

# Statement of Accounts 2012-13



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# EXPLANATORY FOREWORD

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## Introduction

This Statement of Accounts presents the overall financial position of the Council for the year ended 31 March 2013. It has been produced in compliance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Codes of Practice, based on International Financial Reporting Standards (IFRS). IFRS are made up of a combination of many individual accounting standards.

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

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

### **The Explanatory Foreword contains:**

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

### **a. Explanation of the Accounting Statements which follow**

- Comprehensive Income and Expenditure Statement (CIES) - This shows the cost of providing services in accordance with generally accepted accounting practices. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement. The statement can be found on page 8.
- Movement in Reserves (MRS) – This shows the movement on the different reserves held, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure) and 'unusable' reserves. The statement can be found on page 10.
- Cash Flow Statement (CFS) – This statement shows the changes in cash and cash equivalents of the Council. The statement can be found on page 9.
- Balance Sheet (BS) - The Balance Sheet shows the value of all assets and liabilities. Reserves are matched against net assets and liabilities. The statement can be found on page 9.
- Notes to the Accounts – Not a statement, however they provide supplementary information. These begin on page 11.

## EXPLANATORY FOREWORD

### b. Operating Outturn Compared to Budget

#### Revenue Expenditure

There was no increase to Council Tax (band D of £1,077.22) due to the acceptance of Government grant to achieve this (Council Tax Freeze Grant). The budget was adjusted to reflect the approved under spending from 2011-12 and the use of earmarked reserves, but otherwise was cash limited to the original budget set in February 2012.

The table below outlines the outturn position by department.

|   | Budget<br>£m   | Actual<br>£m   | Outturn<br>£m   |
|---|----------------|----------------|-----------------|
| <b>Controllable:</b>                      |                |                |                 |
| Adult Care                                | 205.692        | 213.362        | 7.670           |
| Cultural & Community                      | 12.985         | 12.249         | (0.736)         |
| Children & Younger Adults                 | 129.598        | 117.368        | (12.231)        |
| Chief Executives                          | 12.651         | 9.890          | (2.761)         |
| Corporate                                 | 10.345         | 7.654          | (2.691)         |
| Corporate Resources                       | 39.040         | 36.764         | (2.276)         |
| Environmental Services                    | 87.854         | 83.107         | (4.746)         |
| <b>Departmental Outturn</b>               | <b>498.165</b> | <b>480.394</b> | <b>(17.771)</b> |
| Corporate Outturn                         | 0.848          | (11.123)       | (11.971)        |
| <b>Total Outturn Position</b>             | <b>499.013</b> | <b>469.271</b> | <b>(29.742)</b> |
| <b>Less Transfers to / from reserves:</b> |                |                |                 |
| RCCO - Capital Funded from Revenue        | 17.925         | 17.925         | 0.000           |
| Transfer to Earmarked reserves            | 36.667         | 36.667         | 0.000           |
| Transfer from Earmarked reserves          | (34.846)       | (34.846)       | 0.000           |
| Planned use of General Reserves           | 25.020         | 25.020         | 0.000           |
| Outturn Contribution into General Reserve | 0.000          | 29.742         | 29.742          |
|   | <b>543.779</b> | <b>543.779</b> | <b>0.000</b>    |
| <b>Financed By:</b>                       |                |                |                 |
| Council Tax                               | (280.384)      | (280.384)      | 0.000           |
| Council Tax Freeze Grant                  | (6.995)        | (6.995)        | 0.000           |
| Revenue Support Grant                     | (3.739)        | (3.739)        | 0.000           |
| Non-Domestic Rates Redistribution         | (192.882)      | (192.882)      | 0.000           |
| New Homes Bonus                           | (0.840)        | (0.840)        | 0.000           |
| Local Services Support Grant              | (2.287)        | (2.287)        | 0.000           |
| Other General Revenue Grants              | (46.148)       | (46.148)       | 0.000           |
| PFI Grant                                 | (10.504)       | (10.504)       | 0.000           |
|   | <b>(0.000)</b> | <b>0.000</b>   | <b>0.000</b>    |

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## EXPLANATORY FOREWORD

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### **Capital Expenditure**

The Council has spent £96.759m (2011-12 was £104.646m) on capital schemes during the year. Full details are shown in note 50.

### **c. Significance of Pensions Liability and Assets**

Statutory arrangements require benefits earned to be financed as the Council makes contributions to the Pension Fund or eventually pay any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid. Full details of the pensions' liability can be found in note 54.

### **d. Significant Changes in Accounting Policy**

There have been no significant changes in accounting policy for 2012-13.

### **e. Changes in Statutory Functions**

There have been no changes to the statutory functions in 2012-13. The responsibility for public health transferred from the NHS on 1 April 2013.

### **f. Borrowing Facilities**

The underlying borrowing need to finance capital expenditure which is not paid for from receipts or grants is termed the Capital Financing Requirement (CFR). As at 31 March 2013 the CFR was £502.501m compared to £516.396m the previous year.

The difference between the CFR and the actual debt as presented in note 19 is the temporary use of working cash balances held by the County Council. The level of capital borrowing is within the County Council's Prudential Indicator limits.

### **g. Sources of Funding**

The minimum revenue provision ensures that the capital costs are financed. Future capital financing is reliant on the sale of assets, capital grant income and borrowing facilities. The Council does not anticipate that reductions are required to the current capital programme as a result of funding in the future being reduced.

### **h. Provisions and Write Offs**

Details of provisions can be found in note 28 and of the bad debt provision and debtors written off in note 25.

### **i. Events After the Reporting Date**

From the 1 April 2013 the Council took on the responsibility for public health from the NHS. The financial position represented in the accounts is correct as at 31 March 2013 and therefore no adjustments have been entered for this change.

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## EXPLANATORY FOREWORD

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### **j. Current Economic Climate**

#### **The extent that the year's spending plans and budgeted income was impacted:**

The Capital Programme for 2012-13 was prepared against a clear desire to reduce the proportion of resources used to service debt. Total borrowing used to finance spend in the year was £5.506m compared to £10.113m in 2011-12.

#### **The adequacy of reserves to withstand future financial pressures:**

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

#### **How the assets and liabilities of the Council have been affected:**

The PPE assets have increased by £45m from the previous year, £33m is related to the net increase in valuations. This could be seen to represent an improving property market resulting in more favourable estimations of asset worth, however in reality is due to changes to valuation methodology, an increase in the number of pupils in schools and an improvement in the construction industry in the last 12 months. Many assets valued in 2012-13 were schools which are based on the Depreciated Replacement Cost (DRC) methodology. This requires an estimation of how much a Modern Equivalent Asset (MEA) would cost to build, then reduce this value for the actual wear and tear present in the current structure. The MEA asset would look at what type of structure would be built today to provide the service at a level required, thus meaning that the current construction market & number of students in a school will have an impact on the eventual valuation. This is the third year that MEA has been used; all assets valued this year have been done on an MEA basis for the first time.

Despite the increase in gross assets, the net asset position is significantly reduced from the previous year. This is due primarily to the increase in the valuation of the pension liability from £558m to £699m, an increase in liabilities of £141m.

### **k. Planned Future Developments**

In March 2011, the Government announced details of its Local Government Resources Review. This was followed by a consultation which set out proposals to allow councils to retain their locally-raised business rates. The scheme will commence on 1st April 2013.

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

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



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## **STATEMENT OF RESPONSIBILITIES**

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### **The Council's Responsibilities**

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its Officers has the responsibility for the administration of those affairs. In this Council, that Officer is the Director of Finance;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- Approve the Statement of Accounts.

### **The Director of Finance's Responsibilities**

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

In preparing this Statement of Accounts, the Director of Finance has:-

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

The Director of Finance has also:

- Kept proper accounting records which were up-to-date;
- Taken reasonable steps for the prevention and detection of fraud and other irregularities;
- Ensured that events after the balance sheet date have been considered.

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## **AUTHORISATION OF ACCOUNTS FOR ISSUE**

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### **Certificate of Director of Finance**

I certify that the accounts give a true and fair view of the financial position of the Council at 31 March 2013 and of its income and expenditure for the year then ended.

Peter Handford  
Director of Finance  
28 June 2013

The Statement of Accounts will be approved by the Audit Committee on 17 September 2013.

Councillor Ron Mihaly  
Chair of the Audit Committee  
17 September 2013

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

|   | Note   | 2012-13          |                  |                 | 2011-12          |                  |                |
|---|--------|------------------|------------------|-----------------|------------------|------------------|----------------|
|   |        | Exp<br>£m        | Inc<br>£m        | Net Exp<br>£m   | Exp<br>£m        | Inc<br>£m        | Net Exp<br>£m  |
| Adult Social Care                                   |        | 311.950          | (82.075)         | 229.875         | 316.442          | (76.216)         | 240.226        |
| Central Services to the Public                      |        | 8.207            | (5.316)          | 2.891           | 3.989            | (1.692)          | 2.297          |
| Children's & Education Services                     |        | 678.262          | (506.527)        | 171.735         | 717.738          | (546.475)        | 171.263        |
| Corporate & Democratic Core                         |        | 6.116            | (0.083)          | 6.033           | 18.454           | (6.748)          | 11.706         |
| Cultural & Related Services                         |        | 23.473           | (3.753)          | 19.720          | 24.925           | (2.461)          | 22.464         |
| Environmental & Regulatory Services                 |        | 38.798           | (1.879)          | 36.919          | 38.555           | (2.051)          | 36.504         |
| Highways, Roads & Transport                         |        | 72.090           | (10.382)         | 61.708          | 78.579           | (12.073)         | 66.506         |
| Planning Services                                   |        | 4.380            | (0.771)          | 3.609           | 3.514            | (0.854)          | 2.660          |
| Non Distributed Costs                               | 6      | (0.343)          | 0.000            | (0.343)         | (3.717)          | 0.000            | (3.717)        |
| Exceptional Items                                   |        | 0.000            | 0.000            | 0.000           | 2.000            | 0.000            | 2.000          |
| <b>Net Cost of Services</b>                         | 10     | <b>1,142.933</b> | <b>(610.786)</b> | <b>532.147</b>  | <b>1,200.479</b> | <b>(648.570)</b> | <b>551.909</b> |
| Exceptional Items                                   |        |                  |                  | 0.000           |                  |                  | 125.824        |
| Other Operating (Income) & Expenditure              | 7      |                  |                  | 24.986          |                  |                  | 30.871         |
| Financing & Investment Income & Expenditure         | 8      |                  |                  | 41.940          |                  |                  | 35.117         |
| Taxation & Non-Specific Grants                      | 9      |                  |                  | (609.787)       |                  |                  | (612.383)      |
| <b>(Surplus) / Deficit on Provision of Services</b> |        |                  |                  | <b>(10.714)</b> |                  |                  | <b>131.338</b> |
| Gain on Revaluation of Fixed Assets                 | 14     |                  |                  | (43.384)        |                  |                  | (15.222)       |
| Loss on Revaluation of Fixed Assets                 | 14     |                  |                  | 2.771           |                  |                  | 0.000          |
| Loss on Pensions Fund Assets                        | 53 /54 |                  |                  | 127.840         |                  |                  | 112.855        |
| <b>Other Comprehensive Expenditure</b>              |        |                  |                  | <b>87.227</b>   |                  |                  | <b>97.633</b>  |
| <b>Total Comprehensive Expenditure</b>              |        |                  |                  | <b>76.513</b>   |                  |                  | <b>228.971</b> |

## BALANCE SHEET

| 31 Mar 2012<br>£m  |                                      | Note | 31 Mar 2013<br>£m  |
|--------------------|--------------------------------------|------|--------------------|
| 1,585.284          | Property Plant & Equipment           | 14   | 1,629.937          |
| 42.703             | Heritage Assets                      | 16   | 43.275             |
| 3.324              | Intangible Fixed Assets              | 18   | 2.353              |
| 38.099             | Non-Current Debtors                  | 17   | 36.656             |
| <b>1,669.410</b>   | <b>Total Non-Current Assets</b>      |      | <b>1,712.221</b>   |
| 193.628            | Short Term Investments               | 19   | 205.152            |
| 1.303              | Assets Held for Sale                 | 21   | 1.203              |
| 2.469              | Inventories                          | 22   | 2.103              |
| 36.834             | Debtors                              | 24   | 55.151             |
| 106.147            | Cash and Cash Equivalents            | 26   | 107.483            |
| <b>340.381</b>     | <b>Total Current Assets</b>          |      | <b>371.092</b>     |
| (21.150)           | Loans and Borrowing                  | 19   | (39.465)           |
| (88.207)           | Creditors                            | 27   | (94.318)           |
| <b>(109.357)</b>   | <b>Total Current Liabilities</b>     |      | <b>(133.783)</b>   |
| (384.495)          | Non-Current Borrowing                | 19   | (369.412)          |
| (15.845)           | Provisions                           | 28   | (17.151)           |
| (646.875)          | Other Non-Current Liabilities        | 29   | (786.261)          |
| <b>(1,047.215)</b> | <b>Total Non-Current Liabilities</b> |      | <b>(1,172.824)</b> |
| <b>853.219</b>     | <b>NET ASSETS</b>                    |      | <b>776.706</b>     |
| 269.336            | Usable Reserves                      | 30   | 271.941            |
| 583.883            | Unusable Reserves                    | 32   | 504.765            |
| <b>853.219</b>     | <b>TOTAL EQUITY</b>                  |      | <b>776.706</b>     |

## CASH FLOW STATEMENT

| 2011-12<br>£m    |  | Note      | 2012-13<br>£m  |
|------------------|--|-----------|----------------|
| <b>(131.338)</b> | <b>Net Surplus or (Deficit) on the provision of services</b> |           | <b>10.714</b>  |
| 86.388           | Adjustments for non cash movements                           | 36        | 71.693         |
| 123.224          | Adjustments for investing and financing activities           |           | (27.267)       |
|                  | Net cashflow from:   |           |                |
| 78.274           | Operating activities   | 34        | 55.140         |
| (80.119)         | Investing Activities   | 33        | (45.280)       |
| 1.301            | Financing Activities   | 35        | (8.523)        |
| <b>(0.544)</b>   | <b>Movement in Cash &amp; Cash Equivalent</b>                |           | <b>1.337</b>   |
| 106.692          | Cash & Cash Equivalents at the start of the year             | 26        | 106.148        |
| <b>106.148</b>   | <b>Cash &amp; Cash Equivalents at the end of the year</b>    | <b>26</b> | <b>107.485</b> |

## MOVEMENT IN RESERVES STATEMENT

|                                       | Note      | General Fund<br>£m | Earmarked<br>Reserves<br>£m | Unapplied Capital<br>Grants<br>£m | Capital Receipts<br>Reserve<br>£m | Total Usable<br>Reserves<br>£m | Unusable Reserves<br>£m | Total Authority<br>Reserves<br>£m |
|---------------------------------------|-----------|--------------------|-----------------------------|-----------------------------------|-----------------------------------|--------------------------------|-------------------------|-----------------------------------|
| <b>Balance as at 1 Apr 2011</b>       | <b>30</b> | <b>(85.933)</b>    | <b>(119.427)</b>            | <b>(35.840)</b>                   | <b>(13.829)</b>                   | <b>(255.029)</b>               | <b>(827.161)</b>        | <b>(1,082.190)</b>                |
| Deficit on the provision of services  |           | 131.340            | 0.000                       | 0.000                             | 0.000                             | 131.340                        | 0.000                   | 131.340                           |
| Other Income and Expenditure          |           | 0.000              | 0.000                       | 0.000                             | 0.000                             | 0.000                          | 97.633                  | 97.633                            |
| <b>Total Income and Expenditure</b>   |           | <b>131.340</b>     | <b>0.000</b>                | <b>0.000</b>                      | <b>0.000</b>                      | <b>131.340</b>                 | <b>97.633</b>           | <b>228.973</b>                    |
| Accounting & funding basis difference | 13        | (160.653)          | 0.000                       | 15.716                            | (0.708)                           | (145.645)                      | 145.645                 | 0.000                             |
| <b>Net increase before transfers</b>  |           | <b>(29.313)</b>    | <b>0.000</b>                | <b>15.716</b>                     | <b>(0.708)</b>                    | <b>(14.305)</b>                | <b>243.278</b>          | <b>228.973</b>                    |
| Net Transfers to Earmarked Reserves   | 31        | 17.249             | (17.249)                    | 0.000                             | 0.000                             | 0.000                          | 0.000                   | 0.000                             |
| Increase in 2011-12                   |           | (12.064)           | (17.249)                    | 15.716                            | (0.708)                           | (14.305)                       | 243.278                 | 228.973                           |
| <b>Balance as at 31 Mar 2012</b>      | <b>30</b> | <b>(97.997)</b>    | <b>(136.676)</b>            | <b>(20.124)</b>                   | <b>(14.537)</b>                   | <b>(269.334)</b>               | <b>(583.883)</b>        | <b>(853.217)</b>                  |
| Surplus on the provision of services  |           | (10.714)           | 0.000                       | 0.000                             | 0.000                             | (10.714)                       | 0.000                   | (10.714)                          |
| Other Income and Expenditure          |           | 0.000              | 0.000                       | 0.000                             | 0.000                             | 0.000                          | 87.225                  | 87.225                            |
| <b>Total Income and Expenditure</b>   |           | <b>(10.714)</b>    | <b>0.000</b>                | <b>0.000</b>                      | <b>0.000</b>                      | <b>(10.714)</b>                | <b>87.225</b>           | <b>76.511</b>                     |
| Accounting & funding basis difference | 13        | 4.170              | 0.000                       | (1.990)                           | 5.927                             | 8.107                          | (8.107)                 | 0.000                             |
| <b>Net increase before transfers</b>  |           | <b>(6.544)</b>     | <b>0.000</b>                | <b>(1.990)</b>                    | <b>5.927</b>                      | <b>(2.607)</b>                 | <b>79.118</b>           | <b>76.511</b>                     |
| Net Transfers to Earmarked Reserves   | 31        | 1.821              | (1.821)                     | 0.000                             | 0.000                             | 0.000                          | 0.000                   | 0.000                             |
| Increase in 2012-13                   |           | (4.723)            | (1.821)                     | (1.990)                           | 5.927                             | (2.607)                        | 79.118                  | 76.511                            |
| <b>Balance as at 31 Mar 2013</b>      | <b>30</b> | <b>(102.720)</b>   | <b>(138.497)</b>            | <b>(22.114)</b>                   | <b>(8.610)</b>                    | <b>(271.941)</b>               | <b>(504.765)</b>        | <b>(776.706)</b>                  |

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# NOTES TO THE CORE FINANCIAL STATEMENTS

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

## 1. ACCOUNTING POLICIES

### Introduction

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

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

This document outlines how the Council will account for all income, expenditure, assets and liabilities held and incurred during the 2012/13 financial year.

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

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

## ACCOUNTING PRINCIPLES

### 1.1. Going Concern

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

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## **NOTES TO THE CORE FINANCIAL STATEMENTS**

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### **1.2. Accruals Concept**

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

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

### **1.3. Cost of Services**

Internal support service costs (e.g. Human Resources) are apportioned across the core service areas to represent the total cost of delivering that service to the public, in accordance with the costing principles of the CIPFA Service Expenditure Reporting Code of Practice 2012/13 (SERCOP).

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

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

### **1.4. Value Added Tax**

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

### **1.5. Changes in Accounting Policy**

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

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

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## **NOTES TO THE CORE FINANCIAL STATEMENTS**

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

### **1.6. Previous Year Adjustments**

These typically arise from omissions and misstatements in the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:

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

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

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

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

### **1.7. Unidentified Income**

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

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

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

### **1.9. Exceptional and Extraordinary Items**

Exceptional and extraordinary items will have been disclosed separately on the face of the CIES and details will be disclosed in the notes to the accounts.

### **1.10. Contingent Assets and Liabilities**

Where the Council has a contingent asset or liability this will be disclosed as a note to the accounts.

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# NOTES TO THE CORE FINANCIAL STATEMENTS

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## CAPITAL ACCOUNTING

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

In accordance with International Accounting Standard 16 (IAS 16), the Council recognises non-current assets when all four of the following tests are met:

- Assets held for use in the production or supply of goods or services, rental to others, or for administrative purposes.
- Assets expected to be used for more than one financial period.
- Assets where it is expected that future economic benefit will flow to the Council.
- Assets where the cost can be measured reliably.

The initial cost of an asset is recognised to be:

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

Subsequent enhancement expenditure is treated as capital when:

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

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

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

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



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## NOTES TO THE CORE FINANCIAL STATEMENTS

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### 1.12. Donated Assets

Once any condition attached to the donation has been satisfied, the credit which is the difference between any cash payment and fair value will be treated as income in the relevant service in the CIES. This will then be reversed in the Movement in Reserves Statement and credited to the Capital Adjustment Account.

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

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

### 1.13. Non-Current Asset Classification

The Council manages its assets in the following categories:

#### ➤ Intangible Assets

In line with International Accounting Standard 38 (IAS 38), the Council recognises intangible assets as non-monetary assets without physical substance, where that asset meets the capital expenditure criteria set out in Accounting Policy 1.11.

#### ➤ Property, Plant and Equipment Assets

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

##### ○ Land and/or Buildings Assets.

Are recorded, valued and accounted for based on their significant components in line with IAS 16. The Council recognises a significant component to be:

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

##### ○ Community Assets

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

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

Test for Community Assets:

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## NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

- **Infrastructure Assets**  
These include all tangible (physical) assets required within the Council's' road networks. There is no prospect for sale of infrastructure assets; expenditure is only recoverable through continued use of the asset.
- **Vehicles, Plant and Equipment Assets and Assets under Construction**  
These assets are also classified as Property Plant and Equipment where they do not meet the criteria for Investment Property Assets or Assets Held for Sale. Surplus Assets are treated in line with the policies for the operational assets of that nature.
- **Surplus Assets**  
Surplus assets are assets which the Council no longer operates from, however they do not meet the definition of held for sale. All surplus assets are treated in the same way as operational assets of the same type (valuation, depreciation, recognition etc). It is expected that this category will diminish in time as the Council rationalises its assets.

### ➤ **Investment Property Assets**

These are items of land and / or buildings held by the Council solely for the purpose of rental income generation or capital appreciation or both. As such where there is a service of the Council being delivered from the property, this is not classified as Investment Property Assets. This includes where the intention of the asset is to generate economic growth to an area such as below market value rental.

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

### ➤ **Heritage Assets**

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

### ➤ **Assets Held for Sale**

The Council will classify assets as held for sale where:

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

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## NOTES TO THE CORE FINANCIAL STATEMENTS

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Assets which become non-operational / surplus which do not meet all of the requirements set out as assets Held for Sale will continue to be classified and accounted for as their previous category.

If at a later point in time the asset no longer meets the criteria, it is restored to its previous classification and all transactions which would have occurred shall be retrospectively applied as though the asset had never been held for sale.

Assets meeting the criteria as Held for Sale are held as current assets on the Balance Sheet.

### 1.14. Non-Current Asset Valuation Methodology

Where not explicitly stated otherwise, property revaluations are completed by a RICS qualified valuer (who is internal to the Council), on a five year rolling programme. However an impairment review to consider if any material degradation or other impairment has occurred during the financial year is then completed at the Balance Sheet date.

Where there is an upward revaluation, the carrying value is increased and the associated credit charged directly to the Revaluation Reserve. This is then reflected in the CIES as a revaluation gain. Where there is a revaluation resulting in a lower than carrying amount valuation, this is treated in line with Accounting Policy 1.15.

Valuations are completed as follows:

- **Intangible Assets** – the Council recognises Intangible Assets at cost.
- **Property Plant and Equipment (PPE)** – Property Assets are held at fair value which is the amount that would be paid for the asset in its existing use. Where no other valuation method can be used, Depreciated Replacement Cost (DRC) is used. Vehicles and Assets Under Construction within PPE are held at cost.
- **Infrastructure Assets** – the Council recognises Infrastructure Assets at Historic Cost.
- **Community Assets** – the Council recognises Community Assets at historic cost.
- **Heritage Assets** – where it is possible to determine a valuation for Heritage Assets, then the Council will recognise the asset in the Balance Sheet at that valuation.
- **Assets Held for Sale** – Fair value less cost of sale. Assets held for sale are valued prior to categorisation, and are subsequently then not revalued.

### 1.15. Impairment of Non-Current Assets

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

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## NOTES TO THE CORE FINANCIAL STATEMENTS

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The Council recognises impairment as:

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

Where there has been a previous revaluation taken to the Revaluation Reserve, an impairment up to that value would reverse the previous revaluation. Any further impairment or if there has been no previous revaluation, the impairment is charged to revenue. This is then reversed through the Movement in Reserves Statement and charged to the Capital Adjustment Account.

### 1.16. Disposal of Non-Current Assets

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

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

Sale proceeds below £10,000 are below de-minimus and are credited straight to the CIES.

### 1.17. Depreciation / Amortisation Methodology

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

The economic lives of assets are:

- **Intangible Assets** – 5 years
- **Property Plant and Equipment**
  - Combined group for Flat Roof and Mechanical Engineering - 20 years
  - Land – not depreciated
  - Temporary Buildings – 15 years
  - Combined group for structure, external works, pitched roof and components of less than 25% of the overall structure value – 40 years

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## NOTES TO THE CORE FINANCIAL STATEMENTS

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- Other unique features (i.e. a swimming pool) – as required
- Fixtures and Fittings - 10 years.
- Vehicles - 5 years
- **Infrastructure Assets**
  - Carriageways – 40 years
  - Footways and cycle tracks – 40 years
  - Structures – 40 years
  - Lighting – 25 years
  - Traffic management – 25 years
  - Street furniture – 25 years
- **Investment Property Assets** – not depreciated
- **Community Assets** – Community Assets are depreciated in line with the normal policy for assets of that nature (i.e. land assets are not depreciated). Under rare circumstances it is not possible to determine a useful life (such as works of art) in those instances the asset is not depreciated.
- **Assets Held for Sale** – are not depreciated

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

### 1.18. Leases

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

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

### 1.19. Defining a Finance Lease

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

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

- If the lessee will gain ownership of the asset at the end of the lease term (e.g. hire purchase)
- If the lessee has an option to purchase the asset at a sufficiently favourable price that it is reasonably certain, at the inception of the lease, that it will be exercised
- If the lease term is for the major part of the economic life of the asset even if the title is not transferred. Measures to identify this are:
  - The economic life of the asset is deemed to be that which is consistent with the class of asset in the depreciation policy.
  - The Council recognises 'major part' to be 75% of the life of the asset, unless on an individual case basis this would not give a true representation of the substance of the transaction.

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## NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

### 1.20. Defining an Operating Lease

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

### 1.21. Lessee Accounting for a Finance Lease

Where the Council is the lessee of a finance lease, it will recognise that asset within the asset register, and account for that asset as though it were an owned asset.

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

### 1.22. Lessor Accounting for a Finance Lease

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

### 1.23. Lessor Accounting for an Operating Lease

Where the Council is the lessor for an operating lease, any rental income is credited to the relevant service income. The asset remains in the asset register.

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## **NOTES TO THE CORE FINANCIAL STATEMENTS**

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### **1.24. Service Concession Arrangements (Private Finance Initiative (PFI) and other similar contracts)**

PFI and similar contracts are assessed against criteria within IFRIC 12 Service Concession Arrangements to determine whether the risks and rewards incidental to ownership lie with the Council or the contractor.

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

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

PFI Credits are treated as general revenue government grants.

### **1.25. Capital Grants and Contributions**

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

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

Once the recognition criteria above have been satisfied, capital grants are recognised as income in the Comprehensive Income and Expenditure Statement. In order to not impact on the level of Council Tax, the Council removes the credit from the General Reserves through the Movement in Reserves Statement, and makes a credit to the Capital Grants Unapplied Reserve.

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

### **1.26. Revenue Expenditure Funded from Capital under Statute (REFCUS)**

REFCUS is charged as expenditure to the CIES in the year, however is financed from existing capital resources or by borrowing. A transfer between the Capital Adjustment Account and the Movement in Reserves Statement then reverses out the impact on the General Reserve balance.

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## NOTES TO THE CORE FINANCIAL STATEMENTS

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### 1.27. Minimum Revenue Provision (MRP)

The Council will provide for 4% of debt outstanding on all debt as at 31 March 2008. On any new debt since this date to provide 4% of the balance on all borrowing unless any unsupported borrowing relates to any significant assets with a life of less than 20 years. In this case an annual amount based on the expected useful life of the individual assets is used and where those assets are vehicles then five year lives are used.

For PFI and Finance Lease assets the Council charges MRP at the value of the associated loan liability repayment each year.

### 1.28. Capital Reserves

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

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

## REVENUE ACCOUNTING

### 1.29. Recognition of Revenue Expenditure

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

### 1.30. Employee Costs

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

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

#### Short Term Employee Benefits

- **Salaries and Wages** – The total salary and wages earned by employees during the financial year is charged to the Comprehensive Income and Expenditure Statement. Where the amount accrued exceeds the amount paid at the 31 March, a creditor will be reflected in the accounts.
  
- **Leave Owed** – The Council allows employees to earn time off in one period with the resulting cost to the Council in a later period when that time is either taken off or paid to the employee. Examples of this accumulating leave are annual leave, flexi-time and time off in lieu. However, if the employee were to leave the Council, it would only be annual leave in the example above that a cash payment would be made for, this leave is termed vesting. In order to correctly reflect this cost at the point at which it is incurred rather than paid a charge has been made to the Comprehensive Income and Expenditure Statement and a creditor accrual has been reflected in the Balance Sheet. This charge is



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## NOTES TO THE CORE FINANCIAL STATEMENTS

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reflective of the estimated value of all accumulating leave owed to employees, however non-vesting leave has been adjusted to reflect turnover of staff.

- **Non-accumulating Absences** – are periods of leave that cannot be carried forward for use in future periods if the current period entitlement is not used in full. Examples include Maternity Leave, Sick Leave and Jury Service. The Council does not recognise non-accumulating compensated absences until the time that the absence occurs, because employee service does not increase the amount of the benefit.
- **Easter Bank Holiday** – When Good Friday and/or Easter Monday fall in April, the preceding financial year only accounts for 6 or 7 bank holidays rather than the statutory 8. When this occurs a charge is made to the Comprehensive Income and Expenditure Statement and a creditor accrual is reflected in the Balance Sheet.
- **Non-monetary Benefits** – Where employees have non-monetary benefits (e.g. retirement benefits, life insurance, etc), the associated cost of providing that benefit has been charged to the Comprehensive Income and Expenditure Statement.
- **Teachers' Leave** – Derbyshire schools have a fixed Easter Holiday meaning that it is wholly in April each year, this therefore means that a full 3 terms including associated holiday are taken by Derbyshire teachers in each financial year (there are no split holidays whereby only part of a leave period is taken before 31 March); The Council does review the amount charged in the Comprehensive Income and Expenditure Statement to ensure that the charge is reflective of any estimated value for accumulated leave but, as mentioned above, as Derbyshire schools have 3 full terms in a financial year generally no accrual is required for annual leave owed to teachers, an adjustment will be made for bank holiday's as previously discussed.

