.

#### **xv. 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 applies 10 component categories to Council Dwellings with a range of Useful Economic Lives (UEL) between 13 and 60 years.

In accordance with the Code of Practice 2014/15, 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, Voluntary Aided and Foundation schools are considered to meet the IFRS definition for recognition and are included in the Council's balance sheet. As 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.

### **Derecognition**

As components are added, any component being replaced is derecognised. On derecognising components where the component is within a non separated component bundle, the depreciation is apportioned on a straight line basis and derecognised accordingly. In addition, where the historic cost of the old component is not readily determinable, it has been estimated by comparing the remaining useful economic life of the component to the original useful economic life and the cost of the replacement component. A pro rata of both the depreciation and any applicable Revaluation Reserve is also derecognised.

### **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 Reserve 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 Reserve 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 40 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.

#### **xvi. 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. Where the Council is deemed to control the services that are provided under its PFI schemes, and controls a significant residual interest of the asset, the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment. Where either of these criteria are not met the assets are not included in the Council's balance sheet.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) is 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 2.61% - 7.53% 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.

## **xvii. 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 can 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.

### **xviii. 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.

### **xix. 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.

### **xx. 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 included 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 2015 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.

### **xxi. 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.

### **xxii. Interests in Companies and Other Entities**

An assessment of the Council's interests in other entities has been carried out to establish the group boundary. Inclusion in the group is dependant upon the extent of the Council's control over the entity, demonstrated through ownership or influence by representation on the board of directors of the entity.

The Council has a number of interests in other companies but the majority are considered immaterial or do not meet the required level of control to be consolidated into the Council's accounts.

The Council's main interest relates to Derby Homes Ltd which is a wholly owned subsidiary of the Council. In line with the code of practice for local authority accounting these accounts are consolidated into the group accounts on a line by line basis. This is the only entity consolidated into the Council's group accounts.

### **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 2014/15.

The Code of Practice introduces a number of changes in accounting policy that will need to be fully adopted in the 2015/16 Statement of Accounts. If these had been adopted for the 2014/15 financial year there would be no material changes.

#### **IFRS 13 Fair Value Measurement**

This standard provides a consistent definition of fair value and introduces enhanced disclosure requirement. However the 2015/16 code will continue to require operational assets to be valued to reflect service potential and will therefore limit the effect of IFRS 13. As operational property, plant and equipment values will not be effected by this standard it is not expected there will be a material impact on the Statement of Accounts.

#### **IFRCI 21 Levies**

This standard provides guidance on the timing and recognition of levies imposed on entities by the government. This standard will not have a material effect on the Statement of Accounts.

#### **Annual Improvements to IFRS (2011 - 2013 Cycle)**

These improvements are generally clarifications and will not have a material impact on the statement of accounts.

### **4. Events after the reporting period**

The Draft Statement of Accounts was authorised for issue by the Director of Finance and Procurement on 30 June 2015. 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 2015 and this authorisation date, that would require disclosure.

### **5. Acquired Operations**

The Council has not acquired any new operations in 2014/15.

## **6. 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) Componentisation of Property, Plant and Equipment:**

The Code of Practice on Local Authority Accounting 2014/15 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 applies 10 component categories to Council Dwellings with a range of Useful Economic Lives (UEL) between 13 and 60 years.

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.

### **4) Heritage Assets:**

The Code of Practice on Local Authority Accounting 2014/15 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.

#### 5) 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), Voluntary Aided (VA) and Foundation schools and these are included in the Council's balance sheet.

#### 6) 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 dependant upon the Council's judgement of the likelihood and value of successful claims.

#### 7) Group Accounts

An assessment of the Council's interests in other entities has been carried out to establish the group boundary. Inclusion in the group is dependant upon the judgement of the extent of the Council's control over the entity, demonstrated through ownership or influence by representation on the board of directors of the entity.

### **7. 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 2015 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 - Valuation	<p>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.</p>	<p>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 £7.353 million.</p>
Pensions Liability	<p>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.</p>	<p>Details of the effect of changes in the key actuarial assumptions are included in note 37.</p>
Arrears	<p>At 31 March 2015, the Council had a balance of short-term debtors of £39.428 million. The Council has applied an impairment of doubtful debts of £20.056 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.</p>	<p>If collection rates were to deteriorate a 10% increase in the number of bad and doubtful debts would require an additional £2.056 million to be set aside as an allowance. The Council's impairment of doubtful debts include £9.235m in relation to Council Tax and NDR based on assumed collection rates. A 1% reduction in these rates would require an additional impairment of £0.217m to be put aside.</p>

## **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.

2014/15	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	(35,125)	(20,602)	0	0	0	55,727
Revaluation losses on Property Plant and Equipment	(19,927)	(1,328)	0	0	0	21,255
Revaluation gains matched to prior years impairments	678	9,178	0	0	0	(9,856)
Movements in the market value of Investment Properties	3	0	0	0	0	(3)
Amortisation of intangible assets	(1,756)	0	0	0	0	1,756
Capital grants and contributions applied	37,135	0	0	0	0	(37,135)
Revenue expenditure funded from capital under statute	(6,537)	(3,274)	0	0	0	9,811
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	(16,783)	(3,532)	0	0	0	20,315
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	11,995	0	0	0	0	(11,995)
Capital expenditure charged against the General Fund and HRA balances	3,660	43	0	0	0	(3,703)
Adjustments for Transferred Debt	1,346	58	0	0	0	(1,404)

2014/15	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	12,328	0	0	0	(12,328)	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	12,847	(12,847)
<b>Adjustment primarily involving the Capital Receipts Reserve:</b>						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,065	5,976	(7,041)	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	4,206	0	0	(4,206)
Use of Capital Receipts Reserve towards administrative costs of non-current capital receipts pool	(1,103)	0	1,103	0	0	0
Transfer from deferred capital receipts reserve upon receipt of cash	0	0	(9)	0	0	9
<b>Adjustment primarily involving the Major Repair Reserve:</b>						
Reversal of Major Repairs Allowance credited to the HRA	0	11,708	0	(11,708)	0	0
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	15,465	0	(15,465)

2014/15	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)	(233)	0	0	0	286
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(36,941)	(161)	0	0	0	37,102
Employers pensions contributions and direct payments to pensioners payable in the year	21,438	139	0	0	0	(21,577)
Adjustable primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax and NNDR income credited to the Comprehensive Income and Expenditure Statement is different from council tax and NNDR income calculated for the year in accordance with statutory requirements	4,976	0	0	0	0	(4,976)
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	847	1	0	0	0	(848)
<b>Total Adjustments</b>	<b>(22,754)</b>	<b>(2,027)</b>	<b>(1,741)</b>	<b>3,757</b>	<b>519</b>	<b>22,246</b>

2013/14	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 (restated) £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	(30,703)	(19,410)	0	0	0	50,113
Revaluation losses on Property Plant and Equipment	(24,543)	(1,707)	0	0	0	26,250
Revaluation gains matched to prior years impairments	3,978	8,965	0	0		(12,943)
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 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 (restated) £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)
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

2013/14 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 (restated) £000
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)
Adjustable primarily involving the Unequal Pay Back Pay Adjustment Account:						
Amounts by which the amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure Statement are different from the costs of settlements chargeable in the year in accordance with statutory requirements.	(8,325)	0	0	0	0	8,325
Adjustable primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax and NNDR income credited to the Comprehensive Income and Expenditure Statement is different from council tax and NNDR 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
<b>Total Adjustments</b>	<b>(32,802)</b>	<b>922</b>	<b>(1,402)</b>	<b>(967)</b>	<b>4,766</b>	<b>29,483</b>

This statement has been restated for the prior period adjustments in note 1.

## 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:

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



Directorate Income and Expenditure 2014/15	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	(21,970)	(16,922)	(42,753)	(1,803)	(27,346)	<b>(110,794)</b>
Government Grants	(181,846)	(4,616)	(5,589)	(11,352)	(94,176)	<b>(297,579)</b>
<b>Total income</b>	<b>(203,816)</b>	<b>(21,538)</b>	<b>(48,342)</b>	<b>(13,155)</b>	<b>(121,522)</b>	<b>(408,373)</b>
Employee expenses	152,614	20,143	35,476	3,739	23,401	<b>235,373</b>
Other service expenses	87,259	76,124	61,823	8,363	138,613	<b>372,182</b>
<b>Total expenditure</b>	<b>239,873</b>	<b>96,267</b>	<b>97,299</b>	<b>12,102</b>	<b>162,014</b>	<b>607,555</b>
<b>Net Expenditure</b>	<b>36,057</b>	<b>74,729</b>	<b>48,957</b>	<b>(1,053)</b>	<b>40,492</b>	<b>199,182</b>

### 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.

	2013/2014 £000 (restated)	2014/15 £000
Net expenditure in the Directorate Analysis	201,148	199,182
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis (including HRA)	33,050	19,981
<b>Cost of Services in Comprehensive Income and Expenditure</b>	<b>234,198</b>	<b>219,163</b>

This statement has been restated for the prior period adjustments in note 1.

## 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	Amounts not reported to management for decision making (restated)	Allocation of Recharges	Cost of Services (restated)	Corporate Amounts (restated)	Derby City Council Total (restated)
2013/2014	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(111,177)	(63,650)	(25,671)	(200,498)	0	(200,498)
Interest and Investment Income	0	0	0	0	(586)	(586)
RSG	0	0	0	0	(75,794)	(75,794)
Retained Business Rates	0	0	0	0	(37,759)	(37,759)
Business Rate Top Up grant	0	0	0	0	(12,667)	(12,667)
Income from Council Tax	0	0	0	0	(70,845)	(70,845)
Government Grants and Contributions	(263,137)	(15,045)	0	(278,182)	(55,024)	(333,206)
<b>Total income</b>	<b>(374,314)</b>	<b>(78,695)</b>	<b>(25,671)</b>	<b>(478,680)</b>	<b>(252,675)</b>	<b>(731,355)</b>
Employee expenses	237,134	1,240	241	238,615	14,093	252,708
Other service expenses	338,223	26,413	25,430	390,066	0	390,066
Support service recharges	105	1,185	0	1,290	0	1,290
Depreciation, amortisation and impairment	0	82,907	0	82,907	0	82,907
Interest payments	0	0	0	0	20,261	20,261
Housing Capital Receipts Pooling	0	0	0	0	1,004	1,004
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	(2,141)	(2,141)
<b>Total expenditure</b>	<b>575,462</b>	<b>111,745</b>	<b>25,671</b>	<b>712,878</b>	<b>33,217</b>	<b>746,095</b>
<b>Surplus or deficit on the provision of services</b>	<b>201,148</b>	<b>33,050</b>	<b>0</b>	<b>234,198</b>	<b>(219,458)</b>	<b>14,740</b>

	Directorate Analysis	Amounts not reported to management for decision making	Allocation of Recharges	Cost of Services	Corporate Amounts	Derby City Council Total
2014/15	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(110,794)	(58,617)	(25,158)	(194,569)	0	(194,569)
Interest and Investment Income	0	0	0	0	(655)	(655)
RSG	0	0	0	0	(62,095)	(62,095)
Retained Business Rates	0	0	0	0	(42,801)	(42,801)
Business Rate Top Up Grant	0	0	0	0	(12,913)	(12,913)
Income from Council Tax	0	0	0	0	(73,851)	(73,851)
Government Grants and Contributions	(297,579)	(17,496)	0	(315,075)	(72,168)	(387,243)
<b>Total income</b>	<b>(408,373)</b>	<b>(76,113)</b>	<b>(25,158)</b>	<b>(509,644)</b>	<b>(264,483)</b>	<b>(774,127)</b>
Employee expenses	235,373	4,309	0	239,682	11,641	251,323
Other service expenses	372,182	34,302	0	406,484	0	406,484
Support service recharges	0	0	25,158	25,158	0	25,158
Depreciation, amortisation and impairment	0	57,483	0	57,483	0	57,483
Interest payments	0	0	0	0	21,147	21,147
Housing Capital Receipts Pooling	0	0	0	0	1,103	1,103
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	13,269	13,269
<b>Total expenditure</b>	<b>607,555</b>	<b>96,094</b>	<b>25,158</b>	<b>728,807</b>	<b>47,160</b>	<b>775,967</b>
<b>Surplus or deficit on the provision of services</b>	<b>199,182</b>	<b>19,981</b>	<b>0</b>	<b>219,163</b>	<b>(217,323)</b>	<b>1,840</b>

This statement has been restated for the prior period adjustments in note 1.

