Public

DERBYSHIRE
County Council

Post-Audit
Statement of Accounts
2017-18

Peter Handford, B.A. (Hons), FCPFA
Director of Finance & ICT

CONTENTS

NARRATIVE REPORT

Introduction

This Statement of Accounts presents the overall financial position of the Council for the year ended 31 March 2018. It has been produced in compliance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting (the Code), based on International Financial Reporting Standards (IFRS). IFRS are made up of a combination of many individual accounting standards.

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

Basis of Preparation and Presentation

When preparing the accounts, an authority need not comply with the Code, as to both disclosure and accounting principles, if the information is not material to the “true and fair” view of the financial position, financial performance and cash flows of the authority and to the understanding of users.

Information is material if omitting it, or misstating it, could influence decisions that users make on the basis of financial information about a specific authority.

The Accounting Policies of the Council have been prepared in accordance with IFRS, as adopted by the Code. Where there is no specific guidance in the Code, the Council has developed its own Accounting Policies, which are aimed at creating information which is relevant to the decision making needs of users and reliable, in that the financial statements:

- represent fairly the financial position, financial performance and cash flows of the entity;
- reflect the economic substance of transactions, other events and conditions and not merely the legal form;
- are neutral i.e. free from bias;
- are prudent; and
- are complete in all material respects.

The Council’s Accounting Policies are included in Appendix One of these accounts. They outline how the Council should account for all income, expenditure, assets and liabilities held and incurred during the 2017-18 financial year.

The Accounting Policies of the Council are updated annually to reflect any changes in IFRS, including changes in International Public Sector Accounting Standards (IPSAS), HM Treasury guidance, CIPFA guidance or any other change in statute, guidance or framework impacting on the Council’s accounts. The Accounting Policies of the Council, as far as possible, have been developed to ensure that the accounts of the Council are understandable, relevant, free from material error or misstatement, reliable and comparable.

NARRATIVE REPORT

Explanation of the Accounting Statements which follow

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

Performance

Local authorities can present the CIES based on how an authority is organised and funded. The Council has presented its CIES on the basis of how it reports its management accounts during the financial year, which is by Cabinet Member Portfolio.

The Council is structured into four departments but reports through seven Cabinet Member Portfolios. These portfolios are Adult Care, Council Services, Economic Development and Regeneration, Health and Communities, Highways, Transport and Infrastructure, Strategic Leadership, Culture and Tourism and Young People.

A restructure of portfolios took place at the start of 2017-18. In 2016-17 there were six portfolios, which were Adult Social Care, Children's Services, Council Services, Highways, Transport and Infrastructure, Health and Communities and Strategic, Policy, Economic Development and Budget. CIES and EFA portfolio income and expenditure figures for 2016-17 have been restated to ensure that they are comparable with 2017-18 portfolios. The Council's 2016-17 total portfolio income, expenditure and Net Cost of Services remain unchanged from the audited 2016-17 accounts.

Revenue Expenditure

The Council set its net budget requirement for 2017-18 on 8 February 2017 and originally planned to spend £487.563m, with funding coming in the form of Government non-ring-fenced grants of £157.287m, Council Tax of £295.251m, business rates collected locally of £18.041m and the use of General and Earmarked Reserves of £16.984m.

The Council has spent £484.310m, against a final net budget of £510.498m. The increase in net budget is largely due to additional grant funding received in-year, an additional £16.273m received in respect of the improved Better Care Fund, with the majority of the other additional grant funding allocated to the Risk Management budget.

As well as the additional grants received, the Council again entered into a business rates pool along with the district/borough councils and the Derbyshire Fire and Rescue Service, as well as Derby City Council, which resulted in a business rates gain of approximately £1.470m.

	Final Net Budget £m	Actual £m	Outturn £m
Controllable:			
Adult Care	224.405	216.059	(8.346)
Council Services	40.146	39.917	(0.229)
Economic Development and Regeneration	1.523	1.444	(0.079)
Health and Communities	3.082	2.988	(0.094)
Highways, Transport and Infrastructure	79.233	75.672	(3.561)
Strategic Leadership, Culture and Tourism	13.715	13.145	(0.570)
Young People	91.634	98.023	6.389
Portfolio Outturn	**453.738**	**447.248**	**(6.490)**
Risk Management	7.132	0.000	(7.132)
Debt Charges	45.818	39.341	(6.477)
Interest Receivable	(4.417)	(5.037)	(0.620)
Levies and Precepts	0.311	0.323	0.012
Corporate Adjustments	7.916	2.435	(5.481)
Total Outturn Position	**510.498**	**484.310**	**(26.188)**
Transfers to / from reserves:			
RCCO - Capital Funded from Revenue	10.869	10.869	0.000
Transfer to Earmarked Reserves	61.366	61.366	0.000
Transfer from Earmarked Reserves	(76.204)	(76.204)	0.000
Use of General Reserves	(25.669)	(25.669)	0.000
Contribution into General Reserve	13.251	39.439	26.188
	494.111	**494.111**	**0.000**
Financed By:			
Council Tax	(295.251)	(295.251)	0.000
Revenue Support Grant	(44.056)	(44.056)	0.000
Business Rates	(19.581)	(19.581)	0.000
Business Rates Top-up	(88.604)	(88.604)	0.000
New Homes Bonus	(2.497)	(2.497)	0.000
Other General Revenue Grants	(33.618)	(33.618)	0.000
PFI Grant	(10.504)	(10.504)	0.000
	(494.111)	**(494.111)**	**0.000**

Departments have continued to look for ways of working more efficiently and effectively to cut costs or generate additional income and set aside cash for future years when further budget reductions will be needed.

There continues to be pressures on social care, which has resulted in a significant overspend in the Young People portfolio. The overspend in Young People was, in the main, driven by increased demand for Social Care support, such as placements for children in care, alternative arrangements for children unable to live with parents and increased numbers of children whose safety and well-being needs to be monitored through child protection plans and associated social worker support.

Underspends will be utilised to manage budgets over the period 2018-19 to 2020-21. Any decision on the use of underspends in this way are made by Cabinet.

The underspend in Adult Care was, in the main, due to additional funding made available to expand services around hospital discharge and an over-achievement of savings. The underspend in the Highways, Transport and Infrastructure portfolio has mainly resulted from waste management expenditure being less than expected, because of one-off landfill diversion savings and lower waste tonnages, and because of the receipt of more income from planning application fees. The extent of the underspend was reduced by winter maintenance costs being higher than anticipated. There were underspends in the other portfolio areas, mainly due to staffing reductions and vacancy control.

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

There is an overall Council underspend of £26.188m, which results in an increase to the Council's General Reserve. The balance on the General Reserve is £65.033m, however there are commitments held against the balance, details of which were reported to Cabinet on 20 July 2017 and will be updated as part of the Outturn Report for 2017-18. The delivery of the Council's Five Year Financial Plan is heavily dependent on an adequate level of General Reserve, the underspend generated in 2017-18 was anticipated as part of the decisions taken by Council at its budget setting meeting in February 2018. The need to maintain an adequate, risk assessed level of reserves has been a key part of the Council's success, in both maintaining its financial standing and continuing to deliver high quality services.

The table on page 4 summarises the Council's outturn position, highlighting the Cabinet Member Portfolio and Corporate underspends. In respect of the £6.389m overspend on the Young People portfolio, which has been charged to the Council's General Reserve in 2017-18, along with the underspends on the other portfolios, £2.053m will be transferred back to the General Reserve in 2018-19, from an earmarked reserve held specifically to manage the achievement of budget reductions.

Spending on schools is funded by Dedicated Schools Grant (DSG) from Government. The Council received £408.016m in 2017-18. The table on page 4 shows the positions net of the impact of this grant, other ring fenced grants and income from other third parties and their associated spend. Note 40 sets out the DSG grant in more detail.

The Council also has responsibility for Public Health funding. A total of £41.618m was received in 2017-18 in the form of a ring-fenced grant from Government to pay for Public Health services. There was an underspend against the balance of the grant of £1.580m.

The Comprehensive Income and Expenditure Statement shows a deficit on provision of services of £222.582m. This is different to the outturn position shown in the previous table as it includes both cash transactions and non-cash items, such as depreciation. The deficit, in the main, relates to the loss on disposal of non-current assets, which is referred to in more detail in Note 6.

Capital Expenditure

The table below shows that capital expenditure decreased by £4.480m compared to 2016-17.

	2016-17 £m	2017-18 £m
Capital Expenditure	**110.828**	**106.348**
Funded by:		
Grants and Contributions	80.674	91.700
Loans	8.702	2.381
Revenue Contributions	12.973	10.869
Capital Receipts	8.479	1.398
Total	**110.828**	**106.348**

Assets and Liabilities

The value of Property, Plant and Equipment Assets (PPE) has increased by £37.279m from the previous year.

Long and Short Term Investments have decreased by £9.605m and Cash and Cash Equivalents have increased by £13.280m from the previous year.

Current and Non-Current Debtors have decreased by £19.203m. During the year the deposited indemnity of £1.750m from the Council's first Local Authority Mortgage Scheme (LAMS) was repaid in full.

Current and Non-Current Borrowing have decreased by £28.193m, which is as a result of a long-term plan over the past five years to reduce the borrowing required to finance capital expenditure. The Council has not entered into any new debt since September 2010. During the year two Lender Option Borrower Option (LOBO) loans, with a nominal value of £13 million, were repaid early. The Council has only one such loan, with a nominal value of £5 million remaining.

Other Non-Current Liabilities have decreased by £15.062m. Of this, there is a £11.066m reduction in relation to the valuation of the Local Government Pension Scheme and Teachers Pension Scheme net liabilities.

Cashflow

The Council's cashflow in 2017-18 does not highlight any significant changes. Interest payable and receivable were at similar levels to 2016-17.

It is expected that the Council will cease to receive Revenue Support Grant from 2020-21 at the latest. In the Autumn of 2017, the Council, along with ten other local authorities in Derbyshire, applied to become a Business Rates Retention Pilot in 2018-19. The bid was successful and as a result, the Council will not receive any Revenue Support Grant in 2018-19. The Pilot lasts for one year only at present.

Council Tax was increased by 3.99% in 2017-18 and by 4.99% in 2018-19. Should the Council again choose to implement the Adult Social Care precept of 2%, in addition to a general increase of 2.99%, the Council Tax will rise by a further 4.99% in 2019-20. No Council Tax increase is included in the Council's Five Year Financial Plan (FYFP) in 2020-21 and 2021-22. A 1% increase is forecast in 2022-23.

The Better Care Fund (BCF) allocations and additional allocations of improved BCF will contribute to supporting Adult Care services.

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

Given the significant cuts to public expenditure and in particular to local government funding, the Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term to either use internal resources, or to borrow short-term loans instead. By doing so, the Council is able to reduce net borrowing costs and reduce overall treasury risk. The benefits of internal borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise. The Council will monitor this 'cost of carry' and breakeven analysis. Its output may determine whether the Council borrows additional sums at long-term fixed rates in 2018-19 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

In addition, the Council may borrow short-term to cover cash flow shortages where it is advantageous to do so.

Provisions and Contingencies

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

Reserves

The Council's total Usable Reserves, which include General and Earmarked Revenue Reserves, have increased by £4.722m, to £307.494m.

The General Reserve balance has increased by £13.768m, to £65.033m at 31 March 2018. There are commitments against this balance that are set out in the Revenue Outturn Report 2017-18.

During 2017-18, the Earmarked Reserves balance has decreased by £14.838m, to £187.567m. Earmarked Reserves are held for specific purposes and are regularly reviewed by Cabinet as part of the budget monitoring cycle. A more detailed analysis is available in Note 32 to the Accounts.

The Unapplied Capital Grants Reserve has increased by £5.406m, to £36.906m at 31 March 2018. This reserve holds the grants and contributions received towards capital projects but which have yet to be applied to meet capital expenditure.

The Capital Receipts Reserve has increased by £0.383m, to £17.987m at 31 March 2018. This is money set aside to meet capital expenditure. The majority of this reserve is committed towards identified capital projects such as the Crescent at Buxton.

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

Pensions Liability

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

The IAS19 notional cost of the LGPS scheme for 2017-18 is £116.657m and for Teachers Pensions is £1.723m. The actual contributions made for the year were £55.285m and £4.530m respectively, resulting in a net adjustment to the revenue position of £58.565m. In addition, there were actuarial gains on both schemes, amounting to £69.017m and £0.614m respectively, resulting in a decrease of £11.066m in the total pensions liability of the Council, to £698.836m at 31 March 2018. The pensions liability is offset by a matching notional reserve, ensuring there is no impact on the level of Council Tax.

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

Events after the balance sheet date

Derbyshire County Council, as the Administering Authority for the Derbyshire Pension Fund, has entered into a Discretionary Investment Management Agreement with LGPS Central Limited, whereby LGPS Central Limited will manage the Pension Fund's UK direct equity portfolio on a discretionary basis from 1 April 2018.

More information regarding LGPS Central Limited, a Midlands based collaboration of nine local government pension schemes, is included in the Pension Fund accounts.

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

Organisation and Governance

The Council is composed of 64 Elected Members who are democratically accountable to the residents of their electoral division. Members follow a Code of Conduct, to ensure high standards in the way they undertake their duties. The Cabinet consists of the Leader of the Council and six Members. The Cabinet is responsible for guiding the Council in the formulation of the corporate plan of objectives and key priorities, which is referred to in more detail, under Strategy and Resource Allocation, below. Within the policy framework, budgets and major plans are approved by the full Council and the Cabinet has executive responsibility for the implementation of the Council's key goals and objectives.

The Standards Committee promotes and maintains high standards, assists Members in observing the Code of Conduct and advises the Council on matters related to the Code of Conduct. The Council also operates four Improvement and Scrutiny Committees, which support the work of the Cabinet and the Council as a whole.

All Members meet together as the Council. Meetings are generally open for the public to attend, except where confidential matters are being discussed.

More information on the Council's Governance Framework is included in the Council's Annual Governance Statement, which is included at the end of these accounts.

Local Enterprise Partnership

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

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

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

As part of its accountable body role, the Council administers a grant of £0.189m, from the Careers and Enterprise Company in respect of the Enterprise Adviser Network, which has been used to meet the costs of the Enterprise co-ordinators. Both this grant and the Local Growth Fund grant are identified separately on the Council's financial ledger and have met the requirements of the grant conditions.