### Termination Benefits

- **Redundancy Costs** – The obligation to pay redundancy costs occurs when there is a formal plan to create redundancies. The plan would include the location, function and approximate number of employees affected; the termination benefits offered; and the time of implementation. When these recognition criteria have been met the Council recognises the costs associated with this in the service revenue expenditure and create a creditor in the Balance Sheet. Where the payable amount is due in more than 12 months from the year end date, the costs are discounted at the rate determined by reference to market yields. In the case of an offer to encourage voluntary redundancy, the Council has recognised the estimated cost based on the expected number of employees taking the offer.

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

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## NOTES TO THE CORE FINANCIAL STATEMENTS

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### Pensions Costs

#### ➤ **Teachers' Pension Scheme –**

The assets and liabilities of the Teachers' Pension Scheme are not attributable to the Council, therefore the Council accounts for the scheme as if it were a defined contribution scheme. This means that the Children and Education Services line in the CIES will only include the Council's contributions payable to the scheme.

#### ➤ **Local Government Pension Scheme –**

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

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

- current service cost allocated in the CIES to the revenue accounts of services for which the employees worked
- past service cost debited to the CIES as part of Non Distributed Costs
- interest cost debited to the CIES
- expected return on assets credited to the CIES
- gains/losses on settlements and curtailments debited to the CIES as part of Non Distributed Costs
- actuarial gains and losses debited directly to the Pensions Reserve.
- contributions paid to the Derbyshire County Council Pension Fund debited to the CIES.

In relation to retirement benefits, statutory provisions require the General Reserve to be charged with the amount payable by the Council to the Pension Fund in the year, not the amount calculated according to the relevant accounting standards, these adjustments are reflected in the Pension Reserve.

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

### 1.31. Lessee Accounting for an Operating Lease

Costs associated with operating leased assets where the Council is the lessee are charged immediately to the CIES on an accruals basis.

### 1.32. Revenue Grants and Contributions

Grants, contributions and donations are recognised as income at the date that the Council has satisfied the conditions of entitlement, and there is reasonable assurance that the monies will be received. Any grant received before these recognition criteria were satisfied would be held as a creditor (income in advance). Any grant which had

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## NOTES TO THE CORE FINANCIAL STATEMENTS

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met the recognition criteria but had not been received would be shown as a debtor. This is in line with the Accruals Concept Policy.

### 1.33. Provisions

Provisions are charged to the appropriate service revenue account in the year that the Council recognises an obligation, based on the best estimate of the likely settlement. When payments are eventually made, it is charged to the provision. Estimated settlements are reviewed at the end of each financial year and adjustments with the CIES are made as required.

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

The Council does not hold any general provisions.

### 1.34. Revenue Reserves

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

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

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

### 1.35. Members' Allowances

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

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

### 1.36. Council Tax Recognition

Council Tax income in the CIES includes the Council's share of accrued Council tax income recognised by billing authorities in the production of the Collection Fund Statements.

The difference between the income included in the CIES and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account.

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## NOTES TO THE CORE FINANCIAL STATEMENTS

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### 1.37. Landfill Allowance Trading Scheme

Allowances, allocated by the Department for Environment Food and Rural Affairs (DEFRA) or purchased from another Waste Disposal Authorities (WDA's), are recognised as current assets at their fair value. The recognition of fair value of the allowances issued creates a credit which is accounted for as revenue government grant.

As landfill is used, a provision is recognised for actual landfill usage, creating revenue expenditure. The liability is discharged by using allowances to meet the liability, paying a cash penalty to DEFRA or a combination of both. The liability is measured at the best estimate of the expenditure required to meet the obligation at the reporting date.

### 1.38. Stocks and Work in Progress

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

### 1.39. Provisions for Bad and Doubtful Debts

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

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

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

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

### 1.40. Carbon Reduction Commitment

The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the Council is recognised and reported in the costs of the Council's services and is apportioned to services on the basis of energy consumption.

## TREASURY MANAGEMENT

### 1.41. Definition of Treasury Management Activities

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

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## NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

### 1.42. Financial Liabilities

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

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

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the CIES in the year of repurchase/settlement. 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.

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

### 1.43. Financial Assets

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

When soft loans are made, a loss is recorded in the CIES for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet.

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## NOTES TO THE CORE FINANCIAL STATEMENTS

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Statutory provisions require that the impact of soft loans on the General Reserves is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the CIES to the net gain required against the General Reserves is managed by a transfer to or from the Financial Instruments Adjustment Account.

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

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

### 2. CRITICAL JUDGEMENTS WHEN APPLYING THE ACCOUNTING STANDARDS

The Council has accounted for Derbyshire Schools in accordance with relevant guidance available. As a result Community and Voluntary Controlled schools are included in the CIES and balance sheet. Foundation, Voluntary Aided and Academy schools have been excluded.

### 3. ACCOUNTING STANDARDS ISSUED AND NOT YET APPLIED

Amendments to IAS19 in June 2011 have not yet been applied to the CIPFA Code. Had the change been applied to the 2012-13 accounts, the net charges for retirement benefits in the LGPS scheme in the CIES would have been £69.216m the actual charge applied is £61.779m. The Pension liability on the LGPS scheme would have been unaffected. This would have resulted in a reduced actuarial loss on the scheme. The charges made in relation to the Teachers' Pension Scheme would have been unaffected. More details on both schemes can be found in notes 53 and 54.

Revisions to IAS1 Presentation of Financial Statements – Other Comprehensive Income and Expenditure were also published in June 2011. These changes relate to presentation only and therefore would not result in a change to the accounts.

### 4. ASSUMPTIONS MADE AND OTHER ESTIMATION UNCERTAINTY

**Estimation of the Pension Liability in Accordance with IAS19** the Council's Pension Actuary estimates, based on information available earlier in the year, the Council's pension liability at the Balance Sheet date. A 5% error in the gross pension liability valuation would result in an adjustment of approximately £34.971m.

**Disposal of Replaced Components** The Council has used the expenditure for a replacement component of PPE adjusted for the change to construction costs over time (construction index charts), as a method of estimating the carrying value of the old component.

### 5. EVENTS AFTER THE BALANCE SHEET DATE

From the 1 April 2013 the Council took over responsibility for public health from the NHS. The financial position represented in the accounts is correct as at 31 March 2013 and therefore no adjustments have been entered for this change.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 6. NON DISTRIBUTED COSTS

| 2011-12<br>£m  |                   | Note | 2012-13<br>£m  |
|----------------|-------------------|------|----------------|
| 2.670          | Curtailments      | 54   | 1.168          |
| (8.254)        | Settlements       | 53 & | (1.827)        |
| 1.867          | Past Service Cost | 54   | 0.316          |
| <b>(3.717)</b> |                   |      | <b>(0.343)</b> |

### 7. OTHER OPERATING EXPENDITURE

| 2011-12<br>£m |   | Note | 2012-13<br>£m |
|---------------|---|------|---------------|
| (1.148)       | Trading Operations                        | 38   | (0.532)       |
| 0.274         | Levies & Precepts                         | 41   | 0.285         |
| 31.745        | (Gain) / Loss on Disposal of Fixed Assets | 14   | 25.234        |
| <b>30.871</b> |   |      | <b>24.987</b> |

### 8. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

| 2011-12<br>£m |                                     | Note  | 2012-13<br>£m |
|---------------|-------------------------------------|-------|---------------|
| 27.563        | Interest Payable                    | 39    | 26.493        |
| (5.020)       | Interest Receivable                 | 40    | (4.552)       |
| (73.313)      | Expected Returns on Pensions Assets | 53/54 | (63.234)      |
| 85.887        | Pensions Interest Costs             | 53/54 | 83.232        |
| <b>35.117</b> |                                     |       | <b>41.939</b> |

### 9. TAXATION AND NON-SPECIFIC GRANT INCOME

| 2011-12<br>£m    |                                   | Note | 2012-13<br>£m    |
|------------------|-----------------------------------|------|------------------|
| (279.177)        | Council Tax                       |      | (280.583)        |
| (6.961)          | Council Tax Freeze Grant          | 48   | (6.995)          |
| (48.577)         | Revenue Support Grant             | 48   | (3.739)          |
| (157.156)        | Non-Domestic Rates Redistribution |      | (192.882)        |
| (10.504)         | PFI Grant                         | 48   | (10.504)         |
| (0.385)          | New Homes Bonus                   | 48   | (0.840)          |
| (2.145)          | Local Services Support Grant      | 48   | (2.287)          |
| (40.960)         | Other General Revenue Grants      | 48   | (46.148)         |
| (66.518)         | Capital Grants                    | 48   | (65.809)         |
| <b>(612.383)</b> |                                   |      | <b>(609.787)</b> |

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 10. SEGMENTAL REPORTING

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

|                                     | Budget<br>£m   | Actual<br>£m   | Outturn<br>£m   |
|-------------------------------------|----------------|----------------|-----------------|
| <b>Controllable:</b>                |                |                |                 |
| Adult Care                          | 205.692        | 213.362        | 7.670           |
| Cultural & Community                | 12.985         | 12.249         | (0.736)         |
| Children & Younger Adults           | 129.598        | 117.368        | (12.231)        |
| Chief Executives                    | 12.651         | 9.890          | (2.761)         |
| Corporate                           | 10.345         | 7.654          | (2.691)         |
| Corporate Resources                 | 39.040         | 36.764         | (2.276)         |
| Environmental Services              | 87.854         | 83.107         | (4.746)         |
| <b>Total Controllable Outturn</b>   | <b>498.165</b> | <b>480.394</b> | <b>(17.771)</b> |
| <b>Total Uncontrollable Outturn</b> | <b>56.128</b>  | <b>56.128</b>  | <b>0.000</b>    |
| <b>Total Spend for Departments</b>  | <b>554.293</b> | <b>536.522</b> | <b>(17.771)</b> |

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

|                             | Adult Care<br>£m | Cultural & Community Service<br>£m | Children & Younger Adults<br>£m | Chief Executives<br>£m | Corporate<br>£m |
|-----------------------------|------------------|------------------------------------|---------------------------------|------------------------|-----------------|
| Employee Costs              | 77.635           | 9.240                              | 440.827                         | 9.169                  | 3.089           |
| Premises                    | 1.913            | 0.776                              | 22.940                          | 0.108                  | 4.162           |
| Transport                   | 4.252            | 0.171                              | 18.999                          | 0.264                  | 0.350           |
| Supplies & Services         | 16.775           | 2.887                              | 52.897                          | 3.639                  | 17.059          |
| Agency Payments             | 176.357          | 0.000                              | 54.572                          | 0.919                  | 5.586           |
| Transfer Payments           | 15.982           | 0.000                              | 1.637                           | 0.000                  | 0.000           |
| Cross Departmental Charging | 4.637            | 1.199                              | 27.498                          | 0.091                  | (6.752)         |
| Central Recharges           | 10.252           | 2.663                              | 15.813                          | (4.211)                | (0.522)         |
| Capital Charges             | 4.681            | 1.166                              | 42.552                          | 0.102                  | 1.580           |
| <b>Total Expenditure</b>    | <b>312.484</b>   | <b>18.102</b>                      | <b>677.735</b>                  | <b>10.081</b>          | <b>24.552</b>   |
| Grants                      | (0.698)          | (0.132)                            | (474.271)                       | (2.420)                | (11.801)        |
| Contributions               | (46.241)         | (0.309)                            | (8.902)                         | (0.755)                | (0.400)         |
| Sales, Fees and Charges     | (35.136)         | (0.877)                            | (20.568)                        | (1.083)                | (5.144)         |
| <b>Total Income</b>         | <b>(82.075)</b>  | <b>(1.318)</b>                     | <b>(503.741)</b>                | <b>(4.258)</b>         | <b>(17.345)</b> |
| <b>Total Reported Spend</b> | <b>230.409</b>   | <b>16.784</b>                      | <b>173.994</b>                  | <b>5.823</b>           | <b>7.207</b>    |



## NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

|                                    |                |
|------------------------------------|----------------|
| <b>Departmental Outturn</b>        | <b>536.522</b> |
| Remove Trading                     | 0.533          |
| Move PFI Charges and Grant         | 2.487          |
| Adjustments to Retirement Benefits | (6.076)        |
| VR Provision                       | 3.136          |
| MMI Provision                      | (2.000)        |
| Adjustment for staff holiday owed  | (2.455)        |
| <b>Cost of Services</b>            | <b>532.147</b> |

| Corporate Resources<br>£m | Environmental Services<br>£m | Total Departmental Reported Spending<br>£m | Corporate Adjustments<br>£m | Net Cost of Services Position<br>£m |
|---------------------------|------------------------------|--|-----------------------------|-------------------------------------|
| 47.909                    | 22.739                       | 610.608                                    | (5.394)                     | 605.214                             |
| 6.812                     | 2.311                        | 39.022                                     | 0.000                       | 39.022                              |
| 2.262                     | 3.777                        | 30.075                                     | 0.000                       | 30.075                              |
| 5.655                     | 10.714                       | 109.626                                    | (9.485)                     | 100.141                             |
| 0.258                     | 61.025                       | 298.717                                    | 0.000                       | 298.717                             |
| 0.000                     | 0.000                        | 17.619                                     | 0.000                       | 17.619                              |
| (29.141)                  | 2.468                        | 0.000                                      | (0.000)                     | 0.000                               |
| (28.344)                  | 4.349                        | 0.000                                      | 0.000                       | 0.000                               |
| 2.020                     | 11.135                       | 63.236                                     | 0.000                       | 63.236                              |
| <b>7.431</b>              | <b>118.518</b>               | <b>1,168.903</b>                           | <b>(14.879)</b>             | <b>1,154.024</b>                    |
| (0.233)                   | (0.232)                      | (489.787)                                  | 10.504                      | (479.283)                           |
| (0.998)                   | (6.494)                      | (64.099)                                   | 0.000                       | (64.099)                            |
| (6.664)                   | (9.023)                      | (78.495)                                   | (0.000)                     | (78.495)                            |
| <b>(7.895)</b>            | <b>(15.749)</b>              | <b>(632.381)</b>                           | <b>10.504</b>               | <b>(621.877)</b>                    |
| <b>(0.464)</b>            | <b>102.769</b>               | <b>536.522</b>                             | <b>(4.375)</b>              | <b>532.147</b>                      |

## NOTES TO THE CORE FINANCIAL STATEMENTS

The 2011-12 position was:

|                                     | Budget<br>£m   | Actual<br>£m   | Outturn<br>£m   |
|-------------------------------------|----------------|----------------|-----------------|
| <b>Controllable Outturn:</b>        |                |                |                 |
| Adult Care                          | 206.759        | 208.602        | 1.843           |
| Cultural & Community Service        | 14.156         | 13.074         | (1.082)         |
| Children & Younger Adults           | 119.012        | 107.845        | (11.167)        |
| Chief Executives                    | 12.976         | 10.179         | (2.797)         |
| Corporate                           | 15.991         | 10.792         | (5.199)         |
| Corporate Resources                 | 39.875         | 37.465         | (2.410)         |
| Environmental Services              | 89.925         | 86.153         | (3.772)         |
| <b>Total Controllable Outturn</b>   | <b>498.694</b> | <b>474.110</b> | <b>(24.584)</b> |
| <b>Total Uncontrollable Outturn</b> | <b>74.519</b>  | <b>74.519</b>  | <b>0.000</b>    |
| <b>Total Reported Spending</b>      |                | <b>548.629</b> |                 |

|                              | Adult Care<br>£m | Cultural &<br>Community Service<br>£m | Children & Younger<br>Adults<br>£m | Chief Executives<br>£m | Corporate<br>£m |
|------------------------------|------------------|---------------------------------------|------------------------------------|------------------------|-----------------|
| Employee Costs               | 80.106           | 9.651                                 | 459.217                            | 9.128                  | 3.430           |
| Premises                     | 1.889            | 0.734                                 | 21.402                             | 0.096                  | 1.093           |
| Transport                    | 4.612            | 0.153                                 | 18.566                             | 0.245                  | 0.601           |
| Supplies & Services          | 15.266           | 3.408                                 | 52.797                             | 3.126                  | 18.686          |
| Agency Payments              | 166.377          | 0.000                                 | 53.763                             | 1.019                  | 8.651           |
| Transfer Payments            | 13.840           | 0.000                                 | 1.667                              | 0.000                  | (0.001)         |
| Cross Departmental Charging  | 5.487            | 1.981                                 | 26.874                             | 0.028                  | (6.121)         |
| Cross Departmental Recharges | 10.743           | 2.896                                 | 14.279                             | (4.201)                | (0.953)         |
| Capital Charges              | 14.294           | 0.737                                 | 61.977                             | 0.035                  | 2.966           |
| <b>Total Expenditure</b>     | <b>312.614</b>   | <b>19.560</b>                         | <b>710.542</b>                     | <b>9.476</b>           | <b>28.352</b>   |
| Grants                       | (0.549)          | (0.089)                               | (511.349)                          | (1.632)                | (10.504)        |
| Contributions                | (41.802)         | (0.395)                               | (11.319)                           | (1.467)                | (1.243)         |
| Sales, Fees and Charges      | (33.865)         | (1.000)                               | (21.004)                           | (0.292)                | (4.674)         |
| <b>Total Income</b>          | <b>(76.216)</b>  | <b>(1.484)</b>                        | <b>(543.672)</b>                   | <b>(3.391)</b>         | <b>(16.421)</b> |
| <b>Total Reported Spend</b>  | <b>236.398</b>   | <b>18.076</b>                         | <b>166.870</b>                     | <b>6.085</b>           | <b>11.931</b>   |

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

|                                    |                |
|------------------------------------|----------------|
| <b>Departmental Outturn</b>        | <b>548.629</b> |
| Remove Trading                     | 1.148          |
| Move PFI Charges and Grant         | 2.487          |
| Adjustments to Retirement Benefits | (11.415)       |
| VR provision                       | 4.572          |
| MMI Provision                      | 2.000          |
| Adjustment for staff holiday owed  | 4.484          |
| <b>Cost of Services</b>            | <b>551.905</b> |

| Corporate Resources | Environmental Services | Total Departmental Reported Spending | Corporate Adjustments | Net Cost of Services |
|---------------------|------------------------|--------------------------------------|-----------------------|----------------------|
| £m                  | £m                     | A<br>£m                              | £m                    | £m                   |
| 49.241              | 23.360                 | 634.133                              | (2.361)               | 631.772              |
| 6.829               | 1.835                  | 33.878                               | (0.209)               | 33.669               |
| 2.065               | 4.242                  | 30.484                               | 0.000                 | 30.484               |
| 4.394               | 10.961                 | 108.638                              | (6.072)               | 102.566              |
| 0.653               | 64.750                 | 295.213                              | (0.002)               | 295.211              |
| 0.000               | 0.000                  | 15.506                               | 0.000                 | 15.506               |
| (29.908)            | 1.659                  | (0.000)                              | 0.000                 | (0.000)              |
| (27.604)            | 4.840                  | 0.000                                | 0.000                 | 0.000                |
| 3.677               | 12.685                 | 96.371                               | 0.000                 | 96.371               |
| <b>9.347</b>        | <b>124.332</b>         | <b>1,214.223</b>                     | <b>(8.644)</b>        | <b>1,205.579</b>     |
| (0.098)             | (0.332)                | (524.553)                            | 10.504                | (514.049)            |
| (0.291)             | (6.382)                | (62.899)                             | 0.000                 | (62.899)             |
| (6.865)             | (10.442)               | (78.142)                             | 1.416                 | (76.726)             |
| <b>(7.254)</b>      | <b>(17.156)</b>        | <b>(665.594)</b>                     | <b>11.920</b>         | <b>(653.674)</b>     |
| <b>2.093</b>        | <b>107.176</b>         | <b>548.629</b>                       | <b>3.276</b>          | <b>551.905</b>       |

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## NOTES TO THE CORE FINANCIAL STATEMENTS

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### 11. RELATED PARTY TRANSACTIONS

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

**Central Government** has significant influence over the general operations of the Council – it is responsible for providing the statutory framework, within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other. Grants received from government departments are set out in the subjective analysis in note 10 on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2013 are shown in note 48.

Typical transactions with central government bodies include, but are not restricted to, investments, Pay As You Earn and National Insurance contributions paid over, pension contributions paid over and teaching services. Customer transactions with central government bodies in the year totalled £0.286m. Vendor transactions totalled £2,107.042m and included the following significant transactions:

|                                    |             |
|------------------------------------|-------------|
| Debt Management Office             | £1,945.000m |
| Her Majesty's Revenues and Customs | £116.776m   |
| Teachers Pensions                  | £43.216m    |

The following individually significant transactions are included within the Debt Management Office transactions stated above, all of which relate to investments made by the Council; one transaction of £26.750m, one transaction of £24.750m, one transaction of £22.500m and eight transactions of £20m.

**Other Local Authorities** typical transactions include, but are not restricted to, investments, repayment of transferred debt, re-imburement of joint project costs and supplies of goods and services. Customer transactions with other English local authorities in the year totalled £31.510m and included significant transactions with Derby City Council totalling £22.186m. Vendor transactions totalled £294.389m and included the following significant transactions: -

|                           |          |
|---------------------------|----------|
| Glasgow City Council      | £56.220m |
| Derbyshire Fire Authority | £49.463m |
| Leeds City Council        | £32.031m |

**Health Bodies** typical transactions include, but are not restricted to, investments, re-imburement of joint project costs and supplies of goods and services. Customer transactions with other health bodies in the year totalled £46.549m and included significant transactions with Derbyshire County Primary Care Trust totalling £44.871m. Vendor transactions totalled £2.471m.

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## NOTES TO THE CORE FINANCIAL STATEMENTS

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**Members and Chief Officers** Council Members have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2012-13 is shown in Note 42. During 2012-13 works and services to the value of £0.209m were commissioned from companies in which members had an interest. We also recovered costs of £0.017m from companies in which members had an interest; there were no material outstanding balances at year end. Contracts were entered into in full compliance with the Council's standing orders.

**Entities Controlled or Significantly Influenced by the Council** A number of companies have been set up by schools for the purpose of out of school childcare where there is a significant representation of Derbyshire County Council through Councillors or staff on the Board. During 2012-13 the following material transactions took place with two such organisations, these entities had no outstanding balances at year end: -

| <b>Entity</b>                   | <b>£</b> |
|---------------------------------|----------|
| Ripley Nursery School Childcare | £13,500  |
| Pinxton Nursery School CIC      | £8,704   |

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

Included in administrative expenses and investment management expenses in 2012-13 are charges from the Corporate Finance Division and other Council departments of £1.755m (2011-12, £1.419m) for expenses incurred in administering the Fund.

In addition, interest of £0.001m (2011-12, £0.002m) was paid by the Council to the Fund in 2012-13.

At 31 March 2013 the Council owed the Fund £0.425m (2012: the Council owed the Fund £2.657m).

### **12. CONTINGENT ASSETS AND LIABILITIES AND SIMILAR COMMITMENTS**

The Council is in correspondence with representatives of private care home providers regarding the actual costs incurred on residential care in comparison to the fees paid by the Council.

The Council is subject to the national Single Status Agreement that is designed to ensure pay equality across all staff. In common with other Authorities, the Council is facing a considerable number of equal pay claims. Assuming that every case that has currently been lodged was lost and that every applicant was due the maximum entitlement the total cost to the Council would be over £70m.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 13. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS

| Narrative                            | Note      | Usable reserves       |                                     |                                   |                                   |
|--------------------------------------|-----------|-----------------------|-------------------------------------|-----------------------------------|-----------------------------------|
|                                      |           | General Reserve<br>£m | Earmarked Revenue<br>Reserves<br>£m | Unapplied Capital<br>Grants<br>£m | Capital Receipts<br>Reserve<br>£m |
| <b>BALANCE AS AT 1 APRIL 2012</b>    | <b>30</b> | <b>(97.997)</b>       | <b>(136.676)</b>                    | <b>(20.124)</b>                   | <b>(14.537)</b>                   |
| Comprehensive Income & Expenditure   |           | (10.714)              |                                     |                                   |                                   |
| Depreciation of fixed assets         | 14        | (42.180)              |                                     |                                   |                                   |
| Impairment of fixed assets           | 14        | (7.992)               |                                     |                                   |                                   |
| Capital Grants                       | 48        | 65.809                |                                     | (65.809)                          |                                   |
| Disposal of fixed assets             | 14        | (25.234)              |                                     |                                   | (2.953)                           |
| REFCUS - Revenue funded by Capital   | 50        | (13.308)              |                                     |                                   |                                   |
| Employee Benefits                    |           | 2.455                 |                                     |                                   |                                   |
| Collection Fund Adjustment           |           | 0.199                 |                                     |                                   |                                   |
| Retirement benefits                  | 54        | (65.208)              |                                     |                                   |                                   |
| Minimum revenue provision            |           | 21.981                |                                     |                                   |                                   |
| Principal transferred debt           |           | (1.517)               |                                     |                                   |                                   |
| RCCO - Capital Funded from Revenue   | 50        | 17.925                |                                     |                                   |                                   |
| Proportion of Previous Year Premiums |           | (0.051)               |                                     |                                   |                                   |
| Reversal of effective interest rate  |           | 0.006                 |                                     |                                   |                                   |
| Employer contribution to Pensions    | 54        | 51.285                |                                     |                                   |                                   |
| Transfer to Earmarked reserves       | 31        | 36.667                | (36.667)                            |                                   |                                   |
| Transfer from Earmarked reserves     | 31        | (34.846)              | 34.846                              |                                   |                                   |
| Transfer Usable Capital Receipts     |           |                       |                                     |                                   | (0.629)                           |
| Financing Capital Spend              |           |                       |                                     | 63.819                            | 9.509                             |
| <b>BALANCE AT 31 MARCH 2013</b>      |           | <b>(102.720)</b>      | <b>(138.497)</b>                    | <b>(22.114)</b>                   | <b>(8.610)</b>                    |

## NOTES TO THE CORE FINANCIAL STATEMENTS

| Deferred Capital Receipts<br>£m | Revaluation Reserve<br>£m | Unusable reserves                |  |                                    |  |                | Pensions Reserve<br>£m |
|---------------------------------|---------------------------|----------------------------------|--|------------------------------------|--|----------------|------------------------|
|                                 |                           | Capital Adjustment Account<br>£m | Financial Instruments Adjustment Account<br>£m | Accumulated Absences Account<br>£m | Collection Fund Adjustment Account<br>£m |                |                        |
| (1.062)                         | (214.054)                 | (934.670)                        | 0.107  | 9.227                              | (1.076)                                  | 557.647        |                        |
|                                 | (40.613)                  |                                  |  |                                    |  | 127.840        |                        |
|                                 | 4.528                     | 37.652                           |  |                                    |  |                |                        |
|                                 |                           | 7.992                            |  |                                    |  |                |                        |
|                                 | 3.257                     | 24.930                           |  |                                    |  |                |                        |
|                                 |                           | 13.308                           |  |                                    |  |                |                        |
|                                 |                           |                                  |  | (2.455)                            |  |                |                        |
|                                 |                           |                                  |  |                                    | (0.199)                                  |                |                        |
|                                 |                           |                                  |  |                                    |  | 65.208         |                        |
|                                 |                           | (21.981)                         |  |                                    |  |                |                        |
|                                 |                           | 1.517                            |  |                                    |  |                |                        |
|                                 |                           | (17.925)                         |  |                                    |  |                |                        |
|                                 |                           |                                  | 0.051  |                                    |  |                |                        |
|                                 |                           |                                  | (0.006)  |                                    |  |                |                        |
|                                 |                           |                                  |  |                                    |  | (51.285)       |                        |
| 0.629                           |                           |                                  |  |                                    |  |                |                        |
|                                 |                           | (73.328)                         |  |                                    |  |                |                        |
| <b>(0.433)</b>                  | <b>(246.882)</b>          | <b>(962.505)</b>                 | <b>0.152</b>                                   | <b>6.772</b>                       | <b>(1.275)</b>                           | <b>699.410</b> |                        |

## NOTES TO THE CORE FINANCIAL STATEMENTS

The 2011-12 position was:

| Narrative                            | Note      | Usable reserves       |  |                                   |                                   |
|--------------------------------------|-----------|-----------------------|--|-----------------------------------|-----------------------------------|
|                                      |           | General Reserve<br>£m | Earmarked<br>Revenue<br>Reserves<br>£m | Unapplied Capital<br>Grants<br>£m | Capital Receipts<br>Reserve<br>£m |
| <b>BALANCE AS AT 1 APRIL 2011</b>    | <b>30</b> | <b>(85.933)</b>       | <b>(119.427)</b>                       | <b>(35.840)</b>                   | <b>(13.829)</b>                   |
| Comprehensive Income & Expenditure   |           | 131.340               |  |                                   |                                   |
| Depreciation of fixed assets         | 14        | (44.739)              |  |                                   |                                   |
| Impairment of fixed assets           | 14        | (19.215)              |  |                                   |                                   |
| Capital Grants                       | 48        | 66.518                |  | (66.518)                          |                                   |
| Disposal of fixed assets             | 14        | (157.569)             |  |                                   | (1.949)                           |
| REFCUS - Revenue funded by Capital   | 50        | (32.173)              |  |                                   |                                   |
| Employee Benefits                    |           | (4.484)               |  |                                   |                                   |
| Collection Fund Adjustment           |           | 0.345                 |  |                                   |                                   |
| Retirement benefits                  | 54        | (51.603)              |  |                                   |                                   |
| Minimum revenue provision            |           | 22.557                |  |                                   |                                   |
| Principal transferred debt           |           | (1.269)               |  |                                   |                                   |
| RCCO - Capital Funded from Revenue   | 50        | 10.579                |  |                                   |                                   |
| Proportion of Previous Year Premiums |           | (0.050)               |  |                                   |                                   |
| Reversal of effective interest rate  |           | 0.006                 |  |                                   |                                   |
| Employer contribution to Pensions    | 54        | 50.444                |  |                                   |                                   |
| Transfer to Earmarked reserves       | 31        | 34.387                | (34.387)                               |                                   |                                   |
| Transfer from Earmarked reserves     | 31        | (17.138)              | 17.138                                 |                                   |                                   |
| Transfer Usable Capital Receipts     |           |                       |  |                                   | (0.479)                           |
| Previous Year Correction             |           |                       |  |                                   |                                   |
| Financing Capital Spend              |           |                       |  | 82.234                            | 1.720                             |
| <b>BALANCE AT 31 MARCH 2012</b>      |           | <b>(97.997)</b>       | <b>(136.676)</b>                       | <b>(20.124)</b>                   | <b>(14.537)</b>                   |