## **10. Other operating expenditure**

<b>2013/14 £000</b>		<b>2014/15 £000</b>
1,004	Payments to the Government Housing Capital Receipts Pool	1,103
(2,141)	Gains/losses on the disposal of non-current assets	13,269
<b>(1,137)</b>	<b>Total</b>	<b>14,372</b>

## **11. Financing and investment income and expenditure**

<b>2013/14 £000</b>		<b>2014/15 £000</b>
20,305	Interest payable and similar charges	21,199
14,093	Net interest on the net defined benefit liability	11,641
(586)	Interest receivable and similar income	(655)
(44)	Income and expenditure in relation to investment properties and changes in their fair value	(52)
<b>33,768</b>	<b>Total</b>	<b>32,133</b>

## **12. Taxation and Non-Specific Grant Income**

<b>2013/14 £000</b>		<b>2014/15 £000</b>
(70,535)	Council tax income	(72,770)
(310)	Share of prior year Collection Fund Surplus	(2,931)
(75,794)	Revenue Support Grant	(62,095)
(37,759)	Retained Business Rates	(40,951)
(12,667)	Business Rates Retention Top Up Grant	(12,913)
(20,034)	Non-ring-fenced government grants	(22,705)
(34,990)	Capital grants and contributions	(49,463)
<b>(252,089)</b>	<b>Total</b>	<b>(263,828)</b>

### **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)	60	1	8	5	5	<b>79</b>
Value of land and buildings at 31st March 2015	277.5	0.4	31.3	95.5	26.0	<b>430.7</b>
Number of schools subject to PFI contracts	3	0	0	2	0	<b>5</b>
Value of land and buildings at 31st March 2015	26	0	0	83	0	<b>109</b>

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 and buildings of voluntary aided schools are also shown on the balance sheet as the Council funds the school and is responsible for financial reporting. The land 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 17. 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 its maintained schools and therefore includes both income and expenditure items within the accounts for all schools including those not shown on the balance sheet.

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 2014/15.

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 31<sup>st</sup> March 2015 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 two school's which is subject to its BSF PFI contract. These schools, 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 2014/15 are as follows .

<b>Schools Budget Funded by Dedicated Schools Grant</b>			
	<b>Central Expenditure</b>	<b>Individual Schools Budget</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Final DSG for 2014/15 before Academy recoupment			(197,322)
Academy figure recouped for 2014/15			41,969
Total DSG after Academy recoupment for 2014/15			<b>(155,353)</b>
plus: brought forward from 2013/14			1,442
less: Carry-forward to 2015/16 agreed in advance			<b>0</b>
Agreed initial budgeted distribution in 2014/15	(15,833)	(138,078)	<b>(153,911)</b>
In year adjustments	(929)	779	<b>(150)</b>
Final budget distribution for 2014/15	(16,762)	(137,299)	<b>(154,061)</b>
Actual central expenditure	11,923		<b>11,923</b>
Actual ISB deployed to schools		137,299	<b>137,299</b>
Carried forward to 2015/16	(4,839)	0	<b>(4,839)</b>

## **15. Grant Income**

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2014/15

	<b>2013/2014 restated £000</b>	<b>2014/15 £000</b>
<b>Credited to Taxation and Non Specific Grant Income</b>		
Non Specific Grants	11,738	14,100
PFI Grant	8,296	8,605
Capital Grants	34,990	49,463
<b>Total</b>	<b>55,024</b>	<b>72,168</b>
<b>Credited to Services</b>		
Housing Benefit Subsidy	52,801	54,113
Council Tax Benefit	25	0
Rent Rebate - Housing Benefit	33,901	36,243
Social Care	1,914	0
Early Years and Sure Start	10	0
Public Health Grant	13,167	15,825
Housing Benefit Administration	1,878	1,712
YPLA & Learning and Skills	6,491	7,072
Standards Fund	9,118	12,788
Dedicated Schools Grant	151,278	155,353
Further Education Funding Council	39	0
Youth Justice Board	674	641
Street Lighting PFI	2,874	2,874
Regional Growth Fund	0	9,759
Other Neighbourhood and Chief Executives Revenue Grants	2,561	4,308
Other Children and Young People Revenue Grants	992	6,968
Other Adults, Health & Housing Revenue Grants	376	4,616
Other Corporate Grants	1,169	1,693
Other Resources Grants	464	1,110
<b>Total</b>	<b>279,732</b>	<b>315,075</b>

This note has been restated to transfer specific grants from Taxation and Non Specific Grant Income to services as per Note 1.

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:

	2013/14 £000	2014/15 £000
<b>Capital Grants Receipts in Advance</b>		
Children & Young People (CYP) Grants	1,647	628
CYP Primary Capital Programme Grant	1,863	1,863
CYP Extended Schools Capital Grant	66	0
Housing Revenue Account (HRA) Grants	210	0
HRA HCA New Build Grant	18	0
Housing General Fund (HGF) Grants	150	606
Regional Growth Fund	21	21
HGF Housing Intelligence 4 East Midlands - CLG Grant	240	0
Neighbourhoods Grants	3,632	1,105
Neighbourhoods Contributions	0	657
DfT Connecting Derby Grant	29	0
Derby Arena	0	2,927
Environment Agency - Our City Our River	0	13,347
School's Devolved Contributions	1,000	301
Section 106 contributions	4,815	3,936
Capital Receipts - CPO	237	506
<b>Total</b>	<b>13,928</b>	<b>25,897</b>

## **16. 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:

	2013/14 £000	2014/15 £000
Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor for the year	190	198
Fees payable to Grant Thornton for the certification of grant claims and returns for the year	44	42
Refund from Audit Commission in respect of IFRS transformation	0	(45)
Fees payable in respect of other services provided by Grant Thornton during the year	0	23
<b>Total</b>	<b>234</b>	<b>218</b>



## 17. Property, Plant and Equipment

### a) Movements on Balances

Movements in 2013/14	Council Dwellings £000	Other Land & Buildings (restated) £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets under Construction £000	Total Property, Plant & Equipment (restated) £000	PFI Assets Included in Property, Plant & Equipment (restated) £000
<b>Cost of Valuation</b>									
<b>at 1 April 2013</b>	<b>190,194</b>	<b>587,664</b>	<b>235,907</b>	<b>189,664</b>	<b>18,165</b>	<b>10,693</b>	<b>30,231</b>	<b>1,262,518</b>	<b>93,525</b>
Restatement of Opening Balances (note 1)	0	25,714	0	0	0	0	0	25,714	0
<b>at 1 April 2013</b>	<b>190,194</b>	<b>613,378</b>	<b>235,907</b>	<b>189,664</b>	<b>18,165</b>	<b>10,693</b>	<b>30,231</b>	<b>1,288,232</b>	<b>93,525</b>
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	<b>98,370</b>	15,899
Revaluation increases/(decreases) recognised in the Revaluation Reserve (restated)	10,613	109,741	(2,136)	0	0	(494)	0	<b>117,724</b>	12,776
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	0	888	0	<b>2,055</b>	997
<b>At 31 March 2014</b>	<b>202,481</b>	<b>735,328</b>	<b>231,104</b>	<b>190,027</b>	<b>17,887</b>	<b>8,674</b>	<b>59,621</b>	<b>1,445,122</b>	<b>117,992</b>

	Council Dwellings (restated) £000	Other Land & Buildings (restated) £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets under Construction £000	Total Property, Plant & Equipment (restated) £000	PFI Assets Included in Property, Plant & Equipment (restated) £000
<b>Movements in 2013/14:</b>									
<b>Accumulated Depreciation and Impairment at 1 April 2013</b>	<b>(11,141)</b>	<b>(46,646)</b>	<b>(38,437)</b>	<b>(34,071)</b>	<b>(522)</b>	<b>(1,365)</b>	<b>0</b>	<b>(132,182)</b>	<b>(3,200)</b>
Restatement of Opening Balances (note 1)	0	278	0	0	0	0	0	278	0
<b>Restated Accumulated Depreciation and Impairment at 1 April 2013</b>	<b>(11,141)</b>	<b>(46,368)</b>	<b>(38,437)</b>	<b>(34,071)</b>	<b>(522)</b>	<b>(1,365)</b>	<b>0</b>	<b>(131,904)</b>	<b>(3,200)</b>
Restatement of Opening Balances	6,988	5,476	7,878	2,162	523	1,365	0	<b>24,392</b>	0
Depreciation charge	(3,937)	(18,291)	(13,924)	(4,225)	(152)	0	0	<b>(40,529)</b>	(1,519)
Depreciation written out of the Revaluation Reserve	3,071	9,842	7,168	0	0	0	0	<b>20,081</b>	1
Depreciation written out to the Surplus/Deficit on the Provision of Services	1,148	2,870	0	0	0	0	0	<b>4,018</b>	0
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	106	0	0	0	0	0	<b>106</b>	0
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	42	0	0	0	0	0	<b>42</b>	0
Derecognition - disposals	0	0	2,593	0	0	0	0	<b>2,593</b>	0
Other movements in depreciation and impairment	(28)	90	70	0	0	0	0	<b>132</b>	0
<b>At 31 March 2014</b>	<b>(3,899)</b>	<b>(46,233)</b>	<b>(34,652)</b>	<b>(36,134)</b>	<b>(151)</b>	<b>0</b>	<b>0</b>	<b>(121,069)</b>	<b>(4,718)</b>
<b>Net Book Value</b>									
<b>At 31 March 2014</b>	<b>198,582</b>	<b>689,095</b>	<b>196,452</b>	<b>153,893</b>	<b>17,736</b>	<b>8,674</b>	<b>59,621</b>	<b>1,324,053</b>	<b>113,274</b>
<b>At 1 April 2013</b>	<b>186,295</b>	<b>567,145</b>	<b>201,255</b>	<b>153,530</b>	<b>18,014</b>	<b>10,693</b>	<b>30,231</b>	<b>1,167,163</b>	<b>90,325</b>

This statement has been restated for the prior period adjustments in note 1.

<b>Movements in 2014/15:</b>	<b>Council Dwellings £000</b>	<b>Other Land &amp; Buildings £000</b>	<b>Vehicles, Plant, Furniture &amp; Equipment £000</b>	<b>Infrastructure Assets £000</b>	<b>Community Assets £000</b>	<b>Surplus Assets £000</b>	<b>Assets under Construction £000</b>	<b>Total Property, Plant &amp; Equipment £000</b>	<b>PFI Assets Included in Property, Plant &amp; Equipment £000</b>
<b>Cost of Valuation at 1 April 2014</b>	202,481	735,328	231,104	190,027	17,887	8,674	59,621	<b>1,445,122</b>	<b>117,992</b>
Recategorisations	0	43,827	0	9,953	66	0	(53,846)	<b>0</b>	137
Additions	13,148	33,862	4,453	9,690	117	0	27,126	<b>88,396</b>	4,939
Revaluation increases/(decreases) recognised in the Revaluation Reserve	6,699	66,049	345	(883)	0	(1,000)	0	<b>71,210</b>	21,414
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(240)	(23,317)	(8)	(25)	(240)	(1,348)	0	<b>(25,178)</b>	(1,901)
Derecognition - disposals	0	(16,994)	(945)	0	0	0	0	<b>(17,939)</b>	0
Assets reclassified (to)/from Held for Sale	(1,929)	(1,594)	(1,612)	0	0	(480)	0	<b>(5,615)</b>	0
Other movements in cost or valuation	348	(188)	1	0	0	0	0	<b>161</b>	0
<b>At 31 March 2015</b>	<b>220,507</b>	<b>836,973</b>	<b>233,338</b>	<b>208,762</b>	<b>17,830</b>	<b>5,846</b>	<b>32,901</b>	<b>1,556,157</b>	<b>142,581</b>

<b>Movements in 2014/15</b>	<b>Council Dwellings £000</b>	<b>Other Land &amp; Buildings £000</b>	<b>Vehicles, Plant, Furniture &amp; Equipment £000</b>	<b>Infrastructure Assets £000</b>	<b>Community Assets £000</b>	<b>Surplus Assets £000</b>	<b>Assets under Construction £000</b>	<b>Total Property, Plant &amp; Equipment £000</b>	<b>PFI Assets Included in Property, Plant &amp; Equipment £000</b>
<b>Accumulated Depreciation and Impairment at 1 April 2014</b>	<b>(3,899)</b>	<b>(46,233)</b>	<b>(34,652)</b>	<b>(36,134)</b>	<b>(151)</b>	<b>0</b>	<b>0</b>	<b>(121,069)</b>	<b>(4,718)</b>
Depreciation charge	(4,216)	(20,667)	(14,941)	(4,294)	(24)	0	0	(44,142)	(1,766)
Depreciation written out to the Revaluation Reserve	3,145	12,355	6,936	0	0	0	0	22,436	2,182
Depreciation written out to the Surplus/Deficit on the Provision of Services	686	1,370	0	0	0	0	0	2,056	30
Impairment losses/(reversals) recognised in the Revaluation Reserve	48	50	69	883	0	0	0	1,050	0
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	20	118	0	0	0	0	0	138	0
Assets reclassified (to)/from Held for Sale	39	9	70	0	0	0	0	118	0
Derecognition - disposals	0	651	800	0	0	0	0	1,451	0
Other movements in depreciation and impairment	(15)	15	0	(1)	1	0	0	0	0
<b>At 31 March 2015</b>	<b>(4,192)</b>	<b>(52,332)</b>	<b>(41,718)</b>	<b>(39,546)</b>	<b>(174)</b>	<b>0</b>	<b>0</b>	<b>(137,962)</b>	<b>(4,272)</b>
<b>Net Book Value</b>									
<b>At 31 March 2015</b>	<b>216,315</b>	<b>784,641</b>	<b>191,620</b>	<b>169,216</b>	<b>17,656</b>	<b>5,846</b>	<b>32,901</b>	<b>1,418,195</b>	<b>138,309</b>
<b>At 1 April 2014</b>	<b>198,582</b>	<b>689,095</b>	<b>196,452</b>	<b>153,893</b>	<b>17,736</b>	<b>8,674</b>	<b>59,621</b>	<b>1,324,053</b>	<b>113,274</b>

## b) Depreciation

	Council Dwellings	Council Dwellings - roof components	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure
Useful lives used in calculation of depreciation	50 years	60 years	50 years	3-40 years	40 years

## c) Capital Commitments

As at 31 March 2015 the Council had entered into a number of contracts for the enhancement of property, plant and equipment with future costs estimated as £42.388 million. The equivalent figure as at 31 March 2014 was £33.418 million. The major commitments are summarised by directorate:

Strategy Area	Major Schemes	Scheme Commitment £000	Total Commitment £000
Schools			33
Highways & Transport	Street Lighting renewal	1,363	2,536
Housing	Construction of new extra car scheme at Bath St Mills	5,779	7,590
Property			864
Vehicles, Plant & Equipment			247
Parks	Restoration of Markeaton Park	2,116	2,440
Regeneration	Infinity Park Derby construction of the infrastructure for the enterprise zone	5,276	14,196
Regeneration	Innovation Campus, purpose built business centre for SMEs	6,928	
ICT	Investment in new efficiency generating technologies	1,599	2,486
Flood Defence			33
Strategic projects	Our City Our River construction of improved flood defences for the city	11,918	11,963
<b>Total</b>		<b>34,979</b>	<b>42,388</b>

## 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 1<sup>st</sup> April 2014.

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 2014/15 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.