Derbyshire Developments Limited

In 2016-17 the Council began to operate a development company with the following aims and objectives:

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

During 2017-18 Derbyshire Developments Limited's total expenditure was £0.306m, with income of £0.088m, therefore, as in 2016-17, it is considered that Group Accounts are not required. However, the Company will submit audited accounts to Companies House in accordance with the Companies Act 2006.

The company currently has no activity within it, as its previous activities are being delivered by the Council to achieve the same aims and objectives. The opportunity exists, should the Council decide to do so, to refocus the Company's activities at some point in the future.

Strategy and Resource Allocation

The Council Plan sets out the Council's strategic direction, its ambitions and priorities, structured around four key outcomes for Derbyshire, which the Council is working towards with partners and local communities. These key outcomes are:

- Resilient and thriving communities.
- Happy, healthy people and families.
- A strong, diverse and adaptable economy.
- A great place to live, visit and work.

Sixteen priorities are set out in the Council Plan, to focus effort and resources. These are:

- Work efficiently and effectively.
- Unlock economic growth and access to economic opportunities.
- Invest in employment and skills.
- Repair and improve the condition of Derbyshire's roads.
- Improve accessibility in vulnerable and rural communities.
- Improve social care.
- Transform services for people with learning disabilities.
- Keep children and adults safe.
- Be a good corporate parent for children in our care.
- Help children and young people get the best start.
- Encourage healthy lives and reduce future health and care needs.
- Champion local communities.
- Support local library services.
- Protect local people and communities.
- Promote Derbyshire as a global cultural and tourist destination.
- Protect and enhance the natural environment.

The Council's "Flagship Projects" are set out in the Council Plan, highlighting key cross cutting projects which will be progressed over the life of the Council Plan. These are:

- Explore the use of new delivery and commissioning models across the Council to achieve service priorities.
- A £30 million Care Programme to provide new modern care homes for the county's older people.
- Work with communities to secure better outcomes for less, by developing the Thriving Communities approach.
- Work with partners to deliver the One Public Estate Programme making more efficient use of the Councils' properties and assets.
- Enable development, including the building of new homes on surplus Council land, securing income to invest in other Council Services.

The Plan was recently refreshed and updated with progress on the Council's key commitments during 2017-18. These include:

- Council structures are being reviewed to ensure they are fit for purpose. The Council has reviewed it senior management structures, resulting in the removal of the Chief Executive role and two additional top tier posts. Two existing departments have been brought together to form the new Commissioning, Communities and Policy department. The new structure is providing effective strategic management and is saving more than £0.3 million a year.
- The Business Starter programme, funded by the Council and Derby City Council, supports residents to set up new enterprises, as part of the Council's commitment to help businesses start, survive and thrive, ensuring they have high quality business support. To date, 244 people have taken part, which has resulted in the creation of 33 new businesses.
- The Council has worked with partners to deliver major regeneration projects to create jobs, houses and improved infrastructure across the County. New premises at the Markham Vale development are bringing 600 new jobs to the local area. Regeneration projects at Coalite, Buxton Crescent, the Avenue at Wingerworth and the Woodville-Swadlincote Regeneration route continue to be developed and are on track to deliver jobs, homes and development opportunities.
- The A61 Growth Corridor Strategy will support major housing and employment growth. It includes a £16 million package of measures to provide infrastructure improvements, reduce commuter journey times, provide sustainable transport routes and 'unlock' opportunities for major housing and employment growth along the A61 corridor through Chesterfield and into north-east Derbyshire. The project is being carried out over a five year period, to 2020-21.
- Transport and highways infrastructure is being improved, with the key cycle network being developed, to connect local people to jobs and leisure opportunities. A key aim is to make Derbyshire the most connected county for cycling in the country by 2030. To date 312 kilometres are already built and a public consultation has recently been concluded.
- The Council is ensuring Derbyshire homes and businesses get full Broadband coverage. The Council's Digital Derbyshire programme has made fibre broadband available in more than 100,000 homes and businesses across the county. Of these, more than 90,000 premises are now able to get superfast speeds of over 24 Mbps.

- The Council aims to create 1,000 new apprenticeships, work experience placements and second chance apprenticeships. The Council has recruited 141 apprentices in the last twelve months, with recruitment plans for new starters for 2018 onwards recently being agreed.
- To help young people get to work and training, the Council continues to support the b_line scheme, which currently provides around 60,000 young people in Derbyshire with a b_line card, entitling them to reduced fares and making it easier to travel.
- Well maintained roads are a high priority for local people and the Council has invested an additional £6 million in improving their condition. Since May 2017 around 130 miles of Derbyshire's roads have been re-laid or surface dressed.
- The development of the Highways Hub has been overseeing and controlling all operations on the county's highways network and this has had a significant impact on improving the co-ordination of road works and increasing the speed at which potholes and other road defects are repaired.
- The Council has provided continued support for subsidised bus routes, maintaining important links that cannot be run as commercial routes. Funding of £2.6 million has been allocated to enable bus services to be maintained across Derbyshire. The Council has spent an additional £0.5 million a year on extra support for bus services that are not commercially viable, identified from efficiency savings.
- The Council is developing its Derbyshire Connect bus service, particularly to help people who find it difficult to use conventional bus services.
- The home library service for older and isolated people in Derbyshire is receiving continued support from the Council. In the last year it delivered library services to more than 2,000 people.
- To reduce avoidable hospital admissions and delayed hospital discharges, £10 million is being invested and the Council is working in new ways with health partners. This has contributed to a decrease in delays in discharge from hospital, attributed to social care, of 80% over a five month period in 2017-18.
- The Council's £30 million Care Programme is being restarted, to provide new modern care homes for the county's older people.
- Home Health Safety and Welfare Checks are being carried out, for the increasing number of vulnerable over 80 year olds in local communities. The Council expects to continue to provide at least 5,000 checks each year.
- The Council has worked with 600 families through our Troubled Families Programme. These are families experiencing complex, multiple problems. The Council provides timely and targeted interventions and support.
- Over 1.7 million visits have been made to Derbyshire libraries in 2017-18. 1,000 events for local people were held in libraries, by partners and community groups and promotion of the role that libraries play in supporting such activity will continue to be a priority.
- The quality of the Council's children's residential homes has improved significantly, with 82% now rated "good" or "outstanding". Only two now "require improvement". The two "requiring improvement" homes are working hard to achieve the "good" rating.

- Over 1,100 victims of domestic abuse have been supported through the Council's integrated community based outreach services, children's services and refuge accommodation services.
- The Council is working to increase tourism and cultural exchange with Japan as part of an intensive three year programme of work, supported by the recently established Toyota Partnership which comprises the Council and partners, Toyota Manufacturing UK and Toyota City Council.

Measuring Performance

Progress on the Council Plan 2017-2021, which was published in September 2017, is measured through a combination of regular monitoring of performance indicators and updates on progress against the commitments set out in the Plan.

Performance Indicators

There are a set of key indicators in the Council Plan which are regularly monitored. These indicators are set out below. Information is collected on a monthly, quarterly or annual basis, according to what is appropriate for the indicator. These indicators are collected and reported through the Council's Corporate Performance Management System, APEX, which is available to all Council staff at Grade 14 and above. There is also a wider set of measures, which number over 100, called the Derbyshire Indicator Set. These indicators are regularly monitored and reported by exception.

Performance is reported through APEX, on a monthly basis, to Corporate Management Team. The system will also shortly be available to Elected Members. Work is underway to enable access to reports through the system for all employees and the public, although this needs to be balanced with information security requirements. In the meantime, a report on the 2017-18 end of year indicators is being prepared for publication to the Council's website.

Council Plan – key indicators

Outcomes for Derbyshire

- % of pupils achieving a good level of development at the Early Years Foundation Stage
- % of pupils achieving 4-9 points in English and Maths at GCSE
- Percentage of primary and secondary schools judged by Ofsted to be good or better
- % of young people not in education, training or employment (and care leavers)
- Employment rate (working age)
- Gross Value Added
- Percentage of principal and non-principal roads where maintenance should be considered
- Percentage of adults and children killed or seriously injured in road traffic accidents

- Carer reported quality of life
- Permanent admissions to residential care homes (younger and older adults)
- Delayed transfers of care from hospital – all days delayed attributable at least in part to social care
- Percentage of people with a learning disability who live in their own home or with their family
- Proportion of people who use services who feel safe
- Self-reported wellbeing - how satisfied are you with your life nowadays
- % of physically active adults
- % of children measured as obese at reception and year 6
- Number of children on a child protection plan per 100,000 population
- Number of children in care
- Total number of recorded crimes
- Percentage of waste recycled or composted

Council Indicators

- Percentage of Council's budget savings targets achieved
- Average number of days lost to sickness
- Number of apprenticeships
- Number of complaints upheld by the Local Government Ombudsman
- Emissions from the Council's own estate or operations

Progress against the Commitments in the Council Plan

Lead Officers also provide the Council with information regarding progress on each Council Plan commitment. Information is published annually on the Council's website. Success measures for each commitment have now been identified and these will form the basis of Lead Officers' progress reports.

Outlook, Risks and Opportunities

In October 2016, the Council confirmed its acceptance of the Government's multi-year funding offer announced in December 2015. The funding offer provides details of Government Grant allocations up to and including 2019-20. The intention is that these multi-year settlements provide funding certainty and stability to enable more proactive planning of service delivery and support strategic collaboration with local partners.

The FYFP was revised, updated and reported to Council in February 2018. It shows that budget cuts of £53 million are required over the five year period 2018-19 to 2022-23.

Significant consultation and planning timeframes are required to achieve many of these savings. Progress against budget reduction targets is closely monitored, however lead in times for consultation activity and increased demand on services mean that there is a continued risk of not achieving savings. Delays in agreeing proposals could result in overspends by departments, which would then deplete the level of General Reserve held by the Council, decreasing its ability to meet short term, unforeseeable expenditure.

There is a planned use of General and Earmarked Reserves from 2018-19 to 2020-21 in order to achieve a balanced budget.

There continues to be increased demand for services particularly in respect of Adult Care demographic growth and costs associated with the implementation of the National Living Wage. The most significant pressures which have yet to be recognised at a national level through additional funding relate to Children's Social Care. However, The FYFP sets out plans to support the Adult Care budget over the medium term through the Adult Social Care precept. The Plan also assumes that the use of the Better Care Fund and the additional improved Better Care Fund allocations will support the base budget, through collaboration with clinical commissioning groups. The focus for support from Council resources is likely to shift towards Safeguarding Services for Children as the improved Better Care Fund and additional precept help to alleviate pressures in Adult Care.

Local authorities have urged the Government to provide additional funding to support increased numbers of looked after children and children in need. The Council, like many other local authorities who provide social care, has seen substantial cost increases as a result of increased numbers of children in care. The Council provided evidence of increased demand in Derbyshire in a letter to the Secretary of State in 2017-18.

The Government has announced that it is planning to allow local authorities to retain 100% of the business rates collected in their area. In September 2017, the Government invited local authorities to submit proposals to become 100% business rates retention pilots in 2018-19. The pilots are deemed as an opportunity for the Government to test more technical aspects of the 100% business rates retention system. They will provide the opportunity to evaluate how collaboration between local authorities works in practice. The Government is interested in exploring how rates retention can operate across more than one authority to promote financial sustainability and to support coherent decision-making across functional economic areas.

The Council, together with the eight district/borough councils in the county, Derby City Council and Derbyshire Fire and Rescue Authority, submitted a bid to become a pilot. The Finance Settlement announced the Derbyshire pilot as one of the ten successful bids. Initial modelling indicated that the pilot would bring additional one-off income in 2018-19 of up to £28 million to the county of Derbyshire. The County Council's share is estimated to be up to £9 million. Of the £28 million, 70% will support services across the region including children's social care, housing, waste and recycling, promoting tourism, supporting community safety and 'safe and well' checks.

The remaining 30% of the gain will be used to support economic regeneration across the county and in Derby City. The Derby and Derbyshire Joint Committee for Economic Prosperity will be the decision making board for allocation of funding to individual projects.

It should be noted that the pilot is for 2018-19 only. Thereafter, the funding allocations will revert back to those previously announced in the multi-year settlement for 2019-20, pending further consultation on the move to 75% business rates retention. It is possible the Government may extend the pilot into 2019-20 to bridge the gap for affected councils until the 75% regime comes into force in 2020-21.

To ensure that the reforms are fiscally neutral, local government will need to take on extra responsibilities and functions at the point that full localisation occurs, as currently, more is raised from business rates than spent locally. The Government will also need to take account of future events such as transfers of responsibility for functions between local authorities, mergers between local authorities and any other unforeseen events. However, barring exceptional circumstances and subject to the normal statutory consultation process for the local government finance settlement, the Government has guaranteed the amounts announced up to and including 2019-20.

The Council reached financial close in August 2014 on the joint waste management contract with Derby City which commits the Council to an investment of £25 million when the waste treatment centre comes fully operational, which is expected to be during 2018.

By 2022-23, the Council needs to have reduced expenditure by a further £53 million in real terms. This is in addition to a £245 million reduction the Council has already made to services since 2010. The Council continues to look at ways to save money and generate income, whilst trying to protect and deliver services suitable for the residents of Derbyshire.

The Council is examining modern and innovative ways of providing services. At the moment, around 50% of Council expenditure is provided on the Council's behalf by the voluntary sector, parish councils, public-private partnerships, private contractors or charitable and community interest companies. The Council will be moving towards being an "Enterprising Council", looking at all types of delivery models in the future, including sharing or trading services with other councils. The role and shape of public services has changed dramatically and the Council faces significant challenges in providing the services local people want and need.

Being an Enterprising Council means:

- value for money is at the heart of everything the Council does
- the Council is efficient and effective
- the Council focuses on getting the best results for Derbyshire's residents, whether by the Council delivering a service, or by using an external organisation − there is no one size fits all
- the Council has a bold, innovative and commercial mind-set
- the Council does things 'with' local people rather than 'to' them and values fairness, openness and partnership
- the Council is proud of Derbyshire and ambitious for its public services.