## NOTES TO THE CORE FINANCIAL STATEMENTS

| Deferred Capital Receipts | Revaluation Reserve Restated | Unusable reserves                   |  |                              |                | Collection Fund Adjustment Account | Pensions Reserve |
|---------------------------|------------------------------|-------------------------------------|--|------------------------------|----------------|------------------------------------|------------------|
|                           |                              | Capital Adjustment Account Restated | Financial Instruments Adjustment Account | Accumulated Absences Account |                |                                    |                  |
| £m                        | £m                           | £m                                  | £m                                       | £m                           | £m             | £m                                 |                  |
| (1.777)                   | (230.911)                    | (1,042.179)                         | 0.063                                    | 4.743                        | (0.731)        | 443.633                            |                  |
|                           | (15.222)                     |                                     |  |                              |                | 112.855                            |                  |
|                           | 4.076                        | 40.663                              |  |                              |                |                                    |                  |
|                           |                              | 19.215                              |  |                              |                |                                    |                  |
|                           | 28.003                       | 131.515                             |  |                              |                |                                    |                  |
|                           |                              | 32.173                              |  |                              |                |                                    |                  |
|                           |                              |                                     |  | 4.484                        |                |                                    |                  |
|                           |                              |                                     |  |                              | (0.345)        |                                    |                  |
|                           |                              |                                     |  |                              |                | 51.603                             |                  |
|                           |                              | (22.557)                            |  |                              |                |                                    |                  |
|                           |                              | 1.269                               |  |                              |                |                                    |                  |
|                           |                              | (10.579)                            |  |                              |                |                                    |                  |
|                           |                              |                                     | 0.050                                    |                              |                |                                    |                  |
|                           |                              |                                     | (0.006)                                  |                              |                |                                    |                  |
|                           |                              |                                     |  |                              |                | (50.444)                           |                  |
| 0.479                     |                              |                                     |  |                              |                |                                    |                  |
| 0.236                     |                              | (0.236)                             |  |                              |                |                                    |                  |
|                           |                              | (83.954)                            |  |                              |                |                                    |                  |
| <b>(1.062)</b>            | <b>(214.054)</b>             | <b>(934.670)</b>                    | <b>0.107</b>                             | <b>9.227</b>                 | <b>(1.076)</b> | <b>557.647</b>                     |                  |

The disposal of fixed assets charged to the CAA & Revaluation Reserve has been revised following corrections to the historic cost values held. This has had no overall impact to the balance sheet and is only a reclassification between the two reserves.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 14. PROPERTY, PLANT AND EQUIPMENT

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

|                                | Land &<br>Buildings<br>£m | Vehicles, Plant<br>& Equipment<br>£m | Infrastructure<br>Assets<br>£m | Community<br>Assets<br>£m | Assets Under<br>Construction<br>£m | Property Plant<br>& Equipment<br>£m |
|--------------------------------|---------------------------|--------------------------------------|--------------------------------|---------------------------|------------------------------------|-------------------------------------|
| <b>COST OR VALUATION</b>       |                           |                                      |                                |                           |                                    |                                     |
| <b>At 1st April 2012</b>       | <b>1,349.880</b>          | <b>84.786</b>                        | <b>333.971</b>                 | <b>2.020</b>              | <b>8.199</b>                       | <b>1,778.856</b>                    |
| Additions                      | 41.305                    | 0.348                                | 21.982                         | 2.129                     | 15.529                             | <b>81.293</b>                       |
| Revaluation Gains to RR        | 45.630                    | 0.000                                | 0.000                          | 0.000                     | 0.000                              | <b>45.630</b>                       |
| Revaluation Losses to RR       | (4.855)                   | 0.000                                | 0.000                          | 0.000                     | 0.000                              | <b>(4.855)</b>                      |
| Impairment                     | (19.920)                  | 0.000                                | 0.000                          | 0.000                     | 0.000                              | <b>(19.920)</b>                     |
| Disposals derecognition        | (19.015)                  | 0.000                                | (7.115)                        | (0.137)                   | 0.000                              | <b>(26.267)</b>                     |
| Disposals                      | (6.475)                   | (3.338)                              | 0.000                          | 0.000                     | 0.000                              | <b>(9.813)</b>                      |
| Transfer within PPE            | 9.557                     | 0.000                                | (0.080)                        | (2.729)                   | (6.748)                            | <b>0.000</b>                        |
| Transfers to Held for Sale     | (1.413)                   | (0.065)                              | 0.160                          | 0.000                     | 0.000                              | <b>(1.318)</b>                      |
| <b>At 31st March 2013</b>      | <b>1,394.694</b>          | <b>81.731</b>                        | <b>348.918</b>                 | <b>1.283</b>              | <b>16.980</b>                      | <b>1,843.606</b>                    |
| <b>DEPRECIATION</b>            |                           |                                      |                                |                           |                                    |                                     |
| <b>At 1st April 2012</b>       | <b>(74.591)</b>           | <b>(58.641)</b>                      | <b>(60.333)</b>                | <b>(0.006)</b>            | <b>0.000</b>                       | <b>(193.571)</b>                    |
| Charge for year                | (24.606)                  | (8.255)                              | (8.434)                        | 0.000                     | 0.000                              | <b>(41.295)</b>                     |
| Revaluations                   | 12.212                    | 0.000                                | 0.000                          | 0.000                     | 0.000                              | <b>12.212</b>                       |
| Disposals derecognition        | 1.652                     | 0.000                                | 3.314                          | 0.000                     | 0.000                              | <b>4.966</b>                        |
| Disposals                      | 0.772                     | 3.134                                | 0.000                          | 0.000                     | 0.000                              | <b>3.906</b>                        |
| Transfers to Held for Sale     | 0.013                     | 0.100                                | 0.000                          | 0.000                     | 0.000                              | <b>0.113</b>                        |
| <b>At 31st March 2013</b>      | <b>(84.548)</b>           | <b>(63.662)</b>                      | <b>(65.453)</b>                | <b>(0.006)</b>            | <b>0.000</b>                       | <b>(213.669)</b>                    |
| OPENING VALUE                  | 1,275.289                 | 26.145                               | 273.638                        | 2.014                     | 8.199                              | 1,585.285                           |
| <b>CLOSING VALUE</b>           | <b>1,310.146</b>          | <b>18.069</b>                        | <b>283.465</b>                 | <b>1.277</b>              | <b>16.980</b>                      | <b>1,629.937</b>                    |
| <b>NATURE OF ASSET HOLDING</b> |                           |                                      |                                |                           |                                    |                                     |
| Owned                          | 1,218.823                 | 18.067                               | 283.465                        | 1.277                     | 16.980                             | <b>1,538.612</b>                    |
| Finance Lease                  | 8.464                     | 0.002                                | 0.000                          | 0.000                     | 0.000                              | <b>8.466</b>                        |
| Donated                        | 0.573                     | 0.000                                | 0.000                          | 0.000                     | 0.000                              | <b>0.573</b>                        |
| PFI                            | 82.286                    | 0.000                                | 0.000                          | 0.000                     | 0.000                              | <b>82.286</b>                       |
|                                | <b>1,310.146</b>          | <b>18.069</b>                        | <b>283.465</b>                 | <b>1.277</b>              | <b>16.980</b>                      | <b>1,629.937</b>                    |

## NOTES TO THE CORE FINANCIAL STATEMENTS

The restated to correct the presentation of impairments 2011-12 position is:

|                            | Land &<br>Buildings<br>£m | Vehicles, Plant<br>& Equipment<br>£m | Infrastructure<br>Assets<br>£m | Community<br>Assets<br>£m | Assets Under<br>Construction<br>£m | Property Plant<br>& Equipment<br>£m |
|----------------------------|---------------------------|--------------------------------------|--------------------------------|---------------------------|------------------------------------|-------------------------------------|
| <b>COST OR VALUATION</b>   |                           |                                      |                                |                           |                                    |                                     |
| At 1st April 2011          | 1,461.288                 | 89.920                               | 324.518                        | 3.516                     | 14.240                             | <b>1,893.482</b>                    |
| Additions                  | 36.545                    | 1.873                                | 25.125                         | 1.720                     | 6.339                              | <b>71.602</b>                       |
| Revaluation Gains to RR    | 4.344                     | 0.000                                | 0.000                          | 0.003                     | 0.000                              | <b>4.347</b>                        |
| Impairment                 | (9.766)                   | 0.000                                | 0.000                          | (1.605)                   | 0.000                              | <b>(11.371)</b>                     |
| Disposals derecognition    | (19.092)                  | (0.342)                              | (14.270)                       | (1.614)                   | 0.000                              | <b>(35.318)</b>                     |
| Disposals                  | (134.924)                 | (6.644)                              | (1.402)                        | 0.000                     | 0.000                              | <b>(142.970)</b>                    |
| Transfer within PPE        | 12.380                    | 0.000                                | 0.000                          | 0.000                     | (12.380)                           | <b>0.000</b>                        |
| Transfers to Held for Sale | (0.895)                   | (0.021)                              | 0.000                          | 0.000                     | 0.000                              | <b>(0.916)</b>                      |
| <b>At 31st March 2012</b>  | <b>1,349.880</b>          | <b>84.786</b>                        | <b>333.971</b>                 | <b>2.020</b>              | <b>8.199</b>                       | <b>1,778.856</b>                    |
| <b>DEPRECIATION</b>        |                           |                                      |                                |                           |                                    |                                     |
| At 1st April 2011          | (54.084)                  | (53.775)                             | (58.971)                       | (0.006)                   | 0.000                              | <b>(166.836)</b>                    |
| Charge for year            | (25.817)                  | (9.530)                              | (8.262)                        | 0.000                     | 0.000                              | <b>(43.609)</b>                     |
| Revaluation (to RR)        | 6.433                     | 0.000                                | 0.000                          | 0.000                     | 0.000                              | <b>6.433</b>                        |
| Impairment                 | (12.166)                  | 0.000                                | 0.000                          | 0.000                     | 0.000                              | <b>(12.166)</b>                     |
| Disposals derecognition    | 1.066                     | 0.174                                | 6.283                          | 0.000                     | 0.000                              | <b>7.523</b>                        |
| Disposals                  | 9.898                     | 4.469                                | 0.617                          | 0.000                     | 0.000                              | <b>14.984</b>                       |
| Transfers to Held for Sale | 0.079                     | 0.021                                | 0.000                          | 0.000                     | 0.000                              | <b>0.100</b>                        |
| <b>At 31st March 2012</b>  | <b>(74.591)</b>           | <b>(58.641)</b>                      | <b>(60.333)</b>                | <b>(0.006)</b>            | <b>0.000</b>                       | <b>(193.571)</b>                    |
| <b>OPENING VALUE</b>       | <b>1,407.204</b>          | <b>36.145</b>                        | <b>265.547</b>                 | <b>3.510</b>              | <b>14.240</b>                      | <b>1,726.646</b>                    |
| <b>CLOSING VALUE</b>       | <b>1,275.289</b>          | <b>26.145</b>                        | <b>273.638</b>                 | <b>2.014</b>              | <b>8.199</b>                       | <b>1,585.285</b>                    |

## NOTES TO THE CORE FINANCIAL STATEMENTS

Historic cost values of re-valued assets are:

|                            | Land &<br>Buildings<br>£m | Vehicles, Plant<br>& Equipment<br>£m | Infrastructure<br>Assets<br>£m | Community<br>Assets<br>£m | Assets Under<br>Construction<br>£m | Property Plant<br>& Equipment<br>£m |
|----------------------------|---------------------------|--------------------------------------|--------------------------------|---------------------------|------------------------------------|-------------------------------------|
| <b>COST OR VALUATION</b>   |                           |                                      |                                |                           |                                    |                                     |
| <b>At 1st April 2012</b>   | <b>1,389.137</b>          | <b>84.785</b>                        | <b>333.970</b>                 | <b>2.962</b>              | <b>8.198</b>                       | <b>1,819.052</b>                    |
| Additions                  | 41.306                    | 0.348                                | 22.062                         | 2.129                     | 15.529                             | <b>81.374</b>                       |
| Disposals derecognition    | (23.110)                  | (3.338)                              | (7.115)                        | (0.179)                   | 0.000                              | <b>(33.742)</b>                     |
| Disposals                  | (6.307)                   | 0.000                                | 0.000                          | 0.000                     | 0.000                              | <b>(6.307)</b>                      |
| Transfer within PPE        | 9.477                     | 0.000                                | 0.000                          | (2.729)                   | (6.748)                            | <b>0.000</b>                        |
| Transfers to Held for Sale | (1.353)                   | (0.065)                              | 0.000                          | 0.000                     | 0.000                              | <b>(1.418)</b>                      |
| <b>At 31st March 2013</b>  | <b>1,409.150</b>          | <b>81.730</b>                        | <b>348.917</b>                 | <b>2.183</b>              | <b>16.979</b>                      | <b>1,858.959</b>                    |
| <b>DEPRECIATION</b>        |                           |                                      |                                |                           |                                    |                                     |
| <b>At 1st April 2012</b>   | <b>(297.755)</b>          | <b>(58.640)</b>                      | <b>(60.333)</b>                | <b>(0.951)</b>            | <b>0.000</b>                       | <b>(417.679)</b>                    |
| Charge for year            | (27.842)                  | (8.254)                              | (8.433)                        | 0.000                     | 0.000                              | <b>(44.529)</b>                     |
| Disposals derecognition    | 10.567                    | 3.134                                | 3.314                          | 0.042                     | 0.000                              | <b>17.057</b>                       |
| Disposals                  | 6.529                     | 0.000                                | 0.000                          | 0.000                     | 0.000                              | <b>6.529</b>                        |
| Transfers to Held for Sale | 0.417                     | 0.100                                | 0.000                          | 0.000                     | 0.000                              | <b>0.517</b>                        |
| <b>At 31st March 2013</b>  | <b>(308.084)</b>          | <b>(63.660)</b>                      | <b>(65.452)</b>                | <b>(0.909)</b>            | <b>0.000</b>                       | <b>(438.105)</b>                    |
| <b>OPENING VALUE</b>       | <b>1,091.382</b>          | <b>26.145</b>                        | <b>273.637</b>                 | <b>2.011</b>              | <b>8.198</b>                       | <b>1,401.373</b>                    |
| <b>CLOSING VALUE</b>       | <b>1,101.066</b>          | <b>18.070</b>                        | <b>283.465</b>                 | <b>1.274</b>              | <b>16.979</b>                      | <b>1,420.854</b>                    |

### 15. HERITAGE ASSETS NOT REPORTABLE IN THE BALANCE SHEET

The Council is unable to place a reliable fair value on the following:

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 16. NATURE AND SCALE OF HERITAGE ASSETS

The Council's Heritage Assets are mainly Museum Assets, Historic Buildings and Structures. The only Donated Heritage Assets are those that have been given to Derbyshire Museums and are valued at their insurance value at £1.519m.

|                                | Carrying Value |                | Historic Cost  |                |
|--------------------------------|----------------|----------------|----------------|----------------|
|                                | 2011-12<br>£m  | 2012-13<br>£m  | 2011-12<br>£m  | 2012-13<br>£m  |
| <b>COST OR VALUATION</b>       |                |                |                |                |
| <b>At 1st April</b>            | <b>34.264</b>  | <b>42.706</b>  | <b>5.697</b>   | <b>5.697</b>   |
| Additions                      | 0.000          | 0.542          | 0.000          | 0.542          |
| Revaluation Gains to RR        | 8.442          | 0.134          | 0.000          | 0.000          |
| Disposals derecognition        | 0.000          | (0.106)        | 0.000          | (0.106)        |
| Transfers to Held for Sale     | 0.000          | 0.003          | 0.000          | 0.003          |
| <b>At 31st March</b>           | <b>42.706</b>  | <b>43.279</b>  | <b>5.697</b>   | <b>6.136</b>   |
| <b>DEPRECIATION</b>            |                |                |                |                |
| <b>At 1st April</b>            | <b>(0.003)</b> | <b>(0.003)</b> | <b>(0.331)</b> | <b>(0.331)</b> |
| Charge for year                | 0.000          | (0.001)        | 0.000          | (0.001)        |
| <b>At 31st March</b>           | <b>(0.003)</b> | <b>(0.004)</b> | <b>(0.331)</b> | <b>(0.332)</b> |
| OPENING VALUE                  | 34.261         | 42.703         | 5.366          | 5.366          |
| <b>CLOSING VALUE</b>           | <b>42.703</b>  | <b>43.275</b>  | <b>5.366</b>   | <b>5.804</b>   |
| <b>NATURE OF ASSET HOLDING</b> |                |                |                |                |
| Owned                          | 41.184         | 41.756         | 3.847          | 4.285          |
| Finance Lease                  | 0.000          | 0.000          | 0.000          | 0.000          |
| Donated                        | 1.519          | 1.519          | 1.519          | 1.519          |
| PFI                            | 0.000          | 0.000          | 0.000          | 0.000          |
|                                | <b>42.703</b>  | <b>43.275</b>  | <b>5.366</b>   | <b>5.804</b>   |

### 17. NON-CURRENT DEBTORS

| 31 Mar 2012<br>£m |                                     | 31 Mar 2013<br>£m |
|-------------------|-------------------------------------|-------------------|
| 35.226            | Derby City 1997 Transferred Debt    | 32.508            |
| 1.209             | Districts 1997 Transferred Debt     | 1.117             |
| 0.000             | Local Authority Mortgage Scheme     | 1.750             |
| 0.681             | Loan to Police & Crime Commissioner | 0.520             |
| 0.405             | Vehicle Finance Leases              | 0.279             |
| 0.578             | Other Long Term Debtors             | 0.482             |
| <b>38.099</b>     |                                     | <b>36.656</b>     |

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 18. INTANGIBLE ASSETS

All Intangibles relate to purchased software licences

|                          | 2011-12<br>£m  | 2012-13<br>£m  |
|--------------------------|----------------|----------------|
| <b>COST OR VALUATION</b> |                |                |
| <b>At 1st April</b>      | <b>4.450</b>   | <b>4.727</b>   |
| Additions                | 0.916          | 0.076          |
| Disposals                | (0.639)        | 0.000          |
| <b>At 31st March</b>     | <b>4.727</b>   | <b>4.803</b>   |
| <b>DEPRECIATION</b>      |                |                |
| <b>At 1st April</b>      | <b>(0.400)</b> | <b>(1.402)</b> |
| Charge for year          | (1.131)        | (1.047)        |
| Disposals                | 0.129          | 0.000          |
| <b>At 31st March</b>     | <b>(1.402)</b> | <b>(2.449)</b> |
| OPENING VALUE            | 4.050          | 3.325          |
| <b>CLOSING VALUE</b>     | <b>3.325</b>   | <b>2.354</b>   |

### 19. FINANCIAL INSTRUMENTS

Financial Instrument Investments are made up of:

- Non-current loans and receivables of £205.152m (£193.628m at 31 Mar 2012)

Financial Instrument Debtors are made up of:

- Non-current loans and receivables of £36.377m (£37.694m at 31 Mar 2012)
- Non-current finance lease debtors of £0.279m (£0.405m at 31 Mar 2012)
- Current loans (transferred debt) of £1.495m (£1.458m at 31 Mar 2012)
- Current finance lease debtors of £0.155m (£0.263m at 31 Mar 2012)
- Current assets at contract amount of £40.841m (£22.866m at 31 Mar 2012)

Financial Instrument Borrowings are made up of:

- Non-current loans and borrowings of £369.412m (£384.495m at 31 Mar 2012)
- Current loans and borrowings of £39.465m (£21.150m at 31 Mar 2012)

Other Financial Liabilities are made up of:

- Non-current PFI liability of £81.881m (£84.143m at 31 Mar 2012)
- Non-current finance lease liability of £4.970m (£5.086m at 31 Mar 2012)
- Current PFI liability of £2.261m (£2.117m at 31 Mar 2012)
- Current finance lease liability of £0.158m (£0.107m at 31 Mar 2012)
- Current liabilities at contract amounts £74.731m (£72.911m at 31 Mar 2012)

#### Financial instruments Gains/Losses

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

- Liabilities at amortised cost, interest expense of £26.493m (£27.563m in 2011-12)
- Assets, loans and receivables, interest income of £4.552m (£5.020m in 2011-12)

This has resulted in a net loss for the year of £21.941m (£22.543m in 2011-12).

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Fair value of Assets and Liabilities carried at Amortised Cost

The fair value of assets and liabilities carried at amortised cost can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- For loans from the Public Works Loans Board (PWLB) and other loans payable, premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures;
- For loans receivable prevailing benchmark market rates have been used to provide the fair value, and accrued interest is included;
- No early repayment or impairment is recognised;
- Where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate to fair value.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

Long term Assets:

|                                   | Carrying Value |               | Fair Value    |               |
|-----------------------------------|----------------|---------------|---------------|---------------|
|                                   | 31 Mar 2013    | 31 Mar 2012   | 31 Mar 2013   | 31 Mar 2012   |
|                                   | £m             | £m            | £m            | £m            |
| Investments - Transferred Debt    | 34.145         | 37.116        | 34.145        | 37.116        |
| Long Term Trade Debtors           | 2.511          | 0.983         | 2.511         | 0.983         |
| <b>Long Term Financial Assets</b> | <b>36.656</b>  | <b>38.099</b> | <b>36.656</b> | <b>38.099</b> |

Short Term Assets:

|  | Carrying Value |                | Fair Value     |                |
|--|----------------|----------------|----------------|----------------|
|  | 31 Mar 2013    | 31 Mar 2012    | 31 Mar 2013    | 31 Mar 2012    |
|  | £m             | £m             | £m             | £m             |
| Short Term Investments – Money Markets | 205.152        | 193.628        | 205.152        | 193.628        |
| Trade debtors                          | 22.199         | 14.884         | 22.199         | 14.884         |
| <b>Short Term Financial Assets</b>     | <b>227.351</b> | <b>208.512</b> | <b>227.351</b> | <b>208.512</b> |

Long Term Liabilities:

|                                    | Carrying Value   |                  | Fair Value       |                  |
|------------------------------------|------------------|------------------|------------------|------------------|
|                                    | 31 Mar 2013      | 31 Mar 2012      | 31 Mar 2013      | 31 Mar 2012      |
|                                    | £m               | £m               | £m               | £m               |
| Transferred Debt                   | (4.609)          | (4.612)          | (4.609)          | (4.612)          |
| Public Works Loan Board            | (337.094)        | (352.181)        | (436.408)        | (443.251)        |
| Lender Option Borrower Option      | (27.709)         | (27.702)         | (31.565)         | (30.061)         |
| <b>Long term borrowing</b>         | <b>(369.412)</b> | <b>(384.495)</b> | <b>(472.582)</b> | <b>(477.924)</b> |
| PFI liability                      | (81.882)         | (84.143)         | (81.882)         | (84.143)         |
| Finance lease liability            | (4.970)          | (5.086)          | (4.970)          | (5.086)          |
| <b>Total Long Term Liabilities</b> | <b>(456.264)</b> | <b>(473.724)</b> | <b>(559.434)</b> | <b>(567.153)</b> |

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Short Term Liabilities:

|                                     | Carrying Value  |                 | Fair Value      |                 |
|-------------------------------------|-----------------|-----------------|-----------------|-----------------|
|                                     | 31 Mar 2013     | 31 Mar 2012     | 31 Mar 2013     | 31 Mar 2012     |
|                                     | £m              | £m              | £m              | £m              |
| Public Works Loan Board             | (15.266)        | (3.400)         | (15.266)        | (3.400)         |
| Temporary Loans                     | (21.641)        | (15.188)        | (21.641)        | (15.188)        |
| <b>Short term borrowing</b>         | <b>(36.907)</b> | <b>(18.588)</b> | <b>(36.907)</b> | <b>(18.588)</b> |
| Accrued Interest                    | (2.557)         | (2.562)         | (2.557)         | (2.562)         |
| Trade Creditors                     | (60.308)        | (60.052)        | (60.308)        | (60.052)        |
| <b>Total Short Term Liabilities</b> | <b>(99.772)</b> | <b>(81.202)</b> | <b>(99.772)</b> | <b>(81.202)</b> |

### 20. LOCAL AUTHORITY MORTGAGE SCHEME (LAMS)

The Council entered into a LAMS partnership with Lloyds TSB on 12 March 2013. This offered first time buyers the opportunity to acquire a mortgage through Lloyds TSB with a reduced level of deposit. The Council has deposited £1.750m with Lloyds to support the scheme. Mortgages have a ceiling value of £142,500 under the scheme. As at 31 March, £0.250m had been committed against the indemnity.

### 21. ASSETS HELD FOR SALE

|                                     | Cost<br>£m   | Dpn<br>£m      | Carrying<br>Value<br>£m |
|-------------------------------------|--------------|----------------|-------------------------|
| Held for Sale as at 31 March 2012:  |              |                |                         |
| Whitstones Social Services          | 0.040        | (0.004)        | 0.036                   |
| Law Centre - Chesterfield           | 0.127        | (0.002)        | 0.125                   |
| New Beetwell Street Garage          | 0.040        | (0.004)        | 0.036                   |
| Heanor Relief Rd - 7 Whysall Street | 0.055        | 0.000          | 0.055                   |
| Common Road Community Living Unit   | 0.112        | (0.012)        | 0.100                   |
| School Board Lane Community Centre  | 0.304        | (0.030)        | 0.274                   |
| Shirebrook Community Centre         | 0.746        | (0.069)        | 0.677                   |
| <b>Balance as at 31 March 2012</b>  | <b>1.424</b> | <b>(0.121)</b> | <b>1.303</b>            |
| Sales during 2012-13                | (1.424)      | 0.121          | (1.303)                 |
| Held for Sale as at 31 March 2013:  |              |                |                         |
| Breaston Area Business Unit         | 0.332        | (0.007)        | 0.325                   |
| Heath Primary School House          | 0.107        | (0.004)        | 0.103                   |
| Mastin Moor Youth Club              | 0.140        | (0.010)        | 0.130                   |
| South Normanton Ed Centre           | 0.060        | (0.040)        | 0.020                   |
| South Normanton Library             | 0.007        | (0.002)        | 0.005                   |
| Stanton Vale School                 | 0.671        | (0.051)        | 0.620                   |
| <b>Balance as at 31 March 2013</b>  | <b>1.317</b> | <b>(0.114)</b> | <b>1.203</b>            |



## NOTES TO THE CORE FINANCIAL STATEMENTS

### 22. INVENTORIES

|                       | 2011-12         |                  |              | 2012-13         |                  |              |
|-----------------------|-----------------|------------------|--------------|-----------------|------------------|--------------|
|                       | Allroads Stores | Work in Progress | Other        | Allroads Stores | Work in Progress | Other        |
|                       | £'000           | £'000            | £'000        | £'000           | £'000            | £'000        |
| <b>1 April</b>        | <b>0.547</b>    | <b>0.382</b>     | <b>0.624</b> | <b>0.374</b>    | <b>1.481</b>     | <b>0.614</b> |
| Purchase of new stock | 1.960           | 15.587           | 1.060        | 2.044           | 70.260           | 1.187        |
| Stock issued          | (2.130)         | (14.488)         | (1.063)      | (1.969)         | (70.703)         | (1.171)      |
| Stock written off     | (0.003)         | 0.000            | (0.007)      | (0.003)         | (0.000)          | (0.011)      |
| <b>31 March</b>       | <b>0.374</b>    | <b>1.481</b>     | <b>0.614</b> | <b>0.446</b>    | <b>1.038</b>     | <b>0.619</b> |
| <b>Total</b>          |                 |                  | <b>2.469</b> |                 |                  | <b>2.103</b> |

### 23. CONSTRUCTION CONTRACTS

At 31 March 2013 four external construction contracts were outstanding. The income due from the contracts at 31 March is as follows:

|                          | High Peak BC | Staff Moorlands DC | Total Contracts |
|--------------------------|--------------|--------------------|-----------------|
|                          | £m           | £m                 | £m              |
| No of Contracts in Group | 3            | 1                  | 4               |
| Costs incurred to date   | 0.151        | 0.023              | <b>0.174</b>    |
| Revenue recognised:      |              |                    |                 |
| • before 1 April 2012    | 0.000        | 0.000              | <b>0.000</b>    |
| • during 2012-13         | 0.000        | 0.000              | <b>0.000</b>    |
| <b>(Profit) / Loss</b>   | <b>0.151</b> | <b>0.023</b>       | <b>0.174</b>    |
| Advances received        | 0.000        | 0.000              | <b>0.000</b>    |
| <b>Gross amount due</b>  | <b>0.151</b> | <b>0.023</b>       | <b>0.174</b>    |
| Comprising:              |              |                    |                 |
| • amounts not billed     | 0.151        | 0.023              | <b>0.174</b>    |
| • invoices outstanding   | 0.000        | 0.000              | <b>0.000</b>    |
| <b>Gross amount due</b>  | <b>0.151</b> | <b>0.023</b>       | <b>0.174</b>    |

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 24. DEBTORS

The debtor balance can be analysed into the following categories:

| 31 Mar 2012<br>£m |   | 31 Mar 2013<br>£m |
|-------------------|---|-------------------|
| 8.111             | From Other Local Authorities                | 11.711            |
| 2.287             | From NHS Bodies                             | 3.668             |
| 6.691             | From Government Departments                 | 8.837             |
| 0.074             | From Inter-Group Organisations              | 0.000             |
| 16.658            | From Other Sundry Debtors                   | 28.056            |
| <b>33.821</b>     | <b>Total amount Owed to the Council</b>     | <b>52.272</b>     |
| 0.068             | To Other Local Authorities                  | 0.011             |
| 0.001             | To Government Departments                   | 0.000             |
| 3.759             | To Other Sundry Debtors                     | 3.529             |
| <b>3.828</b>      | <b>Total paid in advance by the Council</b> | <b>3.540</b>      |
| <b>37.649</b>     | <b>Total Debtors</b>                        | <b>55.812</b>     |
| (0.815)           | Less Provision for Bad Debts                | (0.661)           |
| <b>36.834</b>     | <b>Carrying Value of Debtors</b>            | <b>55.151</b>     |

### 25. BAD DEBT PROVISION

The bad debt provision has been calculated using trends of debt written off in previous years, based on age of debt and type of debtor. This is then adjusted for any specific circumstances known to the Council in relation to individual debtors. During 2012-13 £0.061m was written off, compared to £0.062m the previous year.