The Council has physically valued 20% of assets as at 1.4.2014 as per the code and believes this value will not be materially different to the fair value at year-end due to the current prevailing low levels of volatility in both land and building values and building costs being insignificant in terms of materially changing the values within year. Should the volatility in either values or costs significantly change (either increasing or decreasing) then this would necessitate a review of the potential in-year changes in value from 1 April to 31 March.

The Council has assessed the carrying value of the remaining 80% of property assets contained within the statement of accounts and believes this is not materially different to the fair value at the balance sheet date. The Council has formulated and implemented the Revaluation Gain or Loss Index which allows an analysis of the assets valued in year and subsequent valuation updates to be applied to.

In conjunction with the standard annual programme of asset valuations prepared as at 1st April 2014 and the valuation of both Assets Held for Sale (AHS) and Investment assets as at 31st March 2015, the Council has assessed the impact of any changes in the property market which have taken place over the last year. The Council has therefore assessed the impairment/revaluation loss/gain across the entire asset register to include those assets not covered by the rolling programme of valuations and illustrated any changes by applying a % rate of impairment to a range of asset classes which form a representative sample of the asset register. This covers the 80% of property assets not physically valued in year.

	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	Heritage Assets £000
<b>Carried at Historical Cost</b>	0	0	72,022	208,762	17,830	0	32,901	331,515	75,471
<b>Valued at Fair Value as at:</b>									
31 March 2011	0	59,884	0	0	0	1,286	0	61,170	0
31 March 2012	0	51,810	0	0	0	0	0	51,810	0
31 March 2013	0	272,609	0	0	0	2,485	0	275,094	0
31 March 2014	0	249,997	0	0	0	2,075	0	252,072	0
31 March 2015	220,507	202,673	161,316	0	0	0	0	584,496	0
<b>Total cost or Valuation</b>	<b>220,507</b>	<b>836,973</b>	<b>233,338</b>	<b>208,762</b>	<b>17,830</b>	<b>5,846</b>	<b>32,901</b>	<b>1,556,157</b>	<b>75,471</b>

## 18. Heritage Assets

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

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

	<b>Civic Regalia £000</b>	<b>Art Collection £000</b>	<b>Decorative Art Collection £000</b>	<b>Industrial Collection £000</b>	<b>Natural History Collection £000</b>	<b>Other £000</b>	<b>Total £000</b>
<b>Cost or Valuation</b>							
<b>01 April 2010</b>	<b>608</b>	<b>39,179</b>	<b>3,892</b>	<b>1,320</b>	<b>1,167</b>	<b>3,630</b>	<b>49,796</b>
Additions	0	25	0	0	0	10	35
<b>31 March 2011</b>	<b>608</b>	<b>39,204</b>	<b>3,892</b>	<b>1,320</b>	<b>1,167</b>	<b>3,640</b>	<b>49,831</b>
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)
<b>31 March 2012</b>	<b>608</b>	<b>64,088</b>	<b>3,892</b>	<b>1,196</b>	<b>1,167</b>	<b>3,640</b>	<b>74,591</b>
Additions	0	167	0	0	0	0	167
Revaluations recognised in the Revaluation Reserve	0	0	0	0	83	0	83
<b>31 March 2013</b>	<b>608</b>	<b>64,255</b>	<b>3,892</b>	<b>1,196</b>	<b>1,250</b>	<b>3,640</b>	<b>74,841</b>
Revaluations recognised in the Revaluation Reserve	0	130	0	0	0	500	630
<b>31 March 2014</b>	<b>608</b>	<b>64,385</b>	<b>3,892</b>	<b>1,196</b>	<b>1,250</b>	<b>4,140</b>	<b>75,471</b>
Revaluations recognised in the Revaluation Reserve	0	0	0	0	0	0	0
<b>31 March 2015</b>	<b>608</b>	<b>64,385</b>	<b>3,892</b>	<b>1,196</b>	<b>1,250</b>	<b>4,140</b>	<b>75,471</b>

## **19. 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.

	<b>2013/14 restated £000</b>	<b>2014/15 £000</b>
<b>Opening Capital Financing Requirement</b>	<b>(566,809)</b>	<b>(608,004)</b>
Capital Investment:		
Property, Plant and Equipment	(98,370)	(88,396)
Intangible Assets	(373)	(807)
Revenue Expenditure Funded from Capital Under Statute	(9,411)	(9,811)
LAMS/Long Term Debtors	(4,725)	(6,785)
Sources of finance:		
Capital Receipts	4,610	4,206
Capital Reserves	10,485	15,465
Government grants and other contributions	39,843	49,982
Sums set aside from revenue:		
Direct revenue contributions	3,965	3,703
Minimum Revenue Provision	11,500	11,995
Transferred Debt	1,281	1,404
<b>Closing capital financing requirement</b>	<b>(608,004)</b>	<b>(627,048)</b>
<b>Explanation of movements in year</b>		
Increase, (decrease) in underlying need to borrowing (supported by government financial assistance)	1,334	433
Increase in underlying need to borrowing (unsupported by government financial assistance)	24,171	13,835
Assets acquired under finance leases	(220)	(163)
Assets acquired under PFI/PPP contracts	15,899	4,939
<b>Increase/(decrease) in capital financing requirement</b>	<b>41,184</b>	<b>19,044</b>

This note has been restated to ensure consistency with other notes within the statement.



## 20. 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:

	2013/14 £000	2014/15 £000
Other Land and Buildings	6,342	6,423
Vehicles, Plant, Furniture and Equipment	708	784
<b>Total</b>	<b>7,050</b>	<b>7,207</b>

The following amounts were charged in depreciation for these assets:

	2013/14 £000	2014/15 £000
Other Land and Buildings	(110)	(118)
Vehicles, Plant, Furniture and Equipment	(384)	(338)
<b>Total</b>	<b>(494)</b>	<b>(456)</b>

### Authority as Lessor

#### Operating Leases

The Council leases out property and equipment under operating leases for a variety of purposes.

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

	31/03/2014 £000	31/03/2015 £000
No later than one year	1,140	1,128
Later than one year and not later than five years	3,428	3,084
Later than five years	18,604	14,274
<b>Total</b>	<b>23,172</b>	<b>18,486</b>

The minimum lease payments receivable do not include rents which 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.

## **21. 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 2014/15 were £4,612,007 (2013/2014 £4,541,792), of which £702,931 related to write down of obligations, £1,102,900 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 2015, accounted for as part of long-term liabilities, are as follows:

	<b>Payment for Services £000</b>	<b>Reimbursement of Capital Expenditure £000</b>	<b>Interest £000</b>	<b>Total £000</b>
Payable in 2015/16	2,215	740	1,065	4,020
Payable within two to five years	8,861	3,375	3,848	16,084
Payable within six to ten years	11,076	5,331	3,698	20,105
Payable within eleven to fifteen years	11,076	6,904	2,125	20,105
Payable within sixteen to twenty years	4,945	3,720	315	8,980
<b>Total</b>	<b>38,173</b>	<b>20,070</b>	<b>11,051</b>	<b>69,294</b>

The above amounts will be partially subject to indexation (RPIx). A 1% variation in RPIx would result in a £22k change in payments for services in any one year.

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 2015.

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:

	<b>2013/14 £000</b>	<b>2014/15 £000</b>
Balance outstanding at start of year	21,440	20,773
Payments during the year	(667)	(703)
<b>Balance outstanding at year end</b>	<b>20,773</b>	<b>20,070</b>

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 2015 there were 104 new build properties and 26 of the refurbished and acquired completed. The total rentals payable in 2014/15 were £887,668 of which £407,444 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, therefore £3.925m finance lease liability costs have been recognised at 31 March 2015. The table below shows the outstanding obligations to make payments at 31 March 2015.

	<b>Reimbursement of Capital Expenditure £000</b>	<b>Interest £000</b>	<b>Total £000</b>
Payable in 2015/16	415	433	848
Payable within two to five years	1,786	1,619	3,405
Payable within six to ten years	2,555	1,751	4,306
Payable within eleven to fifteen years	2,966	1,413	4,379
Payable within sixteen to twenty years	3,443	1,031	4,474
Payable twenty one to twenty five years	3,996	602	4,598
Payable within thirty years	2,856	136	2,992
<b>Total</b>	<b>18,017</b>	<b>6,985</b>	<b>25,002</b>

The above amounts are fixed costs and therefore are not subject to indexation.

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.

	<b>2013/14 £000</b>	<b>2014/15 £000</b>
Balance outstanding at start of year	0	14,499
Payments during the year	(318)	(407)
Capital expenditure incurred in the year	14,817	3,925
<b>Balance outstanding at year end</b>	<b>14,499</b>	<b>18,017</b>

At the end of the PFI contract the Council has the option to purchase the assets from Riverside. Although this option is not guaranteed there is a guaranteed 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 £0.48m are anticipated in 2015/16. Future cash payments between 2015/16 and the end of the contract are expected to be approximately £8.634m.

### **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. 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. They also include a further variation made in April 2013 for additional classrooms at Lakeside Primary School. Services commenced in 2014. The contract end date for the variation finishes in line with the original grouped schools contract agreement.

The rentals payable were £5,392,555 in 2014/15 (£5,331,512 in 2013/14) of which £1,541,234 related to write down of obligations (i.e. repayment of principal), £1,255,833 interest costs and the remainder to service charges/prepayments.

Outstanding obligations to make payments under the Grouped Schools PFI finance lease at 31 March 2015, accounted for as part of long-term liabilities, are as follows:

	<b>Payment for Services £000</b>	<b>Reimbursement of Capital Expenditure £000</b>	<b>Interest £000</b>	<b>Total £000</b>
Payable in 2015/16	2,404	1,508	1,176	5,088
Payable within two to five years	10,212	5,756	3,952	19,920
Payable within six to ten years	14,236	6,776	3,329	24,341
Payable within eleven to fifteen years	16,070	6,622	1,618	24,310
Payable within sixteen to twenty years	6,110	2,345	158	8,613
<b>Total</b>	<b>49,032</b>	<b>23,007</b>	<b>10,233</b>	<b>82,272</b>

The above amounts will be partially subject to indexation (RPIx). A 1% variation in RPIx would result in a £23k change in payments for services in any one year.

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:

	<b>2013/14 £000</b>	<b>2014/15 £000</b>
Balance outstanding at start of year	26,125	24,548
Payments during the year	(1,577)	(1,541)
<b>Balance outstanding at year end</b>	<b>24,548</b>	<b>23,007</b>

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 £5,130,909 in 2014/15 (£5,002,345 in 2013/14) of which £529,592 related to write down of obligations (i.e. repayment of principal), £2,368,944 interest costs and the remainder to service charges/prepayments.

Outstanding obligations to make payments under the BSF Schools PFI finance lease at 31 March 2015, accounted for as part of long-term liabilities, are as follows:

	<b>Payment for Services £000</b>	<b>Reimbursement of Capital Expenditure £000</b>	<b>Interest £000</b>	<b>Total £000</b>
Payable in 2015/16	2,211	569	2,329	5,109
Payable within two to five years	9,408	2,740	8,854	21,002
Payable within six to ten years	13,145	4,757	9,736	27,638
Payable within eleven to fifteen years	14,873	6,837	7,655	29,365
Payable within sixteen to twenty years	16,826	9,828	4,665	31,319
Payable within twenty one to twenty five years	11,140	6,215	789	18,144
<b>Total</b>	<b>67,603</b>	<b>30,946</b>	<b>34,028</b>	<b>132,577</b>

The above amounts will be partially subject to indexation (RPIx). A 1% variation in RPIx would result in a £22k change in payments for services in any one year.