The Council is actively pursuing opportunities to work with other local authorities, including exploring an option of a strategic alliance which would include the four counties of Nottinghamshire, Derbyshire, Leicestershire and Lincolnshire councils, along with the cities of Derby, Leicester and Nottingham, the Local Enterprise Partnerships and Chambers of Commerce. The strategic alliance would focus on transport, infrastructure, jobs and strategic planning. This would ensure the East Midlands comes together to support the wider aims of the Midlands Engine and the Industrial Strategy as the country moves towards leaving the European Union in 2019.

Peter Handford B.A. (Hons), FCPFA
Director of Finance & ICT

STATEMENT OF RESPONSIBILITIES

The Council's Responsibilities
The Council is required to:

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

The Director of Finance & ICT's Responsibilities
The Director of Finance & ICT is responsible for the preparation of the Council's Statement of Accounts, in accordance with the appropriate CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code). In preparing this Statement of Accounts, the Director of Finance & ICT has:

- selected suitable accounting policies and then applied them consistently;
- made judgments and estimates that were reasonable and prudent;
- complied with the Code and the Regulations;
- 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;
- assessed the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- used the going concern basis of accounting on the assumption that the functions of the Council will continue in operational existence for the foreseeable future; and
- maintained such internal control as determined necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

AUTHORISATION OF ACCOUNTS FOR ISSUE

Certificate of Director of Finance & ICT
I certify that the accounts give a true and fair view of the financial position of the Council at 31 March 2018 and of its income and expenditure for the year then ended.

Peter Handford B.A. (Hons), FCPFA
Director of Finance & ICT
30 ~~May 20~~18 26 July 2018.

The Statement of Accounts were approved by the Audit Committee on 26 July 2018.

Councillor Kewal Singh Athwal
Chair of the Audit Committee

		Note	2016-17 Restated Exp £m	2016-17 Restated Inc £m	2016-17 Restated Net Exp £m	2017-18 Exp £m	2017-18 Inc £m	2017-18 Net Exp £m
A	Adult Care		348.289	(108.664)	239.625	359.516	(112.675)	246.841
B	Council Services		49.080	(22.822)	26.258	34.641	(24.943)	9.698
C	Economic Development and Regeneration		5.292	(0.390)	4.902	4.350	(0.458)	3.892
D	Health and Communities		50.564	(47.663)	2.901	52.597	(46.293)	6.304
E	Highways, Transport and Infrastructure		130.237	(18.119)	112.118	122.034	(20.190)	101.844
F	Strategic Leadership, Culture and Tourism		16.056	(1.305)	14.751	14.948	(1.680)	13.268
G	Young People		698.149	(498.038)	200.111	688.155	(485.837)	202.318
A-G	**Net Cost of Services**		**1,297.667**	**(697.001)**	**600.666**	**1,276.241**	**(692.076)**	**584.165**
H	Other Operating (Income) and Expenditure	6			134.692			187.822
I	Financing and Investment Income and Expenditure	7			40.538			40.056
J	Taxation and Non-Specific Grants	8			(565.745)			(589.461)
A-J	**Deficit on Provision of Services**				**210.151**			**222.582**
K	Gain on Revaluation of Fixed Assets	16			(252.929)			(302.889)
L	Loss on Revaluation of Fixed Assets	16			112.835			80.019
M	Loss/(Gain) on Pension Assets	50			42.877			(69.631)
K-M	**Other Comprehensive Income**				**(97.217)**			**(292.501)**
A-M	**Total Comprehensive Expenditure/ (Income)**				**112.934**			**(69.919)**

The accompanying notes form an integral part of the financial statements. The Council reports through seven Cabinet Member Portfolios, referenced A-G above. A restructure of portfolios took place at the start of 2017-18. CIES and EFA portfolio income and expenditure figures for 2016-17 have been restated to ensure that they are comparable with 2017-18 portfolios. 2016-17 total portfolio income, expenditure and Net Cost of Services remain unchanged from the audited 2016-17 accounts.

EXPENDITURE AND FUNDING ANALYSIS

Restated 2016-17				2017-18		
Expenditure/ (Income) chargeable to General Reserve Balance £m	**Adjustments between funding and Accounting Basis £m**	**Net Expenditure in the CIES £m**		**Expenditure/ (Income) chargeable to General Reserve Balance £m**	**Adjustments between funding and Accounting Basis £m**	**Net Expenditure in the CIES £m**
218.355	(21.270)	239.625	Adult Care	229.047	(17.794)	246.841
4.031	(22.227)	26.258	Council Services	(1.435)	(11.133)	9.698
4.497	(0.405)	4.902	Economic Development and Regeneration	3.724	(0.168)	3.892
1.873	(1.028)	2.901	Health and Communities	4.804	(1.500)	6.304
88.029	(24.089)	112.118	Highways, Transport and Infrastructure	85.197	(16.647)	101.844
12.551	(2.200)	14.751	Strategic Leadership, Culture and Tourism	10.017	(3.251)	13.268
121.411	(78.700)	200.111	Young People	120.325	(81.993)	202.318
450.747	**(149.919)**	**600.666**	**Net Cost of Services**	**451.679**	**(132.486)**	**584.165**
(0.649)	(135.341)	134.692	Other operating expenditure	(0.285)	(188.107)	187.822
44.461	3.923	40.538	Financing and investment income and expenditure	43.782	3.726	40.056
(493.802)	71.943	(565.745)	Taxation and non-specific grant income and expenditure	(508.949)	80.512	(589.461)
0.757	**(209.394)**	**210.151**	**Deficit/(Surplus) on Provision of Services**	**(13.773)**	**(236.355)**	**222.582**
52.027			Opening General Reserve Balance at 1 April	51.265		
(0.757)			Add/(less) Surplus/(Deficit) on General Reserve	13.773		
51.265			**Closing General Reserve Balance at 31 March**	**65.038**		

The accompanying notes form an integral part of the financial statements. The 2016-17 analysis has been restated. The totals of the 2016-17 columns above remain unchanged from the audited 2016-17 accounts. More information about this is given under the CIES.

BALANCE SHEET

31 Mar 2017 £m		Note	31 Mar 2018 £m
2,148.797	Property Plant & Equipment	16	2,186.076
42.358	Heritage Assets	18	54.993
2.060	Intangible Fixed Assets	20	2.103
58.190	Long Term Investments	24	60.655
3.416	Non-Current Debtors	22	1.067
2,254.821	**Total Non-Current Assets**		**2,304.894**
178.485	Short Term Investments	24	166.415
2.938	Assets Held for Sale	21	0.730
2.613	Inventories	25	3.096
74.715	Debtors	26	57.861
31.971	Cash and Cash Equivalents	27	45.251
290.722	**Total Current Assets**		**273.353**
(24.608)	Loans and Borrowing	24	(15.303)
(103.498)	Creditors	28	(110.410)
(128.106)	**Total Current Liabilities**		**(125.713)**
(302.359)	Non-Current Borrowing	24	(283.471)
(13.431)	Provisions	29	(12.561)
(785.493)	Other Non-Current Liabilities	30	(770.431)
(1,101.283)	**Total Non-Current Liabilities**		**(1,066.463)**
1,316.154	**NET ASSETS**		**1,386.071**
302.772	Usable Reserves	15	307.494
1,013.380	Unusable Reserves	15	1,078.577
1,316.154	**TOTAL EQUITY**		**1,386.071**

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

CASH FLOW STATEMENT

2016-17 £m		Note	2017-18 £m
(210.156)	**Net Surplus or (Deficit) on the provision of services**		**(222.586)**
169.175	Adjustments for non cash movements	45	153.317
76.745	Adjustments for investing and financing activities	45	106.232
	Net cashflow from:		
35.764	Operating activities	44	36.963
(31.172)	Investing Activities	42	4.433
(33.835)	Financing Activities	43	(28.117)
(29.243)	**Movement in Cash & Cash Equivalent**		**13.279**
61.217	Cash & Cash Equivalents at the start of the year	27	31.975
31.975	**Cash & Cash Equivalents at the end of the year**	**27**	**45.254**

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

MOVEMENT IN RESERVES STATEMENT

	Note	General Reserve	Earmarked Reserves	Unapplied Capital Grants	Capital Receipts Reserve	TOTAL USABLE RESERVES	Unusable Reserves	Total Council Reserves
		£m	£m	£m	£m	£m	£m	£m
Current Year								
Balance at 31 March 2017		**(51.265)**	**(202.405)**	**(31.500)**	**(17.604)**	**(302.772)**	**(1,013.380)**	**(1,316.153)**
Movement in reserves during 2017-18								
Total Comprehensive Income and Expenditure	CIES	**222.586**	**0.000**	**0.000**	**0.000**	**222.586**	**(292.501)**	**(69.915)**
Adjustments between accounting basis and funding basis under regulations (Note 15)	15	(221.516)	0.000	(5.406)	(0.383)	(227.305)	227.305	0.000
Net Transfer to Reserves		(14.838)	14.838	0.000	0.000	0.000	0.000	0.000
(Increase)/Decrease in 2017-18		(13.768)	14.838	(5.406)	(0.383)	(4.719)	(65.196)	(69.915)
Balance at 31 March 2018 carried forward		**(65.033)**	**(187.567)**	**(36.906)**	**(17.987)**	**(307.491)**	**(1,078.577)**	**(1,386.068)**
Previous Year								
Balance at 31 March 2016		**(52.027)**	**(213.425)**	**(31.656)**	**(15.949)**	**(313.055)**	**(1,116.031)**	**(1,429.085)**
Movement in reserves during 2016-17								
Total Comprehensive Income and Expenditure	CIES	**210.156**	**0.000**	**0.000**	**0.000**	**210.156**	**(97.221)**	**112.934**
Adjustments between accounting basis and funding basis under regulations (Note 15)	15	(198.374)	0.000	0.156	(1.655)	(199.873)	199.873	0.000
Net Transfer to Reserves		(11.020)	11.020	0.000	0.000	0.000	0.000	0.000
(Increase)/Decrease in 2016-17		0.762	11.020	0.156	(1.655)	10.283	102.652	112.934
Balance at 31 March 2017 carried forward		**(51.265)**	**(202.405)**	**(31.500)**	**(17.604)**	**(302.772)**	**(1,013.380)**	**(1,316.153)**

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

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

1. ACCOUNTING POLICIES

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

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

The Policies outline how the Council will account for all income, expenditure, assets and liabilities held and incurred during the 2017-18 financial year.

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

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

The Policies have been updated to reflect the Local Authority Accounting Code Board's decision to discontinue the full implementation of the move to measuring the Highways Network Asset at Depreciated Replacement Cost in local authority financial statements. Previously they had decided to postpone implementation until 2017-18.

2. CRITICAL JUDGEMENTS WHEN APPLYING THE ACCOUNTING STANDARDS

The Council is a Going Concern
The Council is actively pursuing opportunities to work with other local authorities, including exploring an option of a strategic alliance which would include the four counties of Nottinghamshire, Derbyshire, Leicestershire and Lincolnshire councils, along with the cities of Derby, Leicester and Nottingham, the Local Enterprise Partnerships and Chambers of Commerce. The strategic alliance would focus on transport, infrastructure, jobs and strategic planning. The Accounting Statements and Notes to the Accounts have been prepared with the view that the Council will continue to operate in its current form, as a single entity, with disregard to any future structural changes that may or may not occur.

3. ACCOUNTING STANDARDS ISSUED AND NOT YET APPLIED

At the balance sheet date the following new standards and amendments to existing standards have been published but not yet adopted by the Code:

- IFRS 9 Financial Instruments, which the Council will adopt with effect from 1 April 2018. The main changes include the reclassification of financial assets and the earlier recognition of the impairment of financial assets. The Council does not expect the reclassification changes to have a material impact upon the financial statements because the majority of its financial assets will retain the same measurement basis. To this end, on 1 April 2018 the Council irrevocably elected to present changes in the fair value of the following equity investments in other comprehensive income, as permitted by IFRS 9:
    - Churches Charities and Local Authorities' Local Authorities (CCLA) Property Fund
    - CCLA Diversified Income Fund
    - Investec Diversified Income Fund

Equity Instrument	Purchase Cost £m	Fair Value at 31 Mar 2018 £m	Balance in AFS Reserve £m
CCLA Local Authorities Property Fund	10.000	9.930	(0.070)
CCLA Diversified Income Fund	5.000	4.816	(0.184)
Investec Diversified Income Fund	5.000	4.952	(0.048)

These investments are eligible for the election because they meet the definition of equity instruments in paragraph 11 of IAS 32 and are neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies. They are not considered puttable instruments because the Council does not have a contractual right to put the instrument back to the issuer for cash.

The election is an appropriate accounting decision because these are long-term strategic investments held by the Council primarily to receive regular dividend income rather than for capital growth or to sell. Presenting changes in their fair values in the surplus or deficit on provision of services is therefore less likely to present a true and fair view of the Council's financial performance than presenting them in other comprehensive income.

Balances held in the Available-for-Sale Reserve in respect of these investments have been transferred to the Financial Instruments Revaluation Reserve upon transition.

The Council does not expect the impairment changes to have a material impact upon the financial statements because the impairment charge will be immaterial for its treasury management assets (e.g. bank deposits and bonds) and it already makes a provision for doubtful debts on its service assets (e.g. trade receivables).

- IFRS 15 Revenue from Contracts with Customers presents new requirements for the recognition of revenue, based on a control-based revenue recognition model. The Council does not have any revenue streams which will be impacted to a material level by the new standard.

- IAS 7 Statement of Cash Flows (Disclosure Initiative) will potentially require some additional analysis of Cash Flows from Financing Activities (disclosed at Note 43) in future years. If the standard had applied in 2017-18 there would be no additional disclosure because the Council does not have activities which would require additional disclosure.

- IAS 12 Income Taxes (Recognition of Deferred tax Assets for Unrealised Losses) applies to deferred tax assets related to debt instruments measured at fair value.

- IFRS 16 Leases will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases).

4. PRIOR PERIOD ADJUSTMENTS

There are no prior period adjustments but following a restructure of portfolios at the start of 2017-18, CIES and EFA portfolio income and expenditure figures for 2016-17 have been restated to ensure that they are comparable with 2017-18 portfolios. 2016-17 total portfolio income, expenditure and Net Cost of Services remain unchanged from the audited 2016-17 accounts.