### 26. CASH AND CASH EQUIVALENTS

| 31 Mar 2012<br>£m |  | 31 Mar 2013<br>£m |
|-------------------|--|-------------------|
| 3.681             | County Fund Bank Account Balance           | 1.838             |
| (2.906)           | Adjustment to bank balance for timing      | (7.074)           |
| <b>0.775</b>      | <b>Cash Book for County Fund Account</b>   | <b>(5.236)</b>    |
| 0.323             | Schools Cash Income Account Balance        | 0.361             |
| 0.000             | Adjustment to bank balance for timing      | 0.000             |
| <b>0.323</b>      | <b>Cash Book for Schools Cash Account</b>  | <b>0.361</b>      |
| <b>1.098</b>      | <b>Total Cash Book Balance (Overdraft)</b> | <b>(4.875)</b>    |
| 6.716             | Amounts held by Bank Account Schools       | 5.570             |
| 0.226             | Amounts held in Petty Cash Tins            | 0.115             |
| 0.024             | Amounts held in Imprest Bank Accounts      | 0.025             |
| 0.236             | Amounts held in Other Bank Accounts        | 0.226             |
| <b>8.300</b>      | <b>Total Cash Balance (Overdraft)</b>      | <b>1.061</b>      |
| 19.808            | Bank instant-access deposit accounts       | 57.373            |
| 40.023            | Money Market Funds                         | 30.046            |
| 38.016            | Short-term deposits                        | 19.003            |
| <b>106.147</b>    | <b>Total Cash and Cash Equivalents</b>     | <b>107.483</b>    |

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 27. CREDITORS

The creditor balance can be analysed into the following categories:

| 31 Mar 2012<br>£m |   | 31 Mar 2013<br>£m |
|-------------------|---|-------------------|
| (5.385)           | To Other Local Authorities              | (6.925)           |
| (0.931)           | To NHS Bodies                           | (0.866)           |
| (27.350)          | To Government Departments               | (17.319)          |
| (0.180)           | To Inter-Group Organisations            | (0.266)           |
| (49.448)          | To Other Sundry Creditors               | (60.280)          |
| <b>(83.294)</b>   | <b>Amounts Owing by the Council</b>     | <b>(85.656)</b>   |
| (0.197)           | From other Local Authorities            | (0.245)           |
| (0.544)           | From NHS Bodies                         | (5.221)           |
| (1.930)           | From Government Departments             | (1.538)           |
| (2.243)           | From Other Sundry Creditors             | (1.658)           |
| <b>(4.914)</b>    | <b>Income in Advance to the Council</b> | <b>(8.662)</b>    |
| <b>(88.208)</b>   | <b>Carrying Value of Creditors</b>      | <b>(94.318)</b>   |

### 28. PROVISIONS

|                                 | Insurance Provision | Educating hospitalised children | Carbon Reduction | MMI            | Voluntary Redundancy Provision | Other          | Total           |
|---------------------------------|---------------------|---------------------------------|------------------|----------------|--------------------------------|----------------|-----------------|
|                                 | £'000               | £'000                           | £'000            | £'000          | £'000                          | £'000          | £'000           |
| <b>Balance at 1 April 2011</b>  | <b>(8.359)</b>      | <b>(0.250)</b>                  | <b>0.000</b>     | <b>0.000</b>   | <b>0.000</b>                   | <b>(0.139)</b> | <b>(8.748)</b>  |
| New provisions made             | (1.583)             | 0.000                           | (0.671)          | (2.000)        | (4.572)                        | (0.447)        | <b>(9.273)</b>  |
| Provisions Used                 | 2.093               | 0.000                           | 0.000            | 0.000          | 0.000                          | 0.083          | <b>2.176</b>    |
| <b>Balance at 1 April 2012</b>  | <b>(7.849)</b>      | <b>(0.250)</b>                  | <b>(0.671)</b>   | <b>(2.000)</b> | <b>(4.572)</b>                 | <b>(0.503)</b> | <b>(15.845)</b> |
| New provisions made             | (0.537)             | (0.270)                         | (0.683)          | 0.000          | (3.462)                        | (0.015)        | <b>(4.967)</b>  |
| Provisions Used                 | 2.143               | 0.250                           | 0.671            | 0.000          | 0.000                          | 0.119          | <b>3.183</b>    |
| Unused Amounts Reversed         | 0.000               | 0.000                           | 0.000            | 0.161          | 0.000                          | 0.317          | <b>0.478</b>    |
| <b>Balance at 31 March 2013</b> | <b>(6.243)</b>      | <b>(0.270)</b>                  | <b>(0.683)</b>   | <b>(1.839)</b> | <b>(8.034)</b>                 | <b>(0.082)</b> | <b>(17.151)</b> |

#### Educating Hospitalised Children

School Children who are in hospital in other Local Authority areas receive education from that authority, for which the Council is charged to cover the cost. Trend analysis is used to estimate the expected cost.

#### Carbon Reduction Commitment

The Council is required to purchase allowances to cover the cost of carbon emissions i.e. carbon dioxide produced as energy is used. The provision is measured at the best

## NOTES TO THE CORE FINANCIAL STATEMENTS

estimate of expenditure required to purchase allowances which will meet the obligation as at 31 March.

### Municipal Mutual Insurance (MMI)

In the early 1990's it became clear that MMI was in danger of becoming insolvent and a large part of its business was taken over. Liabilities associated with claims before the purchase was left with MMI and it was hoped a solvent run-off could take place. It is now clear that this is unlikely. A provision for £1.8m has been reflected in the accounts.

### Voluntary Redundancy Provision

Estimated costs associated with future voluntary redundancies. This includes an element for schools.

### Insurance Provision

The insurance fund meets the estimated 'excess' of the Council's insurance policies, with amounts held in either the insurance provision or the insurance reserve. The provision represents obligations as at 31 March as a result of past claims. The reserve balance covers claims not yet made where a liability is expected to exist.

| 31 Mar 12<br>£m |                                    | 31 Mar 13<br>£m |
|-----------------|------------------------------------|-----------------|
| 2.086           | External premiums                  | 4.154           |
| 0.019           | General charges & expenses         | 0.019           |
| 0.549           | Claims paid in the year            | 0.235           |
| <b>2.654</b>    | <b>Total Expenditure</b>           | <b>4.408</b>    |
| (0.573)         | Income from schools                | (0.548)         |
| (4.630)         | General fund contribution          | (4.757)         |
| (0.029)         | Other income                       | (0.193)         |
| <b>(5.232)</b>  | <b>Total Income</b>                | <b>(5.498)</b>  |
| <b>(2.578)</b>  | <b>Surplus to move to balances</b> | <b>(1.090)</b>  |

| 31 Mar 12<br>£m |                                     | 31 Mar 13<br>£m |
|-----------------|-------------------------------------|-----------------|
| (1.583)         | Contribution to provision           | (0.537)         |
| (0.995)         | Contribution to reserve             | (0.553)         |
| <b>(2.578)</b>  | <b>Total Moved to fund balances</b> | <b>(1.090)</b>  |

| 31 Mar 12<br>£m | Provision                             | 31 Mar 13<br>£m |
|-----------------|---------------------------------------|-----------------|
| <b>(8.359)</b>  | <b>Balance at 1 April</b>             | <b>(7.849)</b>  |
| (1.583)         | Contribution from revenue             | (0.537)         |
| 2.093           | Claims paid and risk management costs | 2.144           |
| <b>(7.849)</b>  | <b>Balance at 31 March</b>            | <b>(6.242)</b>  |

## NOTES TO THE CORE FINANCIAL STATEMENTS

| 31 Mar 12<br>£m | Reserves                        | 31 Mar 13<br>£m |
|-----------------|---------------------------------|-----------------|
| (14.036)        | <b>Balance at 1 April 2011</b>  | (15.113)        |
| (0.995)         | Contribution from revenue       | (0.553)         |
| (0.082)         | Interest on balances            | (0.115)         |
| <b>(15.113)</b> | <b>Balance at 31 March 2012</b> | <b>(15.781)</b> |

Total insurance fund balance is £22.023m, (£22.962m at 31 March 2012).

### 29. OTHER NON-CURRENT LIABILITIES

| 31 Mar 2012<br>£m |                                      | 31 Mar 2013<br>£m |
|-------------------|--------------------------------------|-------------------|
| (494.764)         | Pensions Liability - LGPS            | (629.619)         |
| (62.883)          | Pensions Liability - Teachers        | (69.791)          |
| (23.310)          | PFI Phase 1                          | (22.477)          |
| (27.495)          | PFI Phase 2                          | (26.702)          |
| (33.338)          | PFI - BSF                            | (32.702)          |
| (3.190)           | Finance Lease - Joint Service Centre | (3.167)           |
| (1.896)           | Finance Lease - Other Leases         | (1.803)           |
| <b>(646.876)</b>  | <b>Balance at 31 March</b>           | <b>(786.261)</b>  |

Further information about the pension liabilities can be found in Notes 53 and 54. Further information about the PFI schemes can be found in Note 52. Further information about leases can be found in Note 51.

### 30. USABLE RESERVES

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

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

Details of the Council's usable reserves can be found in the Movement in Reserves Statements and Notes 13 and 31.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 31. TRANSFERS TO / FROM EARMARKED RESERVES

| Reserve                                  | 31 Mar   | Transfers |       | 31 Mar   | Transfers |        | 31 Mar   |
|--|----------|-----------|-------|----------|-----------|--------|----------|
|  | 2011     | In        | Out   | 2012     | In        | Out    | 2013     |
|  | £m       | £m        | £m    | £m       | £m        | £m     | £m       |
| <b>Environmental Services</b>            |          |           |       |          |           |        |          |
| Other Env' Reserves                      | (4.211)  | (0.362)   | 1.211 | (3.362)  | (0.563)   | 0.647  | (3.278)  |
| Waste Royalties                          | (2.088)  | 0.000     | 0.000 | (2.088)  | 0.000     | 0.000  | (2.088)  |
| Road Safety                              | 0.000    | 0.000     | 0.000 | 0.000    | (1.900)   | 0.000  | (1.900)  |
| Other Env' Grants                        | (2.043)  | 0.000     | 0.103 | (1.940)  | 0.000     | 0.113  | (1.827)  |
| Highways DLO                             | (3.563)  | 0.000     | 1.705 | (1.858)  | 0.000     | 0.076  | (1.782)  |
| IT Reserve                               | (0.118)  | 0.000     | 0.042 | (0.076)  | (1.690)   | 0.000  | (1.766)  |
| Commuted Sums                            | (0.952)  | (0.023)   | 0.000 | (0.975)  | (0.633)   | 0.000  | (1.608)  |
| Section 74 Income                        | (0.806)  | (0.137)   | 0.000 | (0.943)  | (0.213)   | 0.000  | (1.156)  |
| Landfill Allowance                       | (1.000)  | (0.003)   | 0.000 | (1.003)  | (0.001)   | 0.007  | (0.997)  |
| Highways Maintenance                     | 0.000    | 0.000     | 0.000 | 0.000    | (0.974)   | 0.000  | (0.974)  |
| <b>CORPORATE</b>                         |          |           |       |          |           |        |          |
| Insurance                                | (14.036) | (1.078)   | 0.000 | (15.114) | (0.669)   | 0.000  | (15.783) |
| Change Management                        | (3.469)  | 0.000     | 0.000 | (3.469)  | (2.000)   | 0.000  | (5.469)  |
| PFI Schools                              | (3.441)  | (0.008)   | 0.388 | (3.061)  | (0.016)   | 0.363  | (2.714)  |
| Other Corporate                          | (4.427)  | (0.015)   | 3.892 | (0.550)  | (1.571)   | 0.100  | (2.021)  |
| Capital RCCO's                           | (1.042)  | (0.120)   | 1.042 | (0.120)  | (1.290)   | 0.120  | (1.290)  |
| Early Retirement Costs                   | (1.000)  | 0.000     | 0.000 | (1.000)  | 0.000     | 0.000  | (1.000)  |
| Single Status                            | (2.392)  | (2.840)   | 0.000 | (5.232)  | 0.000     | 5.232  | 0.000    |
| <b>Cultural &amp; Community Services</b> |          |           |       |          |           |        |          |
| Other Culture Reserves                   | (0.261)  | (0.292)   | 0.021 | (0.532)  | (0.113)   | 0.012  | (0.633)  |
| Other Culture Grants                     | (0.600)  | (0.146)   | 0.098 | (0.648)  | (0.816)   | 0.177  | (1.287)  |
| <b>Children &amp; Younger Adults</b>     |          |           |       |          |           |        |          |
| Schools Balances                         | (26.628) | (8.957)   | 1.403 | (34.182) | (0.923)   | 0.714  | (34.391) |
| Dedicated Schools Grant                  | (23.202) | (10.775)  | 1.075 | (32.902) | (4.185)   | 12.150 | (24.937) |
| Other Childrens                          | (4.024)  | (6.635)   | 1.166 | (9.493)  | (6.312)   | 5.636  | (10.169) |
| Capital Maintenance                      | 0.000    | 0.000     | 0.000 | 0.000    | (2.000)   | 0.000  | (2.000)  |
| Other Childrens Grants                   | (3.916)  | 0.000     | 0.000 | (3.916)  | 0.000     | 1.950  | (1.966)  |
| Uni-Fi Initiative                        | 0.000    | 0.000     | 0.000 | 0.000    | (1.105)   | 0.000  | (1.105)  |
| MST Pilot                                | 0.000    | 0.000     | 0.000 | 0.000    | (0.900)   | 0.000  | (0.900)  |
| Surestart Grant                          | (1.710)  | 0.000     | 0.000 | (1.710)  | 0.000     | 0.851  | (0.859)  |
| Teaching Assistants                      | (3.041)  | (1.381)   | 0.136 | (4.286)  | 0.000     | 4.286  | 0.000    |

## NOTES TO THE CORE FINANCIAL STATEMENTS

| <b>Corporate Resources Department</b> |                  |                 |               |                  |                 |               |                  |
|---------------------------------------|------------------|-----------------|---------------|------------------|-----------------|---------------|------------------|
| Derbyshire Property                   | (2.053)          | (0.500)         | 0.886         | (1.667)          | (0.376)         | 0.000         | (2.043)          |
| Computer Purchasing                   | (0.931)          | (0.833)         | 0.000         | (1.764)          | (0.909)         | 0.000         | (2.673)          |
| Property DLO                          | (2.845)          | (0.466)         | 1.966         | (1.345)          | (1.863)         | 0.233         | (2.975)          |
| Other CRD Reserves                    | (1.180)          | (0.453)         | 1.141         | (0.492)          | (2.978)         | 0.393         | (3.077)          |
| <b>CHIEF EXECS</b>                    |                  |                 |               |                  |                 |               |                  |
| Regeneration Unit                     | (0.184)          | 0.000           | 0.119         | (0.065)          | (1.056)         | 0.036         | (1.085)          |
| Other Chief Execs Reserves            | (1.273)          | (0.466)         | 0.398         | (1.341)          | (1.552)         | 1.205         | (1.688)          |
| <b>Adult Care</b>                     |                  |                 |               |                  |                 |               |                  |
| Section 256                           | 0.000            | (1.000)         | 0.000         | (1.000)          | 0.000           | 0.000         | (1.000)          |
| Telecare                              | 0.000            | 0.000           | 0.000         | 0.000            | (0.060)         | 0.000         | (0.060)          |
| Other Adult Care Reserves             | (2.509)          | 0.000           | 2.509         | 0.000            | 0.000           | 0.000         | 0.000            |
| Stroke Victims/Carer                  | (0.302)          | 0.000           | 0.169         | (0.133)          | 0.000           | 0.133         | 0.000            |
| Second Homes                          | (0.180)          | (0.231)         | 0.000         | (0.411)          | 0.000           | 0.411         | 0.000            |
|                                       | <b>(119.427)</b> | <b>(36.721)</b> | <b>19.470</b> | <b>(136.678)</b> | <b>(36.668)</b> | <b>34.845</b> | <b>(138.501)</b> |

### 32. UNUSABLE RESERVES

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

Details of the movements in the Council's usable reserves can be found in the Movement in Reserves Statements and Notes 13 and 31.

### Revaluation Reserve

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

|                                       | <b>Note</b> | <b>Carrying Value<br/>£m</b> | <b>Historic Cost<br/>£m</b> | <b>Revaluation Reserve<br/>£m</b> |
|---------------------------------------|-------------|------------------------------|-----------------------------|-----------------------------------|
| PPE                                   | 14          | 1,629.937                    | 1,420.854                   | 209.083                           |
| Heritage Assets                       | 16          | 43.275                       | 5.804                       | 37.471                            |
| Assets Held for Sale                  | 21          | 1.203                        | 0.871                       | 0.332                             |
| <b>Balance on Revaluation Reserve</b> |             |                              |                             | <b>246.886</b>                    |

### Capital Adjustment Account

Note 13 provides details of the source of all the transactions posted to the account, apart from those involving the Revaluation Reserve.

### Deferred Capital Receipts Reserve

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

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## NOTES TO THE CORE FINANCIAL STATEMENTS

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expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

### **Collection Fund Adjustment Account**

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

### **Financial Instruments Adjustment Account**

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefitting from gains per statutory provisions. The Council uses the account to manage premiums paid and discounts received on early redemption of loans. Premiums are debited and discounts are credited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on Council Tax. In the Council's case the balance on the Account at 31 March 2013 will be charged to the General Fund over the next 41 years.

### **Pensions Reserve**

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

### **Accumulated Absences Account**

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



## NOTES TO THE CORE FINANCIAL STATEMENTS

### 33. CASH FLOW – INVESTING ACTIVITIES

| 2011-12<br>£m   |                                    | Note | 2012-13<br>£m   |
|-----------------|------------------------------------|------|-----------------|
| (105.116)       | Purchase of Fixed Assets           | 50   | (100.196)       |
| (166.500)       | Purchase of New Investments        | 19   | (205.152)       |
| 2.695           | Proceeds from Sale of Fixed Assets | 7    | 3.312           |
| 66.006          | Capital Grants Received            | 48   | 63.128          |
| 122.796         | Investments Redeemed               | 19   | 193.628         |
| <b>(80.119)</b> |                                    |      | <b>(45.280)</b> |

### 34. CASH FLOW – OPERATING ACTIVITIES

| 2011-12<br>£m |  | Note | 2012-13<br>£m |
|---------------|--|------|---------------|
| (623.209)     | Payments to and on behalf of employees       | 10   | (595.687)     |
| (486.799)     | Other Operating Payments                     | 10   | (460.331)     |
| 278.832       | Council Tax                                  | 9    | 280.384       |
| 157.156       | Non Domestic Rates Redistribution            | 9    | 192.882       |
| 48.577        | Revenue Support Grant                        | 9    | 3.739         |
| 561.587       | Other Revenue Grants                         | 48   | 544.152       |
| 163.836       | Other Income                                 | 10   | 112.382       |
| <b>99.980</b> | <b>Operating Costs of Providing Services</b> |      | <b>77.521</b> |
| (21.316)      | External Interest Paid                       | 39   | (20.457)      |
| (5.420)       | Interest on PFI & Finance Leases             | 39   | (6.507)       |
| 5.030         | Interest Received                            | 40   | 4.583         |
| <b>78.274</b> |  |      | <b>55.140</b> |

### 35. CASH FLOW – FINANCING ACTIVITIES

| 2011-12<br>£m |                                     | Note | 2012-13<br>£m  |
|---------------|-------------------------------------|------|----------------|
| (60.475)      | Repay Amounts Borrowed              | 19   | (70.759)       |
| (2.081)       | Principal Repayment on PFI & Leases | 51   | (4.757)        |
| 0.000         | New Long Term Loans                 | 19   | 0.000          |
| 63.857        | New Short Term Loans                | 19   | 66.991         |
| <b>1.301</b>  |                                     |      | <b>(8.525)</b> |

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

| 2011-12<br>£m    |   | Note | 2012-13<br>£m |
|------------------|---|------|---------------|
| <b>(131.338)</b> | <b>Surplus/(Deficit) on the Provision of Services</b> |      | <b>10.714</b> |
|                  | <b>Non Cash Transactions:</b>                         |      |               |
| 44.739           | Depreciation  | 14   | 42.180        |
| 19.215           | Impairment  | 14   | 7.992         |
| 1.159            | Adjustments for IAS19                                 | 54   | 13.923        |
| (0.345)          | Adjustment for Collection Fund                        |      | (0.199)       |
| 38.149           | Movement in Revenue Debtors                           |      | 4.151         |
| (22.709)         | Movement in Revenue Creditors                         |      | 1.975         |
| (0.917)          | Movement in Inventories                               | 22   | 0.366         |
| 7.097            | Movement in Provisions                                | 28   | 1.306         |
| <b>86.388</b>    | <b>Total Non Cash Transactions</b>                    |      | <b>71.693</b> |
|                  | <b>Items Classified Elsewhere</b>                     |      |               |
| 157.569          | Net charge for disposal of fixed assets               | 7    | 25.234        |
| 32.173           | REFCUS  | 50   | 13.308        |
| (66.518)         | Capital Grants  | 48   | (65.809)      |
| <b>78.274</b>    |   |      | <b>55.140</b> |

### 37. MOVEMENT IN CASH RECONCILED TO THE MOVEMENT IN NET DEBT

|                                 | 2010-11<br>£'m   | 2011-12<br>£'m   | Movement<br>£'m |
|---------------------------------|------------------|------------------|-----------------|
| Current Investments             | 134.094          | 193.628          | <b>59.534</b>   |
| Cash and Cash Equivalents       | 106.690          | 106.147          | <b>(0.543)</b>  |
| Current Borrowing               | (24.110)         | (21.150)         | <b>2.960</b>    |
| Non Current Borrowing           | (388.113)        | (384.495)        | <b>3.618</b>    |
| PFI & Finance Lease Liabilities | (93.533)         | (91.453)         | <b>2.080</b>    |
|                                 | <b>(264.972)</b> | <b>(197.323)</b> | <b>67.649</b>   |

|                                 | 2011-12<br>£'m   | 2012-13<br>£'m   | Movement<br>£'m |
|---------------------------------|------------------|------------------|-----------------|
| Current Investments             | 193.628          | 205.152          | <b>11.524</b>   |
| Cash and Cash Equivalents       | 106.147          | 107.483          | <b>1.336</b>    |
| Current Borrowing               | (21.150)         | (39.465)         | <b>(18.315)</b> |
| Non Current Borrowing           | (384.495)        | (369.412)        | <b>15.083</b>   |
| PFI & Finance Lease Liabilities | (91.453)         | (86.851)         | <b>4.602</b>    |
|                                 | <b>(197.323)</b> | <b>(183.093)</b> | <b>14.230</b>   |

## NOTES TO THE CORE FINANCIAL STATEMENTS

Reconciliation between the cash movement and the movement in net debt for 2012-13 and 2011-12:

| 2011-12<br>£'m |   |           | 2012-13<br>£'m |
|----------------|---|-----------|----------------|
| <b>(0.543)</b> | <b>Decrease/(Increase) in Cash &amp; Cash Equivalents</b> |           | <b>1.336</b>   |
| (120.030)      | Investments repaid (and accrued interest)                 | 19        | (193.628)      |
| 166.500        | New investments (and accrued interest)                    | 19        | 205.152        |
| (66.653)       | Loans Raised (and interest accrued)                       | 19        | (66.991)       |
| 73.231         | Loans Repaid (includes accrued interest)                  | 19        | 63.759         |
| 2.080          | Payment of PFI & Lease Principal                          | 51/<br>52 | 4.602          |
| 13.064         | Maturity of Investments                                   | 19        | 0.000          |
| <b>67.649</b>  |   |           | <b>14.230</b>  |

### 38. TRADING OPERATIONS

The Council has a number of industrial estates and other trading functions that operate in a commercial environment. Trading operations form part of the Other Operating Income and Expenditure on the Comprehensive Income and Expenditure Statement, full details of which are in Note 7.

| 2011-12<br>£m  |                        | 2012-13<br>£m  |
|----------------|------------------------|----------------|
| 0.267          | Gross Expenditure      | 1.361          |
| (1.416)        | Rental Income Received | (1.894)        |
| <b>(1.149)</b> |                        | <b>(0.533)</b> |

### 39. INTEREST PAYABLE

| 2011-12<br>£m |   | 2012-13<br>£m |
|---------------|---|---------------|
| 20.610        | Interest Payable on Capital Borrowing   | 19.710        |
| 6.036         | Interest Payable on PFI                 | 5.901         |
| 0.615         | Interest Payable on Finance Leases      | 0.606         |
| 0.160         | Interest Payable on Transferred Debt    | 0.144         |
| 0.073         | Interest Payable on Temporary Borrowing | 0.066         |
| 0.025         | Interest Payable on Contractor Deposits | 0.032         |
| 0.007         | Interest Payable to Trust Funds         | 0.007         |
| 0.002         | Interest Payable to Pension Fund        | 0.001         |
| 0.036         | Interest Payable on Other Items         | 0.026         |
| <b>27.564</b> |   | <b>26.493</b> |

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 40. INTEREST RECEIVABLE

| 2011-12<br>£m  |   | 2012-13<br>£m  |
|----------------|---|----------------|
| (3.209)        | Interest Receivable on Investments          | (2.671)        |
| (1.902)        | Interest Receivable on Transferred Debt     | (1.826)        |
| 0.135          | Interest Receivable on Finance Leases       | (0.024)        |
| (0.019)        | Interest Receivable on Cash & Bank Balances | (0.013)        |
| (0.023)        | Interest Receivable on Car Loans            | (0.012)        |
| (0.002)        | Interest Receivable on Customer Invoices    | (0.006)        |
| <b>(5.020)</b> |   | <b>(4.552)</b> |

### 41. LEVIES AND PRECEPTS

| 2011-12<br>£m |                                    | 2012-13<br>£m |
|---------------|------------------------------------|---------------|
|               | Precepts to the Environment Agency |               |
| 0.175         | Severn Trent Region                | 0.175         |
| 0.034         | North West Region                  | 0.034         |
| 0.063         | Yorkshire Region                   | 0.074         |
| 0.002         | Financial Reporting Council Levy   | 0.002         |
| <b>0.274</b>  |                                    | <b>0.285</b>  |

### 42. MEMBERS' ALLOWANCES

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

| 2011-12<br>£m |            | 2012-13<br>£m |
|---------------|------------|---------------|
| 0.958         | Allowances | 0.953         |
| 0.082         | Expenses   | 0.062         |
| <b>1.040</b>  |            | <b>1.015</b>  |

### 43. EXTERNAL AUDIT COSTS

| 2011-12<br>£m |                               | 2012-13<br>£m |
|---------------|-------------------------------|---------------|
| 0.248         | External Audit Fees           | 0.167         |
| 0.000         | Audit Commission Rebate       | (0.018)       |
| 0.012         | Certification of Grant Claims | 0.011         |
| <b>0.260</b>  |                               | <b>0.160</b>  |

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 44. OFFICERS' REMUNERATION

Remuneration paid to the Council's senior officers during the year is as follows:

| Salary<br>£ | Benefits<br>£ | Employers Pension<br>Contributions<br>£ | Total Remuneration<br>2011-12<br>£ |   | Salary<br>£ | Employers Pension<br>Contributions<br>£ | Total Remuneration<br>2012-13<br>£ |
|-------------|---------------|---|------------------------------------|---|-------------|---|------------------------------------|
| 151,056     | 92            | 27,598                                  | <b>178,746</b>                     | Chief Executive<br>(Mr Nick Hodgson)  | 151,056     | 2,322                                   | <b>153,378</b>                     |
| 118,895     | 91            | 21,722                                  | <b>140,708</b>                     | Strategic Director of<br>Environmental Services                             | 118,895     | 21,936                                  | <b>140,831</b>                     |
| 97,101      | 70            | 17,740                                  | <b>114,911</b>                     | Strategic Director of<br>Children & Younger Adults                          | 109,373     | 20,179                                  | <b>129,552</b>                     |
| 118,895     | 80            | 21,722                                  | <b>140,697</b>                     | Strategic Director of Adult<br>Care   | 118,895     | 5,484                                   | <b>124,379</b>                     |
| 96,474      | 11            | 17,626                                  | <b>114,111</b>                     | Deputy Chief Executive &<br>Strategic Director Policy &<br>Community Safety | 102,674     | 18,943                                  | <b>121,617</b>                     |
| 96,474      | 11            | 17,626                                  | <b>114,111</b>                     | Strategic Director Cultural &<br>Community Services                         | 96,474      | 17,799                                  | <b>114,273</b>                     |
| 91,381      | 0             | 16,695                                  | <b>108,076</b>                     | Director of Property  | 91,381      | 16,860                                  | <b>108,241</b>                     |
| 89,304      | 17            | 16,316                                  | <b>105,637</b>                     | Director of Transformation  | 91,381      | 16,860                                  | <b>108,241</b>                     |
| 91,381      | 0             | 16,695                                  | <b>108,076</b>                     | Director of Human<br>Resources  | 91,381      | 16,860                                  | <b>108,241</b>                     |
| 84,865      | 9             | 15,505                                  | <b>100,379</b>                     | Director of Legal Services  | 86,942      | 16,041                                  | <b>102,983</b>                     |
| 83,246      | 0             | 15,209                                  | <b>98,455</b>                      | Director of Finance   | 85,323      | 15,742                                  | <b>101,065</b>                     |
| 77,941      | 6             | 15,830                                  | <b>93,777</b>                      | Head of Chief Executive<br>Office   | 79,754      | 14,715                                  | <b>94,469</b>                      |
| 91,381      | 39            | 16,695                                  | <b>108,115</b>                     | Director of Communications<br>& Access to Services*                         | 71,305      | 13,156                                  | <b>84,461</b>                      |
| 0           | 0             | 0                                       | <b>0</b>                           | Director of Communications<br>& Access to Services*                         | 10,384      | 1,916                                   | <b>12,300</b>                      |

\*The Director of Communications & Access to Services took part time retirement in July 2012 and currently works 3 days per week. The Assistant Director of Communications has been recruited as the Director of Communications & Access to Services for the other

## NOTES TO THE CORE FINANCIAL STATEMENTS

2 days per week. The costs represented above relate to those 2 days. The Officer is also represented in the following table of staff paid over £50k per annum however this is in relation to the role of Assistant Director which is paid for the other 3 days per week.

No bonuses, expense allowances or compensation for loss of office were paid to Senior Officers during either 2011-12 or 2012-13. The benefits in 2011-12 relate to the profit element (5p per mile) of travel expenses which are no longer claimable.