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:

	<b>2013/14 £000</b>	<b>2014/15 £000</b>
Balance outstanding at start of year	31,369	31,476
Payments during the year	(493)	(530)
<b>Balance outstanding at year end</b>	<b>31,476</b>	<b>30,946</b>

## 22. 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	
	31/03/14 restated £000	31/03/15 £000	31/03/14 restated £000	31/03/15 £000
<b>Investments</b>				
Loans and receivables	324	325	201	5,203
<b>Total investments</b>	<b>324</b>	<b>325</b>	<b>201</b>	<b>5,203</b>
<b>Debtors</b>				
Loans and receivables	13,199	19,225	18,799	19,279
Debtors that are not financial instruments	1,271	3,237	29,358	20,149
<b>Total debtors</b>	<b>14,470</b>	<b>22,462</b>	<b>48,157</b>	<b>39,428</b>
<b>Cash</b>				
Loans and receivables			43,058	43,366
<b>Total cash: asset</b>			<b>43,058</b>	<b>43,366</b>
Financial liabilities at amortised cost			(6,185)	(1,692)
<b>Total cash: liability</b>			<b>(6,185)</b>	<b>(1,692)</b>
<b>Borrowings</b>				
Financial liabilities at amortised cost	(308,980)	(328,990)	(31,854)	(8,110)
<b>Total borrowings</b>	<b>(308,980)</b>	<b>(328,990)</b>	<b>(31,854)</b>	<b>(8,110)</b>
<b>Other Long Term Liabilities</b>				
Financial liabilities at amortised cost	(88,668)	(89,561)	(3,449)	(3,474)
<b>Total other long term liabilities</b>	<b>(88,668)</b>	<b>(89,561)</b>	<b>(3,449)</b>	<b>(3,474)</b>
<b>Creditors</b>				
Financial liabilities at amortised cost carried at contract amount	(316,617)	(382,846)	(47,592)	(49,268)
Creditors that are not financial instruments	0	0	(23,023)	(12,109)
<b>Total creditors</b>	<b>(316,617)</b>	<b>(382,846)</b>	<b>(70,615)</b>	<b>(61,377)</b>

This table has been restated to reflect long term debtor and creditor financial instruments.

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 2015. Short duration receivables or payables with no stated interest rate shall be measured at original invoice amount.

## Income, Expense, Gains and Losses

	2013/14			2014/15		
	Financial Liabilities measured at amortised £000	Financial Assets: Loans and receivables £000	Total £000	Financial Liabilities measured at amortised £000	Financial Assets: Loans and receivables £000	Total £000
Interest expense	(20,305)	0	(20,305)	(21,199)	0	(21,199)
<b>Total expense</b>	<b>(20,305)</b>	<b>0</b>	<b>(20,305)</b>	<b>(21,199)</b>	<b>0</b>	<b>(21,199)</b>
Interest Income	0	202	202	0	655	655
<b>Total income</b>	<b>0</b>	<b>202</b>	<b>202</b>	<b>0</b>	<b>655</b>	<b>655</b>
<b>Net gain/(loss)</b>	<b>(20,305)</b>	<b>202</b>	<b>(20,103)</b>	<b>(21,199)</b>	<b>655</b>	<b>(20,544)</b>

## 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:

- The fair values of long term loans from the Public Works Loans Board have been based on the new lending rates for equivalent loans at that date with an identical remaining term to maturity.
- The fair values of the long term "Lender Option Borrowers Option" loans have been calculated by discounting the contractual cash flows over the whole life of the instrument at the appropriate interest rate swap on 31st March plus a margin for local authority credit risk and adding value to the embedded option.
- 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 2014		31 March 2015	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
<b>Financial Liabilities</b>				
Long Term	(308,980)	(376,466)	(328,990)	(451,306)
Short Term	(31,854)	(31,854)	(8,110)	(8,110)
PFI	(91,297)	(116,419)	(92,040)	(125,332)
Short-term creditors	(47,592)	(47,592)	(49,268)	(49,268)
<b>Total</b>	<b>(479,723)</b>	<b>(572,331)</b>	<b>(478,408)</b>	<b>(634,016)</b>

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 2014		31 March 2015	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
<b>Assets</b>				
Loans and receivables	18,799	18,799	19,279	19,279
Money market investments < 1 yr	201	201	5,203	5,203
Available for Sale Investments	0	0	0	0
<b>Total</b>	<b>19,000</b>	<b>19,000</b>	<b>24,482</b>	<b>24,482</b>

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.

## **23. Nature and Extent of Risks arising from Financial Instruments**

The Council has adopted CIPFA's Code of Practice on Treasury Management. As part of the adoption of the Treasury Management Code the Council approves a Treasury Management Strategy before the commencement of each financial year. The Strategy sets out the parameters for the management of risks associated with 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;
- 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 its 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 was placed on the amount of money that can be invested with a single counterparty in 2014/15. The Council also sets a total group investment limit for institutions that are part of the same banking group.

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 2015 £000	Market historical experience of default %	Adjustment for market conditions at 31 March 2014	Estimated maximum exposure to default as at 31 March 2015 £000	Estimated maximum exposure to default as at 31 March 2014 £000
	(a)	(b)	(c)	(a * c)	
AAA rated	20,669	0.04%	0.04%	8	0
AA rated	9,511	0.03%	0.03%	3	0
A rated	9,836	0.07%	0.07%	7	22
Local Authorities	5,000			0	0
Trade Debtors	14,602	4.00%	4.00%	584	571
<b>Total</b>	<b>59,618</b>			<b>602</b>	<b>593</b>

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 2014/15, approved by Council Cabinet on 22 January 2014.

Throughout 2014/15 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 2015, 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 2015	Balance Invested as at 31 March 2015		Total £000
			Up to 1 month £000	Over 1 month £000	
Banks UK	Yes	Yes	0	0	0
Building Societies - UK	Yes	Yes	0	0	0
Other Local Authorities	Yes	Yes	0	5,000	5,000
Money Market Funds	Yes	Yes	20,669	0	20,669
Call Accounts	Yes	Yes	19,347	0	19,347
<b>Total</b>			<b>40,016</b>	<b>5,000</b>	<b>45,016</b>

The Council does not generally allow credit for its trade debtors, such that £6m of the £14.602m balance, as at 31 March 2015, is past its due date for payment. The past due amount can be analysed by age as follows:

	2013/14 £000	2014/15 £000
Less than 3 months	1,185	1,980
Three to six months	378	628
Six months to one year	495	938
More than one year	2,249	2,454
	<b>4,307</b>	<b>6,000</b>

## 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:

	<b>2013/14 restated £000</b>	<b>2014/15 £000</b>
Less than one year	31,864	8,110
Between one and two years	20,000	0
Between two and five years	10,000	20,000
Between five and ten years	9,521	19,531
More than ten years	269,459	289,459
	<b>340,844</b>	<b>337,100</b>

This note has been restated to reflect accrued interest in short term borrowing.

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:

	<b>£000</b>
Increase in interest receivable on variable rate investments	(552)
<b>Impact on Surplus of Deficit on the Provision of Services</b>	<b>(552)</b>

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.

## **24. Debtors**

### **24a. Current Debtors**

	<b>31 March 2014 £000</b>	<b>31 March 2015 £000</b>
Central government bodies	18,739	10,482
Other local authorities	1,932	1,568
NHS Bodies	2,492	2,032
Council Taxpayers	7,406	7,827
NNDR	2,091	929
Housing Rents	737	1,113
Sundry Debtors	14,760	15,477
<b>Total</b>	<b>48,157</b>	<b>39,428</b>

### **24b. Non-Current Debtors**

	<b>31 March 2014 £000</b>	<b>31 March 2015 £000</b>
Mortgages for sale of Council Housing	25	22
Derbyshire County Council 1974 Transferred	3,166	3,039
Other Loans	4,903	12,497
PFI Prepayments	3,908	4,440
Finance Lease Receivables	1,468	1,464
Deferred Capital Receipts	1,000	1,000
<b>Total</b>	<b>14,470</b>	<b>22,462</b>

## **25. Cash and Cash Equivalents**

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

	<b>31 March 2014 £000</b>	<b>31 March 2015 £000</b>
Cash held by the Council	112	260
Bank current accounts	2,572	3,044
Short-term deposits with building societies	40,374	40,062
<b>Sub Total</b>	<b>43,058</b>	<b>43,366</b>
Bank Overdrafts	(6,185)	(1,692)
<b>Total Cash and Cash Equivalents</b>	<b>36,873</b>	<b>41,674</b>

## **26. Creditors**

	<b>31 March 2014 £000</b>	<b>31 March 2015 £000</b>
Central government bodies	(10,164)	(9,097)
Other local authorities	(7,910)	(9,981)
NHS Bodies	(1,896)	(662)
Public bodies & Trading Funds	0	(3)
Council Taxpayers	(1,408)	(1,385)
Short-term Employee Benefits	(4,508)	(3,661)
Sundry Creditors	(44,729)	(36,588)
<b>Total</b>	<b>(70,615)</b>	<b>(61,377)</b>

## **27. Other Long Term Liabilities**

	<b>31 March 2014 £000</b>	<b>31 March 2015 £000</b>
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	(32,556)	(31,254)
Loans transferred from neighbouring authorities in 1968	(633)	(575)
Net Pensions Liability (Note 37)	(283,428)	(351,017)
<b>Total Long Term Liabilities</b>	<b>(316,617)</b>	<b>(382,846)</b>

## 28. 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 2015 and an estimate of future claims. The value of future claims has not been revised from 2013/14 but will need to be reviewed following the completion of the new Job Evaluation review.

### Other Provisions

The Council is carrying a significant provision of £7.203m (£9.252m in 2013/14) 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, but now the council is liable for 49% of the cost of appeals.

	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
<b>Balance at 1 April 2014</b>	<b>8,325</b>	<b>30</b>	<b>529</b>	<b>1,306</b>	<b>9,942</b>	<b>1,336</b>	<b>18,796</b>
Additional provisions made in 2014/15	0	0	0	413	0	413	0
Transferred to Current Provisions	0	25	(25)	0	0	25	(25)
Amounts used in 2014/15	0	(28)	0	(550)	(2,049)	(578)	(2,049)
Provision written back in year	0	0	0	(198)	(690)	(198)	(690)
<b>Balance at 31 March 2015</b>	<b>8,325</b>	<b>27</b>	<b>504</b>	<b>971</b>	<b>7,203</b>	<b>998</b>	<b>16,032</b>



## 29. 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 2014/15

	Balance at 31 March 2013 £000	Transfers Out 2013/14 (restated) £000	Transfers In 2013/14 (restated) £000	Movement between earmarked reserves 2013/14 £000	Balance at 31 March 2014 £000	Transfers Out 2014/15 £000	Transfers In 2014/15 £000	Movement between earmarked reserves 2014/15 £000	Balance at 31 March 2015 £000
<b>General Fund</b>									
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	(7,202)	7,202	(7,875)	0	(7,875)	7,930	(7,503)	0	(7,448)
<b>TOTAL</b>	<b>(14,345)</b>	<b>7,202</b>	<b>(7,875)</b>	<b>0</b>	<b>(15,018)</b>	<b>7,930</b>	<b>(7,503)</b>	<b>0</b>	<b>(14,591)</b>
<b>Revenue Earmarked Reserves</b>									
Asbestos Reserve	(1,263)	0	0	0	(1,263)	0	0	0	(1,263)
Regeneration Reserve	(1,936)	760	(312)	0	(1,488)	505	(558)	0	(1,541)
Accommodation Strategy	(242)	170	0	0	(72)	39	0	0	(33)
Waste Strategy Corporate Reserve	(2,263)	445	0	0	(1,818)	769	0	0	(1,049)
Trading Services Reserve	(1,027)	629	(93)	0	(491)	177	(221)	172	(363)
Budget Risk Reserve	(5,153)	1,200	(11,869)	(860)	(16,682)	2,992	(17,113)	10,263	(20,540)
Job Evaluation Reserve	(4,103)	550	(550)	0	(4,103)	3,482	(561)	(8,253)	(9,435)
Treasury Management Reserve	(1,800)	0	0	0	(1,800)	0	0	1,800	0
Building Schools For The Future Reserve	(938)	0	0	0	(938)	0	0	0	(938)
Transformation Corporate Reserve	(877)	369	(93)	0	(601)	133	(110)	(104)	(682)
Older Peoples Strategy Corporate Reserve	(1,337)	126	0	0	(1,211)	3,800	(300)	(3,875)	(1,586)
Partnership Reserves	(415)	285	(395)	0	(525)	447	(227)	0	(305)
PFI Reserves	(14,611)	25	(2,636)	0	(17,222)	14	(2,565)	0	(19,773)
Business Rate Volatility Reserve	(2,000)	0	0	0	(2,000)	0	0	2,000	0
Priority Families Reserve	0	34	(327)	(626)	(919)	0	(18)	0	(937)
Looked After Children Reserve	(2,350)	2,062	(1,282)	600	(970)	3,770	0	(2,800)	0

	Balance at 31 March 2013 £000	Transfers Out 2013/14 (restated) £000	Transfers In 2013/14 (restated) £000	Movement between earmarked reserves 2013/14 £000	Balance at 31 March 2014 £000	Transfers Out 2014/15 £000	Transfers In 2014/15 £000	Movement between earmarked reserves 2014/15 £000	Balance at 31 March 2015 £000
Connecting Derby Compensation Claims Reserve	(1,000)	22	0	500	(478)	0	0	200	(278)
Multi Use Sports Arena Reserve	0	0	(900)	0	(900)	391	0	0	(509)
Other Service Reserves	(11,819)	5,595	(2,328)	399	(8,153)	3,937	(10,259)	659	(13,816)
Other Corporate Reserves	(3,927)	630	(3,607)	(13)	(6,917)	1,517	(5,265)	(62)	(10,727)
<b>TOTAL</b>	<b>(57,061)</b>	<b>12,902</b>	<b>(24,392)</b>	<b>0</b>	<b>(68,551)</b>	<b>21,973</b>	<b>(37,197)</b>	<b>0</b>	<b>(83,775)</b>
<b>Capital Earmarked Reserves</b>									
Earmarked Capital Reserves	(3,641)	1,351	(793)	0	(3,083)	1,528	(1,435)	0	(2,990)
<b>TOTAL</b>	<b>(3,641)</b>	<b>1,351</b>	<b>(793)</b>	<b>0</b>	<b>(3,083)</b>	<b>1,528</b>	<b>(1,435)</b>	<b>0</b>	<b>(2,990)</b>
<b>HRA</b>									
Housing Revenue Account	(18,220)	0	(7,232)	0	(25,452)	0	(8,239)	(15)	(33,706)
Other Earmarked HRA Reserves	(2,499)	1,697	0	0	(802)	0	0	15	(787)
<b>TOTAL</b>	<b>(20,719)</b>	<b>1,697</b>	<b>(7,232)</b>	<b>0</b>	<b>(26,254)</b>	<b>0</b>	<b>(8,239)</b>	<b>0</b>	<b>(34,493)</b>

This note has been restated for the incorrect categorisation of HRA reserves in 2013/14.