5. ASSUMPTIONS MADE AND OTHER ESTIMATION UNCERTAINTY

Fair Value Estimates

The fair value of the Council's Lender's Option Borrower's Option (LOBO) loan and former LOBOs, which are now long term loans (Barclays waived their LOBO options in June 2016) of £21.610m (£15.000m nominal) has been determined incorporating option pricing from Bloomberg. The fair value of available for sale pooled funds is £19.697m (£20.000m nominal) and long term investments is £41.056m (£40.655m nominal). The fair value of all short term investments (under 1 year) is their nominal value.

The impact of a 1% interest rate rise on the fair value of the Council's Public Works Loan Board (PWLB) borrowing at 31 March 2018 under IFRS 13 is a reduction of £43.620m.

Waste

The Resource Recovery Solutions (Derbyshire) Ltd (RRS) waste contract creditor for quarter four is £1.305m. This is based on tonnages from previous periods, which have been consistent throughout the year. Under/over estimation of recycling credits tonnages for quarter 4 could result in a variation of +/-3% (£0.039m).

Business Rates

Local authorities are liable for an element of any successful appeal against business rates charged to businesses in 2017-18 and earlier years. The billing authorities have made provisions to recognise the best estimate of the amount that businesses have been overcharged, for which the Council's proportionate share, approximately £2.016m has been reflected through the Collection Fund adjustment account.

6. OTHER OPERATING EXPENDITURE

2016-17 £m		2017-18 £m
(0.963)	Trading Operations	(0.608)
0.314	Levies and Precepts	0.323
135.341	Loss on Disposal of Fixed Assets	188.107
134.692		**187.822**

The surplus for the year from commercial trading operations was achieved with a gross expenditure of £0.777m (2016-17: £0.395m) offset against income of £1.385m (2016-17: £1.357m).

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

2016-17 £m		2017-18 £m
	Precepts to the Environment Agency	
0.181	Severn Trent Region	0.184
0.037	North West Region	0.038
0.093	Yorkshire Region	0.098
0.003	Financial Reporting Council Levy	0.003
0.314		**0.323**

Loss on disposal of fixed assets has increased significantly in 2017-18 and the main reason for this is an increase in the number of schools that converted to academies during the year (2017-18, five secondary schools and seventeen primary schools; 2016-17, three secondary schools and nine primary schools).

Movements on Fixed Assets, including disposals, are shown in note 16.

7. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2016-17 £m		2017-18 £m
22.891	Interest Payable	25.985
(4.613)	Interest Receivable	(4.849)
22.260	Net Pension Costs	18.920
40.538		**40.056**

Interest payable has been itemised in the table below.

2016-17 £m		2017-18 £m
16.739	Interest Payable on Capital Borrowing	20.515
5.263	Interest Payable on PFI	4.649
0.565	Interest Payable on Finance Leases	0.596
0.324	Interest Payable on Other Items	0.225
22.891		**25.985**

Interest payable on capital borrowing has increased overall in 2017-18 because of the early repayment of two LOBO loans with Commerzbank in the year. However, PWLB interest payable on capital borrowing has decreased, following the transfer in 2016-17 of 8.5% of the Council's PWLB debt held on behalf of Derby City and the 2017-18 repayment of Derby City's residual PWLB debt held by the Council.

Interest receivable has been itemised in the table below.

2016-17 £m		2017-18 £m
(2.800)	Interest Receivable on Investments	(4.358)
(1.421)	Interest Receivable on Transferred Debt	(0.011)
(0.002)	Interest Receivable on Finance Leases	(0.001)
(0.041)	Interest Receivable on Cash & Bank Balances	(0.047)
(0.349)	Interest Receivable on Other Items	(0.432)
(4.613)		**(4.849)**

8. TAXATION AND NON-SPECIFIC GRANT INCOME

2016-17 £m		2017-18 £m
(282.377)	Council Tax	(293.495)
(67.722)	Revenue Support Grant	(44.056)
(104.841)	Business Rates	(108.185)
(10.504)	Private Finance Initiative Grant	(10.504)
(2.864)	New Homes Bonus	(2.497)
(16.920)	Other General Revenue Grants	(33.618)
(80.517)	Capital Grants	(97.106)
(565.745)		**(589.461)**

9. NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

Restated 2016-17					2017-18			
Adjustments for capital purposes (Note a)	Net Change for the Pensions Adjustments (Note b)	Other Differences (Note c)	Total Adjustments		Adjustments for capital purposes (Note a)	Net Change for the Pensions Adjustments (Note b)	Other Differences (Note c)	Total Adjustments
£m	£m	£m	£m		£m	£m	£m	£m
(10.048)	(11.222)	0.000	(21.270)	Adult Care	(3.072)	(14.722)	0.000	(17.794)
(21.705)	(0.522)	0.000	(22.227)	Council Services	(10.938)	(0.195)	0.000	(11.133)
(0.038)	(0.367)	0.000	(0.405)	Economic Development and Regeneration	(0.062)	(0.106)	0.000	(0.168)
(0.012)	(1.016)	0.000	(1.028)	Health and Communities	(0.065)	(1.435)	0.000	(1.500)
(20.951)	(3.139)	0.000	(24.089)	Highways, Transport and Infrastructure	(12.556)	(4.091)	0.000	(16.647)
(1.152)	(1.048)	0.000	(2.200)	Strategic Leadership, Culture and Tourism	(1.206)	(2.045)	0.000	(3.251)
(52.318)	(26.382)	0.000	(78.700)	Young People	(48.577)	(33.416)	0.000	(81.993)
(106.224)	**(43.695)**	**0.000**	**(149.919)**	**Net Cost of Services**	**(76.476)**	**(56.010)**	**0.000**	**(132.486)**
(135.341)	0.000	0.000	(135.341)	Other Operating Expenditure	(188.107)	0.000	0.000	(188.107)
3.955	0.000	(0.032)	3.923	Financing and investment income and expenditure	8.974	0.000	(5.248)	3.726
80.517	0.000	(8.574)	71.943	Taxation and non-specific grant income and expenditure	97.106	0.000	(16.594)	80.512
(157.093)	**(43.695)**	**(8.606)**	**(209.394)**	**Deficit on Provision of Services**	**(158.503)**	**(56.010)**	**(21.842)**	**(236.355)**

The accompanying notes form an integral part of the financial statements. The 2016-17 analysis has been restated. The totals of the 2016-17 columns above remain unchanged from the audited 2016-17 accounts. More information about this is given under the CIES.

a - Adjustments for Capital Fund and Expenditure Purposes

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

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

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

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

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

c - Other Differences

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

- For Financing and investment income and expenditure the other differences column recognises adjustments to General Reserve for the timing differences for premiums and discounts.
- The charge under Taxation and non-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for Council Tax and business rates that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future surpluses or deficits on the district/borough council Collection Funds. It also represents the movement in the Earmarked Reserve balances.

10. EXPENDITURE AND INCOME ANALYSED BY NATURE

	2016-17 £m	2017-18 £m
Expenditure		
Employee Expenses	634.169	600.747
Premises	33.841	33.589
Transport	27.678	26.577
Supplies and Services	473.739	523.623
Depreciation, amoristation, impairment	128.242	91.705
Interest Payments	45.151	44.905
Precepts and levies	0.314	0.323
Trading Operations	(0.963)	(0.608)
Loss on disposal of assets	135.341	188.107
Total Expenditure	**1,477.512**	**1,508.970**
Income		
Fees, charges and other service income	(169.250)	(177.655)
Interest and investment income	(4.613)	(4.849)
Income from Council Tax, Non-Domestic Rates	(387.218)	(401.679)
Government grants and contributions	(706.278)	(702.203)
Total Income	**(1,267.359)**	**(1,286.386)**
Deficit on the Provision of Services	**(210.151)**	**(222.582)**

11. AGENCY ARRANGEMENTS

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

2016-17 £m		2017-18 £m
10.257	Payments to Nursing Care Providers	9.590
(10.257)	Recharge to CCGs	(10.440)
0.081	Admin Charge to CCGs	(0.082)
0.081		**(0.932)**

12. NON DISTRIBUTED (INCOME)/COSTS

Non Distributed (Income)/Costs comprises settlements income of £7.191m (2016-17: nil) and past service costs of £0.418m (2016-17: £0.474m) relating to post-employment benefits (see Note 50).

13. RELATED PARTY TRANSACTIONS

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

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

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

The Derbyshire Environmental Trust Limited is a company limited by guarantee with no share capital. Customer transactions with this organisation in the year totalled £0.069m. There were no vendor transactions during the year.

The Creswell Heritage Trust Limited is a company limited by guarantee with no share capital. The Director of the Trust is a Member who was appointed by the Council. Customer transactions with this organisation in the year totalled £0.002m and vendor transactions totalled £0.033m.

Scape Group Limited is a private limited company. The Council has one director on the company Board who is an elected Member of the Council and was appointed by the Council. There were no transactions with the company during the financial year.

Derbyshire Developments Limited is a private company limited by one ordinary share of £1. There are three directors all appointed by the Council (there were five directors in 2016-17). Customer transactions with this organisation in the year totalled £0.028m and vendor transactions totalled £0.241m.

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 organisations. Grants received from Government departments are set out in the subjective analysis in Note 10. Grant receipts outstanding at 31 March 2018 are shown in Note 41.

Typical transactions with central Government bodies include, but are not restricted to, investments, Pay As You Earn and National Insurance contributions paid, pension contributions paid and teaching services. Customer transactions in the year totalled £9.477m, of this, £9.306m were with academy schools. Vendor transactions totalled £266.913m and included the following significant transactions:

Inland Revenue	£111.530m
Debt Management Office	£78.000m
Teachers Pensions	£42.952m
Public Works Loan Board	£17.943m

Other Local Authorities - typical transactions include, but are not restricted to, investments, repayment of transferred debt, re-imbursement of joint project costs and supplies of goods and services. Customer transactions totalled £36.645m and included significant transactions with Derby City Council totalling £23.823m. Vendor transactions totalled £207.414m and included investments amounting to £24.000m with Thurrock Borough Council.

Health Bodies - typical transactions include, but are not restricted to re-imbursement of joint project costs and supplies of goods and services. Customer transactions with health bodies in the year totalled £67.520m and included significant transactions with NHS North Derbyshire CCG of £30.595m, NHS Southern Derbyshire CCG totalling £20.110m, NHS Hardwick CCG totalling £6.727m and NHS Erewash CCG totalling £5.649m. Vendor transactions totalled £30.032m and included transactions with Derbyshire Community Health Services NHS Foundation Trust totalling £25.148m.

Members and Chief Officers - Council Members and Chief Officers have direct control over the Council's financial and operating policies. The total of Members' allowances paid in 2017-18 is shown in Note 35. Customer transactions in which Members and/or Chief Officers had an interest in totalled £0.222m. During 2017-18 works and services to the value of £1.330m were commissioned from companies in which Members and/or Chief Officers 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. During 2017-18 a Member was serving as Derbyshire's Deputy Police and Crime Commissioner.

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

Included in management expenses in 2017-18 are charges from Derbyshire County Council of £2.471m (2016-17, £2.252m) for expenses incurred in respect of oversight and governance of the Fund, for Fund administration and for management of the Fund's in-house investments.

At 31 March 2018 the Council owed the Fund £3.243m (2017, the Council owed the Fund £3.716m).

It has not been possible to apportion, on a reasonable basis, the costs and benefits of key management personnel between the Council and the Fund. However, Members' Allowances and Officers' Remuneration are disclosed in Notes 35 and 36.

LGPS Central Limited - LGPS Central Limited has been established to manage investment assets on behalf of nine Local Government Pension Scheme (LGPS) funds across the Midlands. It is jointly owned in equal shares by the eight administering authorities participating in the LGPS Central Pool, of which Derbyshire County Council, as the administering authority for the Derbyshire Pension Fund, is one of the shareholders. Further details in respect of the formation of the LGPS Central Pool are set out in the Explanatory Forward of the Pension Fund Accounts.

No services were provided by LGPS Central Limited during 2017-18 as the company only launched its first products on 1 April 2018. The Fund has invested £1.315m in share capital and £0.685m in a loan to LGPS Central Limited in 2017-18. These are the balances at the year end.

The Fund has incurred £0.422m on setting up LGPS Central Limited during the year. These costs were borne by West Midlands Pension Fund and then recharged equally to the eight administering authorities. An amount is due to be refunded to the Fund by LGPS Central Limited in 2018-19, reflecting the cost of setting up the enterprise to the end of March 2018. This income has been accrued in the Fund accounts at £0.500m.

Derbyshire Developments Limited – the Council has provided a start-up loan to the company to cover the running costs of the company such as staffing, accommodation, IT and audit, up until the point where income will recover these fixed costs of being “in business”. At 31 March 2018, the balance on the loan to Derbyshire Developments Limited was £0.500m. The company has paid interest on this loan during 2017-18 of £20,209, at an interest rate of base plus 5%.

14. CONTINGENT ASSETS AND LIABILITIES AND SIMILAR COMMITMENTS

There are several employment tribunals in progress at 31 March 2018. There is no provision in the financial statements as at this stage no liability can be determined. However, there may be liabilities arising, if decisions are not made in favour of the Council.

At 31 March 2018 the Council was committed to make investments totalling £61.500m (nine commitments ranging from £2.500m to £10.000m each). There is no provision or creditor for these amounts in the financial statements as the legal obligation to pay was not fulfilled at the year-end. These commitments will be met using funds received from the maturity of earlier investments and therefore have no impact to the financial position reported.

15. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS

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

Narrative	Note	Usable reserves General Reserve £m	Earmarked Revenue Reserves £m	Unapplied Capital Grants £m	Capital Receipts Reserve £m	Total Unusable Reserves £m	Total £m
BALANCE AS AT 1 APRIL 2017		**(51.265)**	**(202.405)**	**(31.500)**	**(17.604)**	**(1,013.379)**	**(1,316.153)**
Comprehensive Income & Expenditure		222.586	0.000	0.000	0.000	(292.501)	(69.915)
Depreciation of non-current assets	16	(46.303)	0.000	0.000	0.000	46.303	0.000
Impairment of non-current assets	16	(30.172)	0.000	0.000	0.000	30.172	0.000
Application of Capital Grants credited to the CIES	41	97.106	0.000	(97.106)	0.000	0.000	0.000
Disposal of non-current assets	16	(188.107)	0.000	0.000	(1.770)	189.877	0.000
Revenue Expenditure Funded from Capital Under Statute		(15.231)	0.000	0.000	0.000	15.231	0.000
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		2.555	0.000	0.000	0.000	(2.555)	0.000
Amount by which Council Tax and business rates income credited to the CIES is different from Council Tax and business rates income calculated for the year in accordance with statutory requirements		(1.756)	0.000	0.000	0.000	1.756	0.000

Reversal of items relating to retirement benefits debited or credited to the CIES	50	(118.380)	0.000	0.000	0.000	118.380	0.000
Statutory provision for the financing of capital investment		13.425	0.000	0.000	0.000	(13.425)	0.000
Principal repayments of transferred debt		(0.089)	0.000	0.000	0.000	0.089	0.000
Capital expenditure charged in the year to the General Reserve		10.869	0.000	0.000	0.000	(10.869)	0.000
Amount by which finance costs (proportion of previous years premiums) are charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	24	(5.645)	0.000	0.000	0.000	5.645	0.000
Amount by which finance costs (reversal of effective interest rate) are charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	24	0.397	0.000	0.000	0.000	(0.397)	0.000
Employer's pension contributions and direct payments to pensioners payable in the year	50	59.815	0.000	0.000	0.000	(59.815)	0.000
Transfer to Earmarked reserves	32	61.366	(61.366)	0.000	0.000	0.000	0.000
Transfer from Earmarked reserves	32	(76.204)	76.204	0.000	0.000	0.000	0.000
Use of the Capital Receipts Reserve to finance new capital expenditure	47	0.000	0.000	0.000	(0.012)	0.012	0.000
Financing of capital expenditure	19	0.000	0.000	91.700	1.399	(93.099)	0.000
BALANCE AT 31 MARCH 2018		**(65.033)**	**(187.567)**	**(36.906)**	**(17.987)**	**(1,078.575)**	**(1,386.068)**

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

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

16. PROPERTY, PLANT AND EQUIPMENT

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

	Note/ Statement	Land & Buildings £m	Vehicles, Plant & Equipment £m	Infrastructure Assets £m	Community Assets £m	Surplus Assets £m	Assets Under Construction £m	Property Plant & Equipment £m
COST OR VALUATION								
At 1 April 2017		**1,820.174**	**72.635**	**407.736**	**3.905**	**10.295**	**19.992**	**2,334.737**
Additions		21.403	0.645	37.992	0.131	0.044	30.123	**90.338**
Disposals		(153.059)	(5.051)	0.000	(0.002)	(0.140)	0.000	**(158.252)**
Disposals derecognition		(28.992)	0.000	(18.885)	(0.002)	0.000	0.000	**(47.879)**
Revaluation Gains to RR*	CIES	263.749	0.000	0.000	0.000	2.037	0.000	**265.786**
Revaluation Losses to RR	CIES	(70.215)	0.000	0.000	0.000	(9.459)	0.000	**(79.674)**
Impairment to CIES		(19.634)	0.000	0.000	0.000	(7.836)	0.000	**(27.470)**
Transfer within PPE/ to Heritage		(13.135)	0.022	(0.110)	0.076	16.043	(3.313)	**(0.417)**
Transfer to Held for Sale		(0.310)	(0.055)	0.000	0.000	2.600	0.000	**2.235**
At 31 March 2018		**1,819.981**	**68.196**	**426.733**	**4.108**	**13.584**	**46.802**	**2,379.404**
DEPRECIATION								
At 1 April 2017		**(34.793)**	**(67.169)**	**(83.392)**	**(0.021)**	**(0.566)**	**0.000**	**(185.941)**
Charge for year		(33.795)	(1.370)	(10.701)	(0.004)	0.100	0.000	**(45.770)**
Revaluations to RR	CIES	24.108	0.000	0.000	0.000	0.464	0.000	**24.572**
Impairment to CIES		(2.326)	0.000	0.000	0.000	(0.004)	0.000	**(2.330)**
Disposals		6.198	4.990	0.000	0.000	0.134	0.000	**11.322**
Disposals derecognition		0.956	0.000	4.072	0.000	0.000	0.000	**5.028**
Transfer within PPE/ to Heritage		0.303	0.011	0.000	0.000	(0.314)	0.000	**0.000**
Transfers to Held for Sale		0.000	0.055	0.000	0.000	(0.264)	0.000	**(0.209)**
At 31 March 2018		**(39.349)**	**(63.483)**	**(90.021)**	**(0.025)**	**(0.450)**	**0.000**	**(193.328)**
OPENING VALUE		1,785.381	5.466	324.344	3.884	9.729	19.992	2,148.796
CLOSING VALUE		**1,780.632**	**4.713**	**336.712**	**4.083**	**13.134**	**46.802**	**2,186.076**
NATURE OF ASSET HOLDING								
Purchased / Built		1,677.504	4.713	336.712	4.083	13.134	46.802	**2,082.948**
Finance Lease		11.366	0.000	0.000	0.000	0.000	0.000	**11.366**
Donated		5.820	0.000	0.000	0.000	0.000	0.000	**5.820**
Private Finance Initiative		85.942	0.000	0.000	0.000	0.000	0.000	**85.942**
		1,780.632	**4.713**	**336.712**	**4.083**	**13.134**	**46.802**	**2,186.076**

*RR - Revaluation Reserve

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

	Net Book Value (NBV)			
	Level 1	Level 2	Level 3	Total
	£m	£m	£m	£m
Land	0.000	1.007	11.080	12.087
Buildings	0.000	0.100	0.947	1.047
Furniture and Equipment	0.000	0.000	0.000	0.000
Community	0.000	0.000	0.000	0.000
	0.000	**1.107**	**12.027**	**13.134**

The 2016-17 position was:

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

*RR - Revaluation Reserve

Under IFRS13, the Council is required to provide a summary of the fair value measurement for Surplus Assets. The 2016-17 position was:

	Net Book Value (NBV)			
	Level 1	Level 2	Level 3	Total
	£m	£m	£m	£m
Land	0.000	0.351	8.442	8.793
Buildings	0.000	0.000	0.855	0.855
Furniture and Equipment	0.000	0.000	0.006	0.006
Community	0.000	0.000	0.075	0.075
	0.000	**0.351**	**9.378**	**9.729**

Historic cost values of re-valued assets are:

	Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Property Plant & Equipment
	£m	£m	£m	£m	£m	£m	£m
COST OR VALUATION							
At 1 April 2017	**1,326.816**	**72.635**	**407.736**	**4.889**	**14.062**	**19.992**	**1,846.130**
Additions	21.403	0.645	37.992	0.131	0.044	30.123	**90.338**
Disposals	(116.056)	(5.051)	0.000	(0.002)	(0.484)	0.000	**(121.593)**
Disposals derecognition	(10.338)	0.000	(18.885)	(0.002)	0.000	0.000	**(29.225)**
Transfer within PPE/ to Heritage	(21.325)	0.022	(0.110)	7.219	17.223	(3.313)	**(0.284)**
Transfer to Held for Sale	(0.718)	(0.055)	0.000	0.000	3.397	0.000	**2.624**
At 31 March 2018	**1,199.782**	**68.196**	**426.733**	**12.235**	**34.242**	**46.802**	**1,787.990**
DEPRECIATION							
At 1st April 2017	**(449.305)**	**(67.169)**	**(83.392)**	**(1.043)**	**(10.791)**	**0.000**	**(611.700)**
Charge for year	(14.228)	(1.370)	(10.701)	(0.003)	(0.003)	0.000	**(26.305)**
Impairment to I&E	(21.961)	0.000	0.000	0.000	(7.839)	0.000	**(29.800)**
Disposals	39.576	4.990	0.000	0.000	0.478	0.000	**45.044**
Disposals derecognition	3.465	0.000	4.072	0.000	0.000	0.000	**7.537**
Transfer within PPE/ to Heritage	15.044	0.011	0.000	(7.140)	(7.915)	0.000	**0.000**
Transfers to Held for Sale	0.464	0.055	0.000	0.000	(2.727)	0.000	**(2.208)**
At 31st March 2018	**(426.945)**	**(63.483)**	**(90.021)**	**(8.186)**	**(28.797)**	**0.000**	**(617.432)**
OPENING VALUE	877.510	5.466	324.344	3.846	3.271	19.992	1,234.430
CLOSING VALUE	**772.837**	**4.713**	**336.712**	**4.049**	**5.445**	**46.802**	**1,170.558**
NATURE OF ASSET HOLDING							
Purchased / Built	710.751	4.713	336.712	4.049	5.445	46.802	**1,108.472**
Finance Lease	2.054	0.000	0.000	0.000	0.000	0.000	**2.054**
Donated	5.820	0.000	0.000	0.000	0.000	0.000	**5.820**
Private Finance Initiative	54.212	0.000	0.000	0.000	0.000	0.000	**54.212**
	772.837	**4.713**	**336.712**	**4.049**	**5.445**	**46.802**	**1,170.558**

The 2016-17 position was:

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

17. HERITAGE ASSETS NOT REPORTABLE IN THE BALANCE SHEET

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

- Colliery Bridge, Shipley Country Park
- Paul’s Arm Bridge, Shipley Country Park
- Leawood River Aqueduct
- Northern Retaining Walls and Loading Bay, Cromford Wharf
- Side Walls and Curbs to Canal Basin, Cromford Wharf
- Railway Embankment and Road Bridge, Steeple Grange, Wirksworth
- High Peak Pump House, Cromford Canal
- Middleton Top Engine House, High Peak Trail
- Sheep Pasture Engine House, High Peak Trail
- Grindlow Tower, Solomon’s Temple, Poole's Cavern Country Park, Buxton

- Workshops, offices and Terminus at Cromford and High Peak Junction
- Northern (Gothic) Warehouse, Cromford Wharf
- Leawood Pumphouse, Cromford and High Peak Junction
- Brittain Colliery Headstocks, Ripley
- Brittain Colliery Engine House, Ripley
- Seldom Seen Engine House, Three Valleys Project

18. NATURE AND SCALE OF HERITAGE ASSETS

The Council's Heritage Assets are mainly museum assets, historic buildings and structures.

	Carrying Value		Historic Cost	
	2016-17	**2017-18**	**2016-17**	**2017-18**
	£m	**£m**	**£m**	**£m**
COST OR VALUATION				
At 1st April	**42.352**	**42.353**	**11.189**	**11.289**
Additions	0.356	0.424	0.356	0.424
Impairment Losses/(reversals) through I&E	0.000	0.000	0.000	0.000
Revaluations	0.003	11.914	0.000	0.000
Reclassifications	0.000	0.312	0.000	0.179
Disposals derecognition	(0.358)	(0.015)	(0.256)	(0.074)
At 31st March	**42.353**	**54.988**	**11.289**	**11.818**
DEPRECIATION				
At 1st April	**0.005**	**0.005**	**(7.477)**	**(7.419)**
Charge for year	0.000	0.000	0.000	0.000
Impairment Losses/(reversals) through I&E	0.000	0.000	0.000	(0.372)
Disposals	0.000	0.000	0.058	0.055
At 31st March	**0.005**	**0.005**	**(7.419)**	**(7.736)**
OPENING VALUE	42.352	42.358	3.712	3.867
CLOSING VALUE	**42.358**	**54.993**	**3.867**	**4.082**
NATURE OF ASSET HOLDING				
Purchased / Built	40.979	53.614	3.068	3.283
Donated	1.379	1.379	0.799	0.799
	42.358	**54.993**	**3.867**	**4.082**

Revaluations in 2017-18 mainly relates to the revaluation of the buildings at Elvaston Castle, at their insurance value, by a third party valuer.

19. CAPITAL EXPENDITURE AND CAPITAL FINANCING

2016-17 £m		2017-18 £m
	Capital Expenditure	
32.583	Schools	31.948
0.020	Childrens Homes and Education Centres	0.079
33.366	Roads and Highways Related	36.799
0.153	Refuse Disposal and Recycling	0.000
0.064	Purchase of Vehicles	0.141
1.515	Countryside	0.608
8.556	Other Environmental	2.068
2.690	Specialist and Extra Care Centres	2.615
0.682	Homes for Older People	1.010
0.092	Day Centres	0.108
0.298	Other Social Care and Services	0.015
1.457	Software	1.025
5.869	Buxton Crescent	13.738
0.750	Other Corporate	0.821
0.813	Other	1.901
88.908	**Total Capital Additions**	**92.876**
0.000	Local Authority Mortgage Scheme Repaid Deposit	(1.750)
21.920	Revenue Expenditure Funded from Capital Under Statute	15.222
110.828	**Total Capital Expenditure**	**106.348**
	Capital Financing	
8.702	Loans	2.381
12.973	Revenue Contributions	10.869
8.479	Capital Receipts	1.398
80.674	Grants and Contributions	91.700
110.828	**Total Capital Financing**	**106.348**

20. INTANGIBLE ASSETS

These all relate to the purchase of software licences:

	2016-17 £m	2017-18 £m
COST OR VALUATION		
At 1st April	**5.941**	**7.423**
Additions	1.514	0.471
Reclassifications	0.000	0.106
Disposals	(0.032)	0.000
At 31st March	**7.423**	**8.000**
DEPRECIATION		
At 1st April	**(5.119)**	**(5.363)**
Charge for year	(0.260)	(0.535)
Disposals	0.016	0.000
At 31st March	**(5.363)**	**(5.898)**
OPENING VALUE	0.822	2.060
CLOSING VALUE	**2.060**	**2.102**

21. ASSETS HELD FOR SALE

	Carrying Value			Historic Cost			RR
	GBV £m	Dpn £m	NBV £m	GBV £m	Dpn £m	NBV £m	£m
Held for Sale as at 31 March 2017							
Southgate House	0.474	(0.074)	0.400	0.190	(0.142)	0.048	0.352
American Adventure: Core Site (Shipley Lakeside)	0.841	0.000	0.841	0.000	0.000	0.000	0.841
Former Clay Cross Depot Site and Queen Street Reserved School Site	1.325	0.000	1.325	2.572	(1.910)	0.662	0.663
Alfreton Library Store and Mobile Library Office	0.076	(0.001)	0.075	0.028	(0.010)	0.018	0.057
Land at Ambergate Depot, Ambergate	0.007	0.000	0.007	0.000	0.000	0.000	0.007
Ockbrook and Borrowash Youth Centre	0.372	(0.272)	0.100	0.999	(0.899)	0.100	0.000
Land to rear of Holmewood Industrial Park	0.190	0.000	0.190	0.000	0.000	0.000	0.190
Balance as at 31 March 2017	**3.285**	**(0.347)**	**2.938**	**3.789**	**(2.961)**	**0.828**	**2.110**
Sales during 2017-18							
Alfreton Library Store and Mobile Library Office	(0.076)	0.001	(0.075)	(0.028)	0.010	(0.018)	(0.057)
Land at Ambergate Depot, Ambergate	(0.007)	0.000	(0.007)	0.000	0.000	0.000	(0.007)
Transferred from Held for Sale during 2017-18							
Southgate House furniture	0.011	(0.011)	0.000	0.011	(0.011)	0.000	0.000
American Adventure: Core Site (Shipley Lakeside)	(0.841)	0.000	(0.841)	0.000	0.000	0.000	(0.841)
Former Clay Cross Depot Site and Queen Street Reserved School Site	(1.325)	0.000	(1.325)	(2.572)	1.910	(0.662)	(0.663)
Ockbrook and Borrowash Youth Centre	(0.372)	0.272	(0.100)	(0.999)	0.899	(0.100)	0.000
Land to rear of Holmewood Industrial Park	(0.190)	0.000	(0.190)	0.000	0.000	0.000	(0.190)
Transferred to Held for Sale during 2017-18							
Peverel House	0.138	(0.028)	0.110	0.412	(0.302)	0.110	0.000
Red House Family Support Centre	0.216	(0.016)	0.200	0.350	(0.206)	0.144	0.056
Bolsover Day Services - Clowne	0.128	(0.008)	0.120	0.173	(0.082)	0.091	0.029
Other Movements during 2017-18							
Southgate House Revaluation	(0.174)	0.074	(0.100)	0.000	0.000	0.000	(0.100)
Balance as at 31 March 2018	**0.793**	**(0.063)**	**0.730**	**1.136**	**(0.743)**	**0.393**	**0.337**

Assets must meet stringent criteria to be classified as Held for Sale rather than Surplus.