The Council's other employees earning above £50k during the year were paid the following amounts:

| 2011-12         |            |            | Remuneration Between: | 2012-13         |            |            |
|-----------------|------------|------------|-----------------------|-----------------|------------|------------|
| No of Employees |            |            |                       | No of Employees |            |            |
| Teachers        | Other      | Total      |                       | Teachers        | Other      | Total      |
| 172             | 76         | 248        | £50,000 and £54,999   | 71              | 82         | 153        |
| 114             | 30         | 144        | £55,000 and £59,999   | 156             | 28         | 184        |
| 52              | 8          | 60         | £60,000 and £64,999   | 76              | 11         | 87         |
| 21              | 10         | 31         | £65,000 and £69,999   | 38              | 6          | 44         |
| 9               | 1          | 10         | £70,000 and £74,999   | 19              | 0          | 19         |
| 5               | 9          | 14         | £75,000 and £79,999   | 7               | 6          | 13         |
| 5               | 2          | 7          | £80,000 and £84,999   | 8               | 0          | 8          |
| 5               | 1          | 6          | £85,000 and £89,999   | 7               | 2          | 9          |
| 3               | 0          | 3          | £90,000 and £94,999   | 2               | 0          | 2          |
| 0               | 0          | 0          | £95,000 and £99,999   | 1               | 0          | 1          |
| 1               | 0          | 1          | £100,000 and £104,999 | 2               | 0          | 2          |
| <b>387</b>      | <b>137</b> | <b>524</b> |                       | <b>387</b>      | <b>135</b> | <b>522</b> |

### 45. TERMINATION BENEFITS

The Council has terminated the contracts of a number of employees in 2012-13, incurring liabilities of £1.285m. In 2011-12 the figure was £1.386m. These are split by banding below:

|           | Number of compulsory redundancies |                | Number of other agreed departures |                | Total number of exit packages by cost band |                | Total cost of exit packages in each band |              |
|-----------|-----------------------------------|----------------|-----------------------------------|----------------|--|----------------|--|--------------|
|           | 2011-12 actual                    | 2012-13 actual | 2011-12 actual                    | 2012-13 actual | 2011-12 actual                             | 2012-13 actual | 2011-12 £m                               | 2012-13 £m   |
| £0-£20k   | 164                               | 61             | 86                                | 101            | 250  | 162            | 0.743                                    | 0.874        |
| £20k-£40k | 0                                 | 3              | 22                                | 11             | 22   | 14             | 0.550                                    | 0.368        |
| £40k-£60k | 1                                 | 0              | 1                                 | 1              | 2  | 1              | 0.093                                    | 0.043        |
|           | <b>165</b>                        | <b>64</b>      | <b>109</b>                        | <b>113</b>     | <b>274</b>                                 | <b>177</b>     | <b>1.386</b>                             | <b>1.285</b> |

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 46. POOLED BUDGETS

The Council administers two pooled budget arrangements as follows;

#### **Integrated Community Equipment Service with Derbyshire PCT**

The service is being provided by Medequip Assistive Technology Ltd. The agreement is in place until 31 March 2015, with the partners contributing funds equal to 45% and 55% of the budget respectively. The same proportions are used to meet any deficit or share any surplus at the end of each financial year.

| 31 Mar 2012<br>Restated<br>£m |  | 31 Mar 2013<br>£m |
|-------------------------------|--|-------------------|
|                               | <b>Funding provided to the pooled budget:</b>    |                   |
| (1.899)                       | The Authority                                    | (1.878)           |
| (2.321)                       | The Health Trust                                 | (2.296)           |
|                               | <b>Expenditure met by the pooled budget</b>      |                   |
| 2.029                         | The Authority                                    | 2.244             |
| 2.479                         | The Health Trust                                 | 2.743             |
| <b>0.288</b>                  | <b>(Surplus) / Deficit</b>                       | <b>0.813</b>      |
| 0.130                         | The Authorities share of the (Surplus) / Deficit | 0.366             |

#### **Children with complex needs with Derbyshire PCT**

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

| 31 Mar 2012<br>Restated<br>£m |  | 31 Mar 2013<br>£m |
|-------------------------------|--|-------------------|
|                               | <b>Funding provided to the pooled budget:</b>    |                   |
| (4.039)                       | The Authority                                    | (3.471)           |
| (1.989)                       | The Health Trust                                 | (1.716)           |
|                               | <b>Expenditure met by the pooled budget</b>      |                   |
| 3.448                         | The Authority                                    | 3.239             |
| 1.698                         | The Health Trust                                 | 1.596             |
| <b>(0.882)</b>                | <b>(Surplus) / Deficit</b>                       | <b>(0.352)</b>    |
| (0.593)                       | The Authorities share of the (Surplus) / Deficit | (0.236)           |

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 47. 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).

|   | 2012-13       |                | Total<br>£m    |
|---|---------------|----------------|----------------|
|   | Central<br>£m | Schools<br>£m  |                |
| Final DSG for 2012-13 before Academy Recoupment   |               |                | 490.900        |
| Academy figure recouped for 2012-13   |               |                | 60.490         |
| <b>Total DSG after Academy recoupment for 2012-13</b>   |               |                | <b>430.410</b> |
| Brought Forward from 2011-12  |               |                | 30.826         |
| Carry forward to 2013-14 agreed in advance  |               |                | (18.676)       |
| <b>Agreed initial budgeted distribution in 2012-13</b>  | <b>66.421</b> | <b>376.139</b> | <b>442.560</b> |
| In year adjustments   | 0.000         | 0.000          | 0.000          |
| <b>Final budgeted distribution for 2012-13</b>  | <b>66.421</b> | <b>376.139</b> | <b>442.560</b> |
| Less Actual Central expenditure   | 65.460        |                | 65.460         |
| Less Actual spend against unallocated ISB   |               | 0.126          | 0.126          |
| Less Actual ISB deployed to Private, Voluntary and Independent Settings for Nursery Education |               | 11.663         | 11.663         |
| Less Actual ISB deployed to schools   |               | 361.252        | 361.252        |
| Plus local authority contribution for 2012-13   | 0.000         | 0.000          | 0.000          |
| <b>Carry-forward to 2013-14</b>   | <b>0.961</b>  | <b>3.098</b>   | <b>4.059</b>   |

### 48. GRANT INCOME

| Capital Grants  | Cash<br>Rcd<br>£m | Prev Yr<br>Reversal |              | New<br>Accrual |              | Income<br>in<br>Ledger<br>£m |
|---|-------------------|---------------------|--------------|----------------|--------------|------------------------------|
|   |                   | IIA<br>£m           | Dr<br>£m     | IIA<br>£m      | Dr<br>£m     |                              |
| Highways Capital Maintenance DFT                      | 14.999            | 0.000               | 0.000        | 0.000          | 0.000        | 14.999                       |
| Capital Maintenance Grant EFA                         | 13.131            | 0.000               | 0.000        | 0.000          | 0.000        | 13.131                       |
| Building Schools for the Future DFE                   | 12.347            | 0.000               | 0.000        | 0.000          | 0.000        | 12.347                       |
| Basic Need Grant EFA                                  | 4.848             | 0.000               | 0.000        | 0.000          | 0.000        | 4.848                        |
| Integrated Transport DFT                              | 4.824             | 0.000               | 0.000        | 0.000          | 0.000        | 4.824                        |
| Devolved Formula Capital DFE                          | 2.560             | 0.000               | 0.000        | 0.000          | 0.000        | 2.560                        |
| DECC - Green Deal DECC                                | 2.268             | 0.000               | 0.000        | 0.000          | 0.000        | 2.268                        |
| Land Reclamation                                      | (0.257)           | 0.000               | 0.000        | 0.000          | 2.330        | 2.073                        |
| Lottery Fund Buxton Crescent Lottery                  | 2.031             | 0.000               | 0.000        | 0.000          | 0.000        | 2.031                        |
| Adults' Personal Social Services<br>Capital Grant DOH | 1.957             | 0.000               | 0.000        | 0.000          | 0.000        | 1.957                        |
| EFA - 2 Yr Old Entitlement EFA                        | 1.037             | 0.000               | 0.000        | 0.000          | 0.000        | 1.037                        |
| Other Capital Grants Various                          | 3.383             | 0.000               | 0.000        | 0.000          | 0.351        | 3.734                        |
|   | <b>63.128</b>     | <b>0.000</b>        | <b>0.000</b> | <b>0.000</b>   | <b>2.681</b> | <b>65.809</b>                |

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

Dr = Income due this year but not yet received.



## NOTES TO THE CORE FINANCIAL STATEMENTS

| Revenue Grants                       | Cash Rcd<br>£m | Prev Yr      |                | New            |              | Income in<br>£m |
|--------------------------------------|----------------|--------------|----------------|----------------|--------------|-----------------|
|                                      |                | IIA<br>£m    | Dr<br>£m       | IIA<br>£m      | Dr<br>£m     |                 |
| Dedicated Schools Grant (DSG) DfE    | 430.410        | 0.000        | 0.000          | 0.000          | 0.000        | 430.410         |
| Sixth Form / 16-19 bursary DfE       | 21.231         | 0.000        | 0.000          | (0.012)        | 0.000        | 21.219          |
| Pupil Premium Grant DfE              | 12.061         | 0.030        | 0.000          | (0.024)        | 0.000        | 12.067          |
| Private Finance Initiative DCLG      | 10.504         | 0.000        | 0.000          | 0.000          | 0.000        | 10.504          |
| Adult and Community Learning DfE     | 7.020          | 0.393        | 0.000          | (0.186)        | 0.000        | 7.227           |
| Troubled Families Initiative DCLG    | 1.264          | 0.000        | 0.000          | 0.000          | 0.000        | 1.264           |
| Debyshire Sport Various              | 0.332          | 0.776        | 0.000          | 0.000          | 0.000        | 1.108           |
| Other grants Various                 | 5.657          | 1.084        | (1.046)        | (1.067)        | 0.167        | 4.795           |
| Youth Justice effective practise MOJ | 1.036          | 0.000        | 0.000          | 0.000          | 0.000        | 1.036           |
| <b>Total Departmental</b>            | <b>489.515</b> | <b>2.283</b> | <b>(1.046)</b> | <b>(1.289)</b> | <b>0.167</b> | <b>489.630</b>  |
| Council Tax Freeze Grant             | 6.995          | 0.000        | 0.000          | 0.000          | 0.000        | 6.995           |
| New Homes Bonus                      | 0.840          | 0.000        | 0.000          | 0.000          | 0.000        | 0.840           |
| Local Services Support Grant         | 2.287          | 0.000        | 0.000          | 0.000          | 0.000        | 2.287           |
| LACSEG                               | 0.568          | 0.000        | 0.000          | 0.000          | 1.633        | 2.201           |
| Early Intervention                   | 29.809         | 0.000        | 0.000          | 0.000          | 0.000        | 29.809          |
| Health Reform                        | 14.138         | 0.000        | 0.000          | 0.000          | 0.000        | 14.138          |
| <b>Total Corporate Income</b>        | <b>54.637</b>  | <b>0.000</b> | <b>0.000</b>   | <b>0.000</b>   | <b>1.633</b> | <b>56.270</b>   |
| <b>Total Grants</b>                  | <b>544.152</b> | <b>2.283</b> | <b>(1.046)</b> | <b>(1.289)</b> | <b>1.800</b> | <b>545.900</b>  |

Other Revenue Grants recognised in the cash flow statement are £544.152m. Grants recognised by departments as part of their outturn as per the segmental reporting note are £489.630m.

### 49. TRUST FUNDS

Trust funds are made up of donations or bequests made to the Council. These funds are not part of the Council's Accounts.

| 2011-12<br>Total<br>£m |  | 2012-13           |                   | Total<br>£m  |
|------------------------|--|-------------------|-------------------|--------------|
|                        |  | Trust Funds<br>£m | Other Funds<br>£m |              |
| 4.237                  | Opening Balance  | 1.218             | 3.805             | 5.023        |
| 3.751                  | Add Income   | 0.104             | 0.298             | 0.402        |
| (2.966)                | Less Expenditure   | (0.006)           | (0.141)           | (0.147)      |
| <b>5.022</b>           | <b>Closing Balance</b>   | <b>1.316</b>      | <b>3.962</b>      | <b>5.278</b> |
|                        | <b>The funds are represented by:</b>                                 |                   |                   |              |
| 0.058                  | Investments  | 0.062             | 0.001             | 0.063        |
| 0.097                  | Building Society Deposits  | 0.000             | 0.092             | 0.092        |
| 4.867                  | Cash & temporary loans   | 1.254             | 3.869             | 5.123        |
| <b>5.022</b>           | <b>Total Assets</b>  | <b>1.316</b>      | <b>3.962</b>      | <b>5.278</b> |
| 0.005                  | Increase in unrealised profit on investments included in expenditure | 0.018             | 0.000             | 0.018        |
| 85                     | No of Funds (actual not £m)  | 56                | 22                | 78           |

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 50. CAPITAL EXPENDITURE AND CAPITAL FINANCING

| 2011-12<br>£m  |   | 2012-13<br>£m |
|----------------|---|---------------|
|                | <b>Capital Expenditure:</b>             |               |
| 31.313         | Schools                                 | 42.036        |
| 2.160          | Other Childrens Spend                   | 0.185         |
| 24.305         | Highways, Roads and related             | 21.350        |
| 0.971          | Purchase of Vehicles                    | 0.178         |
| 2.299          | Countryside                             | 1.000         |
| 4.330          | Other Environmental Spend               | 4.433         |
| 1.299          | Cultural and Community Services         | 4.125         |
| 4.778          | Adult Care                              | 4.774         |
| 0.659          | Software                                | 0.061         |
| 0.359          | Other Corporate Spend                   | 3.559         |
| <b>72.473</b>  | <b>Total Capital Additions</b>          | <b>81.701</b> |
| 0.000          | Local Authority Mortgage Scheme         | 1.750         |
|                | Revenue Expenditure Funded from Capital |               |
| 32.173         | Under Statute                           | 13.308        |
| <b>104.646</b> | <b>Total Capital Expenditure</b>        | <b>96.759</b> |
|                | <b>Capital Financing</b>                |               |
| 10.113         | Loans                                   | 5.506         |
| 10.579         | Revenue Contributions                   | 17.925        |
| 1.720          | Capital Receipts                        | 9.510         |
| 82.234         | Grants and Contributions                | 63.819        |
| <b>104.646</b> | <b>Total Capital Financing</b>          | <b>96.759</b> |

### 51. LEASE TYPE ARRANGEMENTS

#### FINANCE LEASES – COUNCIL AS LESSEE

The Council has a number of property assets that were acquired under finance leases. All assets are carried as Property, Plant and Equipment on the Balance Sheet. Note 14 shows the net value of assets held under Finance Leases.

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

| 2011-12<br>£m |              |               |                          | 2012-13<br>£m |              |               |
|---------------|--------------|---------------|--------------------------|---------------|--------------|---------------|
| Interest      | Liability    | MLP           |                          | Interest      | Liability    | MLP           |
| 0.607         | 0.107        | 0.714         | <b>Within 1 year</b>     | 0.597         | 0.116        | 0.713         |
| 2.326         | 0.521        | 2.847         | Within 2 to 5 years      | 2.281         | 0.565        | 2.846         |
| 7.213         | 4.565        | 11.778        | More than 5 years        | 6.662         | 4.405        | 11.067        |
| <b>9.539</b>  | <b>5.086</b> | <b>14.625</b> | <b>Total Non-Current</b> | <b>8.943</b>  | <b>4.970</b> | <b>13.913</b> |
| <b>10.146</b> | <b>5.193</b> | <b>15.339</b> |                          | <b>9.540</b>  | <b>5.086</b> | <b>14.626</b> |

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

- First Service Company Ltd commenced 2010-11 for 5 years at £0.035m per year.
- SN Pre School commenced in 2010-11 for 5 years at £0.015m per year.
- Derbyshire Police commenced in 2010-11 for 5 years at £0.008m per year.
- SN Parish Council commenced in 2010-11 for 25 years at £0.004m per year.
- Bolsover District Council commenced 2011-12 for 25 years at £0.021m per year.
- Limes Medical Centre commenced in 2011-12 for 25 years at £0.048m per year.
- DCHS (PCT) commenced in 2011-12 for 25 years at £0.093m per year.
- Horizons (DHNHSFT) commenced in 2011-12 for 3 years at £0.015m per year.

### OPERATING LEASES – COUNCIL AS LESSEE

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

- 46 as part of the delivery of education locally (45 in 2011-12);
- 10 local libraries (9 in 2011-12);
- 6 for Youth Information and Clubs (5 in 2011-12);
- 29 for Community and Environmental purposes (26 in 2011-12);
- 25 for miscellaneous use including office accommodation (16 in 2011-12).

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

- 4 Gritters (12 in 2011-12)
- 3 Fire service vehicles (9 in 2011-12)
- 3 Mobile Libraries (4 in 2011-12)
- 4 Other vehicles including vans (8 in 2011-12)
- 6 Miscellaneous including trailers and platforms (7 in 2011-12)

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

| 2011-12<br>£m |              |              |                     | 2012-13<br>£m |              |              |
|---------------|--------------|--------------|---------------------|---------------|--------------|--------------|
| PPE           | PVE          | Total        |                     | PPE           | PVE          | Total        |
| 0.399         | 0.050        | 0.449        | Within 1 year       | 0.503         | 0.032        | 0.535        |
| 1.154         | 0.043        | 1.197        | Within 2 to 5 years | 3.498         | 0.019        | 3.517        |
| 0.107         | 0.000        | 0.107        | More than 5 years   | 0.253         | 0.000        | 0.253        |
| <b>1.660</b>  | <b>0.093</b> | <b>1.753</b> |                     | <b>4.254</b>  | <b>0.051</b> | <b>4.305</b> |

No operational leased buildings are sub-let. Some water ladders and other fire vehicles were acquired by the Council entering into an operating lease. These assets are sub-let

## NOTES TO THE CORE FINANCIAL STATEMENTS

to Derbyshire Fire and Rescue Service. The rental expenditure that was charged to the Net Cost of Services in relation to these assets was:

| 2011-12<br>£m |                       | 2012-13<br>£m |
|---------------|-----------------------|---------------|
| 0.186         | Minimum Lease Payment | 0.146         |
| (0.161)       | Less sublease income  | (0.096)       |
| <b>0.025</b>  |                       | <b>0.050</b>  |

### FINANCE LEASES – COUNCIL AS LESSOR

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

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

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

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

The vehicles leased out are 53 Vans, 14 Cars, 9 Other vehicles including minibuses and 8 Miscellaneous. There has been no change since 2011-12.

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

| 2011-12<br>£m             |                        |                               | 2012-13<br>£m             |                        |
|---------------------------|------------------------|-------------------------------|---------------------------|------------------------|
| Gross Investment in Lease | Minimum Lease Payments |                               | Gross Investment in Lease | Minimum Lease Payments |
| 0.263                     | 0.135                  | Within 1 year                 | 0.155                     | 0.117                  |
| 0.406                     | 0.336                  | Within 2 to 5 years           | 0.279                     | 0.219                  |
| 0.000                     | 0.000                  | More than 5 years             | 0.000                     | 0.000                  |
| 0.050                     | 0.050                  | Unearned finance income       | 0.030                     | 0.030                  |
| <b>0.719</b>              |                        | <b>Gross investment</b>       | <b>0.464</b>              |                        |
| ( 0.198)                  |                        | Unguaranteed residual value   | ( 0.098)                  |                        |
| <b>0.521</b>              | <b>0.521</b>           | <b>Minimum Lease Payments</b> | <b>0.366</b>              | <b>0.366</b>           |

The unguaranteed residual value of the asset relates to the estimated value of the vehicles at the end of the lease (i.e. an estimated sale value). The Council has no provisions for unrealised finance lease investments. The minimum lease payments do not contain rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### OPERATING LEASE – COUNCIL AS LESSOR

The Council has a number of properties and vehicles leased out under operating leases, the future minimum lease payments receivable under non-cancellable leases in future years are:

| 2011-12<br>£m |                 |              |                                   | 2012-13<br>£m |                 |              |
|---------------|-----------------|--------------|-----------------------------------|---------------|-----------------|--------------|
| Vehicles      | Land & Building | Total        |                                   | Vehicles      | Land & Building | Total        |
| 0.091         | 0.810           | 0.901        | Payment due in less than 1 year   | 0.038         | 0.723           | 0.761        |
| 0.046         | 2.302           | 2.348        | Payment due in one to five years  | 0.026         | 1.996           | 2.023        |
| 0.000         | 0.652           | 0.652        | Payment due later than five years | 0.000         | 0.526           | 0.526        |
| <b>0.137</b>  | <b>3.764</b>    | <b>3.901</b> |                                   | <b>0.065</b>  | <b>3.245</b>    | <b>3.310</b> |

The minimum lease payments do not contain rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. During the year approximately £0.086m was received as contingent rents.

### 52. PRIVATE FINANCE INITIATIVE (PFI) AND SIMILAR CONTRACTS

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

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

All of the PFI schools, excluding Long Eaton, will be handed back to the Council when the relevant contract expires. In the case of the Phase 1 schools this will be on 28 April 2029, for the Phase 2 schools it will be 12 February 2032 and for the BSF schools on 31 October 2035. Long Eaton will become a separate entity on 12 February 2032.

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Payments

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

|  | 2011-12    |            |           | 2012-13    |            |           |
|--|------------|------------|-----------|------------|------------|-----------|
|  | Ph 1<br>£m | Ph 2<br>£m | BSF<br>£m | Ph 1<br>£m | Ph 2<br>£m | BSF<br>£m |
| <b>Within one year:</b>                |            |            |           |            |            |           |
| Service charge                         | 1.922      | 2.191      | 2.364     | 1.960      | 2.233      | 2.442     |
| Interest element                       | 1.676      | 1.802      | 2.423     | 1.621      | 1.755      | 2.380     |
| Repayment of liability                 | 0.778      | 0.745      | 0.593     | 0.833      | 0.793      | 0.636     |
| <b>Within two to five years:</b>       |            |            |           |            |            |           |
| Service charge                         | 7.686      | 8.765      | 9.457     | 7.839      | 8.930      | 9.770     |
| Interest element                       | 6.122      | 6.703      | 9.236     | 5.865      | 6.480      | 9.034     |
| Repayment of liability                 | 3.694      | 3.487      | 2.828     | 3.951      | 3.710      | 3.030     |
| <b>Within six to ten years:</b>        |            |            |           |            |            |           |
| Service charge                         | 9.608      | 10.956     | 11.821    | 9.798      | 11.163     | 12.212    |
| Interest element                       | 6.010      | 6.971      | 10.250    | 5.574      | 6.603      | 9.905     |
| Repayment of liability                 | 6.260      | 5.766      | 4.830     | 6.696      | 6.134      | 5.174     |
| <b>Within eleven to fifteen years:</b> |            |            |           |            |            |           |
| Service charge                         | 9.608      | 10.956     | 11.821    | 9.798      | 11.163     | 12.212    |
| Interest element                       | 3.508      | 4.880      | 8.261     | 2.898      | 4.379      | 7.774     |
| Repayment of liability                 | 8.762      | 7.857      | 6.818     | 9.372      | 8.358      | 7.305     |
| <b>Within sixteen to twenty years:</b> |            |            |           |            |            |           |
| Service charge                         | 4.002      | 10.697     | 11.821    | 2.121      | 8.666      | 12.212    |
| Interest element                       | 0.492      | 2.015      | 5.454     | 0.172      | 1.352      | 4.767     |
| Repayment of liability                 | 4.593      | 10.384     | 9.626     | 2.459      | 8.500      | 10.313    |
| <b>Within 21 years and beyond:</b>     |            |            |           |            |            |           |
| Service charge                         | 0.000      | 0.000      | 8.528     | 0.000      | 0.000      | 6.366     |
| Interest element                       | 0.000      | 0.000      | 1.531     | 0.000      | 0.000      | 0.871     |
| Repayment of liability                 | 0.000      | 0.000      | 9.236     | 0.000      | 0.000      | 6.880     |

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

|                             | 2011-12         |                 |                 | 2012-13         |                 |                 |
|-----------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
|                             | Ph 1<br>£m      | Ph 2<br>£m      | BSF<br>£m       | Ph 1<br>£m      | Ph 2<br>£m      | BSF<br>£m       |
| <b>Unitary Charge Paid</b>  |                 |                 |                 |                 |                 |                 |
| Delivery of services        | 2.187           | 2.313           | 2.435           | 2.389           | 2.097           | 2.546           |
| Interest Payment            | 1.726           | 1.847           | 2.462           | 1.676           | 1.802           | 2.423           |
| Reduction to Liability      | 0.728           | 0.700           | 0.554           | 0.778           | 0.745           | 0.593           |
| <b>Unitary Charge Paid</b>  | <b>4.641</b>    | <b>4.860</b>    | <b>5.451</b>    | <b>4.843</b>    | <b>4.644</b>    | <b>5.562</b>    |
| <b>Loan Liability B Fwd</b> | (24.816)        | (28.940)        | (34.485)        | (24.088)        | (28.240)        | (33.931)        |
| Reduction to Liability      | 0.728           | 0.700           | 0.554           | 0.778           | 0.745           | 0.593           |
| <b>Loan Liability C Fwd</b> | <b>(24.088)</b> | <b>(28.240)</b> | <b>(33.931)</b> | <b>(23.310)</b> | <b>(27.495)</b> | <b>(33.338)</b> |
| Liability in Creditors      | (0.778)         | (0.745)         | (0.593)         | (0.833)         | (0.793)         | (0.636)         |
| Non Current Liabilities     | (23.310)        | (27.495)        | (33.338)        | (22.477)        | (26.702)        | (32.702)        |
| <b>Loan Liability C Fwd</b> | <b>(24.088)</b> | <b>(28.240)</b> | <b>(33.931)</b> | <b>(23.310)</b> | <b>(27.495)</b> | <b>(33.338)</b> |

### Property Plant and Equipment

The schools are recognised on the Council's Balance Sheet, except for Long Eaton School. Movements in their value over the year are detailed in the analysis of the movement on the Property, Plant and Equipment balance in Note 14.

### 53. DEFINED CONTRIBUTION PENSION SCHEME

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

The Scheme is a defined benefit scheme which is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by Local Authorities. The Council is not able to identify its share of 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 2012-13 the County Council paid £43.624m to Teachers' Pensions in respect of teachers' retirement benefits. The Employer's Contribution rate for the Teachers' Pension Scheme has been 14.1% since 1 January 2007 and remains at this rate to date.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and are detailed in Notes 53 and 54.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 54. DEFINED BENEFIT SCHEME

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

The Council participates in two post-employment schemes:

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

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

The following transactions have been made during the year:

|                                     | <b>Local Government</b> |                | <b>Teachers Pensions</b> |                |
|-------------------------------------|-------------------------|----------------|--------------------------|----------------|
|                                     | <b>2012-13</b>          | <b>2011-12</b> | <b>2012-13</b>           | <b>2011-12</b> |
|                                     | <b>£m</b>               | <b>£m</b>      | <b>£m</b>                | <b>£m</b>      |
| Net Cost of Services:               |                         |                |                          |                |
| Current Service Cost                | 45.553                  | 42.746         | 0.000                    | 0.000          |
| Past Service Costs                  | 0.264                   | 1.235          | 0.052                    | 0.632          |
| Curtailments                        | 0.576                   | 2.027          | 0.592                    | 0.643          |
| Settlements                         | (1.827)                 | (8.254)        | 0.000                    | 0.000          |
| Financing & Investment I&E          |                         |                |                          |                |
| Interest Cost                       | 80.447                  | 82.718         | 2.785                    | 3.169          |
| Expected Return on Scheme Assets    | (63.234)                | (73.313)       | 0.000                    | 0.000          |
| <b>Benefits charged to the CIES</b> | <b>61.779</b>           | <b>47.159</b>  | <b>3.429</b>             | <b>4.444</b>   |
| Actuarial gains and losses          | 119.668                 | 110.796        | 8.172                    | 2.059          |
|                                     | <b>181.447</b>          | <b>157.955</b> | <b>11.601</b>            | <b>6.503</b>   |
| Movements in Reserves Statement:    |                         |                |                          |                |
| Reversal of charges made            | (61.779)                | (47.159)       | (3.429)                  | (4.444)        |
| Employers' contributions payable    | 46.592                  | 45.831         | 4.693                    | 4.613          |

Changes to IAS19 were introduced in June 2011. They have not been applied to the accounting standards for 2012-13. Had they have been, the following transactions would have taken place:



## NOTES TO THE CORE FINANCIAL STATEMENTS

|                                     | LGPS<br>£m     | Teachers<br>£m |
|-------------------------------------|----------------|----------------|
| Current Service Cost                | 46.669         | 0.000          |
| Net Interest Cost                   | 23.056         | 2.785          |
| Administration Expenses             | 0.478          | 0.000          |
| Past Service Cost                   | 0.264          | 0.052          |
| Curtailments                        | 0.576          | 0.592          |
| Settlements                         | (1.827)        | 0.000          |
| <b>Benefits charged to the CIES</b> | <b>69.216</b>  | <b>3.429</b>   |
| Actuarial gains and losses          | 112.231        | 8.172          |
|                                     | <b>181.447</b> | <b>11.601</b>  |
| Movements in Reserves Statement:    |                |                |
| Reversal of charges made            | (69.216)       | (3.429)        |
| Employers' contributions payable    | 46.592         | 4.693          |

### Assets and Liabilities in Relation to Post-employment Benefits

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

|                                      | Funded liabilities: |                  | Unfunded liabilities: |               |
|--------------------------------------|---------------------|------------------|-----------------------|---------------|
|                                      | 2012-13<br>£m       | 2011-12<br>£m    | 2012-13<br>£m         | 2011-12<br>£m |
| <b>Opening balance at 1 April</b>    | <b>1,640.288</b>    | <b>1,511.393</b> | <b>62.883</b>         | <b>60.993</b> |
| Current service cost                 | 45.553              | 42.746           | 0.000                 | 0.000         |
| Interest cost                        | 80.447              | 82.718           | 2.785                 | 3.169         |
| Contributions by scheme participants | 14.718              | 15.213           | 0.000                 | 0.000         |
| Actuarial gains and losses           | 212.140             | 56.016           | 8.172                 | 2.059         |
| Benefits paid                        | (53.698)            | (57.354)         | (4.693)               | (4.613)       |
| Past service costs                   | 0.264               | 1.235            | 0.052                 | 0.632         |
| Curtailments                         | 0.576               | 2.027            | 0.592                 | 0.643         |
| Settlements                          | (3.515)             | (13.706)         | 0.000                 | 0.000         |
| <b>Closing balance at 31 March</b>   | <b>1,936.773</b>    | <b>1,640.288</b> | <b>69.791</b>         | <b>62.883</b> |

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

Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets. The actual return on scheme assets in the year was £155.706m (£18.534m in 2011-12).