### **30. Usable Reserves**

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

Details of the major usable reserves are set out below:

General Fund Balance - general contingency against adverse future events and emergencies.

Budget Risk Reserve - reserve held to support future budget planning and unforeseen in-year pressures.

PFI Reserves - accumulated government PFI credits held to support the PFI business models and contractual commitments over the next 30 years.

Housing Revenue Account - the HRA is a statutory account, ring-fenced from the rest of Council funds, so that rents charged to tenants in respect of dwellings cannot be subsidised from Council Tax. The balances on the HRA reflect the accumulated surpluses of income over expenditure.

Capital Grants Unapplied - this reflects the unused element of capital grants or capital contributions awarded to the Council, for which the conditions of the grant support are expected to be met or for which there are no conditions. The reserve will be used to meet future years' capital expenditure.

### **31. Unusable Reserves**

<b>31 March 2014 restated £000</b>		<b>31 March 2015 £000</b>
(353,963)	Revaluation Reserve	(425,476)
(447,952)	Capital Adjustment Account	(458,885)
(1,255)	Financial Instruments Adjustment Account	(969)
283,427	Pensions Reserve	351,016
(1,488)	Deferred Capital Receipts Reserve	(1,479)
84	Collection Fund Adjustment Account	(4,892)
4,508	Accumulated Absences Account	3,661
8,325	Unequal Pay Back Pay Adjustment Account	8,325
<b>(508,314)</b>	<b>Total Unusable Reserves</b>	<b>(528,699)</b>

### **31a. 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.

<b>2013/14 restated £'000</b>			<b>2014/15 £'000</b>	
<b>(229,046)</b>		<b>Balance at 1 April</b>	<b>(353,963)</b>	
(147,364)		Upward revaluation of assets	(100,217)	
9,261		Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	5,521	
	(138,103)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		(94,696)
2,666		Restatement of opening balance	0	
10,132		Difference between fair value depreciation and historical cost depreciation	13,524	
388		Accumulated gains on assets sold or scrapped	9,659	
	13,186	Amount written off to the Capital Adjustment Account		23,183
<b>(353,963)</b>		<b>Balance at 31 March</b>	<b>(425,476)</b>	

This note has been restated for the prior period adjustments in note 1.

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.

### **31b. 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.

<b>2013/14 restated £000</b>		<b>2014/15 £000</b>
<b>(441,643)</b>	<b>Balance at 1 April</b>	<b>(447,952)</b>
(2,666)	Opening Balance restatement	0
<b>(444,309)</b>	<b>Restated balance at 1 April</b>	<b>(447,952)</b>
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
40,530	Charges for depreciation of non-current assets	44,141
9,584	Charges for impairment of non-current assets	11,586
26,249	Revaluation losses on Property, Plant and Equipment	21,255
(12,943)	Revaluation gains matched to prior year impairments	(9,856)
0	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(3)
893	Amortisation of intangible assets	1,756
9,411	Revenue expenditure funded from capital under statute	9,811
4,838	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	20,315
(10,521)	Adjusting amounts written off of the Revaluation Reserve	(23,183)
<b>68,041</b>	<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement</b>	<b>75,822</b>

2013/14 £000		2014/15 £000
Capital financing applied in the year:		
(4,610)	Use of the capital receipts reserve to finance new capital expenditure	(4,206)
(10,485)	Use of the Major Repairs Reserve to finance new capital expenditure	(15,465)
(27,208)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(37,135)
(12,635)	Application of grants to capital financing from the Capital Grants Unapplied Account	(12,847)
(11,500)	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(11,995)
(1,281)	Transferred Debt	(1,404)
(3,965)	Capital expenditure charged against the General Fund and HRA balances	(3,703)
<b>(71,684)</b>	<b>Capital financing applied in the year</b>	<b>(86,755)</b>
<b>(447,952)</b>	<b>Capital Adjustment Account Balance at 31 March</b>	<b>(458,885)</b>

This note has been restated for the prior period adjustments in note 1.

### **31c. 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.

2013/14 £000		2014/15 £000
<b>336,496</b>	<b>Balance at 1 April</b>	<b>283,427</b>
(67,840)	Remeasurement of the net defined benefit liability	52,064
36,177	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	37,102
(21,406)	Employer's pensions contributions and direct payments to pensioners payable in the year	(21,577)
<b>283,427</b>	<b>Balance at 31 March</b>	<b>351,016</b>

### **31d. Unequal Pay Back Pay Adjustment Account**

The Unequal Pay Back Pay Adjustment Account manages the amount by which amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements.

<b>2013/14 £000</b>		<b>2014/15 £000</b>
<b>8,325</b>	<b>Balance at 1 April</b>	<b>8,325</b>
0	Amount by which equal pay claims charged to the Comprehensive Income and Expenditure Statement are different from amounts chargeable in accordance with statutory requirements	0
<b>8,325</b>	<b>Balance at 31 March</b>	<b>8,325</b>

### **32. 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 (e.g. 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 2014/15 is shown in Note 33. 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 2014/15 services to the value of £486,947 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. In addition, the Council paid grants totalling £40,818 to an organisation in which one Member had an interest. These grants were made with proper consideration of declarations of interest. All grant payments had been made by 31 March 2015.

### **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. The Council's contribution to this service in 2014/15 was £1.070m.

The Council has outstanding borrowing with a number of Local Authorities totalling £40m the most significant of these are £15m with Staffordshire County Council, and two loans of £10m with Lancashire County Council and Derbyshire County Council respectively.

### **Subsidiary Companies**

The Council has included £1.018m income (£0.489m in 2013/14) 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 Statement. Derby Homes is treated as a Subsidiary Company within the group accounts.

At the 31st March 2015 the Council had four on-going loan agreements in operation with Derby Homes totalling £3.236m, including a £2.04m loans made to Derby Homes in 2014/15.

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.

### **33. Members' Allowances**

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

	<b>2013/14 £000</b>	<b>2014/15 £000</b>
Allowances	803	805
Expenses	12	5
<b>Total</b>	<b>815</b>	<b>810</b>



### 34. 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 £	Redundancy £	Total £
A. Wilkinson (Chief Executive) Left 31/01/15	2014/15	133,333	0	25,680	140,000	<b>299,013</b>
	2013/14	160,000	24	31,658	0	<b>191,682</b>
P Robinson (Acting Chief Executive) Started 01/02/15	2014/15	35,269	0	5,136	0	<b>40,405</b>
	2013/14	0	0	0	0	<b>0</b>
Strategic Director of Neighbourhoods Vacant 31/01/15	2014/15	96,848	0	21,596	0	<b>118,444</b>
	2013/14	121,562	67	24,057	0	<b>145,685</b>
Acting Strategic Director of Neighbourhoods Started 01/02/15	2014/15	10,937	0	1,735	0	<b>12,672</b>
	2013/14	0	0	0	0	<b>0</b>
Strategic Director of Adult ,Health and Housing	2014/15	118,890	0	22,898	0	<b>141,788</b>
	2013/14	118,890	132	23,528	0	<b>142,550</b>
Strategic Director of Resources	2014/15	118,890	0	22,898	0	<b>141,788</b>
	2013/14	118,890	161	23,528	0	<b>142,579</b>
Strategic Director of Children and Young People	2014/15	119,781	0	23,070	0	<b>142,851</b>
	2013/14	118,890	41	23,528	0	<b>142,459</b>
Strategic Director of Public Health Left 01/03/15	2014/15	101,216	0	14,079	0	<b>115,295</b>
	2013/14	110,095	11	17,616	0	<b>127,722</b>
<b>TOTAL</b>	<b>2014/15</b>	<b>735,164</b>	<b>0</b>	<b>137,092</b>	<b>140,000</b>	<b>1,012,256</b>
	<b>2013/14</b>	<b>748,326</b>	<b>435</b>	<b>143,915</b>	<b>0</b>	<b>892,677</b>

### b) Number of Employees by Remuneration Band

Remuneration Band	2013/14	2014/15
£50,000 - £54,999	52	60
£55,000 - £59,000	50	53
£60,000 - £64,000	24	23
£65,000 - £69,000	13	18
£70,000 - £74,999	8	9
£75,000 - £79,000	15	6
£80,000 - £84,999	3	13
£85,000 - £89,999	2	0
£90,000 - £94,999	0	0
£95,000 - £109,999	1	3
£110,000 - £119,999	5	4
£120,000 - £124,999	1	0
£125,000 - £129,999	0	0
£130,000 - £279,999	2	2
<b>Total</b>	<b>176</b>	<b>191</b>

### 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	
	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15
	£	£	£	£	£	£	£	£
£0-£20,000	50	58	86	67	136	125	688,262	646,717
£20,001-£40,000	1	1	4	8	5	9	130,883	242,862
£40,001-£140,000	0	0	1	1	1	1	113,351	140,000
<b>Total</b>	<b>51</b>	<b>59</b>	<b>91</b>	<b>76</b>	<b>142</b>	<b>135</b>	<b>932,496</b>	<b>1,029,579</b>

### **35. Termination Benefits**

During 2014/15 the Council continued with the on-going voluntary redundancy programme to meet the reduced Council funding set by Central Government. This exercise resulted in 76 employees leaving the organisation during 2014/15.

The associated costs of this redundancy programme consisted of £821,504 redundancy payments (£862,593 in 2013/14) and £355,775 pension shortfall costs (£371,947 in 2013/14). 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.

### **36. 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 2014/15 the Council paid £8.207m to Teachers' Pensions in respect of teachers' retirement benefits representing 14.1% of pensionable pay. The figures for 2013/14 were £8.163m 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 37.

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 2014/15 the Council paid £0.111m to the NHS in respect of retirement benefits for those public health staff who transferred across on 1st April 2013 representing 14.0% of pensionable pay. The figures for 2013/14 were £0.150m and 14.0%.

## **37. 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.

The Pension scheme is operated under the regulatory framework for the Local Government Pension Scheme.

### **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**

	2013/14	2014/15
<b>Comprehensive Income and Expenditure Statement</b>		
<b>Cost of Services:</b>		
Current service cost	21,651	25,082
Past service cost	434	379
<b>Financing and Investment Income and Expenditure:</b>		
Net interest expense	14,093	11,641

Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	36,178	37,102
<b>Remeasurement of the net defined benefit liability:</b>		
Return on plan assets (excluding the amounts included in net interest)	(31,760)	(49,890)
Actuarial gain and losses arising on changes in demographic assumptions	(8,422)	0
Actuarial gain and losses arising on changes in financial assumptions	(207)	112,530
Actuarial gain and losses arising from other experience	(27,451)	(10,576)
<b>Total Post Employment Benefit Charged to the Comprehensive and Expenditure Statement</b>	<b>(31,662)</b>	<b>37,102</b>
<b>Movement in Reserves Statement</b>		
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(14,772)	(15,525)
<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>		
Employers' contributions payable to scheme	21,406	21,577

The amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2015 is a loss of £52.064m.

### Pension Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefit plans is as follows:

	2010/11	2011/12	2012/13	2013/14	2014/15
	£000	£000	£000	£000	£000
<b>Present value of the defined benefit obligation</b>					
Local Government Pension	(692,214)	(753,547)	(884,612)	(877,379)	(1,029,315)
Discretionary Benefits	(21,422)	(21,705)	(23,862)	(39,716)	(36,983)
Fair value of assets in the Local Government Pension Scheme	495,917	505,181	571,978	633,667	715,281
<b>Net liability arising from defined benefit obligation</b>					
Local Government Pension Scheme	(196,297)	(248,366)	(312,634)	(243,712)	(314,034)
Discretionary Benefits	(21,422)	(21,705)	(23,862)	(39,716)	(36,983)
<b>Total</b>	<b>(217,719)</b>	<b>(270,071)</b>	<b>(336,496)</b>	<b>(283,428)</b>	<b>(351,017)</b>

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

	2013/14	2014/15
<b>Opening balance at 1 April</b>	<b>(908,474)</b>	<b>(917,095)</b>
Current service cost	(21,651)	(25,082)
Interest cost	(38,220)	(37,718)
Contributions from scheme participants	(5,941)	(6,381)
<b>Remeasurement gains or losses:</b>		
Actuarial gains or losses arising from changes in demographic assumptions	8,422	0
Actuarial gains or losses arising from changes in financial assumptions	207	(112,530)
Actuarial gains or losses arising from other experience	27,451	10,576
Benefits paid	21,545	22,311
Past services costs	(434)	(379)
<b>Closing balance at 31 March</b>	<b>(917,095)</b>	<b>(1,066,298)</b>

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

	£000	£000
<b>Opening fair value of scheme assets at 1 April</b>	<b>571,978</b>	<b>633,667</b>
Interest income	24,127	26,077
The return on plan assets excluding the amount included in the net interest expense	31,760	49,890
Contributions from employer	21,406	21,577
Contributions from employees into the scheme	5,941	6,381
Benefits paid	(21,545)	(22,311)
<b>Closing balance at 31 March</b>	<b>633,667</b>	<b>715,281</b>

The expected return on scheme assets is determined by considering the expected returns

Expected returns on equity investments reflect long-term real rates of return experienced in the  
The actual return on scheme assets in the year 2014/15 was £75.967m. This is based on an

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of £1,066.298m 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 £351.017m. 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
- (ii) Finance is only required to be raised to cover discretionary benefits when the pensions are

The total employer contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2016 are £20.821m.