22. NON-CURRENT DEBTORS

31 Mar 2017 £m		Note	31 Mar 2018 £m
0.989	Districts 1997 Transferred Debt	24	0.989
2.000	Local Authority Mortgage Scheme	23	0.000
0.156	Loan to Police & Crime	24	0.078
0.271	Other Long Term Debtors		0.000
3.416			**1.067**

23. LOCAL AUTHORITY MORTGAGE SCHEME (LAMS)

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

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

The first scheme was fully utilised and closed to new applicants on 17 June 2013. As at 31 March 2016 the scheme was closed and marked as static. This means that there will be no further changes to the scheme, unless a borrower defaults or until the five year period expires. The Council's contribution to the scheme resulted in 78 first time buyers getting onto the property ladder, with a total house sale value of approximately £8.400m. There has been no change since 31 March 2015.

The second scheme closed on 31 July 2016. The scheme resulted in 33 first time buyers complete on their properties, with a total house sale value of approximately £2.300m.

The indemnity deposit is only called upon if a borrower defaults on their mortgage within the first five years and where the sale value following default is less than any outstanding balance on their mortgage. After the initial five years, the value of the original deposit not called upon is returned to the Council. Lloyds Bank pays the Council annual interest on the deposit balance each year. The deposited indemnity of £1.750m from the first scheme was repaid to the Council in March 2018. The deposited indemnity of £0.250m from the second scheme was repaid to the Council in May 2018 and the balance is held as a short term debtor in the Council's balance sheet.

24. FINANCIAL INSTRUMENTS

Financial Instrument Investments are made up of:

- Current loans and receivables of £211.666m (31 Mar 2017: £210.456m, restated to include cash and cash equivalents)
- Non-current loans and receivables of £60.655m (31 Mar 2017: £58.190m)

Financial Instrument Debtors are made up of:

- Non-current loans and receivables of £1.067m (31 Mar 2017: £3.416m)
- Current loans and receivables of £22.776m (31 Mar 2017: £21.287m, restated)
- There are no current finance lease debtors (31 Mar 2017: £0.012m)

Financial Instrument Borrowings are made up of:

- Non-current loans and borrowings of £283.471m (31 Mar 2017: £302.359m)
- Current loans and borrowings of £15.302m (31 Mar 2017: £24.608m)

Other Financial Liabilities are made up of:

- Non-current PFI liability of £67.469m (31 Mar 2017: £71.192m)
- Non-current finance lease liability of £4.125m (31 Mar 2017: £4.400m)
- Current PFI liability of £3.572m (31 Mar 2017: £2.940m)
- Current finance lease liability of £0.190m (31 Mar 2017: £0.160m)
- Current liabilities at contract amounts £71.898m (31 Mar 2017: £82.016m)

Financial Instrument Gains/Losses
The gains and losses recognised in the CIES in relation to financial instruments are:

- Liabilities at amortised cost, interest expense of £25.985m (2016-17: £22.891m)
- Assets, loans and receivables, interest income of £4.849m (2016-17: £4.613m)

This has resulted in a net loss for the year of £21.136m (2016-17: £18.278m).

Financial Instruments – Fair Values

Financial assets classified as available for sale and all derivative assets and liabilities are carried in the Balance Sheet at fair value. For most assets, including bonds, treasury bills and shares in money market funds and other pooled funds, the fair value is taken from the market price. The fair values of other instruments have been estimated calculating the net present value of the remaining contractual cash flows at 31 March 2018, using the following methods and assumptions:

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

Financial assets classified as loans and receivables and all non-derivative financial liabilities are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2018, using the following methods and assumptions:

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

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

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

Non-Current Assets

	Note	Fair Value Level	Carrying Value		Fair Value	
			31 Mar 2017 £m	31 Mar 2018 £m	31 Mar 2017 £m	31 Mar 2018 £m
Investments - Transferred Debt	22	2	1.145	1.067	1.145	1.067
Non-Current Investments		2	58.190	60.655	58.325	60.753
Non-Current Trade Debtors	22	*	2.271	0.000	2.271	0.000
Long Term Financial Assets			**61.606**	**61.722**	**61.741**	**61.820**

* Fair value disclosure not required

At 31 March 2018 thirteen non-current investments were held in the balance sheet:

- £10.000m with Birmingham City Council commenced in April 2017 for two years. This has been valued with a discount rate of 0.97% resulting in a fair value of £10.058m.
- £4.000m with Sheffield City Council commenced in January 2018 for one and a half years. This has been valued with a discount rate of 1.01% resulting in a fair value of £4.058m.
- £4.000m with Sheffield City Council commenced in January 2018 for two and a half years. This has been valued with a discount rate of 1.21% resulting in a fair value of £4.093m.

- £5.000m with Croydon London Borough Council in May 2017 for two years. This has been valued with a discount rate of 0.99% resulting in a fair value of £5.022m.
- £5.000m with Cambridgeshire County Council in March 2018 for two years. This has been valued with a discount rate of 1.17% resulting in a fair value of £5.023m.
- £5.000m with Newcastle City Council commenced in April 2017 for three years. This has been valued with a discount rate of 1.17% resulting in a fair value of £5.033m.
- £0.500m with Spelthorne Borough Council commenced in August 2017 for two years. This has been valued with a discount rate of 1.03% resulting in a fair value of £0.501m.
- £0.510m with Spelthorne Borough Council commenced in August 2017 for three years. This has been valued with a discount rate of 1.22% resulting in a fair value of £0.510m.
- £1.645m with Buxton Crescent Hotel and Thermal Spa Company Limited commenced in February 2018 in respect of a development loan for up to two years. This has been valued with a discount rate of 4.25% resulting in a fair value of £1.664m.
- £5.000m with Network Homes Limited commenced in January 2018 for two and a half years. This has been valued with a discount rate of 1.35% resulting in a fair value of £5.094m.
- £10.000m with CCLA Mutual Investment Trust Property Fund; £5.000m in June 2015 and a further £5.000m in September 2016. This available for sale investment is open ended, however can be realised on a monthly basis. This has been valued at the 31 March 2018 closing bid price, resulting in a fair value of £9.930m.
- £5.000m with CCLA Diversified Income Fund in September 2017. This available for sale investment is open ended, however can be realised on a daily basis. This has been valued at the 31 March 2018 closing bid price, resulting in a fair value of £4.816m.
- £5.000m with Investec Diversified Income Fund in November 2017. This available for sale investment is open ended, however can be realised on a daily basis. This has been valued at the 31 March 2018 closing bid price, resulting in a fair value of £4.952m.

Transferred Debt and Long Term Trade Debtors are not quoted on active markets meaning that fair value cannot be accurately calculated. As such they have been reported at carrying value. Transferred Debt relates to the share of loans owed to the Council by Chesterfield Borough Council (£0.989m) and Derbyshire Police and Crime Commissioner (£0.078m) at the point of the 1997 reorganisation of Local Government. This is being repaid over a number of years, the largest element is being repaid as a 4% reducing balance schedule.

In 2016-17 the Council transferred 8.5% of its PWLB debt, held on behalf of Derby City Council, to Derby City Council. The Council's debt with the PWLB was reduced by £26.338m. The Council and Derby City Council repaid their residual transferred debt with each other in 2017-18. The nominal value of the Derby City Council debt repaid to the Council was £2.423m and the nominal value of the Council's debt repaid to Derby City was £3.707m.

Current Assets

	Carrying Value		Fair Value	
	31 Mar 2017 £m	31 Mar 2018 £m	31 Mar 2017 £m	31 Mar 2018 £m
Short Term Investments	210.456	211.666	210.456	211.666
Trade debtors	21.287	22.776	21.287	22.776
Short Term Financial Assets	**231.743**	**234.442**	**231.743**	**234.442**

Short term investments above includes Cash and Cash Equivalents.

Non-Current Liabilities

	Note	Fair Value Level	Carrying Value		Fair Value	
			31 Mar 2017 £m	31 Mar 2018 £m	31 Mar 2017 £m	31 Mar 2018 £m
Transferred Debt		2	(0.171)	(0.171)	(0.171)	(0.171)
Public Works Loan Board		2	(274.452)	(267.718)	(381.745)	(358.879)
Lender Option Borrower Option		2	(27.736)	(15.583)	(43.208)	(21.610)
Long term borrowing			**(302.359)**	**(283.472)**	**(425.124)**	**(380.660)**
PFI liability	30	3	(71.192)	(67.469)	(102.101)	(77.805)
Finance lease liability	30	*	(4.400)	(4.125)	(4.400)	(4.125)
Total Long Term Liabilities			**(377.951)**	**(355.066)**	**(531.625)**	**(462.590)**

* Fair value disclosure not required

There are 53 loans with the Public Works Loan Board (PWLB). The earliest start date for these loans was for £10.000m in September 1995 for 24 years. The most recent start date was £5.000m in September 2010 for eight years. During the year one loan with the Public Works Loan Board for £4.575m was repaid. The average loan rate across the loans is 4.66%. The average discount rate is 2.16%.

At 31 March 2018 the Council held one LOBO loan and two long term loans (Barclays waived their LOBO options in June 2016):

- £5.000m Dexia commencing in August 2004 for 35 years at a fixed rate of 4.5%. The fair value is £7.068m using a discount rate of 2.377%.
- £5.000m Barclays in October 2003 for 40 years had an introductory rate of 3.2% for four years when the rate changed to 4.875%. The carrying value of the loan was £5.358m and the fair value was £7.447m using a discount rate of 2.395%.
- £5.000m Barclays commencing in February 2005 for 40 years had an introductory interest rate of 3.7% for four years then 4.5% thereafter. A discount of £0.103m applied at the commencement of the loan. At the balance sheet date, the carrying value of the loan was £5.225m, with a fair value of £7.095m using a discount rate of 2.399%.

During the year the following LOBO loans with Commerzbank were repaid early:

- £5.000m Commerzbank in February 2002 for 40 years had an introductory interest rate of 2.9% for two years then 4.85% thereafter.

- £8.000m Commerzbank in September 2002 for 40 years had an introductory interest rate of 3.6% for four years at which point the rate stepped up to 4.7%.

PFI and Finance Lease Liabilities are not quoted on active markets. For PFI the discounted cash flow method has been used to calculate the fair value. Refer to Note 48 for further details. For Finance Leases the average interest rate across the 21 leases is 7.241%. Further details are held in Note 47.

Current Liabilities

	Carrying Value		Fair Value	
	31 Mar 2017	**31 Mar 2018**	**31 Mar 2017**	**31 Mar 2018**
	£m	**£m**	**£m**	**£m**
Public Works Loan Board	(4.575)	(7.320)	(4.575)	(7.320)
Temporary Loans	(14.000)	(6.000)	(14.000)	(6.000)
Transferred Debt	(3.665)	0.000	(3.665)	0.000
Short term borrowing	**(22.240)**	**(13.320)**	**(22.240)**	**(13.320)**
Accrued Interest	(2.367)	(1.982)	(2.367)	(1.982)
Trade Creditors	(72.031)	(71.898)	(72.031)	(71.898)
Total Short Term Liabilities	**(96.638)**	**(87.200)**	**(96.638)**	**(87.200)**

25. INVENTORIES

	2016-17			2017-18		
	Allroads Stores £m	**Work in Progress £m**	**Other £m**	**Allroads Stores £m**	**Work in Progress £m**	**Other £m**
1 April	**1.387**	**0.558**	**0.803**	**1.501**	**0.100**	**1.025**
Purchase of new stock	2.458	0.000	1.329	1.751	9.692	1.940
Stock issued	(2.341)	(0.458)	(1.105)	(2.204)	(8.762)	(1.809)
Stock written off	(0.003)	0.000	(0.002)	0.000	0.000	(0.139)
31 March	**1.501**	**0.100**	**1.025**	**1.048**	**1.030**	**1.018**
Total			**2.613**			**3.096**

26. DEBTORS

The debtor balance can be analysed into the following categories:

31 Mar 2017 £m		31 Mar 2018 £m
11.526	From Other Local Authorities	10.036
5.112	From NHS Bodies	3.522
12.237	From Government Departments	7.716
0.000	From DCC Pension Fund	0.000
42.962	From Other Sundry Debtors	35.679
71.837	**Total amount owed to the Council**	**56.953**
0.119	To Other Local Authorities	0.083
0.000	To NHS Bodies	0.000
0.000	To Government Departments	0.005
4.201	To Other Sundry Debtors	2.968
4.320	**Total paid in advance by the Council**	**3.056**
76.157	**Total Debtors**	**60.009**
(1.441)	Less Provision for Bad Debts	(2.147)
74.715	**Carrying Value of Debtors**	**57.861**