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

|                                      | Local Government   |                    |
|--------------------------------------|--------------------|--------------------|
|                                      | 2012-13<br>£m      | 2011-12<br>£m      |
| <b>Opening balance at 1 April</b>    | <b>(1,145.524)</b> | <b>(1,128.753)</b> |
| Expected rate of return              | (63.234)           | (73.313)           |
| Actuarial gains and losses           | (92.472)           | 54.780             |
| Employer Contributions               | (46.592)           | (45.831)           |
| Contributions by scheme participants | (14.718)           | (15.213)           |
| Benefits paid                        | 53.698             | 57.354             |
| Settlements                          | 1.688              | 5.452              |
| <b>Closing balance at 31 March</b>   | <b>(1,307.154)</b> | <b>(1,145.524)</b> |

### Scheme History

|                | Present value of liabilities:            |                                 | Present Value of assets:   | Surplus/(deficit) in the Scheme:           |                                 | Total          |
|----------------|--|---------------------------------|--|--|---------------------------------|----------------|
|                | Local Government Pension Scheme<br>£'000 | Discretionary Benefits<br>£'000 | Fair value of assets in the Local Government Pension Scheme<br>£'000 | Local Government Pension's Scheme<br>£'000 | Discretionary Benefits<br>£'000 |                |
| <b>2008-09</b> | 1,104,148                                | 53,591                          | (735,403)  | 368,745                                    | 53,591                          | <b>422,336</b> |
| <b>2009-10</b> | 1,547,196                                | 63,931                          | (1,007,387)  | 539,809                                    | 63,931                          | <b>603,740</b> |
| <b>2010-11</b> | 1,511,393                                | 60,993                          | (1,128,753)  | 382,640                                    | 60,993                          | <b>443,633</b> |
| <b>2011-12</b> | 1,640,288                                | 62,883                          | (1,145,524)  | 494,764                                    | 62,883                          | <b>557,647</b> |
| <b>2012-13</b> | 1,936,773                                | 69,791                          | (1,307,154)  | 629,619                                    | 69,791                          | <b>699,410</b> |

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The total liability on the LGPS of £629.619m (£494.764m 2011-12) has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

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

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2014 is £46.120m.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependant on assumptions about mortality rates, salary levels etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Mercer Limited an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 1 April 2010.

The principal assumptions used by the Actuary have been:

|  | Local Government |         | Teachers Pensions |         |
|--|------------------|---------|-------------------|---------|
|  | 2012-13          | 2011-12 | 2012-13           | 2011-12 |
| Long-term expected rate of return on assets in the scheme:           |                  |         |                   |         |
| Equity investments   | 7.00%            | 7.00%   | -                 | -       |
| Government Bonds   | 2.80%            | 3.10%   | -                 | -       |
| Other Bonds  | 3.90%            | 4.10%   | -                 | -       |
| Property   | 5.70%            | 6.00%   | -                 | -       |
| Cash   | 0.50%            | 0.50%   | -                 | -       |
| Other  | 7.00%            | 7.00%   | -                 | -       |
| Expenses Deduction   | 0.16%            | 0.16%   | -                 | -       |
| Mortality Assumptions:   |                  |         |                   |         |
| Longevity at 65 for a current pensioners:                            |                  |         |                   |         |
| -Men   | 22.2             | 21.8    | 22.2              | 21.8    |
| -Women   | 24.8             | 24.4    | 24.8              | 24.4    |
| Longevity at 65 for a future pensioners:                             |                  |         |                   |         |
| -Men   | 24               | 23.2    | -                 | -       |
| -Women   | 26.8             | 26.0    | -                 | -       |
| Rate of inflation (CPI)  | 2.4%             | 2.5%    | 2.4%              | 2.3%    |
| Rate of increase in salaries   | 4.15%            | 4.25%   | -                 | -       |
| Rate of increase in pensions   | 2.4%             | 2.5%    | 2.4%              | 2.3%    |
| Rate of discounting in scheme liabilities                            | 4.2%             | 4.9%    | 3.7%              | 4.6%    |
| Take-up of option to convert annual pension into retirement lump sum |                  |         |                   |         |
| Maximum Cash   | 50.0%            | 50.0%   | -                 | -       |
| 3/80ths Cash   | 50.0%            | 50.0%   | -                 | -       |

The Discretionary Benefits arrangements have no assets to cover its liabilities. The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

## NOTES TO THE CORE FINANCIAL STATEMENTS

|                    | 2012-13<br>% | 2011-12<br>% |
|--------------------|--------------|--------------|
| Equity investments | 66.0         | 64.3         |
| Debt Instruments:  |              |              |
| Government Bonds   | 15.0         | 16.7         |
| Other Bonds        | 5.0          | 5.3          |
| Property           | 5.0          | 5.4          |
| Cash               | 8.0          | 7.3          |
| Other assets       | 1.0          | 1.0          |
| <b>Total</b>       | <b>100.0</b> | <b>100.0</b> |

### History of Experience Gains and Losses

The actuarial gains identified as movements on the Pension Reserve in 2012-13 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2013:

|                          |   | LGPS  |   | Teachers  |
|--------------------------|---|---|---|---|
|                          |   | Actuarial (Gain) / Loss on<br>Assets Expressed as a<br>Percentage of Total Assets | Actuarial (Gain) / Loss on<br>Liabilities Expressed as a<br>Percentage of Total Liabilities | Actuarial (Gain) / Loss on<br>Liabilities Expressed as a<br>Percentage of Total Liabilities |
| <b>2012-13</b>           | % | (7.10)  | 11.00   | 11.70   |
| <b>2011-12</b>           | % | 4.80  | 3.40  | 3.30  |
| <b>2010-11</b>           | % | (3.70)  | (3.20)  | 1.30  |
| <b>2009-10</b>           | % | (20.90)   | 23.60   | 15.30   |
| <b>2008-09</b>           | % | 29.10   | (25.70)   | (15.70)   |
| Affect of IAS19 changes: |   |   |   |   |
| <b>2012-13</b>           | % | (7.60)  | 11.00   | 11.70   |

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Forecast for next year

|  | Local Government |                | Teachers Pensions |               |
|--|------------------|----------------|-------------------|---------------|
|  | £m               | £m             | £m                | £m            |
| A - Projected service cost                 |                  |                |                   |               |
| Estimated Pay:                             | 238.932          |                | 0.000             |               |
| Service Cost (% of pay):                   | 23.7%            |                | n/a               |               |
| Implied Service Cost next year:            |                  | 56.520         |                   | 0.000         |
| B - Projected finance costs                |                  |                |                   |               |
| Interest on pension liabilities            | 81.713           |                | 2.497             |               |
| Expected return on assets                  | (71.697)         |                | 0.000             |               |
| Budgeted net finance cost/(gain) next year |                  | 10.016         |                   | 2.497         |
| C - Projected Employer contributions       |                  |                |                   |               |
| Normal contributions                       | 44.198           |                | 4.631             |               |
| £ for £ recharges                          | 1.922            |                | 0.000             |               |
| Total employer contributions next year     |                  | 46.120         |                   | 4.631         |
| D - Current deficit/(surplus)              |                  | 629.619        |                   | 69.791        |
| <b>E - Projected deficit next year</b>     |                  | <b>650.035</b> |                   | <b>67.657</b> |

Changes to IAS19 which have not been applied for 2012-13 will result in an alternative forecast position. The forecast based on the revised accounting standard is as follows:

|  | Local Government |                | Teachers Pensions |               |
|--|------------------|----------------|-------------------|---------------|
|  | £m               | £m             | £m                | £m            |
| A - Projected service cost                       |                  |                |                   |               |
| Estimated Pay:                                   | 238.932          |                | 0.000             |               |
| Service Cost (% of pay):                         | 23.7%            |                | n/a               |               |
| Implied Service Cost next year:                  |                  | 57.707         |                   | 0.000         |
| Net Interest Cost                                |                  | 25.476         | 2.497             |               |
| Administration Expenses                          |                  | 0.478          | 0.000             |               |
| <b>Total pension cost recognised in the CIES</b> |                  | <b>83.661</b>  |                   | <b>2.497</b>  |
| B - Projected Employer contributions             |                  |                |                   |               |
| Normal contributions                             | 44.198           |                | 4.631             |               |
| £ for £ recharges                                | 1.922            |                | 0.000             |               |
| <b>Total employer contributions next year</b>    |                  | <b>46.120</b>  |                   | <b>4.631</b>  |
| C - Current deficit/(surplus)                    |                  | 629.619        |                   | 69.791        |
| <b>D - Projected deficit next year</b>           |                  | <b>667.160</b> |                   | <b>67.657</b> |

### 55. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

#### Overall Procedures for Managing Risk

The Council's overall risk management procedures focus on the unpredictability of financial markets, and are structured to implement suitable controls to minimise these risks. The annual treasury management strategy outlines the detailed approach to

## NOTES TO THE CORE FINANCIAL STATEMENTS

managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported semi-annually to Members.

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

### Credit risk

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

The Council's maximum exposure to credit risk in relation to its investments in banks, building societies and money market funds is £311.579m, all of which was deposited in the UK and is made up as shown in the table below. A risk of non-recovery applies to all of the Council's deposits, but there was no evidence at 31 March 2013 that this was likely to crystallise.

|                               | AAA or<br>equivalent<br>£'000 | AA or<br>equivalent<br>£'000 | A or<br>equivalent<br>£'000 | Rated not<br>strong<br>£'000 |
|-------------------------------|-------------------------------|------------------------------|-----------------------------|------------------------------|
| Cash and cash equivalents     | 30.053                        | 29.006                       | 38.104                      | 9.264                        |
| Loans and receivables         | 0.000                         | 147.737                      | 57.415                      | 0.000                        |
| <b>Total financial assets</b> | <b>30.053</b>                 | <b>176.743</b>               | <b>95.519</b>               | <b>9.264</b>                 |

The Council's potential maximum exposure to credit risk on other financial assets, based on experience of default, adjusted to reflect current market conditions is £22.199m (£14.884m in 2011-12) this relates purely to trade debtors. Customers for goods and services are vetted, taking into account their financial position, past experience and other factors. The Council does not generally allow credit for its trade debtors. The past due amount can be analysed by age as follows:

|                        | 31 Mar 2013<br>£m | 31 Mar 2012<br>£m |
|------------------------|-------------------|-------------------|
| Less than three months | 15.992            | 8.444             |
| Three to six months    | 1.016             | 1.287             |
| Six months to one year | 0.917             | 1.677             |
| More than one year     | 4.274             | 3.476             |
| <b>Total</b>           | <b>22.199</b>     | <b>14.884</b>     |

### Liquidity risk

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

The contractual maturity for Financial Liabilities is as follows:

|                                    | <b>31 Mar 2013</b><br><b>£m</b> |
|------------------------------------|---------------------------------|
| Less than one year                 | (39.467)                        |
| Between one and two years          | (5.000)                         |
| Between two and five years         | (32.500)                        |
| Between five and ten years         | (31.000)                        |
| More than ten years                | (301.857)                       |
| <b>Total financial liabilities</b> | <b>(409.824)</b>                |

### Interest rate risk

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

|                                     | Floating rate<br><br>£m | Fixed rate<br><br>£m | Fixed rate                    |                                 |
|-------------------------------------|-------------------------|----------------------|-------------------------------|---------------------------------|
|                                     |                         |                      | Weighted average int rate (%) | Weighted average period (years) |
| Financial assets - in sterling      | 87.424                  | 224.155              | 71.942%                       | 1                               |
| Financial liabilities - in sterling | (49.643)                | (360.181)            | 87.887%                       | 20                              |

The impact of a 1% change in interest rates would have the following impact:

|                                   | Impact on provision of services<br>£m | Impact on net worth<br>£m |
|-----------------------------------|---------------------------------------|---------------------------|
| Increase by 1% (100 basis points) | (1.238)                               | 57.841                    |
| Decrease by 1% (100 basis points) | 1.238                                 | (57.841)                  |

## PENSION FUND ACCOUNTS EXPLANATORY FOREWORD

Derbyshire County Council administers the Local Government Pension Scheme (“LGPS”) for employees, pensioners and dependents of a variety of bodies in Derbyshire, including Councils, Police and Fire Authorities, the University of Derby, colleges and over 50 other organisations including academies, charities and some private companies providing services to local councils.

The Fund manages the pensions of over 80,000 individuals either active contributors, pensioners or deferred pensioners, receiving almost £143 million in contributions each year and paying out over £128 million in pension benefits. The Fund also manages investment assets of £3.1 billion over a full range of asset classes, including equities, gilts, other bonds, property and cash.

### Members’ Statistics

|                           | Actuals    |            |            |
|---------------------------|------------|------------|------------|
|                           | 31.03.2011 | 31.03.2012 | 31.03.2013 |
| Contributors              | 35,791     | 33,151     | 33,586     |
| Pensioners and Dependants | 22,024     | 23,451     | 24,160     |
| Deferred Pensions         | 20,652     | 23,260     | 23,859     |

### Employers’ Contributions

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

| Council               | 2012-13              | Stepped<br>or full rate | 2013-14              | Stepped<br>or full rate |
|-----------------------|----------------------|-------------------------|----------------------|-------------------------|
|                       | %                    |                         | %                    |                         |
| Derbyshire County     | 18.45                | stepped                 | 18.53                | stepped                 |
| Amber Valley Borough  | 11.5 plus £960,200   | full                    | 11.5 plus £1,005,800 | full                    |
| District of Bolsover  | 11.9 plus £1,041,800 | full                    | 11.9 plus £1,041,800 | full                    |
| Chesterfield Borough  | 12.2 plus £1,768,800 | full                    | 12.2 plus £1,768,800 | full                    |
| Derby City            | 18.74                | stepped                 | 19.79                | stepped                 |
| Derbyshire Dales      | 11.6 plus £567,900   | full                    | 11.6 plus £595,000   | full                    |
| Erewash Borough       | 24.67                | stepped                 | 24.67                | stepped                 |
| High Peak Borough     | 11.4 plus £1,260,000 | full                    | 11.4 plus £1,319,900 | full                    |
| North East Derbyshire | 11.7 plus £1,370,900 | full                    | 11.7 plus £1,436,000 | full                    |
| South Derbyshire      | 22.51                | stepped                 | 22.50                | stepped                 |

The percentage rates determined by the Actuary in the valuation of the Fund as at 31 March 2010 are intended to cover the cost of future service of active Fund members, with the past service deficit being identified as a fixed cash amount. The County Council, Derby City Council and two District Councils have elected to include the past service deficit contributions in an all-inclusive rate. Adjustments will be made if the combined contribution rate is insufficient to recover the deficit sum required.



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## PENSION FUND ACCOUNTS EXPLANATORY FOREWORD

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### Members' Contributions

The Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 came into force on 1 April 2008. These determine the contribution rates payable by members into the Fund. The rates are currently between 5.5% and 7.5% of members' pay, excluding non-contractual overtime, depending on their pay banding.

### Investment Policy

During 2012-13 responsibility for policy matters rested with an Investment Committee of seven County Councillors, two Derby City Councillors, two representatives of the Local Government Association (Derbyshire) and two Trades Union representatives attending as non-voting members. The Investment Committee received advice from the Director of Finance and from two independent external advisers. From 15 May 2013 the Investment Committee was combined with the Pensions Committee to form a new Pensions and Investment Committee. The new Committee has inherited the full roles and responsibilities of the previous committees.

Day-to-day management of the Fund is delegated to the Director of Finance and his in-house staff, operating within a policy framework laid down by the Committee. Policy is determined by reference to investment regulations issued under the Superannuation Act, 1972, which require that advice is taken at regular intervals and that the investments are suitably diversified. In addition, the regulations place limitations on investments, for example, the maximum investment in a single holding and in 'unlisted securities' (no more than 10% in each category).

The table below shows the Fund's returns over 1, 3, 5 and 10 years to 31 March 2013, compared to those of its specific benchmark, as well as the impact of inflation on Fund returns.

| Periods to<br>31 March 2013 | Return             |           | Inflation |     | Fund Real Return        |                         |
|-----------------------------|--------------------|-----------|-----------|-----|-------------------------|-------------------------|
|                             | Derbyshire<br>Fund | Benchmark | CPI       | RPI | Versus CPI<br>Inflation | Versus RPI<br>Inflation |
|                             | % pa               | % pa      | %         | %   | %                       | %                       |
| 1 Year                      | 14.3               | 13.5      | 2.8       | 3.3 | 11.2                    | 10.6                    |
| 3 Years                     | 8.4                | 8.5       | 3.4       | 4.1 | 4.8                     | 4.1                     |
| 5 Years                     | 7.4                | 6.9       | 3.3       | 3.2 | 4.0                     | 4.1                     |
| 10 Years                    | 9.9                | 9.6       | 2.7       | 3.3 | 7.0                     | 6.4                     |

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

## PENSION FUND ACCOUNTS EXPLANATORY FOREWORD

Despite continuing concerns about the slowing rate of global economic growth, equity markets recovered strongly over the year as investor risk appetite increased. Equity returns to Sterling investors ranged from 19.3% (North America) to 7.4% (Emerging Markets). Bond returns were also good, with Corporate Bonds returning 13.3%, Index Linked Bonds 10.2% and Gilts 5.2%. Returns from property remained subdued at 2.5%.

### Actuarial Position of the Fund

Every three years an actuarial valuation of the Fund is undertaken in accordance with the provisions of the Local Government Pension Scheme (Administration) Regulations 2008. The purpose of the valuation is to determine the solvency of the Fund and to set the level of contributions payable by each participating employer for the following three years. A valuation of the Fund was undertaken as at 31 March 2010 to set the level of employer contributions for the three years commencing 1 April 2011. The Net Assets of the Pension Fund at 31 March 2010 were £2.409 billion.

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

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

The financial assumptions used were as follows:

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

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## **PENSION FUND ACCOUNTS EXPLANATORY FOREWORD**

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

The actuarial value placed on the assets represented 81% of the value of the past service liabilities compared with 80% at the 2007 valuation. This deficit is being dealt with in accordance with the Funding Strategy Statement, which is available on the Council's website at [www.derbyshire.gov.uk/pensions/investments/funding\\_strategy](http://www.derbyshire.gov.uk/pensions/investments/funding_strategy).

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

The next valuation of the Fund is being undertaken as at 31 March 2013. The results of that valuation will be made available during 2013-14 and will be disclosed in the accounts for the year ending 31 March 2014.

### **Further Information**

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

**PENSION FUND ACCOUNTS**  
**PENSION FUND ACCOUNT AND NET ASSETS STATEMENT**

**PENSION FUND ACCOUNT**

| 2011-12<br>£'000 |   | Note | 2012-13<br>£'000 |
|------------------|---|------|------------------|
|                  | <b>Contributions and Benefits</b>   |      |                  |
| 138,894          | Contributions   | 7,24 | 135,195          |
| 9,604            | Transfers In  | 8    | 7,604            |
| 148,498          |   |      | 142,799          |
| (128,580)        | Benefits  | 9,24 | (121,270)        |
| (7,913)          | Payments to and on Account of Leavers   | 10   | (7,926)          |
| (1,034)          | Administrative Expenses   | 11   | (1,203)          |
| (137,527)        |   |      | (130,399)        |
| <b>10,971</b>    | <b>Net Additions from Dealings with Members</b>                                   |      | <b>12,400</b>    |
|                  | <b>Return on Investments</b>  |      |                  |
| 72,092           | Investment Income   | 12   | 74,223           |
| (4,206)          | Taxes on Income   | 13   | (4,330)          |
| 21,934           | Profits and Losses on Disposal of Investments and Changes in Value of Investments | 14   | 316,671          |
| (3,520)          | Investment Management Expenses  | 16   | (3,950)          |
| <b>86,300</b>    | <b>Net Return on Investments</b>  |      | <b>382,611</b>   |
| <b>97,271</b>    | <b>Net Increase in the Net Assets Available for Benefits During the Year</b>      |      | <b>395,011</b>   |
| 2,627,763        | Net Assets of The Fund at 1 April   |      | 2,725,034        |
| <b>2,725,034</b> | <b>Net Assets of the Scheme Available to Fund Benefits at the Period End</b>      |      | <b>3,120,045</b> |

**NET ASSET STATEMENT**

| 31.03.2012<br>£'000 |  | Note  | 31.03.2013<br>£'000 |
|---------------------|--|-------|---------------------|
| 2,730,727           | Investment Assets  | 14,15 | 3,122,885           |
| (15,636)            | Investment Liabilities   | 14,15 | (8,185)             |
| 12,359              | Current Assets   | 18    | 8,089               |
| (2,416)             | Current Liabilities  | 19    | (2,744)             |
| <b>2,725,034</b>    | <b>Net Assets of the Scheme Available to Fund Benefits at the Period End</b> |       | <b>3,120,045</b>    |

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# PENSION FUND ACCOUNTS

## NOTES TO THE PENSION FUND ACCOUNTS

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

The accounts summarise the transactions of the Fund and deal with the net assets at the disposal of the Investment Committee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Fund year. The actuarial position of the Fund, which does take account of such obligations, is dealt with in the Pension Fund – foreword to Financial Statements and the actuarial statement included in the Annual Report and these accounts should be read in conjunction with them.

### **1. Basis of preparation**

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

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

### **2. Accounting policies**

#### **Contributions**

Employee contributions are accounted for when deducted from members’ pay.

Employer normal contributions are accounted for in the period to which the corresponding pay relates.

Other employer contributions are accounted for in accordance with the agreement under which they are paid, or in the absence of an agreement, on a cash basis.

#### **Benefits**

Benefits and payments to leavers are accounted for in the period they fall due for payment.

Where a member has a choice about the form of their benefit, the benefit is accounted for and the liability is recognised when the member notifies the Council of their decision as to what form of benefit they will take.

Where a member has no choice about the form of benefit, the benefit is accounted for in the period of leaving/retirement/death, being the period in which the liability to pay the benefit arises.

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# PENSION FUND ACCOUNTS

## NOTES TO THE PENSION FUND ACCOUNTS

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### **Transfers**

Where past service liabilities do not transfer between schemes until assets/liabilities have been transferred, transfers are accounted for on a cash basis.

Where trustees have agreed to accept past service liabilities in advance of the transfer of funds, the transfer is accounted for in accordance with the terms of the agreement.

### **Expenses**

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

### **Investment income**

Dividends from quoted securities are accounted for when the securities are quoted ex-dividend.

Rent is accounted for in accordance with the terms of the lease.

Interest on cash and bonds is accrued on a daily basis.

Income arising on the underlying investments of accumulation funds is accounted for within change in market value of investments.

### **Foreign currency translation**

Overseas assets are translated into Sterling from local currency at the exchange rate ruling at the Balance Sheet date.

Exchange gains and losses are treated as follows:

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

### **Cash and cash equivalents**

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

### **3. Basis of valuation**

Investments are valued on the net assets statement at their market value as at 31 March 2013. Quoted securities are included at closing bid prices.

Fixed interest stocks are valued excluding accrued income.

Unquoted investments are included at fair value estimated by the Trustees, based on the latest financial information available at the year end.

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

Property is included at market value as at 31 March 2013, determined in accordance with the Royal Institution of Chartered Surveyors' Appraisal and Valuation Standards and the Practice Statement contained therein. The property portfolio was independently valued by Matthews & Goodman incorporating Edmund Kirby, Property Advisers.

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**PENSION FUND ACCOUNTS**  
**NOTES TO THE PENSION FUND ACCOUNTS**

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

**4. Accounting Standards issued and not yet applied**

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

**5. Critical judgements made in applying the accounting policies**

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

**6. Assumptions made and other estimation uncertainty**

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

**7. Contributions**

|                  | 2011-12        | 2012-13        |
|------------------|----------------|----------------|
|                  | £'000          | £'000          |
| <b>Employers</b> |                |                |
| Normal           | 70,733         | 66,702         |
| Deficit Funding  | 33,900         | 34,886         |
| Augmentation     | -              | 12             |
| <b>Members</b>   |                |                |
| Normal           | 34,261         | 33,595         |
|                  | <b>138,894</b> | <b>135,195</b> |

The rates of employers' contributions payable in 2011-12 and 2012-13 were set as part of the 2010 valuation which revealed an overall funding level of 81%.

**8. Transfers in**

|   | 2011-12      | 2012-13      |
|---|--------------|--------------|
|   | £'000        | £'000        |
| Group transfers in from other schemes               | 417          | -            |
| Individual transfers in from other schemes          | 9,172        | 7,604        |
| Restitution payments for mis-sold personal pensions | 15           | -            |
|   | <b>9,604</b> | <b>7,604</b> |

**PENSION FUND ACCOUNTS**  
**NOTES TO THE PENSION FUND ACCOUNTS**

**9. Benefits**

|  | <b>2011-12</b> | <b>2012-13</b> |
|--|----------------|----------------|
|  | <b>£'000</b>   | <b>£'000</b>   |
| Pensions   | 88,100         | 95,871         |
| Commutation of pensions and lump sum retirement benefits | 37,691         | 22,118         |
| Lump sum death benefits                                  | 2,789          | 3,281          |
|  | <b>128,580</b> | <b>121,270</b> |

**10. Payments to and on account of leavers**

|   | <b>2011-12</b> | <b>2012-13</b> |
|---|----------------|----------------|
|   | <b>£'000</b>   | <b>£'000</b>   |
| Refund of contributions                   | 7              | 10             |
| Individual transfers out to other schemes | 7,906          | 7,916          |
|   | <b>7,913</b>   | <b>7,926</b>   |

**11. Administrative expenses**

|                               | <b>2011-12</b> | <b>2012-13</b> |
|-------------------------------|----------------|----------------|
|                               | <b>£'000</b>   | <b>£'000</b>   |
| Administration and processing | 971            | 1,145          |
| Actuarial fees                | 16             | 33             |
| Audit fee                     | 47             | 25             |
|                               | <b>1,034</b>   | <b>1,203</b>   |

**12. Investment income**

|  | <b>2011-12</b> | <b>2012-13</b> |
|--|----------------|----------------|
|  | <b>£'000</b>   | <b>£'000</b>   |
| Income from fixed interest securities  | 10,148         | 9,106          |
| Dividends from equities                | 51,568         | 54,171         |
| Income from index-linked securities    | 3,083          | 2,988          |
| Income from pooled investment vehicles | 1,762          | 1,895          |
| Net rents from properties              | 4,430          | 5,138          |
| Interest on cash deposits              | 1,101          | 925            |
|  | <b>72,092</b>  | <b>74,223</b>  |



**PENSION FUND ACCOUNTS**  
**NOTES TO THE PENSION FUND ACCOUNTS**

**13. Taxes on income**

|                        | 2011-12 | 2012-13 |
|------------------------|---------|---------|
|                        | £'000   | £'000   |
| Irrecoverable taxation | 4,206   | 4,330   |

**14. Investment assets and liabilities**

|                                  | Value at<br>1st April | Purchases<br>& hedging<br>payments | Sales &<br>hedging<br>receipts | Profits &<br>losses on<br>disposal of<br>investments<br>& changes<br>in value of<br>investments | Value at<br>31st March |
|----------------------------------|-----------------------|------------------------------------|--------------------------------|---|------------------------|
|                                  | £'000                 | £'000                              | £'000                          | £'000   | £'000                  |
| <b>Investment assets</b>         |                       |                                    |                                |   |                        |
| Fixed interest securities        | 315,916               | 525,143                            | (556,680)                      | 9,091   | 293,470                |
| Equities                         | 1,491,823             | 415,606                            | (346,770)                      | 206,875   | 1,767,534              |
| Index-linked securities          | 203,339               | 117,341                            | (118,655)                      | 35,632  | 237,657                |
| Pooled investment vehicles       | 426,853               | 26,649                             | (10,999)                       | 67,560  | 510,063                |
| Properties                       | 91,115                | 2,296                              | -                              | 3,224   | 96,635                 |
| Currency hedging contracts       | 241                   | 109,420                            | (108,462)                      | (1,199)   | -                      |
|                                  | <b>2,529,287</b>      | <b>1,196,455</b>                   | <b>(1,141,566)</b>             | <b>321,183</b>  | <b>2,905,359</b>       |
| Cash deposits & short term loans | 182,695               |                                    |                                |   | 203,988                |
| Other investment balances        | 18,745                |                                    |                                |   | 13,538                 |
|                                  | <b>2,730,727</b>      |                                    |                                |   | <b>3,122,885</b>       |
| <b>Investment liabilities</b>    |                       |                                    |                                |   |                        |
| Currency hedging contracts       | -                     | 78,268                             | (76,803)                       | (4,512)   | (3,047)                |
| Other investment balances        | (15,636)              |                                    |                                |   | (5,138)                |
|                                  | <b>(15,636)</b>       |                                    |                                |   | <b>(8,185)</b>         |
|                                  | <b>2,715,091</b>      |                                    |                                |   | <b>3,114,700</b>       |

The total profits and losses on disposal of investments and changes in value of investment assets and investment liabilities is an increase of £316.671m.

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**PENSION FUND ACCOUNTS**  
**NOTES TO THE PENSION FUND ACCOUNTS**

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Included within the above purchases and sales figures are transaction costs of £0.608m. These comprise stamp duty (£0.261m) and commissions paid to stockbrokers (£0.347m).