## Pension Scheme Assets

	2013/14		2014/15	
	£000	%	£000	%
<b>Quoted prices in active markets</b>				
Equity Investments				
Consumer	54,641	8.6%	56,646	7.9%
Manufacturing	89,765	14.1%	71,686	10.0%
Energy	56,549	8.9%	52,221	7.3%
Financial Institutions	110,123	17.4%	55,579	7.8%
Health	33,694	5.3%	31,988	4.5%
ICT	17,658	2.8%	14,385	2.0%
Other	9,300	1.5%	71,556	10.0%
Government Bonds	78,698	12.4%	87,267	12.2%
Corporate Bonds	3,145	0.5%	0	0.0%
Other Bonds	18,434	2.9%	18,937	2.6%
Private Equity	3,112	0.5%	3,495	0.5%
Real Estate	18,761	3.0%	0	0.0%
Investment Funds - Equities	69,027	10.9%	127,004	17.8%
Cash	35,167	5.6%	45,388	6.3%
<b>Quoted prices not in active markets</b>				
Corporate Bonds	0	0.0%	34,549	4.8%
Private Equity	1,776	0.3%	1,823	0.3%
Property	11,020	1.7%	34,693	4.9%
Investment Funds - Equities	1,293	0.2%	4,330	0.6%
Investment Funds - Bonds	18,719	3.0%	0	0.0%
Investment Funds - Infrastructure	2,785	0.4%	3,734	0.5%
<b>Total</b>	<b>633,667</b>	<b>100%</b>	<b>715,281</b>	<b>100%</b>

### Basis for Estimating Assets and Liabilities

The principal risks to the Council of the scheme are:

- longevity assumptions
- statutory changes to the scheme
- structural changes to the scheme (for example large sale)
- changes in inflation
- performance of bonds and investments of the scheme

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependant on assumptions about mortality rates, salary levels etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates for the Council being based on the latest full valuation (conducted every 3 years) of the scheme as at 31 March 2015.

For 2014/15 the actuary has changed the methodology used in calculating a discount rate to value the scheme liabilities. Previously this discount rate has been based solely on the iBoxx corporate AA index. It is now constructed by using:

- the UBS corporate bond curve for durations up to 8 years
- use a gilts curve plus a long term average credit spread of 0.9% pa from 12 years onwards
- interpolate between the 2 approaches for years 8 to 12

The principal assumptions used by the actuary have been:

	2013/14	2014/15
<b>Mortality assumptions:</b>		
<b>Longevity at 65 for current pensioners:</b>		
Men	22.0	22.0
Women	24.2	24.2
<b>Longevity at 65 for future pensioners:</b>		
Men	24.1	24.1
Women	26.6	26.6
Rate of inflation CPI	2.4%	2.3%
Rate of increase in salaries	3.4%	3.0%
Rate of increase in pensions	2.6%	2.1%
Rate of discounting scheme liabilities	4.1%	3.1%

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CM! 2010 model assuming that the current rate of improvement has reached a peak and will converge to a long term rate of 1.25%.

RPI is based on the Bank of England implied inflation curve as at 31 March 2015

CPI is assumed as RPI less 0.9%. This gap has increased by 0.1% from 2014.

## Sensitivity

The estimation of the defined benefit obligation is sensitive to the actuarial assumptions set out in the table above. These assumptions are largely prescribed at any point and reflect market conditions at the reporting date. However changes in market conditions that result in changes in the net discount rate can have a significant effect on the value of the liabilities reported. There is also uncertainty around life expectancy of the UK population. The value of current and future pension benefits will depend on how long they are assumed to be in payment. The table below shows the impact of variations in the key assumptions.



<b>Change in assumptions at 31 March 2015</b>	<b>Approximate %</b>	<b>Approximate Monetary</b>
0.5% decrease in real discount rate	12%	123,327
1 year increase in member life expectancy	3%	31,989
0.5% increase in Salary Increase Rate	4%	39,883
<b>0.5% increase in the Pension Increase</b>	<b>8%</b>	<b>81,390</b>

The estimations in the sensitivity analysis have followed the accounting policies of the scheme, that is, on an actuarial basis using the projected credit method. The methods and types of assumptions used in preparing the sensitivity analysis did not change from those used in the previous period.

### **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.

	<b>Liability Split</b>	<b>Weight Average Duration</b>
Active members	45.1%	24.0
Deferred members	18.5%	22.1
Pensioner members	36.4%	8.9
<b>Total</b>	<b>100.0%</b>	<b>16.8</b>

### **38. Contingent Liabilities**

The Council does not have any material contingent liabilities at 31 March 2015.

### **39. Contingent Assets**

The Council does not have any contingent assets in 2014/15 (nil in 2013/14).

#### **40. Cash Flow Statement - Adjustments for Non-Cash Movements**

<b>2013/14 restated £000</b>		<b>2014/15 £000</b>
(41,421)	Depreciation and amortisation	(45,898)
(22,890)	Impairment and downward valuations	(22,981)
(5,522)	(Increase)/decrease in impairment for provision for bad debt	(1,959)
(15,742)	(Increase)/decrease in creditors	10,032
16,601	Increase/(decrease) in debtors	1,222
96	Increase/(decrease) in Stock	63
(18,168)	(Increase)/decrease in Provisions	3,102
(14,772)	Pension liability	(15,525)
(4,101)	Other non-cash items charged to the net Surplus or Deficit on the Provision of Services	(17,194)
<b>(105,919)</b>	<b>Total Non-Cash Movements</b>	<b>(89,138)</b>

This statement has been restated for the prior period adjustments in note 1.

#### **41. Adjustments for items that are investing or financing activities**

<b>2013/14 £000</b>		<b>2014/15 £000</b>
7,005	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	7,041
21,062	Capital grants credited to surplus or deficit on provision of services	23,566
<b>28,067</b>	<b>Total adjustments for items that are investing and financing activities</b>	<b>30,607</b>

#### **42. Operating Activities**

The cash flows for operating activities include the following items:

<b>2013/14 £000</b>		<b>2014/15 £000</b>
(586)	Interest Received	(655)
20,305	Interest Paid	21,199
<b>19,719</b>		<b>20,544</b>

### **43. Cash Flow Statement - Investing Activities**

<b>2013/14</b>		<b>2014/15</b>
<b>£000</b>		<b>£000</b>
90,832	Purchase of property, plant and equipment, investment property and intangible assets	82,793
0	Purchase of short-term and long-term investments	5,002
(1,007)	Proceeds from the sale of short term investments	0
(7,005)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(7,041)
(27,248)	Capital grants (cash) received	(38,656)
<b>55,572</b>	<b>Net Cash Flows from Investing activities</b>	<b>42,098</b>

### **44. Cash Flow Statement - Financing Activities**

<b>2013/14</b>		<b>2014/15</b>
<b>£000</b>		<b>£000</b>
(35,521)	Cash receipts of short and long-term borrowing	(25,009)
3,418	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on balance sheet PFI contracts	4,442
24,413	Repayments of short- and long-term borrowing	30,359
<b>(7,690)</b>	<b>Net cash flows from financing activities</b>	<b>9,792</b>

### **45. Transport Act 2000**

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

<b>Service Description</b>	<b>Exp £000</b>	<b>Inc £000</b>	<b>Net £000</b>
Concessionary fares for public transport – English National Concessionary Travel Scheme for older and disabled people (and b-line scheme for young people) administered by Derbyshire County Council.	6,145	(7)	6,138

## **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.

<b>HRA Income and Expenditure Statement</b>	<b>2013/14</b>	<b>2014/15</b>
	<b>£000</b>	<b>£000</b>
<b>Expenditure</b>		
Repairs and Maintenance	15,390	15,245
Supervision and Management	12,323	12,918
Depreciation and impairments of non-current assets	13,442	16,025
Debt Management costs	153	135
Movement in allowance for bad debts	420	312
<b>Total Expenditure</b>	<b>41,728</b>	<b>44,635</b>
<b>Income</b>		
Dwelling rents	(51,711)	(54,243)
Non dwelling rents	(526)	(549)
Charges for Services and facilities	(3,651)	(3,619)
<b>Total Income</b>	<b>(55,888)</b>	<b>(58,411)</b>
<b>Net cost of HRA Services as included in the Comprehensive Income and Expenditure account</b>	<b>(14,160)</b>	<b>(13,776)</b>
HRA services share of Corporate and Democratic Core	121	121
<b>Net Income for HRA Services</b>	<b>(14,039)</b>	<b>(13,655)</b>
<b>HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:</b>		
Gain or loss on sale of HRA non-current assets	(1,375)	(2,445)
Interest payable and similar charges	9,139	10,094
Interest and Investment income	(182)	(206)
<b>(Surplus) / Deficit for the year on HRA services</b>	<b>(6,457)</b>	<b>(6,212)</b>

## MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT

<b>Movement on the Housing Revenue Account Balance Statement</b>	<b>2013/14</b>	<b>2014/15</b>
	<b>£000</b>	<b>£000</b>
<b>Balance on the HRA at the end of the previous year</b>	<b>(18,220)</b>	<b>(25,452)</b>
(Surplus) or deficit for the year on the HRA income and expenditure statement	(6,457)	(6,212)
<b>Adjustments between accounting basis and funding basis under Statute:</b>		
Difference between interest payable and similar charges determined in accordance with the Code and those determined in accordance with Statute	(165)	(175)
Difference between any other item of income and expenditure determined in accordance with the Code and those determined in accordance with Statute	7	1
Gain or loss on sale of HRA non-current assets	1,375	2,445
HRA share of contributions to or from the Pensions Reserve	(2)	(23)
Capital expenditure funded by the HRA	1,697	43
<b>Net (Increase) or decrease before transfers to/from reserves</b>	<b>(3,545)</b>	<b>(3,921)</b>
<b>Transfers (to) or from reserves:</b>		
Transfers (to)/from the Capital Adjustment Account	(1,990)	(4,318)
Transfers (to)/from other Earmarked Reserves	(1,697)	(15)
<b>Increase or (decrease) in year on the HRA</b>	<b>(7,232)</b>	<b>(8,254)</b>
<b>Balance on the HRA at the end of the current year</b>	<b>(25,452)</b>	<b>(33,706)</b>

## NOTES TO HOUSING REVENUE ACCOUNT

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

Dwelling Type	31 March 2014 £000	31 March 2015 £000
Houses	7,766	7,668
Flats	4,285	4,293
Bungalows	1,348	1,350
<b>Total</b>	<b>13,399</b>	<b>13,311</b>

### Operational/ Non Operational Assets

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

#### a. Operational Assets

	31 March 2014 £000	31 March 2015 £000
Dwellings	198,584	216,318
Other Land and Buildings	8,730	8,615
Infrastructure	1,792	1,743
Vehicles, plant and equipment	155,606	154,393
Community Assets	513	513
	<b>365,225</b>	<b>381,582</b>

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

#### b. Non Operational Assets

	31 March 2014 £000	31 March 2015 £000
Surplus properties	1,894	567
Assets held for sale	100	0
Construction & Work in progress	33	555
	<b>2,027</b>	<b>1,122</b>

## 2. Council Dwellings Vacant Possession Value

The total vacant possession value of dwellings within the HRA at 1 April 2014 was £1.079m (£1.032m at 1 April 2013). ODPM guidance requires that the balance sheet valuation of £366.788m at 1 April 2014, (£351.033m at 1 April 2013) be determined by applying a regional multiplier 34% for the East Midlands (34% for the East Midlands in 2014) 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 2014/15 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 2015 is estimated to be £1.119m after applying the uplift. The balance sheet valuation after applying the regional multiplier 34% is £380.543m when adding the 3.75% uplift.