27. CASH AND CASH EQUIVALENTS

31 Mar 2017 £m		31 Mar 2018 £m
6.598	County Fund Bank Account Balance	28.734
0.001	Adjustment to bank balance for timing	0.000
6.599	**Cash Book for County Fund Account**	**28.734**
0.242	Schools Cash Income Account Balance	0.332
0.242	**Cash Book for Schools Cash Account**	**0.332**
6.841	**Total Cash Book Balance**	**29.066**
3.582	Amounts held by Bank Account Schools	4.145
0.191	Amounts held in Petty Cash Tins	0.169
0.327	Amounts held in Imprest Bank Accounts	0.349
(0.002)	Amounts held in Other Bank Accounts	(0.002)
10.939	**Total Cash Balance**	**33.727**
1.017	Bank instant-access deposit accounts	1.523
20.014	Short-term deposits	10.001
31.971	**Total Cash and Cash Equivalents**	**45.251**

28. CREDITORS

The creditor balance can be analysed into the following categories:

31 Mar 2017 £m		31 Mar 2018 £m
(4.623)	To Other Local Authorities	(6.485)
(1.961)	To NHS Bodies	(2.728)
(13.694)	To Government Departments	(19.295)
(3.716)	To Inter-Group Organisations	(3.243)
(69.741)	To Other Sundry Creditors	(67.596)
(93.735)	**Amounts Owing by the Council**	**(99.347)**
(0.493)	From other Local Authorities	(0.569)
(4.459)	From NHS Bodies	(3.948)
(2.196)	From Government Departments	(2.936)
(2.615)	From Other Sundry Creditors	(3.610)
(9.763)	**Income in Advance to the Council**	**(11.063)**
(103.498)	**Carrying Value of Creditors**	**(110.410)**

29. PROVISIONS

	Insurance Fund £m	Exit Packages £m	Other £m	Total £m
1 April 2016	6.629	7.708	1.103	15.440
New Provisions	1.692	0.000	0.633	2.325
Utilisation of Provision	(2.013)	(1.879)	(0.292)	(4.184)
Reversal of Provision	0.000	0.000	(0.151)	(0.151)
1 April 2017	**6.308**	**5.829**	**1.293**	**13.430**
New Provisions	2.588	0.000	0.754	3.342
Utilisation of Provision	(1.693)	(1.552)	(0.447)	(3.692)
Reversal of Provision	0.000	0.000	(0.519)	(0.519)
31 March 2018	**7.203**	**4.278**	**1.081**	**12.561**

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

Insurance Fund Provision
The Insurance Fund meets the estimated ‘excess’ of the Council’s insurance policies, with amounts held in either the insurance provision or the insurance 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 17 £m		31 Mar 18 £m
1.389	External premiums	1.255
0.000	General charges and expenses	0.000
0.968	Claims paid in the year	0.344
2.357	**Total Expenditure**	**1.599**
(0.296)	Income from schools	(0.278)
(4.463)	General fund contribution	(4.405)
(0.173)	Other income	(0.109)
(4.932)	**Total Income**	**(4.792)**
(2.575)	**Surplus to move to fund balances**	**(3.193)**

31 Mar 17 £m		31 Mar 18 £m
(1.692)	Contribution to provision	(2.588)
(0.883)	Contribution to reserves	(0.605)
(2.575)	**Total moved to fund balances**	**(3.193)**

31 Mar 17 £m	Provision	31 Mar 18 £m
(6.630)	**Balance at 1 April**	**(6.308)**
(1.692)	Contribution from revenue	(2.588)
2.014	Claims paid and risk management costs	1.693
(6.308)	**Balance at 31 March**	**(7.203)**

Restated 31 Mar 17 £m	Reserves	31 Mar 18 £m
(18.988)	**Balance at 1 April**	**(19.953)**
(0.883)	Contribution from revenue	(0.605)
(0.082)	Interest on balances	(0.069)
(19.953)	**Balance at 31 March**	**(20.627)**

The total Insurance Fund balance is £27.830m (31 March 2017: £26.261m). The total reserves balance disclosed above at 31 March 2017 has been restated to correct a disclosure difference in the movement in contribution from revenue.

30. OTHER NON-CURRENT LIABILITIES

31 Mar 2017 £m		31 Mar 2018 £m
(641.390)	Pensions Liability - LGPS	(633.745)
(68.512)	Pensions Liability - Teachers	(65.091)
(18.526)	PFI Phase 1	(17.361)
(22.993)	PFI Phase 2	(21.913)
(29.672)	PFI - BSF	(28.195)
(3.112)	Finance Lease - Joint Service Centre	(3.112)
(1.288)	Finance Lease - Other Leases	(1.014)
(785.493)		**(770.431)**

Further information about the leases, PFI scheme and pension liabilities can be found in notes 47 to 50.

31. USABLE RESERVES

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

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

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

32. TRANSFERS TO / FROM EARMARKED RESERVES

	1 Apr 2016 £m	Transfers In £m	Transfers Out £m	31 Mar 2017 £m	Transfers In £m	Transfers Out £m	31 Mar 2018 £m
Highways, Transport and Infrastructure							
Environmental Underspends	(3.039)	(1.565)	0.407	(4.197)	(2.489)	0.630	(6.056)
IT Reserve	(1.122)	0.000	0.106	(1.016)	0.000	0.462	(0.554)
Highways DLO	(0.975)	0.000	0.001	(0.973)	0.000	0.727	(0.246)
Broadband	(7.046)	0.000	0.925	(6.121)	0.000	0.691	(5.430)
Road Safety PSA	(1.867)	0.000	0.233	(1.634)	0.000	0.417	(1.217)
Derby and Derbyshire Road Safety Partnership Reserve	(1.069)	0.000	0.227	(0.842)	(0.300)	0.337	(0.805)
Waste, Performance and Efficiency Grant (WPEG) 2006-7	(0.802)	0.000	0.000	(0.802)	0.000	0.000	(0.802)
Waste Recycling Initiatives	(0.391)	0.000	0.000	(0.391)	0.000	0.000	(0.391)
Other HTI Reserves	(7.262)	(0.146)	5.307	(2.101)	(0.175)	0.281	(1.995)
Winter Maintenance	(2.000)	0.000	0.000	(2.000)	0.000	0.000	(2.000)
Sub Total	**(25.573)**	**(1.710)**	**7.206**	**(20.077)**	**(2.964)**	**3.545**	**(19.497)**
Council Services							
Insurance and Risk Management	(18.988)	(0.965)	0.000	(19.953)	(0.674)	0.000	(20.627)
Corporate - Council Priorities	(12.500)	0.000	0.000	(12.500)	(24.603)	16.253	(20.850)
Change Management	(5.786)	(0.695)	0.692	(5.789)	0.000	1.656	(4.133)
Corporate Resources Department (CRD) Reserve	(7.864)	(7.175)	1.591	(13.448)	(2.268)	11.522	(4.194)
PFI Schools	(3.117)	(0.830)	1.792	(2.155)	(0.867)	1.431	(1.591)
Computer Reserve Fund	(3.809)	(2.241)	1.256	(4.794)	(0.976)	0.847	(4.923)
Property Direct Services Organisation (DSO)	(4.810)	(0.319)	1.770	(3.359)	(2.273)	2.677	(2.955)
Property IMP Scheme	(6.238)	(2.811)	5.116	(3.933)	(0.353)	0.000	(4.286)
Derbyshire Property Package	(1.629)	(1.304)	0.980	(1.953)	0.000	1.067	(0.886)
CRD underspend	(0.211)	(0.050)	0.061	(0.200)	(1.507)	0.515	(1.192)
Uninsured Fin Loss	(13.000)	0.000	0.000	(13.000)	0.000	0.000	(13.000)
Corporate Priorities Programme	(4.000)	0.000	2.271	(1.729)	0.000	1.000	(0.729)
Business Rates Pool	(1.087)	(1.230)	0.057	(2.260)	(1.471)	2.260	(1.471)
Other Council Services	(3.478)	(0.058)	1.844	(1.693)	(7.086)	0.852	(7.927)
Revenue Contribution to Capital	(5.562)	(7.495)	5.562	(7.495)	(6.533)	7.495	(6.533)
Sub Total	**(92.079)**	**(25.173)**	**22.992**	**(94.261)**	**(48.611)**	**47.575**	**(95.297)**
Health & Communities							
Public Health Fund	(4.189)	(6.130)	3.659	(6.660)	(1.776)	1.233	(7.203)
Other Health and Communities	(0.066)	(0.139)	0.000	(0.205)	(0.090)	0.051	(0.244)
Derbyshire Sport	(1.231)	(0.022)	0.020	(1.233)	0.000	1.233	0.000
Community Safety	(0.160)	0.000	0.079	(0.081)	0.000	0.000	(0.081)
Sub Total	**(5.646)**	**(6.291)**	**3.758**	**(8.179)**	**(1.866)**	**2.517**	**(7.528)**
Young People							
Schools Balances	(42.473)	0.000	7.039	(35.434)	(5.644)	9.775	(31.303)
Dedicated Schools Grant	(16.612)	(1.025)	7.023	(10.614)	(2.973)	2.632	(10.955)
Tackling troubled families	(4.360)	(1.678)	1.541	(4.497)	(1.926)	2.262	(4.161)
Capital two year old provision	(2.563)	0.000	0.070	(2.493)	0.000	2.493	0.000
Prior Year Underspend	(7.613)	0.000	1.347	(6.266)	0.000	4.213	(2.053)
Childrens Services Earmarked Reserve	(0.853)	0.000	0.000	(0.853)	0.000	0.000	(0.853)

	1 Apr 2016 £m	Transfers In £m	Transfers Out £m	31 Mar 2017 £m	Transfers In £m	Transfers Out £m	31 Mar 2018 £m
Young People (continued)							
Foster Carer Adaptations	(0.701)	(0.074)	0.360	(0.415)	(0.131)	0.140	(0.406)
Kitchen Upgrade and Equipment	0.000	(0.337)	0.000	(0.337)	(0.075)	0.173	(0.239)
Other Young People Reserves	(8.326)	(1.773)	6.464	(3.635)	(2.039)	2.745	(2.929)
Primary Teachers Pooled Premium Reserve	(0.726)	(0.688)	0.726	(0.688)	(0.511)	0.688	(0.511)
Complex Inquiry	0.000	(1.500)	0.282	(1.218)	0.000	0.377	(0.841)
Sub total	**(84.227)**	**(7.075)**	**24.852**	**(66.450)**	**(13.299)**	**25.498**	**(54.251)**
Strategic Leadership, Culture and Tourism							
Strategic Policy Budget	(0.252)	(1.081)	0.228	(1.105)	(0.579)	0.257	(1.427)
Policy and Research	(1.103)	(0.123)	0.644	(0.582)	(0.839)	0.129	(1.292)
Innovation and Transformation	(0.805)	0.000	0.475	(0.330)	(0.030)	0.090	(0.270)
High Needs Strategic Funding	0.000	0.000	0.000	0.000	(0.600)	0.000	(0.600)
Culture and Community Service underspend	(0.255)	(0.240)	0.255	(0.240)	(0.016)	0.000	(0.256)
Derbyshire Challenge Fund	(1.044)	0.000	0.174	(0.870)	(0.557)	0.749	(0.678)
Upgrade of Broadband of Libraries	0.000	(0.255)	0.000	(0.255)	0.000	0.000	(0.255)
Derwent Valley Mills World Heritage Site	(0.226)	0.000	0.048	(0.178)	(0.038)	0.000	(0.216)
Public Service Agreement (PSA) Reward Grant	(0.175)	0.000	0.000	(0.175)	0.000	0.000	(0.175)
Digital Exclusion	(0.101)	0.000	0.000	(0.101)	0.000	0.000	(0.101)
Other Strategic Leadership, Culture and Toursim Reserves	(0.579)	(0.113)	0.057	(0.635)	(0.103)	0.146	(0.593)
Sub Total	**(4.540)**	**(1.812)**	**1.881**	**(4.471)**	**(2.763)**	**1.371**	**(5.863)**
Adult Social Care							
Adult Care Budget Cut Shortfall	0.000	(4.567)	0.000	(4.567)	1.406	0.000	(3.161)
Adult Care Cut Pump Priming	0.000	(0.771)	0.000	(0.771)	0.000	0.000	(0.771)
Voluntary Organisation Grants	0.000	(1.633)	0.000	(1.633)	0.000	1.633	0.000
Adult Care Replacement ICT System	(0.250)	0.000	0.000	(0.250)	0.000	0.000	(0.250)
Sub Total	**(0.250)**	**(6.971)**	**0.000**	**(7.221)**	**1.406**	**1.633**	**(4.182)**
Economic Development and Regeneration							
D2 Growth Fund	(0.200)	(0.400)	0.000	(0.600)	0.000	0.400	(0.200)
Approach to Countrywide External Funding	(0.225)	0.000	0.054	(0.171)	0.000	0.159	(0.011)
D2EE Low Carbon Project	(0.062)	(0.125)	0.000	(0.187)	0.000	0.057	(0.130)
D2 Business Development	(0.108)	(0.162)	0.000	(0.270)	0.000	0.127	(0.143)
Markham Vale Environment Centre Extension	(0.114)	0.000	0.000	(0.114)	0.000	0.000	(0.114)
Skills Training	(0.109)	0.000	0.008	(0.101)	0.000	0.000	(0.101)
Markham Vale Economic Impact Assessment	(0.100)	0.000	0.000	(0.100)	0.000	0.000	(0.100)
D2N2 Demand Stimulation	(0.100)	0.000	0.000	(0.100)	0.000	0.000	(0.100)
Other Economic Development and Regeneration	(0.095)	(0.005)	0.000	(0.099)	(0.005)	0.057	(0.047)
Sub Total	**(1.113)**	**(0.692)**	**0.062**	**(1.742)**	**(0.005)**	**0.800**	**(0.946)**
Overall Totals	**(213.428)**	**(49.725)**	**60.751**	**(202.401)**	**(68.101)**	**82.939**	**(187.564)**

The analysis of prior year earmarked reserves has been restated to reflect 2017-18 portfolios and to adjust the categorisation of some earmarked reserves.