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

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

Currency hedging receipts and payments represent the transactions settled during the year on currency hedging contracts. The Fund's objective is to decrease risk in the portfolio by entering into futures positions to match a proportion of assets that are already held in the portfolio without disturbing the underlying assets. At the year end, there were two currency hedging contracts, both with less than six months to expiry, with a gross contract value of £73.977m (2012, two contracts, both with less than six months to expiry, with a gross contract value of £37.491m).

|                                   | <b>31.03.2012</b> | <b>31.03.2013</b> |
|-----------------------------------|-------------------|-------------------|
|                                   | <b>£'000</b>      | <b>£'000</b>      |
| <b>Fixed interest securities</b>  |                   |                   |
| UK public sector quoted           | 287,615           | 253,846           |
| UK corporate quoted               | 6,717             | 16,782            |
| Overseas public sector quoted     | 21,584            | 22,842            |
|                                   | <b>315,916</b>    | <b>293,470</b>    |
| <b>Equities</b>                   |                   |                   |
| UK quoted                         | 882,010           | 1,019,781         |
| Overseas quoted                   | 609,813           | 747,753           |
|                                   | <b>1,491,823</b>  | <b>1,767,534</b>  |
| <b>Index-linked securities</b>    |                   |                   |
| UK public sector quoted           | 152,132           | 176,545           |
| Overseas public sector quoted     | 51,207            | 61,112            |
|                                   | <b>203,339</b>    | <b>237,657</b>    |
| <b>Pooled Investment Vehicles</b> |                   |                   |
| Property – unquoted               | 51,163            | 51,114            |
| Other quoted                      | 277,023           | 343,786           |
| Other unquoted                    | 98,667            | 115,163           |
|                                   | <b>426,853</b>    | <b>510,063</b>    |

**PENSION FUND ACCOUNTS**  
**NOTES TO THE PENSION FUND ACCOUNTS**

|   | 31.03.2012     | 31.03.2013     |
|---|----------------|----------------|
|   | £'000          | £'000          |
| <b>Properties</b>                         |                |                |
| UK freehold                               | 55,675         | 61,325         |
| UK leasehold                              | 35,440         | 35,310         |
|   | <b>91,115</b>  | <b>96,635</b>  |
| <b>Cash deposits and short term loans</b> |                |                |
| Sterling cash deposits                    | 16,061         | 37,680         |
| Money market funds                        | 46,439         | 42,606         |
| Other Sterling short term loans           | 117,750        | 119,500        |
| Foreign currency                          | 2,445          | 4,202          |
|   | <b>182,695</b> | <b>203,988</b> |

The proportion of the market value of net investment assets managed in-house and by each external manager at the year-end is set out below. Pooled investment vehicles held as stock selection decisions are included under 'in-house'.

|   | 31.03.2012       |            | 31.03.2013       |            |
|---|------------------|------------|------------------|------------|
|   | £'000            | %          | £'000            | %          |
| In-house                                | 2,240,385        | 82.5       | 2,525,416        | 81.1       |
| Wellington Management International Ltd | 259,614          | 9.6        | 312,486          | 10.0       |
| UBS Global Asset Management (UK) Ltd    | 215,092          | 7.9        | 276,798          | 8.9        |
|   | <b>2,715,091</b> | <b>100</b> | <b>3,114,700</b> | <b>100</b> |

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

| <b>Fund</b>  | <b>Country of registration of fund manager</b> |
|--|--|
| Partners Group – Global Value 2008 Fund            | Channel Islands                                |
| Montanaro UK Smaller Companies Fund                | Republic of Ireland                            |
| Atlantis Asian Recovery Fund                       | Republic of Ireland                            |
| Baring Australia Fund                              | Republic of Ireland                            |
| Saracen Growth Fund                                | Republic of Ireland                            |
| FPP Global Emerging Markets Fund                   | Republic of Ireland                            |
| Aberdeen Global Japan Smaller Companies Fund       | Luxembourg                                     |
| J P Morgan Funds Latin American Equity Fund "A"    | Luxembourg                                     |
| Martin Currie Global Funds - Greater China Fund    | Luxembourg                                     |
| Polunin Emerging Markets Developing Countries Fund | Luxembourg                                     |

No single investments exceed 5% of net assets available for benefits at the year end (2012, none).

**PENSION FUND ACCOUNTS**  
**NOTES TO THE PENSION FUND ACCOUNTS**

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

|                | 31.03.2012       |            | 31.03.2013       |            |
|----------------|------------------|------------|------------------|------------|
|                | £'000            | %          | £'000            | %          |
| UK             | 1,780,254        | 65.6       | 1,971,384        | 63.3       |
| N America      | 304,955          | 11.2       | 362,444          | 11.6       |
| Europe         | 245,067          | 9.0        | 312,911          | 10.1       |
| Asia and other | 384,815          | 14.2       | 467,961          | 15.0       |
|                | <b>2,715,091</b> | <b>100</b> | <b>3,114,700</b> | <b>100</b> |

**16. Investment management expenses**

|  | 2011-12      | 2012-13      |
|--|--------------|--------------|
|  | £'000        | £'000        |
| Administration, management and custody | 3,372        | 3,814        |
| Performance measurement services       | 8            | 15           |
| Legal and other advisory fees          | 140          | 124          |
|  | <b>3,520</b> | <b>3,953</b> |

**17. Additional Voluntary Contributions**

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

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

The total value of funds provided by these contributions was:

|   | 31.03.2012 | 31.03.2013 |
|---|------------|------------|
|   | £'000      | £'000      |
| <b>Equitable Life Assurance Society</b>       |            |            |
| with profits fund                             | 352        | 299        |
| unit-linked funds                             | 532        | 523        |
| building society fund                         | 8          | 8          |
| <b>Total Equitable Life Assurance Society</b> | <b>892</b> | <b>830</b> |

**PENSION FUND ACCOUNTS**  
**NOTES TO THE PENSION FUND ACCOUNTS**

|   | 31.03.2012   | 31.03.2013   |
|---|--------------|--------------|
|   | £'000        | £'000        |
| <b>Standard Life</b>                    |              |              |
| managed fund                            | 443          | 524          |
| cautious managed fund                   | 46           | -            |
| multi asset managed fund                | -            | 61           |
| protection fund                         | 15           | 24           |
| ethical fund                            | 65           | 70           |
| with profits fund                       | 277          | 263          |
| <b>Total Standard Life</b>              | <b>846</b>   | <b>942</b>   |
| <b>Prudential Assurance Company Ltd</b> |              |              |
| deposit fund                            | 3,051        | 3,254        |
| with profits cash accumulation fund     | -            | 231          |
| cash fund                               | -            | 7            |
| discretionary fund                      | -            | 40           |
| fixed interest fund                     | -            | 25           |
| global equity fund                      | -            | 24           |
| index-linked fund                       | -            | 35           |
| international equity fund               | -            | 8            |
| property fund                           | -            | 16           |
| retirement protection fund              | -            | 60           |
| socially responsible fund               | -            | 1            |
| UK equity fund                          | -            | 30           |
| UK equity (passive) fund                | -            | 9            |
| <b>Total Prudential Assurance</b>       | <b>3,051</b> | <b>3,740</b> |
| <b>Clerical Medical</b>                 |              |              |
| with profits fund                       | 600          | 449          |
| unit linked fund                        | 53           | 32           |
| <b>Total Clerical Medical</b>           | <b>653</b>   | <b>481</b>   |
|   |              |              |
| <b>Total AVC Investments</b>            | <b>5,442</b> | <b>5,993</b> |
|   |              |              |
| <b>Death in Service Cover</b>           |              |              |
| Equitable Life                          | 460          | 435          |

**PENSION FUND ACCOUNTS**  
**NOTES TO THE PENSION FUND ACCOUNTS**

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

|  | <b>Equitable</b> |                   | <b>Standard</b> | <b>Clerical</b> |              |
|--|------------------|-------------------|-----------------|-----------------|--------------|
|  | <b>Life</b>      | <b>Prudential</b> | <b>Life</b>     | <b>Medical</b>  | <b>Total</b> |
|  | <b>£'000</b>     | <b>£'000</b>      | <b>£'000</b>    | <b>£'000</b>    | <b>£'000</b> |
| <b>Value at 1.4.2012</b>                           | 892              | 3,051             | 846             | 653             | <b>5,442</b> |
| <b>Income</b>                                      |                  |                   |                 |                 |              |
| Contributions received                             | 11               | 716               | 49              | 29              | <b>805</b>   |
| Interest and bonuses and<br>change in market value | 63               | 55                | 97              | 22              | <b>237</b>   |
| Transfers in                                       | -                | 234               | 10              | -               | <b>244</b>   |
| <b>Expenditure</b>                                 |                  |                   |                 |                 |              |
| Life assurance premiums                            | (1)              | -                 | -               | -               | <b>(1)</b>   |
| Retirement benefits                                | (65)             | (316)             | (33)            | (127)           | <b>(541)</b> |
| Transfers out and withdrawals                      | (70)             | -                 | (27)            | (96)            | <b>(193)</b> |
| <b>Value at 31.3.2013</b>                          | <b>830</b>       | <b>3,740</b>      | <b>942</b>      | <b>481</b>      | <b>5,993</b> |

**18. Current assets**

|   | <b>31.03.2012</b> | <b>31.03.2013</b> |
|---|-------------------|-------------------|
|   | <b>£'000</b>      | <b>£'000</b>      |
| Employers' contributions due              | 4,733             | 5,225             |
| Employees' contributions due              | 1,556             | 1,584             |
| Amounts owed by Derbyshire County Council | 2,657             | 425               |
| Sundry debtors                            | 3,413             | 855               |
|   | <b>12,359</b>     | <b>8,089</b>      |

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**PENSION FUND ACCOUNTS**  
**NOTES TO THE PENSION FUND ACCOUNTS**

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Employers' and employees' contributions due at 31 March 2013 have been received since the year-end, except for amounts due from one Admission Body in respect of the period from the date of their admission on 1 May 2012. The arrears (employer's contributions of £1,286.78 and employees' contributions of £450.78) have arisen because of an administrative oversight at the employer following the retirement of the staff member to whom the rates had been notified. The employer has put in place arrangements to ensure that the arrears are paid to the Fund in 2013-14. Pension contributions in respect of the two members concerned will be backdated.

**19. Current liabilities**

|                  | <b>31.03.2012</b> | <b>31.03.2013</b> |
|------------------|-------------------|-------------------|
|                  | <b>£'000</b>      | <b>£'000</b>      |
| Unpaid benefits  | 1,323             | 1,217             |
| Sundry creditors | 1,093             | 1,527             |
|                  | <b>2,416</b>      | <b>2,744</b>      |

**20. Related party transactions**

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

Included in administrative expenses and investment management expenses in 2012-13 are charges from the Corporate Finance Division and other Council departments of £1.755m (2011-12, £1.419m) for expenses incurred in administering the Fund.

In addition, interest of £0.001m (2011-12, £0.002m) was paid by the Council to the Fund in 2012-13.

At 31 March 2013 the Council owed the Fund £0.425m (2012: the Council owed the Fund £2.657m).

It has not been possible to apportion, on a reasonable basis, the costs and benefits of key management personnel between the Council and the Fund. However, Members' Allowances and Officers' Remuneration are disclosed in Notes 42 and 44 of the Council's Statement of Accounts.

**21. Investment commitments**

Unquoted investment commitments are commitments to private equity and infrastructure investments, not yet drawn down by the managers.

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## PENSION FUND ACCOUNTS

### NOTES TO THE PENSION FUND ACCOUNTS

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Other Sterling short-term loans commitments are commitments to make two short-term investments of £2m each, to be paid on 30 August 2013 and 25 September 2013 respectively. There is no provision or creditor for these amounts in the financial statements as the legal obligation to pay was not fulfilled at 31 March 2013. These commitments will be met using funds received from the maturity of earlier investments and therefore have no impact to the financial position reported.

There are no property commitments in respect of properties in the course of construction (2012, one).

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

|                                 | 31.03.2012    | 31.03.2013    |
|---------------------------------|---------------|---------------|
|                                 | £'000         | £'000         |
| Unquoted investments            | 14,930        | 11,744        |
| Other Sterling short-term loans | -             | 4,000         |
| Properties                      | 2,322         | -             |
|                                 | <b>17,252</b> | <b>15,744</b> |

## 22. Financial instruments

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

### Nature and extent of risks arising from financial instruments

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

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

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



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## PENSION FUND ACCOUNTS

### NOTES TO THE PENSION FUND ACCOUNTS

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Responsibility for Fund investments has been delegated to the Fund's Investment Committee ("Committee"). From 15 May 2013 the Investment Committee was combined with the Pensions Committee to form a new Pensions and Investment Committee ("Committee"). The new Committee has inherited the full roles and responsibilities of the previous committees. The Committee delegates day to day responsibility for the management of the Fund to the Director of Finance and appoints managers and advisers to manage investment risk on its behalf. The Fund's overall risk management procedures focus on the unpredictability of financial markets, and are structured to implement suitable controls to minimise these risks.

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

Economic background, market returns, asset allocation, investment activity, investment strategy and investment performance are monitored and reviewed by the Committee on a quarterly basis. The Committee also receives a quarterly report to monitor specific risk measures associated with managing the fund.

#### **Credit risk**

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

**Treasury activities** - The Fund places security of capital and liquidity ahead of investment return. Credit risk on treasury activities is minimised through the Fund's annual Treasury Management Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poor's Ratings Services and are approved counterparties on this basis. Investments with local authorities, the Government's Debt Management Office, UK Treasury Bills and Certificates of Deposit are also permissible. The Fund has agreed maximum loan durations and joint limits for each counterparty. The limits for financial institutions are based on the above credit assessment and are approved each year. The financial institutions' credit ratings and supplementary information are monitored throughout the year to ensure compliance with the policy. The Treasury Management Investment Strategy for 2012-13 was approved by the Full Council on 1 February 2012. On 19 March 2012 relevant extracts were approved by the Committee.

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## PENSION FUND ACCOUNTS

### NOTES TO THE PENSION FUND ACCOUNTS

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The Fund's maximum exposure to credit risk in relation to its treasury/cash deposit investments in banks, building societies, money market funds and UK local authorities of £203.988m (2012, £182.695m) cannot be assessed generally, as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare, generally, for such entities to be unable to meet their commitments; the approach to risk assessment taken by the Fund makes this remote.

A risk of non-recovery applies to all of the Fund's deposits, but there was no evidence at 31 March 2013 that this was likely to occur. No breaches of the Fund's counterparty criteria occurred during the reporting period. However, on 5 April 2013, the credit rating agency Fitch downgraded the Co-operative Bank's credit ratings to a level which is below the Fund's minimum credit criteria for investment counterparties. The Co-operative Bank is the main bank of the Fund and the Council. The Fund's current joint limit with the Co-operative Bank is £10m for investment purposes and £10m for operational and liquidity requirements, with a maximum duration of 100 days. At 31 March 2013 the Fund had £10.750m invested in a Public Sector Reserve account and £0.225m in an operational account with the Co-operative Bank. No notice is required to withdraw funds from either of these accounts. As a result of the downgrade, action has been taken to reduce the joint limit to £10m for operational and liquidity requirements only, with the funds remaining instantly accessible at all times.

**Forward currency contracts** - Credit risk from forward currency contracts is minimised by limiting the extent of these contracts to managing the currency risk on overseas bonds, the value of which comprise less than 3% (2012, less than 3%) of investment assets at the year end and by selecting large banks as the counterparties. All forward currency contracts at the year end were with Bank of New York Mellon.

The maximum credit risk exposure on forward currency contracts is the full amount of the foreign currency which the Fund pays when the settlement occurs, should the counterparty fail to pay the amount which it is committed to pay the Fund. At the year end, there were two currency hedging contracts, both with less than six months to expiry, with a gross contract value of £73.977m (2012, two contracts, both with less than six months to expiry, with a gross contract value of £37.491m). The Fund does not expect any losses from non-performance by any of its counterparties in relation to these contracts.

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

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

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## **PENSION FUND ACCOUNTS**

### **NOTES TO THE PENSION FUND ACCOUNTS**

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

#### **Liquidity risk**

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

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

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

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

Maturity analysis for liabilities at the year-end:

- There were no financial liabilities within the portfolio at the year-end other than those that arose from the trading of investments. Such liabilities fall due within 12 months of the year end.
- The only derivative financial liabilities held at the year-end were two currency hedging contracts, both with less than six months to expiry, on which the net liability was £3.047m (2012, none).

#### **Market risk**

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

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

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## PENSION FUND ACCOUNTS

### NOTES TO THE PENSION FUND ACCOUNTS

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

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

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

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

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

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

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

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

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

## PENSION FUND ACCOUNTS

### NOTES TO THE PENSION FUND ACCOUNTS

The table below quantifies the level of price risk that the Fund's investment assets and liabilities at 31 March 2013 are potentially exposed to. Potential price changes are determined based on the observed historical volatility of asset class returns, for example, 'riskier' assets such as equities display greater potential volatility than bonds. The potential volatilities are consistent with a one standard deviation movement in the change in value of the assets over the last three years. The volatility shown for total investment assets and liabilities incorporates the impact of correlation across asset classes, which dampens volatility, therefore the value on increase/decrease figures of the asset classes will not sum to the total assets figure.

|  | Value at<br>31.03.2013 |             | Value<br>on increase | Value<br>on decrease |
|--|------------------------|-------------|----------------------|----------------------|
|  | £'000                  | Change<br>% | £'000                | £'000                |
| <b>Underlying asset type</b>                   |                        |             |                      |                      |
| Bonds  | 614,074                | 3.97        | 638,453              | 589,695              |
| UK equities                                    | 1,064,800              | 12.90       | 1,202,159            | 927,440              |
| Overseas equities                              | 1,052,645              | 12.41       | 1,183,278            | 922,011              |
| Alternatives                                   | 23,044                 | 8.42        | 24,984               | 21,104               |
| Cash   | 203,988                | 0.02        | 204,029              | 203,947              |
| Other investment balances                      | 8,400                  | -           | 8,400                | 8,400                |
| Properties (non-financial instruments)         | 147,749                | 3.28        | 152,595              | 142,903              |
| <b>Total investment assets and liabilities</b> | <b>3,114,700</b>       | <b>8.01</b> | <b>3,364,187</b>     | <b>2,865,212</b>     |

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

The table below quantifies the level of currency risk that the Fund's overseas investment assets at 31 March 2013 are potentially exposed to. Currency risk on overseas bonds is managed using forward currency contracts and overseas bonds have therefore been excluded from the table. Potential aggregate currency exposure within the Fund at 31 March 2013 is determined using a currency "basket" based on the Fund's currency mix at that date. The weight of each currency multiplied by the change in its exchange rate relative to Sterling is summed to create the aggregate currency change of the basket. This single outcome is then applied to all overseas assets.

**PENSION FUND ACCOUNTS**  
**NOTES TO THE PENSION FUND ACCOUNTS**

|                                   | Value at<br>31.03.2013<br>£'000 | Change<br>% | Value<br>on increase<br>£'000 | Value<br>on decrease<br>£'000 |
|-----------------------------------|---------------------------------|-------------|-------------------------------|-------------------------------|
| <b>Underlying asset type</b>      |                                 |             |                               |                               |
| Overseas equities                 | 1,052,645                       | 5.38        | 1,109,328                     | 995,961                       |
| Overseas cash                     | 5,268                           | 5.38        | 5,551                         | 4,984                         |
| <b>Overseas investment assets</b> | <b>1,057,913</b>                | <b>5.38</b> | <b>1,114,879</b>              | <b>1,000,945</b>              |

**23. Actuarial Present Value of Promised Retirement Benefits**

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

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

To assess the value of the benefits on this basis, we have used the following financial assumptions as at 31 March 2013 (the 31 March 2012 assumptions are included for comparison):

|   | 31.03.2012 | 31.03.2013 |
|---|------------|------------|
| Rate of return on investments (discount rate)               | 4.9% p.a.  | 4.2% p.a.  |
| Rate of pay increases                                       | 4.25% p.a. | 4.15% p.a. |
| Rate of increases in pensions in payment (in excess of GMP) | 2.5% p.a.  | 2.4% p.a.  |

The demographic assumptions are the same as those used for funding purposes other than the allowance for future improvements in life expectancy, which has been updated taking into account the latest evidence on this issue. The updated allowance underlying the 31 March 2013 calculations is in line with the projections model published in November 2009 by the Continuous Mortality Investigation ("CMI") with a long-term improvement rate of 1.25% p.a. The previous allowance as at 31 March 2012 used a long-term improvement rate of 1.0% p.a.

During the year, corporate bond yields reduced, resulting in a lower discount rate being used for IAS26 purposes at the year-end than at the beginning of the year (4.2% p.a. versus 4.9% p.a.). The impact of this was offset slightly by the 0.1% p.a. fall in assumed inflation.

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## PENSION FUND ACCOUNTS

### NOTES TO THE PENSION FUND ACCOUNTS

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The value of the Fund's promised retirement benefits for the purposes of IAS26 as at 31 March 2012 was estimated as £3,817 million. The effect of the changes in actuarial assumptions between 31 March 2012 and 31 March 2013 as described above is to increase the liabilities by c£502 million. Adding interest over the year increases the liabilities by a further c£187 million and allowing for net benefits accrued/paid over the period increases the liabilities by another c£14 million. The net effect of all the above is that the estimated total value of the Fund's promised retirement benefits as at 31 March 2013 is therefore £4,520 million.

Paul Middleman  
 Fellow of the Institute and Faculty of Actuaries  
 Mercer Limited  
 May 2013"

#### 24. Participating Employers

The participating employers with active members in the Fund are Derbyshire County Council (which is also the Administering Authority), Derby City Council (Unitary Authority) and 8 District Councils (which are Scheduled Bodies) and a further 70 Scheduled and 49 Admission Bodies. The Unitary and District Councils are listed in the foreword of this Annual Report. Other participating employers are listed on the following page.

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

|                           | 2011-12          |                          | 2012-13          |                          |
|---------------------------|------------------|--------------------------|------------------|--------------------------|
|                           | Benefits payable | Contributions receivable | Benefits payable | Contributions receivable |
|                           | £'000            | £'000                    | £'000            | £'000                    |
| Derbyshire County Council | 60,472           | 62,385                   | 56,639           | 59,525                   |
| Scheduled Bodies          | 64,501           | 71,893                   | 61,074           | 71,100                   |
| Admission Bodies          | 3,607            | 4,616                    | 3,557            | 4,570                    |
|                           | <b>128,580</b>   | <b>138,894</b>           | <b>121,270</b>   | <b>135,195</b>           |

**PENSION FUND ACCOUNTS**  
**NOTES TO THE PENSION FUND ACCOUNTS**

|  | Total contribution rate % of pensionable payroll |                    |
|--|--|--------------------|
|  | 2012-13  | 2013-14            |
| <b>Scheduled Bodies</b>                            |  |                    |
| National Probation Service - Derbyshire            | 10.1 plus £435,700                               | 10.1 plus £435,700 |
| Peak District National Park Authority              | 16.91  | 17.08              |
| Chesterfield Crematorium                           | 12.8 plus £15,600                                | 12.8 plus £15,600  |
| The University of Derby                            | 10.7 plus £651,900                               | 10.7 plus £651,900 |
| Chesterfield College                               | 11.9 plus £133,800                               | 11.9 plus £133,800 |
| Derby College                                      | 11.2 plus £449,400                               | 11.2 plus £449,400 |
| Derbyshire Police Authority                        | 16.10  | 16.10              |
| Derbyshire Fire Authority                          | 11.2 plus £173,100                               | 11.2 plus £173,100 |
| Derby Homes Limited                                | 10.9 plus £258,700                               | 10.9 plus £258,700 |
| High Peak Community Housing Ltd                    | 12.2 less £23,700                                | 12.2 less £23,700  |
| Rykneild Homes Ltd                                 | 13.5 plus £16,600                                | 13.5 plus £16,600  |
| Landau Forte College                               | 10.3 plus £1,300                                 | 10.3 plus £1,300   |
| Chellaston Academy                                 | 17.5   | 19.22              |
| Ecclesbourne Academy                               | 13.7 plus £40,500                                | 13.7 plus £42,500  |
| Kirk Hallam Academy                                | 11.5 plus £39,100                                | 11.5 plus £41,000  |
| John Port Academy                                  | 12.2 plus £53,700                                | 12.2 plus £56,200  |
| Brookfield Academy                                 | 11.9 plus £55,600                                | 11.9 plus £58,200  |
| Long Eaton Academy                                 | 12.1 plus £44,400                                | 12.1 plus £46,500  |
| West Park Academy                                  | 13.8 plus £49,500                                | 13.8 plus £51,900  |
| Queen Elizabeth's Grammar School Ashbourne Academy | 11.1 plus £59,500                                | 11.1 plus £62,300  |
| Hope Valley College                                | 12.6 plus £33,700                                | 12.6 plus £35,300  |
| Ormiston Enterprise Academy                        | 11.2 plus £26,100                                | 11.2 plus £27,300  |
| Pennine Way Junior School                          | 12.3 plus £7,100                                 | 12.3 plus £7,400   |
| Heanor Gate Science College                        | 13.1 plus £48,800                                | 13.1 plus £51,100  |
| Leesbrook School                                   | 10.8 plus £56,500                                | 10.8 plus £59,200  |
| Staveley Netherthorpe School                       | 12.2 plus £27,000                                | 12.2 plus £28,300  |
| Redhill Primary School                             | 13.2 plus £6,500                                 | 13.2 plus £6,800   |
| St John Houghton School                            | 12.1 plus £25,500                                | 12.1 plus £26,700  |
| Woodlands School                                   | 11.3 plus £36,900                                | 11.3 plus £38,600  |
| Shirebrook Academy                                 | 11.3 plus £32,100                                | 11.3 plus £33,600  |
| Grampian Primary Academy - from 1 December 2012    | 11.8 plus £2,600*                                | 11.8 plus £5,400   |



**PENSION FUND ACCOUNTS**  
**NOTES TO THE PENSION FUND ACCOUNTS**

|   | <b>Total contribution rate % of pensionable payroll</b> |                   |
|---|---|-------------------|
|   | <b>2012-13</b>  | <b>2013-14</b>    |
| Saint Benedict Catholic Voluntary Academy - from 1 September 2012 | 12.2 plus £46,100*                                      | 12.2 plus £82,800 |
| St Mary's Catholic High School Academy - from 1 August 2012       | 14.0 plus £23,200*                                      | 14.0 plus £36,500 |
| St John Fisher Catholic Voluntary Academy - from 1 September 2012 | 12.9 plus £4,800*                                       | 12.9 plus £8,700  |
| St George's Catholic Voluntary Academy - from 1 August 2012       | 11.3 plus £9,900*                                       | 11.3 plus £15,600 |
| Wyndham Primary Academy - from 1 September 2012                   | 11.5 plus £5,500*                                       | 11.5 plus £9,900  |
| The Bolsover School - from 1 October 2012                         | 12.7 plus £16,100*                                      | 12.7 plus £33,700 |
| Landau Forte Academy Moorhead - from 1 September 2012             | 13.8 plus £6,100*                                       | 13.8 plus £11,000 |
| Derby Pride Academy - from 1 September 2012                       | 10.0 plus £1,300*                                       | 10.0 plus £2,400  |
| Merrill Academy - from 1 January 2013                             | 10.6 plus £8,300*                                       | 10.6 plus £35,000 |
| Town and Parish Councils - Group 1                                | 21.8  | 21.8              |
| Town and Parish Councils - Group 2                                | 15.2  | 15.2              |

\* Part year figure

**Town and Parish Councils**

| <b>Group 1</b>             | <b>Group 2</b>                        |
|----------------------------|---------------------------------------|
| Ashbourne Town Council     | Alfreton Town Council                 |
| Belper Town Council        | Burnaston Parish Council              |
| Clay Cross Parish Council  | Codnor Parish Council                 |
| Dronfield Town Council     | Darley Dale Town Council              |
| Eckington Parish Council   | Glapwell Parish Council               |
| Killamarsh Town Council    | Heanor & Loscoe Town Council          |
| Matlock Town Council       | Kilburn Parish Council                |
| New Mills Town Council     | Morton Parish Council                 |
| Old Bolsover Town Council  | North Wingfield Parish Council        |
| Pinxton Parish Council     | Shardlow & Great Wilne Parish Council |
| Shirebrook Town Council    | Tibshelf Parish Council               |
| Staveley Town Council      | Ticknall Parish Council               |
| Whaley Bridge Town Council | Tupton Parish Council                 |
| Whitwell Parish Council    | Wingerworth Parish Council            |
| Wirksworth Town Council    |                                       |

**PENSION FUND ACCOUNTS**  
**NOTES TO THE PENSION FUND ACCOUNTS**

The following Admission Bodies also participate:

|   | <b>Total contribution rate % of pensionable payroll</b> |                    |
|---|---|--------------------|
|   | <b>2012-13</b>  | <b>2013-14</b>     |
| Three Valleys Housing Ltd   | 12.6 plus £119,500                                      | 12.6 plus £119,500 |
| Amber Valley Housing Ltd  | 12.3 plus £46,000                                       | 12.3 plus £46,000  |
| Dales Housing Ltd   | 14.9 plus £120,500                                      | 14.9 plus £120,500 |
| Tramway Museum Society  | 10.9 plus £10,200                                       | 10.9 plus £10,200  |
| Derbyshire Coalition for Inclusive Living                             | 15.7 plus £2,300  | 15.7 plus £2,300   |
| Chesterfield Care Group   | 14.1 plus £3,800  | 14.1 plus £3,800   |
| Belper Sports Centre  | 13.0 plus £17,200                                       | 13.0 plus £17,200  |
| Derbyshire Student Residences Ltd                                     | 12.7 plus £8,200  | 12.7 plus £8,200   |
| Commission for Social Care Inspection                                 | 21.4  | 21.4               |
| Cleanaway Ltd (Contract with Chesterfield BC)                         | 15.9 less £5,500  | 15.9 less £5,500   |
| Cleanaway Ltd (Contract with Amber Valley BC)                         | 15.4 plus £83,200                                       | 15.4               |
| Rentokil Initial Management Services Ltd - ceased 31 October 2012     | 22.0 less £800  | -                  |
| Norwest Holst Ltd   | 16.8 less £300  | 16.8 less £300     |
| Initial Facilities Management Ltd                                     | 17.7 plus £2,500  | 17.7 plus £2,500   |
| Initial Catering Services Ltd   | 16.5 less £800  | 16.5 less £800     |
| DC Leisure Management Ltd (contract with Amber Valley BC)             | 13.6 less £5,900  | 13.6 less £5,900   |
| Leisure and Community Partnership Ltd (contract with Amber Valley BC) | 13.6 less £5,900  | 13.6 less £5,900   |
| Balfour Beatty Power Networks Ltd                                     | 14.2 less £400  | 14.2 less £400     |
| Macintyre Care Ltd  | 15.1 less £7,200  | 15.1 less £7,200   |
| SIV Enterprises Ltd   | 14.6 plus £3,500  | 14.6 plus £3,500   |
| Veolia Ltd (contract with High Peak BC)                               | 14.6 less £20,800                                       | 14.6 less £20,800  |
| KGB Cleaning & Support Services - ceased 31 January 2013              | 15.1 less £300  | -                  |
| APCOA   | 16.7 less £8,500  | 16.7 less £8,500   |
| DC Leisure Management Ltd (High Peak BC)                              | 13.0 less £16,300                                       | 13.0 less £16,300  |
| Leisure & Community Partnership Ltd (High Peak BC)                    | 13.0 less £16,300                                       | 13.0 less £16,300  |
| Clean Slate UK Ltd  | 15.4 less £400  | 15.4 less £400     |
| Graysons Restaurants Ltd  | 15.9 less £1,700  | 15.9 less £1,700   |

**PENSION FUND ACCOUNTS**  
**NOTES TO THE PENSION FUND ACCOUNTS**

|   | <b>Total contribution rate % of pensionable payroll</b> |                  |
|---|---|------------------|
|   | <b>2012-13</b>  | <b>2013-14</b>   |
| Dell Corporation Ltd  | 12.6 less £2,400  | 12.6 less £2,400 |
| Superclean Services Wothorpe Ltd                                      | 15.7 less £500  | 15.7 less £500   |
| Apollo Property Services  | 15.5  | 15.5             |
| Ian Williams Ltd - ceased 31 March 2012                               | 14.8  | 14.8             |
| Northgate UK Ltd  | 14.3  | 14.3             |
| NIC Services Group Ltd  | 16.3  | 16.3             |
| Arvato Government Services (Sefton) Ltd                               | 14.5  | 14.5             |
| Kier Ltd  | 13.8  | 13.8             |
| Mitie Facilities Services Ltd   | 16.2  | 16.2             |
| Compass Services Ltd  | 15.7  | 15.7             |
| Barnados  | 14.5  | 14.5             |
| Active Nation   | 11.9  | 11.9             |
| ABM Catering Ltd (Derby Moor School)                                  | 17.0  | 17.0             |
| Cream Catering  | 17.3  | 17.3             |
| ABM Catering Ltd (Gayton Primary School)                              | 12.3  | 12.3             |
| Compass Services Ltd (Derby City)                                     | 15.7  | 15.7             |
| 4 Children - from 1 January 2012                                      | 11.6  | 11.6             |
| Cleanslate (UK) Ltd (Pottery) - from 1 April 2012                     | 17.1  | 17.1             |
| Cleanslate (UK) Ltd (City Schools) - from 1 April 2012                | 17.0  | 17.0             |
| Office Care (Boulton Primary) - from 1 April 2012                     | 17.5  | 17.5             |
| Vinci Construction UK - from 1 May 2012                               | 15.7  | 15.7             |
| Derby Museums and Arts Trust - from 1 October 2012                    | 14.0  | 14.0             |
| Elior UK plc - from 10 December 2012                                  | 18.8  | 18.8             |
| Nottingham Community Housing Association (NCHA) - from 1 October 2012 | 19.4  | 19.4             |
| Balfour Beatty (Derby BSF) - from 10 September 2012                   | 14.8  | 14.8             |

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# ANNUAL GOVERNANCE STATEMENT

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## **Scope of Responsibility**

Derbyshire County Council has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised and is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded, properly accounted for and used economically, efficiently and effectively.