## 3. Major Repairs Reserve

The movements on the Major Repairs Reserve are shown below:

	2013/14 £000	2014/15 £000
Balance at beginning of the year	(9,588)	(10,556)
MRA allowance	(11,452)	(11,708)
	<b>(21,040)</b>	<b>(22,264)</b>
Debit to MRA in respect of capital expenditure on properties within the HRA	10,484	15,465
<b>Balance at end of Year</b>	<b>(10,556)</b>	<b>(6,799)</b>

## 4. Housing Repairs Account

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

	2013/14 £000	2014/15 £000
Balance at beginning of the year	(15)	(15)
	<b>(15)</b>	<b>(15)</b>
Less balance transferred to general HRA reserves	0	15
<b>Balance at end of Year</b>	<b>(15)</b>	<b>0</b>

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

	2013/14 £000	2014/15 £000
<b>Expenditure</b>		
Land	1,697	0
Dwellings	11,652	16,422
Other (HRA self financing payment)	0	555
<b>Total Capital Expenditure</b>	<b>13,349</b>	<b>16,977</b>
<b>Sources of Funding</b>		
Capital Receipts	1,088	1,450
Revenue Contributions	1,697	0
Other Contributions and Grants	79	62
Major Repairs Reserve	10,485	15,465
<b>Balance at end of Year</b>	<b>13,349</b>	<b>16,977</b>

### 5b. Summary of Capital Receipts

	2013/14 £000	2014/15 £000
Dwellings	5,947	6,188
<b>Total Receipts</b>	<b>5,947</b>	<b>6,188</b>

### 6. Depreciation

	2013/14 £000	2014/15 £000
<b>Operational</b>		
Council Dwellings	3,937	4,216
Other operational land and buildings	390	423
Infrastructure	48	48
VPE	7,077	7,021
<b>Total Depreciation HRA</b>	<b>11,452</b>	<b>11,708</b>
<b>Net Charge to HRA</b>	<b>11,452</b>	<b>11,708</b>



## 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 £8.678m in 2014/15 (£7.958m in 2013/14).

The HRA impairment charges are summarised below:

<b>Asset Category</b>	<b>Impairment Charge recognised against Cost/ Valuation</b>	<b>Impairment Charge on 2014/15 Capital Expenditure</b>	<b>Impairment Funded directly from Revaluation Reserve</b>	<b>Impairment Charged to HRA Income &amp; Expenditure Account</b>
Council Dwellings	(268)	(8,678)	(239)	(8,707)
Other Land and Buildings	(251)	0	(65)	(187)
<b>Total</b>	<b>(519)</b>	<b>(8,678)</b>	<b>(304)</b>	<b>(8,894)</b>

## **8. Revenue Expenditure Funded from Capital under Statute**

There has been £3.274m Revenue Expenditure Funded from Capital under Statute attributable to the HRA for 2014/15 (£1.290m in 2013/14).

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

	<b>2013/14 £000</b>	<b>2014/15 £000</b>
<b>Amount of rent arrears</b>	<b>2,570</b>	<b>2,684</b>
<b>Aggregate Balance sheet provision in respect of uncollectable debts</b>	<b>2,396</b>	<b>2,504</b>
<b>Analysed as follows:</b>		
Weekly Rents	2,202	2,317
Housing Benefit overpayments	42	36
Other Debts	152	151
	<b>2,396</b>	<b>2,504</b>

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

	<b>2013/14 £000</b>	<b>2014/15 £000</b>
Current Service Cost	201	162
Reversal of net charges made to the Surplus or Deficit for the Provision of services for post employment benefits in accordance with the Code	(199)	(139)
	<b>2</b>	<b>23</b>
<b>HRA share of Contributions to/from the Pensions Reserve</b>		

## THE COLLECTION FUND

Business Rates £000	Council Tax £000	Total 2013/14 £000	INCOME AND EXPENDITURE	Business Rates £000	Council Tax £000	Total 2014/15 £000
			<b>Income:</b>			
0	(88,298)	(88,298)	Council Tax	0	(91,731)	(91,731)
(85,765)	0	(85,765)	Business Rates	(86,671)	0	(86,671)
<b>(85,765)</b>	<b>(88,298)</b>	<b>(174,063)</b>	<b>Total Income</b>	<b>(86,671)</b>	<b>(91,731)</b>	<b>(178,402)</b>
			<b>Expenditure:</b>			
			<b>Precepts and Demands</b>			
38,539	0	38,539	Payment to National Pool	41,787	0	41,787
37,768	70,535	108,303	Derby City Council	40,951	72,770	113,721
0	10,288	10,288	Derbyshire Police Precept	0	10,625	10,625
771	4,139	4,910	Fire Precept	836	4,273	5,109
			<b>Charges to the Collection Fund:</b>			
315	0	315	Costs of Collection	314	0	314
2,852	760	3,612	Increase / (Decrease) in bad debt provision	1,182	2,760	3,942
9,252	0	9,252	Increase / (Decrease) in appeals provision	(2,049)	0	(2,049)
0	0	0	Disregarded Amounts	709	0	709
			<b>Transfer of previous years estimated surplus</b>			
0	0	0	Central Government	(2,086)	0	(2,086)
0	(473)	(473)	Derby City Council	(2,045)	0	(2,045)
0	(69)	(69)	Derbyshire Police Authority	0	0	0
0	(28)	(28)	Derbyshire Fire Authority	(42)	0	(42)
<b>50,958</b>	<b>85,152</b>	<b>136,110</b>	<b>Total Expenditure</b>	<b>79,557</b>	<b>90,428</b>	<b>169,985</b>
3,732	(3,146)	586	(Surplus) / Deficit for the year	(7,114)	(1,303)	(8,417)
0	1,044	1,044	(Surplus) / Deficit brought forward	3,732	(2,102)	1,630
<b>3,732</b>	<b>(2,102)</b>	<b>1,630</b>	<b>(Surplus) / Deficit at the end of the year</b>	<b>(3,382)</b>	<b>(3,405)</b>	<b>(6,787)</b>
			<b>Share of Collection Fund</b>			
1,866	0	1,866	Central Government	(1,691)	0	(1,691)
1,829	(1,745)	84	Derby City Council	(1,657)	(2,826)	(4,483)
0	(254)	(254)	Derbyshire Police Authority	0	(413)	(413)
37	(103)	(66)	Derbyshire Fire Authority	(34)	(166)	(200)
<b>3,732</b>	<b>(2,102)</b>	<b>1,630</b>	<b>(Surplus) / Deficit at the end of the year</b>	<b>(3,382)</b>	<b>(3,405)</b>	<b>(6,787)</b>

## **NOTES TO THE COLLECTION FUND**

### **1. Council Tax**

The Council's tax base for 2014/15 was 62,419.06, (61,622.88 in 2013/14). 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:

<b>Band</b>	<b>Ratio</b>	<b>Band D Equivalent Dwellings</b>
A	6/9	23,116.84
B	7/9	12,697.82
C	8/9	12,047.62
D	9/9	7,363.07
E	11/9	4,848.97
F	13/9	2,993.48
G	15/9	932.00
H	18/9	19.75
		<b>64,019.55</b>
Less adjustment for non-collection		(1,600.49)
<b>Council Tax Base</b>		<b>62,419.06</b>

### **2. Income from Business Ratepayers**

The Council collect 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 of 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 2015 was £214.647m (£212.050m in 2013/14).

The national non-domestic multiplier for 2014/15 was 48.2p (47.1p in 2013/14).

### Group Movement in Reserves Statement

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

**2013/14**

	Group General Fund Balance (restated) £000	Earmarked General Fund Reserves (restated) £000	Housing Revenue Account £000	Earmarked HRA Reserves (restated) £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves (restated) £000	Group Unusable Reserves (restated) £000	Total Group Reserves (restated) £000
<b>Balance at 31 March 2013 brought forward</b>	(18,257)	(60,702)	(18,220)	(2,499)	(1,366)	(9,589)	(20,865)	(131,498)	(292,329)	(423,827)
<b>Adjustments per note 1</b>	0	0	0	0	0	0	0	0	(25,992)	(25,992)
<b>Revised balance at 31 March 2013 brought forward</b>	(18,257)	(60,702)	(18,220)	(2,499)	(1,366)	(9,589)	(20,865)	(131,498)	(318,321)	(449,819)
<b>Movement in Reserves during 2013/14</b>										
(Surplus) or deficit on the provision of services	21,582	0	(6,457)	0	0	0	0	15,125	0	15,125
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	(208,521)	(208,521)
<b>Total Comprehensive Income and Expenditure</b>	<b>21,582</b>	<b>0</b>	<b>(6,457)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>15,125</b>	<b>(208,521)</b>	<b>(193,396)</b>
Adjustments between accounting basis & funding basis under regulations (Note 8)	(32,802)	0	922	0	(1,402)	(967)	4,766	(29,483)	29,483	0
<b>Net (Increase)/ Decrease before Transfers to Earmarked Reserves</b>	<b>(11,220)</b>	<b>0</b>	<b>(5,535)</b>	<b>0</b>	<b>(1,402)</b>	<b>(967)</b>	<b>4,766</b>	<b>(14,358)</b>	<b>(179,038)</b>	<b>(193,396)</b>
Transfers (to)/from Earmarked Reserves	10,932	(10,932)	(1,697)	1,697	0	0	0	0	0	0
<b>(Increase)/ Decrease in 2013/14</b>	<b>(288)</b>	<b>(10,932)</b>	<b>(7,232)</b>	<b>1,697</b>	<b>(1,402)</b>	<b>(967)</b>	<b>4,766</b>	<b>(14,358)</b>	<b>(179,038)</b>	<b>(193,396)</b>
<b>Balance at 31 March 2014 carried forward</b>	<b>(18,545)</b>	<b>(71,634)</b>	<b>(25,452)</b>	<b>(802)</b>	<b>(2,768)</b>	<b>(10,556)</b>	<b>(16,099)</b>	<b>(145,856)</b>	<b>(497,359)</b>	<b>(643,215)</b>

## 2014/15

	Group 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	Group Unusable Reserves £000	Total Group Reserves £000
<b>Balance at 31 March 2014 brought forward</b>	<b>(18,545)</b>	<b>(71,634)</b>	<b>(25,452)</b>	<b>(802)</b>	<b>(2,768)</b>	<b>(10,556)</b>	<b>(16,099)</b>	<b>(145,856)</b>	<b>(497,359)</b>	<b>(643,215)</b>
<b>Movement in Reserves during 2014/15</b>										
(Surplus) or deficit on the provision of services	5,999	0	(6,212)	0	0	0	0	(213)	0	(213)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	(33,964)	(33,964)
<b>Total Comprehensive Income and Expenditure</b>	<b>5,999</b>	<b>0</b>	<b>(6,212)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(213)</b>	<b>(33,964)</b>	<b>(34,177)</b>
Adjustments between accounting basis & funding basis under regulations (Note 8)	(22,754)	0	(2,027)	0	(1,741)	3,757	519	(22,246)	22,246	0
<b>Net (Increase)/ Decrease before Transfers to Earmarked Reserves</b>	<b>(16,755)</b>	<b>0</b>	<b>(8,239)</b>	<b>0</b>	<b>(1,741)</b>	<b>3,757</b>	<b>519</b>	<b>(22,459)</b>	<b>(11,718)</b>	<b>(34,177)</b>
Transfers (to)/from Earmarked Reserves	15,131	(15,131)	(15)	15	0	0	0	0	0	0
<b>(Increase)/ Decrease in 2014/15</b>	<b>(1,624)</b>	<b>(15,131)</b>	<b>(8,254)</b>	<b>15</b>	<b>(1,741)</b>	<b>3,757</b>	<b>519</b>	<b>(22,459)</b>	<b>(11,718)</b>	<b>(34,177)</b>
<b>Balance at 31 March 2015 carried forward</b>	<b>(20,169)</b>	<b>(86,765)</b>	<b>(33,706)</b>	<b>(787)</b>	<b>(4,509)</b>	<b>(6,799)</b>	<b>(15,580)</b>	<b>(168,315)</b>	<b>(509,077)</b>	<b>(677,392)</b>

This statement has been restated for the prior period adjustments in note 1.

## **GROUP COMPREHENSIVE INCOME AND EXPENDITURE ACCOUNT**

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.

2013/14				2014/15		
Gross Expenditure restated £000	Gross Income restated £000	Net Expenditure restated £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
25,001	(16,771)	8,230	Central services to the public	27,767	(16,188)	11,579
24,148	(8,116)	16,032	Cultural Related Services	22,027	(6,746)	15,281
			Environmental & Regulatory			
29,448	(8,007)	21,441	Services	30,123	(8,499)	21,624
29,661	(9,950)	19,711	Planning Services	30,004	(17,809)	12,195
257,477	(193,645)	63,832	Education and children's services	274,860	(204,095)	70,765
29,519	(8,894)	20,625	Highways and transport services	28,214	(10,670)	17,544
43,031	(57,003)	(13,972)	Local authority housing (HRA)	40,374	(56,161)	(15,787)
114,878	(97,265)	17,613	Other housing services	107,047	(100,078)	6,969
92,431	(18,877)	73,554	Adult social care	85,864	(18,733)	67,131
8,220	(1,496)	6,724	Corporate and democratic core	9,359	(2,153)	7,206
12,796	(13,167)	(371)	Public health	14,925	(15,825)	(900)
917	(71)	846	Non distributed costs	3,443	(19)	3,424
<b>667,527</b>	<b>(433,262)</b>	<b>234,265</b>	<b>Cost of Services</b>	<b>674,007</b>	<b>(456,976)</b>	<b>217,031</b>
		(1,137)	Other operating expenditure			14,372
		34,086	Financing and investment income and expenditure			32,212
		(252,089)	Taxation and non-specific grant income			(263,828)
		<b>15,125</b>	<b>(Surplus) or Deficit on Provision of Services</b>			<b>(213)</b>
		(138,103)	(Surplus) or deficit on revaluation of Property, Plant and Equipment assets			(94,695)
		(70,418)	Remeasurement of the net defined benefit liability			60,731
		<b>(208,521)</b>	<b>Other Comprehensive (Income) and Expenditure</b>			<b>(33,964)</b>
		<b>(193,396)</b>	<b>Total Comprehensive (Income) and Expenditure</b>			<b>(34,177)</b>

This statement has been restated for the prior period adjustments in note 1.

## GROUP BALANCE SHEET

The Balance Sheet summarises the group'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 group's net worth, falling into two categories; Usable Reserves and Unusable Reserves.

31 March 2014 restated £000		31 March 2015 £000
1,327,430	Property, Plant & Equipment	1,422,724
75,471	Heritage Assets	75,471
895	Investment Property	898
3,627	Intangible Assets	2,565
325	Long Term Investments	325
14,470	Long Term Debtors	19,271
<b>1,422,218</b>	<b>Long Terms Assets</b>	<b>1,521,254</b>
201	Short Term Investments	5,203
261	Assets Held for Sale	1,770
841	Inventories	830
52,881	Short Term Debtors	39,557
46,880	Cash and Cash Equivalents	50,220
<b>101,064</b>	<b>Current Assets</b>	<b>97,580</b>
(6,185)	Bank Overdrafts	(1,692)
(31,854)	Short Term Borrowing	(8,110)
(3,360)	Short Term Finance Lease Liabilities	(3,474)
(74,935)	Short Term Creditors	(61,098)
(1,336)	Provisions	(998)
<b>(117,670)</b>	<b>Current Liabilities</b>	<b>(75,372)</b>
(88,757)	Long Term Finance Lease Liabilities	(89,561)
(18,796)	Provisions	(16,032)
(310,238)	Long Term Borrowing	(328,990)
(330,679)	Other Long Term Liabilities	(405,590)
(13,927)	Capital Grants Receipts in Advance	(25,897)
<b>(762,397)</b>	<b>Long Term Liabilities</b>	<b>(866,070)</b>
<b>643,215</b>	<b>Net Assets</b>	<b>677,392</b>
(145,856)	Usable Reserves	(168,315)
(497,359)	Unusable Reserves	(509,077)
<b>(643,215)</b>	<b>Total Reserves</b>	<b>(677,392)</b>

This statement has been restated for the prior period adjustments in note 1 and for restatements in the subsidiary's accounts.



## GROUP CASH FLOW

The Cash Flow Statement shows the changes in cash and cash equivalents of the group during the reporting period. The statement shows how the group 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 group are funded by way of taxation and grant income or from the recipients of services provided by the group. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the group'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 and its subsidiary Derby Homes.

2013/14 restated £000		2014/15 £000
15,125	Net (surplus) or deficit on the provision of services	(213)
(109,534)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(90,568)
28,067	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	30,607
<b>(66,342)</b>	<b>Net cash flows from Operating Activities</b>	<b>(60,174)</b>
56,394	Investing Activities	42,376
(7,623)	Financing Activities	9,965
<b>(17,571)</b>	<b>Net (increase) or decrease in cash and cash equivalents</b>	<b>(7,833)</b>
23,124	Cash and cash equivalents at the beginning of the reporting period	40,695
<b>40,695</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>48,528</b>

This statement has been restated for the prior period adjustments in note 1 and for restatements in the subsidiary's accounts.

## Group Accounts 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)
2013/2014	£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)
<b>Total income</b>	<b>(374,314)</b>	<b>(63,650)</b>	<b>(25,671)</b>	<b>(463,635)</b>	<b>(267,720)</b>	<b>(731,355)</b>	<b>(32,296)</b>	<b>(763,651)</b>
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)
<b>Total expenditure</b>	<b>575,462</b>	<b>110,245</b>	<b>25,671</b>	<b>711,378</b>	<b>33,217</b>	<b>744,595</b>	<b>32,681</b>	<b>777,276</b>
<b>Surplus or deficit on the provision of services</b>	<b>201,148</b>	<b>46,595</b>	<b>0</b>	<b>247,743</b>	<b>(234,503)</b>	<b>13,240</b>	<b>385</b>	<b>13,625</b>

	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
2014/15	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(110,794)	(58,617)	(25,158)	<b>(194,569)</b>	0	<b>(194,569)</b>	(34,316)	<b>(228,885)</b>
Interest and Investment Income	0	0	0	<b>0</b>	(655)	<b>(655)</b>	0	<b>(655)</b>
RSG	0	0	0	<b>0</b>	(62,095)	<b>(62,095)</b>	0	<b>(62,095)</b>
Retained Business Rates	0	0	0	<b>0</b>	(42,801)	<b>(42,801)</b>	0	<b>(42,801)</b>
Business Rate Top Up Grant	0	0	0	<b>0</b>	(12,913)	<b>(12,913)</b>	0	<b>(12,913)</b>
Income from Council Tax	0	0	0	<b>0</b>	(73,851)	<b>(73,851)</b>	0	<b>(73,851)</b>
Government Grants and Contributions	(297,579)	(17,496)	0	<b>(315,075)</b>	(72,168)	<b>(387,243)</b>	0	<b>(387,243)</b>
<b>Total income</b>	<b>(408,373)</b>	<b>(76,113)</b>	<b>(25,158)</b>	<b>(509,644)</b>	<b>(264,483)</b>	<b>(774,127)</b>	<b>(34,316)</b>	<b>(808,443)</b>
Employee expenses	235,373	4,309	0	<b>239,682</b>	11,641	<b>251,323</b>	14,110	<b>265,433</b>
Other service expenses	372,182	34,302	0	<b>406,484</b>	0	<b>406,484</b>	17,579	<b>424,063</b>
Support service recharges	0	0	25,158	<b>25,158</b>	0	<b>25,158</b>	0	<b>25,158</b>
Depreciation, amortisation and impairment	0	57,483	0	<b>57,483</b>	0	<b>57,483</b>	401	<b>57,884</b>
Interest payments	0	0	0	<b>0</b>	21,147	<b>21,147</b>	173	<b>21,320</b>
Housing Capital Receipts Pooling	0	0	0	<b>0</b>	1,103	<b>1,103</b>	0	<b>1,103</b>
Gain or Loss on Disposal of Fixed Assets	0	0	0	<b>0</b>	13,269	<b>13,269</b>	0	<b>13,269</b>
<b>Total expenditure</b>	<b>607,555</b>	<b>96,094</b>	<b>25,158</b>	<b>728,807</b>	<b>47,160</b>	<b>775,967</b>	<b>32,263</b>	<b>808,230</b>
<b>Surplus or deficit on the provision of services</b>	<b>199,182</b>	<b>19,981</b>	<b>0</b>	<b>219,163</b>	<b>(217,323)</b>	<b>1,840</b>	<b>(2,053)</b>	<b>(213)</b>

This statement has been restated for the prior period adjustments in note 1.

### 43. Defined Benefit Pension Schemes

#### Participation in Pension Schemes

Derby City Council and Derby Homes both participate the Local Government Pension Scheme, administered locally by Derbyshire County Council. As such the methodologically and assumptions used by the pension actuary are consistent for each entity. The following tables show the valuations and transactions for the group participation in the LGPS scheme which are materially different to the single entity accounts.

#### Comprehensive Income and Expenditure Statement

	2013/14 £000	2014/15 £000
<b>Comprehensive Income and Expenditure Statement</b>		
<b>Cost of Services:</b>		
Current service cost	23,547	27,485
Past service cost	434	419
<b>Financing and Investment Income and Expenditure:</b>		
Net interest expense	16,668	14,260
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	40,649	42,164
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement:		
<b>Remeasurement of the net defined benefit liability:</b>		
Return on plan assets (excluding the amounts included in net interest)	(34,084)	(52,603)
Actuarial gain and losses arising on changes in demographic assumptions	(8,422)	0
Actuarial gain and losses arising on changes in financial assumptions	(2,396)	123,359
Actuarial gain and losses arising from other experience	(27,841)	(13,411)
<b>Total Post Employment Benefit Charged to the Comprehensive and Expenditure Statement</b>	<b>(32,094)</b>	<b>47,445</b>
<b>Movement in Reserves Statement</b>		
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(13,095)	(24,207)
<b>Actual amount charged against the General Fund Balance</b>		
Employers' contributions payable to scheme	22,651	23,292

## Pension Assets and Liabilities Recognised in the Balance Sheet

	2013/14	2014/15
	£000	£000
<b>Present value of the defined benefit obligation</b>		
Local Government Pension Scheme	(937,203)	(1,104,845)
Discretionary Benefits	(39,716)	(36,983)
Fair value of assets in the Local Government Pension Scheme	679,429	768,067
<b>Net liability arising from defined benefit obligation</b>		
Local Government Pension Scheme	(257,774)	(336,778)
Discretionary Benefits	(39,716)	(36,983)
<b>Total</b>	<b>(297,490)</b>	<b>(373,761)</b>

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

	2013/14	2014/15
<b>Opening balance at 1 April</b>	<b>(966,200)</b>	<b>(976,919)</b>
Current service cost	(23,547)	(27,539)
Interest cost	(40,795)	(40,337)
Contributions from scheme participants	(6,525)	(6,992)
<b>Remeasurement gains or losses:</b>		
Actuarial gains or losses arising from changes in demographic assumptions	8,422	0
Actuarial gains or losses arising from changes in financial assumptions	2,396	(123,359)
Actuarial gains or losses arising from other experience	27,451	10,576
Benefits paid	22,313	23,161
Past services costs	(434)	(419)
<b>Closing balance at 31 March</b>	<b>(976,919)</b>	<b>(1,141,828)</b>

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

	2013/14	£000
<b>Opening fair value of scheme assets at 1 April</b>	<b>613,965</b>	<b>679,429</b>
Interest income	26,451	28,790
The return on plan assets excluding the amount included in the net interest expense	32,150	52,725
Contributions from employer	22,651	23,292
Contributions from employees into the scheme	6,525	6,992
Benefits paid	(22,313)	(23,161)
<b>Closing balance at 31 March</b>	<b>679,429</b>	<b>768,067</b>

The total employer contributions expected to be made to the Local Government Pension Scheme by the Group in the year to 31 March 2016 are £22.323m.

### Pension Scheme Assets

	2013/14		2014/15	
	£000	%	£000	%
<b>Quoted prices in active markets</b>				
Equity Investments				
Consumer	58,577	8.6%	60,826	7.9%
Manufacturing	96,217	14.1%	76,976	10.0%
Energy	60,622	8.9%	56,075	7.3%
Financial Institutions	118,086	17.4%	59,681	7.8%
Health	36,119	5.3%	34,349	4.5%
ICT	18,939	2.8%	15,447	2.0%
Other	9,986	1.5%	76,837	10.0%
Government Bonds	84,372	12.4%	93,707	12.2%
Corporate Bonds	3,374	0.5%	0	0.0%
Other Bonds	19,761	2.9%	20,335	2.6%
Private Equity	3,341	0.5%	3,753	0.5%
Real Estate	20,134	3.0%	0	0.0%
Investment Funds - Equities	74,015	10.9%	136,377	17.8%
Cash	37,730	5.6%	48,738	6.3%
<b>Quoted prices not in active markets</b>				
Corporate Bonds	0	0.0%	37,099	4.8%
Private Equity	1,913	0.3%	1,958	0.3%
Property	11,798	1.7%	37,253	4.9%
Investment Funds - Equities	1,385	0.2%	4,650	0.6%
Investment Funds - Bonds	20,092	3.0%	0	0.0%
Investment Funds - Infrastructure	2,968	0.4%	4,010	0.5%
<b>Total</b>	<b>679,429</b>	<b>100%</b>	<b>768,067</b>	<b>100%</b>

Change in assumptions at 31 March 2015	Approximate % increase to employer liability		Approximate Monetary Amount £000	
	DCC	DH	DCC	DH
0.5% decrease in real discount rate	12%	13%	123,327	10,057
1 year increase in member life expectancy	3%	3%	31,989	2,266
0.5% increase in Salary Increase Rate	4%	6%	39,883	4,738
<b>0.5% increase in the Pension Increase</b>	<b>8%</b>	<b>7%</b>	<b>81,390</b>	<b>5,032</b>

### Defined Benefit Obligation

	Liability Split	Weight Average Duration
Active members	45.1%	24.0
Deferred members	18.5%	22.1
Pensioner members	36.4%	8.9
<b>Total</b>	<b>100.0%</b>	<b>16.8</b>

## **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.

**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.

**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.

**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 authority responsible for the collection and redistribution of council tax and non-domestic rates.

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

**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, overdrafts 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. The change in Cash is recorded within the cash flow statement. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as being from operating, investing and financing activities.



**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 Statement (CI&E):** This Statement shows the accounting cost in the year of providing services rather than the amount to be funded from taxation.

**Collection Fund:** An account administered by the Council which records receipts of Council Tax and NNDR. The collection fund is redistributed to the council general fund and preceptors, the Fire and Police authorities and central government.

**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, creditors and debtors 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.

**Creditors:** Amounts owed by the Council for goods or services received but for which payment has not been made by the year end.

**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.

**Debtors:** Sums owed to the Council for work done or services rendered but for which payment has not been received by the year end.

**Deferred Capital Receipts:** Income that is still owed to the Council following the disposal of an asset.

**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.

**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.

**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. The estimated value a property would be exchanged for with a willing buyer, disregarding potential alternative uses and any other characteristics of the property that would cause its value to differ from that needed to retain the current service potential.

**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.

**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 physical items that do not exist physically but that the Council owns or has a right to use.

**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.

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

**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).

**Material:** The concept that an omission or non disclosure of an item in the accounts would not distort the view given by the financial 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 General Fund 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.

**Net Book Value:** The value of an asset as recorded in the accounts. The current value or historic cost less any depreciation charged.

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

**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.

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

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

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

**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.

**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.

**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.

**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.

## **Audit Opinion**

**The audit opinion will be added into the final statement of accounts.**