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

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

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

## **The Purpose of the Governance Framework**

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

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

The governance framework has been in place at Derbyshire County Council for the year ended 31 March 2013 and up to the date of the Statement of Accounts being certified by the Director of Finance.

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# ANNUAL GOVERNANCE STATEMENT

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

### **Policy and Plans**

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

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

### **Leadership**

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

Chief Officers play a key role in implementing policy decisions. The Director of Legal Services is the designated Monitoring Officer with responsibility for ensuring the lawfulness of decisions taken by the Council, Cabinet, its Committees and officers, providing support and advice on the maintenance of ethical standards and advising the Standards Committee. The Director of Finance is the nominated Section 151 Officer and is responsible for the proper administration of the Authority's financial affairs.

The Authority's Head of Internal Audit carries out an annual review of the Authority's corporate governance arrangements. Based on the evidence from audit work the Head of Internal Audit produces an Annual Report which is considered by the Audit Committee and highlights both significant areas of good practice and those where improvements

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## ANNUAL GOVERNANCE STATEMENT

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can be made. The Annual Report includes the formal Assurance Statement by the Head of Internal Audit on the effectiveness of the Authority's systems of internal control.

### **Role of the Audit Committee**

The Authority has an Audit Committee which operates in accordance with prescribed terms of reference, its function being defined in the Constitution. It is responsible for ensuring the continued adequacy and effectiveness of the Authority's internal control framework and for undertaking an annual review of the regulatory framework which is comprised of:-

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

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

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

### **The Internal Control Framework**

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

### **The Chief Financial Officer**

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

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# ANNUAL GOVERNANCE STATEMENT

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## **Role of Audit Services**

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

A detailed annual review of the effectiveness of the system of internal audit is a requirement under the Accounts and Audit Regulations and such reviews have previously been conducted in-house by the Director of Finance. These requirements have been extended by the Public Sector Internal Audit Standards which have recently been introduced. These Standards require that an independent, external review is conducted on a five yearly cycle and the first such review has recently been concluded by Price Waterhouse Coopers and will be reported to the Audit Committee shortly.

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

## **Role of Improvement and Scrutiny**

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

## **Role of Standards Committee**

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

## **Member Development**

The Authority has reviewed its arrangements for Member Training and Development and has established a group as recommended by an Improvement and Scrutiny review to

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## ANNUAL GOVERNANCE STATEMENT

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oversee and implement a structured framework for Member development and induction. A series of workshops has been implemented to assist in the induction of newly elected Members and to provide refresher training for existing Members.

### **Staff Development**

The Council has continued to support the development of its staff in the provision of generic and specific skills training including supporting the maintenance of professional standards and qualification training.

The Authority has in place a Leadership Job Family which sets out role profiles, the leadership framework and associated standards, and includes specific reference to financial and risk management, with an emphasis on performance management, including the on-going implementation of MyPlan reviews for all staff. This serves to ensure that the “golden thread” from the Council Plan to individual objectives is clearly detailed and recognized.

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

### **Consultation and Delivery in Partnership**

The Authority’s vision and intended outcomes are communicated to citizens through a range of media including the Authority’s website, Derbyshire First and the Council Tax leaflet.

The Authority ensures that clear channels of communication are in place with all sections of the community and other stakeholders e.g. employee groups, Citizens’ Panel, Youth Council, 50+ Forum, BME Forum, Local Area Fora (where in existence), School Councils and service user groups. Corporate communications are managed by staff of the Chief Executive’s Office.

The Authority operates a partnership protocol, toolkit and database; specific requirements of partnership working are defined in Financial Regulations and partnership arrangements are subject to annual review by Audit Services.

### **Future Improvements**

The reviews of effectiveness undertaken by both internal and external audit have advised that the Authority’s overall financial management and corporate governance arrangements are sound subject to the satisfactory, prompt implementation of recommendations made and accepted during the year.

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



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## ANNUAL GOVERNANCE STATEMENT

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- Production of a Governance Manual/Matrices
- Performance management information
- Review and refresh of the Authority's Resource Strategies, the first of which covering the Authority's financial resources has now been completed

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

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

**Ian Stephenson**  
Chief Executive

**Councillor Anne Western**  
Leader of the Council

17 September 2013                      17 September 2013  
On behalf of Derbyshire County Council

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## AUDITOR'S OPINION

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### **Independent auditor's report to the members of Derbyshire County Council**

We have audited the financial statements of Derbyshire County Council for the year ended 31 March 2013 on pages 3 to 105. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

This report is made solely to the members of the Authority, as a body, in accordance with Part II of the Audit Commission Act 1998. Our audit work has been undertaken so that we might state to the members of the Authority, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the Director of Finance and auditor**

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

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Authority's and the Pension Fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Finance; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Explanatory Foreword to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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## AUDITOR'S OPINION

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### Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2013 and of the Authority's expenditure and income for the year then ended;
- give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2013 and the amount and disposition of the fund's assets and liabilities as at 31 March 2013 other than liabilities to pay pensions and other benefits after the end of the scheme year; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

### Matters on which we are required to report by exception

The Code of Audit Practice 2010 for Local Government Bodies requires us to report to you if:

- the annual governance statement set out on pages 106 to 111 [the annual governance statement which accompanies the financial statements] does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- the information given in the explanatory foreword for the financial year for which the financial statements are prepared is not consistent with the financial statements; or
- any matters have been reported in the public interest under section 8 of Audit Commission Act 1998 in the course of, or at the conclusion of, the audit; or
- any recommendations have been made under section 11 of the Audit Commission Act 1998; or
- any other special powers of the auditor have been exercised under the Audit Commission Act 1998.

We have nothing to report in respect of these matters

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## AUDITOR'S OPINION

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### **Conclusion on Derbyshire County Council's arrangements for securing economy, efficiency and effectiveness in the use of resources**

#### **Authority's responsibilities**

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

#### **Auditor's responsibilities**

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

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

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

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in November 2012, as to whether the Authority has proper arrangements for:

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

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

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

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## AUDITOR'S OPINION

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### **Conclusion**

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in November 2012, we are satisfied that, in all significant respects, Derbyshire County Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2013.

### **Certificate**

We certify that we have completed the audit of the financial statements of Derbyshire County Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice 2010 for Local Government Bodies issued by the Audit Commission.

**Mr John Cornett**

**for and on behalf of KPMG LLP, Appointed Auditor**

Chartered Accountants  
1 Waterloo Way  
Leicester  
LE1 6LP

26<sup>th</sup> September 2013

## GLOSSARY OF TERMS

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| <b>Accounting Basis</b>  |
| The basis with which the authority is required to present the accounts to be compliant with International Financial Reporting Standards.   |
| <b>Accrual / Accruals Concept</b>  |
| The accruals concept requires that the cost or benefit of a transaction is shown in the period to which the goods or services are received or provided, rather than when the cash is paid or received. |
| <b>Actuarial Basis</b>   |
| The estimation technique applied when estimating the liabilities to be recognised for defined benefit pension schemes in the financial statements of an organisation.                                  |
| <b>Actuarial Gains &amp; Losses</b>  |
| Gains and losses as a result of the change in value due to the actuary's estimation of the fair value of assets & liabilities.   |
| <b>Amortisation</b>  |
| The term used to describe the charge made for the cost of using intangible fixed assets. The charge for the year will represent the amount of economic benefits consumed aka wear and tear.            |
| <b>Amortised Cost</b>  |
| The cost of intangible assets reduced by the amount of amortisation charged to date.   |
| <b>Assets</b>  |
| Right or other access to future economic benefits.   |
| <b>Balance Sheet (BS)</b>  |
| Shows all balances including reserves, long-term debt, fixed and net current assets, together with summarised information on the fixed assets held.  |
| <b>Balance Sheet Date</b>  |
| The date at which the Council reports its financial statements. For Derbyshire County Council, this date is 31 March.  |
| <b>Bonds</b>   |
| Investment in certificates of debts issued by a Government or company. These certificates represent loans which are repayable at a future date with interest.  |
| <b>Budget</b>  |
| The financial plan reflecting the Council's policies and priorities over a period of time.   |
| <b>Cabinet</b>   |
| A group of councillors who provide the executive function of the Council, their decision-making powers are set out in the Council's Constitution.  |
| <b>Cap And Trade Scheme</b>  |
| Schemes where a 'cap' or limit is imposed on authorities for certain activities. Authorities can increase or decrease their limit by 'trading' for allowances.   |
| <b>Capital Adjustment Account</b>  |
| Capital reserve largely comprising of resource applied to capital financing and is not available to the Council to support new investment.   |
| <b>Capital Costs</b>   |
| Reflects the element of annual payment for PFI or Leased assets which is in relation to the reduction in the long term debt associated with the asset.   |
| <b>Capital Expenditure</b>   |
| Expenditure on the acquisition of, or enhancement to fixed assets. This cannot be merely to maintain the value of an existing asset.   |
| <b>Capital Financing</b>   |

## GLOSSARY OF TERMS

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|---|
| The funding used to pay for capital expenditure during the year.  |
| <b>Capital Financing Requirement</b>  |
| Estimated level of capital investment needed in order to maintain the Councils assets in a state required to continue to deliver the Councils services.   |
| <b>Capital Grant</b>  |
| Grant which is intended to fund capital expenditure.  |
| <b>Capital Grants Unapplied Reserve</b>   |
| Capital reserve reflecting the value of capital grant received where there are no conditions outstanding; however expenditure on the associated asset has not been incurred.                    |
| <b>Capital Receipts</b>   |
| Money received from the sale of fixed assets. Subject to certain limitations, this can be used to finance other capital expenditure, or to repay outstanding debt associated with the asset.    |
| <b>Capital Reserves</b>   |
| Reserve balances held for capital purposes.   |
| <b>Capital Starts Programme</b>   |
| New capital schemes that have been approved by Cabinet to commence in the forthcoming year.   |
| <b>Carbon Reduction Commitment</b>  |
| Cap and trade scheme aimed at improving the impact Local Authorities have on Climate Change.  |
| <b>Carrying Amount / Carrying Value</b>   |
| The value which is held in the balance sheet for an item.   |
| <b>Cash Equivalents</b>   |
| Liquid investments (less than 3 months in total term) which can be converted to cash almost immediately.  |
| <b>Cash Flow Statement (CFS)</b>  |
| This consolidated statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.  |
| <b>CIPFA Code</b>   |
| A publication produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) that provides comprehensive guidance on the content of a Council's Statement of Accounts.           |
| <b>Collection Fund</b>  |
| The fund maintained by authorities who have responsibility to bill Council Tax and Non-Domestic Rate payers (billing authorities).  |
| <b>Collection Fund Adjustment Account</b>   |
| Revenue reserve to represent the difference between the income received by a Local Council in Council Tax and the amount attributable to them.  |
| <b>Collection Fund Statements</b>   |
| The statutory financial statements produced as part of the Statement of Accounts by authorities who have responsibility to bill Council Tax and Non-Domestic Rate payers (billing authorities). |
| <b>Community Assets</b>   |
| Assets which are held for the benefit of the community where there is no determinable useful life, such as works of art.  |
| <b>Community Schools</b>  |

## GLOSSARY OF TERMS

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| Schools which the Council runs, employs the staff and normally owns and maintains the land and buildings (with the exception of PFI schools).   |
| <b>Comprehensive Income and Expenditure Statement (CIES)</b>  |
| This statement reports the net cost of all the services which the Council is responsible for, and demonstrates how that cost has been financed.                                       |
| <b>Constitution</b>   |
| The document that sets out how the Council operates, how decisions are made and the procedures which are followed.  |
| <b>Contingent Liability</b>   |
| Potential costs that the Council may incur in the future because of something that happened in the past, but there is no certainty that a cost will occur.                            |
| <b>Controllable</b>   |
| Budgets and expenditure which are within the control of the budget manager i.e. salaries, supplies & services and transport costs.  |
| <b>Core Financial Statements</b>  |
| Main Statements which make up the accounts. They comprise of the Comprehensive Income & Expenditure Statement, Balance Sheet, Movement in Reserves Statement and Cash Flow Statement. |
| <b>Core Service Areas</b>   |
| The services provided by the Council externally, such as education, highway maintenance and adult social care.  |
| <b>Corporate &amp; Democratic Core</b>  |
| Costs associated with the democratic management of the Council such as the Chief Executives salary and Members' Allowances.   |
| <b>Council</b>  |
| The Council comprises all of the democratically elected Councillors who represent the various electoral divisions.  |
| <b>Council Tax</b>  |
| Council Tax is a local taxation that is levied on dwellings within the local Council area and funds all Council services.   |
| <b>Credit</b>   |
| A credit represents income to an account.   |
| <b>Creditors</b>  |
| Represents the amount that the Council owes other parties.  |
| <b>Curtailments</b>   |
| Resulting cost related to the predicted reduction in employees service such as from a large number of employee leavers.   |
| <b>Debit</b>  |
| A debit represents expenditure against an account.  |
| <b>Debtors</b>  |
| Represents the amounts owed to the Council by another body.   |
| <b>Dedicated Schools Grant (DSG)</b>  |
| A specific grant paid to Local Authorities to fund the cost of running its schools.   |
| <b>Deficit</b>  |
| Arises when expenditure exceeds income or when expenditure exceeds available budget.  |
| <b>Defined Benefit Scheme</b>   |
| Also known as a Final Salary Scheme. Pension scheme arrangement where the   |



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## GLOSSARY OF TERMS

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| benefits payable to the members are determined by the scheme rules. In most cases there is a compulsory members' contribution but over and above this all costs of meeting the quoted benefits are the responsibility of the employers.   |
| <b>Defined Contribution Pension Scheme</b>  |
| Also known as a Money Purchase Scheme. Pension scheme arrangement where the employer's liability is restricted to the amount that they contribute. Benefits payable to the members depend on the performance of the invested contributions of the members and the employer, the level of contributions invested, the charges deducted by the product provider and the annuity rate at retirement. |
| <b>De-minimus</b>   |
| A limit set to which capital expenditure is defined i.e. expenditure below this limit is treated as revenue regardless of how it is financed or what it is spent on.  |
| <b>Depreciation</b>   |
| The term used to describe the charge made for the cost of using tangible fixed assets. The charge for the year will represent the amount of economic benefits consumed aka wear and tear.   |
| <b>Derecognition</b>  |
| The process upon which assets are no longer deemed to belong to the Council either by sale, destruction or other form of disposal.  |
| <b>Discount</b>   |
| An allowance received through the early repayment of debt   |
| <b>Donated Assets</b>   |
| Assets which have been acquired at below market cost.   |
| <b>Earmarked Reserves</b>   |
| Reserve balances which have been set aside for future spending in a specific area.  |
| <b>Economic Substance</b>   |
| True nature of a transaction or contract regardless of the legal nature.  |
| <b>Employee</b>   |
| A person who holds an office within the Council, but does not include a person who is an elected councillor.  |
| <b>Employee Costs</b>   |
| The costs directly associated with employees, including but not exhaustively salaries and wages, National Insurance contributions and pension costs.  |
| <b>Enhancement Expenditure</b>  |
| Expenditure which increases the value of an asset.  |
| <b>Equities</b>   |
| Ordinary shares in UK and overseas companies traded on a stock exchange. Shareholders have an interest in the profits of the company and are entitled to vote at shareholder's meetings.  |
| <b>Exceptional Items</b>  |
| Events which are material in terms of the Council's overall expenditure and are not expected to recur frequently or regularly.  |
| <b>Fair Value</b>   |
| Usually the amount that would be paid for an asset in an active market, however where there is no market for a certain type of asset (such as schools) other methods to determine fair value are used.  |
| <b>Finance Costs</b>  |
| Reflects the element of annual payment for PFI or Leased assets which is in relation  |

## GLOSSARY OF TERMS

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| to interest payable on the loan liability.   |
| <b>Finance Lease</b>   |
| A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.   |
| <b>Financial Assets</b>  |
| A right to future economic benefits controlled by the Council.   |
| <b>Financial Instruments</b>   |
| Financial instruments are formally defined in the CIPFA Code as contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity.        |
| <b>Financial Instruments Adjustment Account</b>  |
| Revenue reserve which records the timing differences between the rate at which gains and losses are recognised and the rate at which debits and credits are required to be made against council tax. |
| <b>Financial Liabilities</b>   |
| An obligation to transfer economic benefits controlled by the Council.   |
| <b>Fixed Assets</b>  |
| Assets that yield benefits to the Council for a period of more than one year, examples include land, buildings and vehicles.   |
| <b>Formula Grant</b>   |
| The general grant paid to Local Authorities by the Government to support the day to day costs of running its services.   |
| <b>Foundation Schools</b>  |
| Schools run by their own governing body, which employs the staff and sets the admissions criteria. Land and buildings are usually owned by the governing body or a charitable foundation.            |
| <b>Funding Basis</b>   |
| The basis with which the Council presents its accounts to show the true impact to Council Tax.   |
| <b>General Fund Balance</b>  |
| The reserve held by the Council for general purposes, i.e. against which there are no specific commitments.  |
| <b>General Reserves / General Fund Balance</b>   |
| The reserve held by the Council for general purposes, i.e. against which there are no specific commitments.  |
| <b>Going Concern</b>   |
| The going concern accounting concept assumes that the organisation will not significantly curtail the scale of its operation in the foreseeable future.  |
| <b>Government Grants</b>   |
| Payment by Government towards the cost of Local Authority services. These are either for particular purposes or services (specific grants) or in aid of local services generally (formula grant).    |
| <b>Grants / Grant Income</b>   |
| Payment towards the cost of Local Authority services. These are either for particular purposes or services (specific grants) or in aid of local services generally (formula grant).                  |
| <b>Impairment</b>  |
| Impairment of an asset is caused either by a consumption of economic benefits, a   |

## GLOSSARY OF TERMS

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| deterioration in the service provided by an asset, or by a general fall in prices of that particular asset.   |
| <b>Inflow</b>   |
| This represents cash coming into the Council.   |
| <b>Infrastructure Assets</b>  |
| Assets associated with the road networks owned and maintained by the Council.   |
| <b>Intangible Asset</b>   |
| Non-current assets which do not have physical form such as software.  |
| <b>International Accounting Standard (IAS's)</b>  |
| Regulations outlining the method of accounting for activities, IAS's are currently being replaced with International Financial Reporting Standards (IFRS's) issued by the International Accounting Standards Board. |
| <b>International Financial Reporting Interpretations Committee (IFRIC)</b>  |
| Guidance issued by the committee to assist in the interpretation of IFRS.   |
| <b>International Financial Reporting Standards (IFRS)</b>   |
| Regulations outlining the method of accounting for activities, issued by the International Accounting Standards Board.  |
| <b>Inventories</b>  |
| Fair value of current assets purchased which have not yet been consumed.  |
| <b>Investment Property Assets</b>   |
| Assets held solely for the purposes of rental generation or for increasing the value pre-sale (capital appreciation).   |
| <b>Investments</b>  |
| An asset which is purchased which is expected to increase in value by providing income, capital appreciation or both.   |
| <b>Landfill Allowance Trading Scheme</b>  |
| Cap and trade scheme aimed at improving reducing the level of waste taken to landfill and encourage alternative refuse processes.   |
| <b>Leases</b>   |
| A method of funding expenditure by payment over a defined period of time.   |
| <b>Lessee</b>   |
| The person or organisation that is using or occupying an asset under lease (tenant).  |
| <b>Lessor</b>   |
| The person or organisation that owns an asset under lease (landlord).   |
| <b>Levies &amp; Precepts</b>  |
| Statutory charges made to support the services provided by other organisations.   |
| <b>Liabilities</b>  |
| An obligation to transfer economic benefits. Current liabilities are payable within one year.   |
| <b>Loans and Receivables</b>  |
| Financial assets which are not quoted in an active market and have either a fixed or determinable payment.  |
| <b>Materiality</b>  |
| Materiality is an expression of the relative significance or importance of a particular matter in the context of the financial statements as a whole.   |
| <b>Members</b>  |
| Elected councillors responsible for the democratic leadership of the Council.   |
| <b>Members' Allowances</b>  |

## GLOSSARY OF TERMS

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| Allowances paid to members in association with their roles and responsibilities.  |
| <b>Minimum Revenue Provision (MRP)</b>  |
| A minimum amount, set by law, which the Council must charge to the income and expenditure account, for debt redemption or for the discharge of other credit liabilities (e.g. finance lease). |
| <b>Movement in Reserves Statement (MRS)</b>   |
| The statement detailing the movement in the reserves of the Council.  |
| <b>Net Book Value (NBV)</b>   |
| The amount at which fixed assets are included in the balance sheet. It represents historical cost or current value less the cumulative amounts provided for Depreciation or Impairment.       |
| <b>Net Cost of Service</b>  |
| The actual cost of a service to an organisation after taking account of all income received for services provided.  |
| <b>Net Realisable Value</b>   |
| The value that inventories bring to the Council when in their final use i.e. assets due for sale have a net realisable value of their sale price.   |
| <b>Non-Current Assets</b>   |
| Assets that yield benefits to the Council for a period of more than one year, examples include land, buildings and vehicles.  |
| <b>Non-Current Debtors</b>  |
| Amounts owed to the authority which are due for repayment in more than 1 year from the Balance Sheet date.  |
| <b>Non-Current Liabilities</b>  |
| Liabilities that yield obligations by the Council for a period of more than one year, examples include borrowing and pension costs.   |
| <b>Non-Distributed Costs</b>  |
| The value of revenue operating expenditure that is not able to be apportioned to one of the authorities core service areas.   |
| <b>Operating Lease</b>  |
| A lease where an asset is used only for a small proportion of its economic life.  |
| <b>Operating Outturn</b>  |
| Under or overspend achieved by the normal operations of the Council for the year when expenditure is compared to the budget.  |
| <b>Outflow</b>  |
| This represents cash going out of the Council.  |
| <b>Pension Costs</b>  |
| The benefits paid by the Council which are accrued during the period of employment and paid to ex-employees after retirement.   |
| <b>Pension Liability</b>  |
| The cost, calculated by an Actuary, of providing the current members of a pension scheme with retirement benefits as set out in the pension scheme rules.                                     |
| <b>Private Finance Initiative (PFI)</b>   |
| See Private Finance Initiative  |
| <b>PFI Grant</b>  |
| The financial support provided to Local Authorities to part fund PFI capital projects.  |
| <b>Premium</b>  |
| A payment made in association with the early repayment of debt.   |

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| <b>Present Value</b>  |
| The representative cost of a transaction if it were to occur today.   |
| <b>Previous Year Adjustments</b>  |
| These are material adjustments relating to prior year accounts that are reported in subsequent years and arise from changes in accounting policies or from the correction of fundamental errors.      |
| <b>Principal</b>  |
| The amount of repayment to a lender which relates to the reduction in the loan, rather than the interest paid on the loan.  |
| <b>Prior Period Adjustments</b>   |
| These are material adjustments relating to prior year accounts that are reported in subsequent years and arise from changes in accounting policies or from the correction of fundamental errors.      |
| <b>Private Finance Initiative (PFI)</b>   |
| A Government initiative that enables, through the provision of financial support, Authorities to carry out capital projects through partnership with the private sector.                              |
| <b>Projected Unit Method</b>  |
| This is a common actuarial funding method to value pension scheme liabilities.  |
| <b>Provision for Bad &amp; Doubtful Debts</b>   |
| A prudent reduction in the reported level of income owed to the Council for non payment of invoices and other debt.   |
| <b>Provisions</b>   |
| Potential costs that the Council may incur in the future because of something that happened in the past, which are likely or certain to be incurred and a reliable estimate can be made to the costs. |
| <b>Public Works Loans Board (PWLB)</b>  |
| A Government agency which provides longer term loans to local authorities at favourable interest rates only slightly higher than those at which the Government itself can borrow.                     |
| <b>Quoted Market Prices</b>   |
| A method of determining the fair value of financial assets via prices quoted on an active market.   |
| <b>Recognition</b>  |
| The process upon which assets are deemed to belong to the Council either by purchase, construction or other form of acquisition.  |
| <b>Reserves</b>   |
| Sums are set aside in reserves for future purposes rather than to fund past events.   |
| <b>Revaluation Gain</b>   |
| The increase to the fair value of an asset following a valuation.   |
| <b>Revaluation Reserve</b>  |
| This reserve contains revaluation gains on assets recognised since 1 April 2007 only, the date of its formal implementation.  |
| <b>Revenue Expenditure</b>  |
| Expenditure which is not capital.   |
| <b>Revenue Expenditure Funded from Capital under Statute (REFCUS)</b>   |
| This is expenditure that is classified as capital although it does not result in the creation of a fixed asset.   |
| <b>Revenue Grant</b>  |

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| Grant which is not capital.   |
| <b>RICS Valuer</b>  |
| Royal Institute of Chartered Surveyors qualified valuer.  |
| <b>Segmental Reporting</b>  |
| Presentation of financial information based on the internally reported segments of the Council eg departments.                                |
| <b>Service Concession Arrangements</b>  |
| Arrangements which involve the supply and maintenance of assets and service delivery.   |
| <b>Service Costs</b>  |
| Reflects the element of annual payment for PFI or Leased assets which is in relation to services provided within the contract.                |
| <b>Settlement</b>   |
| Lump sum payment to extinguish future pension rights.   |
| <b>Short Term Benefits</b>  |
| Employee benefits earned and consumed during employment.  |
| <b>Soft Loans</b>   |
| Low interest rate loans.  |
| <b>Specific Grant</b>   |
| A grant awarded to a Council for a specific purpose or service that can not be spent on anything else.  |
| <b>Straight Line Basis</b>  |
| The method of calculating depreciation via charging the same amount each year over the life of the asset.                                     |
| <b>Subjective Spend</b>   |
| Analysis of expenditure based on what it has been spent on (i.e. salaries) as opposed to who spent it (i.e. Adult Care).                      |
| <b>Surplus</b>  |
| Arises when income exceeds expenditure or when expenditure is less than available budget.   |
| <b>Surplus Assets</b>   |
| Assets which are no longer in operation.  |
| <b>Termination Benefits</b>   |
| Employee benefits paid upon termination of employment such as redundancy.   |
| <b>Trading Operations</b>   |
| A service run in a commercial style and environment, providing services that are mainly funded from fees and charges levied on customers.     |
| <b>Transferred Debt</b>   |
| Loans and investments present at the time of Local Government Reorganisation which subsequently was shared amongst the newly formed Councils. |
| <b>Treasury Management</b>  |
| Utilisation of cash flows through investments and loans.  |
| <b>Uncontrollable</b>   |
| Budgets and expenditure that are not within the control of a budget manager, for example recharges of back office functions and depreciation. |
| <b>Unidentified Income</b>  |
| Income received by the Council where the reason for the income is unknown.  |
| <b>Unusable Reserves</b>  |

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| Adjustment accounts used to hold the timing differences between when the Council is required to account for a transaction and when the cash payment or receipt actually occurs. These are not available to finance expenditure. |
| <b>Usable Capital Receipts Reserve</b>  |
| Represents the resources held by the Council that have arisen from the sale of fixed assets that are yet to be spent on other capital projects.   |
| <b>Usable Reserves</b>  |
| Cash reserves that are available to finance future revenue and capital expenditure.   |
| <b>Useful Economic Life</b>   |
| The period with which an asset is expected to be useful to the Council in its current state.  |
| <b>Value Added Tax</b>  |
| National taxation charged on goods and services.  |
| <b>Voluntary-aided schools</b>  |
| Schools which are mainly religious or 'faith' schools, the governing body employ the staff and set the admission criteria. Buildings and land are normally owned by a charitable foundation.                                    |
| <b>Voluntary-controlled schools</b>   |
| Schools which the Council run, employ staff, set admission criteria and maintain land and buildings. But normally are owned by a charity, who appoints members to the governing body.   |
| <b>Waste Disposal Authorities</b>   |
| Authorities with the statutory responsibility for disposal of refuse.   |
| <b>Work in Progress</b>   |
| The fair value of incomplete contracts for goods and services which are to be charged to external customers.  |

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## CONTACT US

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If you require any further assistance

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