33. UNUSABLE RESERVES

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

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

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

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

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

Capital Adjustment Account
This reserve includes timing differences arising between the financing of purchasing new, or enhancing, Council assets and the utilising of those assets in the Council's accounts (known as depreciation). It is not available for future spending.

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

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

	Note	Carrying Value £m	Historic Cost £m	Revaluation Reserve £m
31 March 2018				
Property, Plant and Equipment	16	2,186.076	1,170.558	1,015.518
Heritage Assets	17	54.993	4.082	50.911
Assets Held for Sale	21	0.730	0.393	0.337
		2,241.799	**1,175.033**	**1,066.766**
31 March 2017				
Property, Plant and Equipment	16	2,148.796	1,234.430	914.366
Heritage Assets	17	42.358	3.867	38.491
Assets Held for Sale	21	2.938	0.829	2.109
		2,194.092	**1,239.126**	**954.966**

34. EXTERNAL AUDIT COSTS

2016-17 £m		2017-18 £m
	Audit Fees	
0.125	External Audit Fees	0.125
0.000	Public Sector Audit Appointments Rebate	(0.019)
0.004	External Audit Fees Teachers' Pension Scheme	0.004
0.129		**0.110**

35. MEMBERS' ALLOWANCES

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

2016-17 £m		2017-18 £m
0.977	Allowances	0.998
0.052	Expenses	0.057
1.029		**1.055**

36. OFFICERS' REMUNERATION

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

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

Salary	Employer's Pension Contributions	**Total Remuneration 2016-17**		Salary	Employer's Pension Contributions	Head of Paid Service	Compensation for Loss of Employment	**Total Remuneration 2017-18**
£	£	**£**		£	£	£	£	**£**
148,720	0	**148,720**	Chief Executive	50,468	0	0	124,694	**175,162**
116,885	0	**116,885**	Strategic Director of Economy, Transport & Environment	120,810	0	1,317	0	**122,128**
109,509	21,387	**130,896**	Strategic Director of Children's Services	113,361	22,672	0	0	**136,033**
120,084	0	**120,084**	Strategic Director of Adult Care	121,285	0	5,000	0	**126,285**
114,581	22,377	**136,958**	Strategic Director of Corporate Resources	70,069	13,755	0	22,732	**106,556**
0	0	**0**	Strategic Director of Commissioning, Communities and Policy	62,664	12,533	0	0	**75,197**
57,054	8,159	**65,213**	Director of Public Health	87,878	12,637	0	0	**100,515**
30,606	4,385	**34,992**	(Acting) Director of Public Health	0	0	0	0	**0**
94,141	18,386	**112,527**	Director of Finance and ICT	95,082	19,016	0	0	**114,098**
91,549	17,880	**109,429**	Assistant Chief Executive	58,133	11,107	0	44,676	**113,916**

A Senior Management restructure took place during 2017-18 and the Council adopted a Head of Paid Service model. As part of this restructure:

- The Chief Executive was made redundant and left the Council on 11 August 2017, receiving salary to that date and three months' salary in lieu of notice.
- The Assistant Chief Executive was made redundant and left the Council on 2 November 2017.
- The Strategic Director of Corporate Resources was made redundant and left the Council on 30 October 2017.
- A new post of Strategic Director of Commissioning, Communities and Policy was created and the current post holder took up the role on 25 September 2017.
- Upon the redundancy of the Chief Executive, it became necessary to allocate the statutory role of Head of Paid Service to another individual. At the same time an allowance of £10,000 per annum was created to remunerate whoever was currently undertaking the role.
- The Strategic Director of Economy, Transport and Communities was designated the Council's Head of Paid Service, on a temporary basis, from 14 August 2017 to 30 September 2017. On the creation of the Commissioning, Communities and Policy department on 25 September 2017, the Economy, Transport and

Communities department was renamed the Economy, Transport and Environment department.

- The Strategic Director of Adult Care was designated the Council's Head of Paid Service from 1 October 2017, on a temporary basis until 11 April 2018.
- The Strategic Director of Commissioning, Communities and Policy was permanently appointed as Head of Paid Service from 12 April 2018. There is no longer an additional payment for undertaking this role.
- The Commissioning, Communities and Policy department was established on 25 September 2017. A number of services were incorporated into the new department, including the Corporate Resources and Chief Executives Office departments and the following services from the Economy, Transport and Communities department; Libraries and Heritage, Community Safety and Trading Standards.

In addition:

- The Director of Public Health (Acting) was in post from 14 December 2015 until the current post holder was appointed on 1 August 2016.

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

2016-17 No of Employees				**2017-18 No of Employees**		
School Staff	**Other**	**Total**	**Remuneration Between:**	**School Staff**	**Other**	**Total**
141	57	**198**	£50,000 and £54,999	123	58	**181**
121	51	**172**	£55,000 and £59,999	136	46	**182**
70	22	**92**	£60,000 and £64,999	57	19	**76**
33	7	**40**	£65,000 and £69,999	36	3	**39**
16	3	**19**	£70,000 and £74,999	17	4	**21**
7	7	**14**	£75,000 and £79,999	13	2	**15**
6	4	**10**	£80,000 and £84,999	3	10	**13**
2	3	**5**	£85,000 and £89,999	3	2	**5**
2	2	**4**	£90,000 and £94,999	2	1	**3**
2	1	**3**	£95,000 and £99,999	1	1	**2**
2	0	**2**	£100,000 and £104,999	3	0	**3**
1	0	**1**	£105,000 and £109,999	0	0	**0**
0	1	**1**	£110,000 and £114,999	0	0	**0**
0	1	**1**	£115,000 and £119,999	0	0	**0**
0	1	**1**	£135,000 and £139,999	0	0	**0**
0	0	**0**	£155,000 and £160,000	1	0	**1**
0	1	**1**	£205,000 and £209,999	0	0	**0**
403	**161**	**564**		**395**	**146**	**541**

Remuneration includes gross income and compensation for loss of employment.

37. TERMINATION BENEFITS

The Council has terminated the contracts of a number of employees in 2017-18, incurring liabilities of £1.818m (2016-17: £1.846m). The termination benefits 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	
	2016-17 actual	2017-18 actual	2016-17 actual	2017-18 actual	2016-17 actual	2017-18 actual	2016-17 actual	2017-18 actual
							£m	£m
£0-£20k	109	95	152	66	261	161	1.234	0.783
£20k-£40k	7	5	9	13	16	18	0.451	0.467
£40k-£60k	1	2	0	1	1	3	0.049	0.135
£60k-£80k	0	0	0	2	0	2	0.000	0.153
£100k-£150k	0	1	1	0	1	1	0.111	0.125
£150k-£200k	0	0	0	1	0	1	0.000	0.155
	117	**103**	**162**	**83**	**279**	**186**	**1.846**	**1.818**

38. POOLED BUDGETS

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

Better Care Fund

	2017-18	Pool Share
Income	**£m**	**%**
Derbyshire County Council	26.419	29.76
NHS North Derbyshire CCG	21.289	23.98
NHS Southern Derbyshire CCG	19.170	21.59
NHS Hardwick Derbyshire CCG	7.199	8.11
NHS Erewash Derbyshire CCG	12.447	14.02
NHS Tameside & Glossop CCG	2.252	2.54
	88.776	**100.00**

Expenditure	2017-18 £m
CCG schemes aimed at reducing Delayed Transfer of Care	31.840
Disabled Facilities Grant	5.966
Equipment	6.633
Reablement	4.427
Joint working	7.328
Administration	0.390
Care Bill	2.058
Carers	1.962
Mental health	0.999
Support people to remain out of hospital	8.955
Improved Better Care Fund	18.218
Total Expenditure	**88.776**
Net position for Pool	**0.000**

On 1 April 2015 the Derbyshire Better Care Fund (BCF) became operational. Derbyshire County Council are partners to the fund along with NHS Northern Derbyshire Clinical Commissioning Group, NHS Southern Derbyshire Clinical Commissioning Group, NHS Hardwick Clinical Commissioning Group, NHS Erewash Clinical Commissioning Group and NHS Tameside & Glossop Clinical Commissioning Group. The operation of the pool is ultimately managed by the Derbyshire Health and Wellbeing Board represented by members from each of the partners. The Fund operates as a Section 75 pooled budget and total agreed contributions to the pool are £88.776m. Derbyshire County Council's contribution towards the pool is £26.419m (29.76%).

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

Under the agreement, the BCF Plan for Derbyshire is split into 2 areas:
- Contributions to a pooled fund by all partners and commissioned by Derbyshire County Council who are host and lead commissioner
- Commissioning of existing funded schemes directly by each partner.

Children with complex needs pooled budget arrangement

The Children with complex needs pooled budget arrangement operates with North Derbyshire, South Derbyshire, Hardwick and Erewash CCGs.

The CCGs 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 2017 £m		31 Mar 2018 £m
	Funding provided to the pooled budget:	
(3.404)	The Council	(3.404)
(1.677)	The Health Trust	(1.677)
	Expenditure met by the pooled budget	
3.404	The Council	3.404
1.677	The Health Trust	1.677
0.000	**(Surplus)/Deficit**	**0.000**
0.000	The Council's share of the (Surplus)/Deficit	0.000

39. TRUST FUNDS

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

2016-17		2017-18		
Total £m		Trust Funds £m	Other Funds £m	Total £m
6.882	Opening Balance	1.091	4.972	6.063
0.020	Add Income	0.007	1.011	1.018
(0.839)	Less Expenditure	(0.023)	(1.196)	(1.219)
6.063	**Closing Balance**	**1.074**	**4.787**	**5.861**
	The funds are represented by:			
0.050	Investments	0.050	0.000	0.050
6.013	Cash & temporary loans	1.025	4.787	5.812
6.063	**Total Assets**	**1.074**	**4.787**	**5.861**
0.006	Increase/(Decrease) in unrealised profit on investments included in expenditure	0.000	0.000	0.000
62	No of Funds (actual not £m)	52	10	62

40. DEDICATED SCHOOLS GRANT (DSG)

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). The grant is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget as defined in the School Finance (England) Regulations 2017.

The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school. The in-year adjustment comprises a recovery deducted in 2017-18 for Early Years provision during 2016-17 following final calculation of the amount due from the Department for Education. This has been covered by use of reserves.

Actual central expenditure includes items that have been transferred to an earmarked reserve but remain unspent as at the end of the year. Details of the deployment of the DSG receivable for 2017-18 are as follows:

	2017-18		
	Central Expenditure	**Individual Schools Budget**	**Total**
	£m	**£m**	**£m**
Final DSG for 2017-18 before Academy recoupment			530.362
Less Academy figure recouped for 2017-18			(126.786)
Total DSG after Academy recoupment for 2017-18			**403.576**
Brought forward from 2016-17			12.249
Carry forward to 2018-19 agreed in advance			(7.437)
Agreed initial budgeted distribution in 2017-18	**54.676**	**353.713**	**408.389**
In year adjustments	(0.373)	0.000	(0.373)
Final budgeted distribution for 2017-18	**54.303**	**353.713**	**408.016**
Less Actual central expenditure	(54.346)		(54.346)
Less Actual spend against unallocated ISB		0.000	0.000
Less Actual ISB deployed to Private, Voluntary and Independent Settings for Nursery Education		(35.007)	(35.007)
Less Actual ISB deployed to schools		(316.063)	(316.063)
Add local authority contribution for 2017-18	0.000	0.000	0.000
Add Carry forward to 2018-19 agreed in advance	7.437		7.437
Carry-forward to 2018-19	**7.394**	**2.643**	**10.037**

41. GRANT INCOME

Revenue Grants		2017-18 Cash Received £m	2017-18 Prev Yr IIA* £m	2017-18 Prev Yr Dr** £m	2017-18 New IIA* £m	2017-18 New Dr** £m	2017-18 Income in Ledger £m	2016-17 Income in Ledger £m
Dedicated Schools Grant (DSG)	DfE	403.203	0.000	0.000	0.000	0.000	403.203	416.126
Public Health Grant	DoH	41.618	0.000	0.000	0.000	0.000	41.618	42.670
Pupil Premium Grant	DfE	22.390	0.000	0.000	0.000	0.000	22.390	24.610
Sixth Form Funding	DfE	11.558	0.000	0.000	(0.092)	0.000	11.466	13.023
Adult and Community Learning	BIS	6.045	0.064	0.000	0.000	0.000	6.109	6.131
Universal Free School Meals for Infant Pupils	ESFA	8.021	0.000	0.000	0.000	0.000	8.021	7.975
PE and Sport Grant	ESFA	4.440	0.000	0.000	0.000	0.000	4.440	2.976
Music Service Grant	Arts Council	1.400	0.000	0.000	0.000	0.000	1.400	1.423
Other Grants	Various	15.335	1.366	(0.974)	(1.207)	1.255	15.775	12.818
Total Departmental		**514.010**	**1.430**	**(0.974)**	**(1.299)**	**1.255**	**514.422**	**527.752**
Education Services Grant	DfE	4.211	0.000	(1.993)	0.000	0.000	2.218	8.376
Business Rates Compensation	DCLG	2.723	0.000	0.000	0.000	0.000	2.723	2.358
Private Finance Initiative	ESFA	10.504	0.000	0.000	0.000	0.000	10.504	10.504
Adult Social Care Grant	DoH	3.340	0.000	0.000	0.000	0.000	3.340	0.000
New Homes Bonus	DCLG	2.497	0.000	0.000	0.000	0.000	2.497	2.864
Improved Better Care Fund	DCLG	18.219	0.000	0.000	0.000	0.000	18.219	0.000
Other Grants	Various	7.119	0.000	0.000	0.000	0.000	7.119	6.186
Total Corporate Income		**48.611**	**0.000**	**(1.993)**	**0.000**	**0.000**	**46.618**	**30.288**
Total Grants		**562.621**	**1.430**	**(2.967)**	**(1.299)**	**1.255**	**561.041**	**558.040**

Capital Grants		2017-18 Cash Received £m	2017-18 Prev Yr Reversal IIA* £m	2017-18 Prev Yr Reversal Dr** £m	2017-18 New Accrual IIA* £m	2017-18 New Accrual Dr** £m	2017-18 Income in Ledger £m	2016-17 Income in Ledger £m
Highways Capital Maintenance	DfT	18.497	0.000	0.000	0.000	0.000	18.497	18.464
Capital Maintenance Grant	EFA	9.364	0.000	0.000	0.000	0.000	9.364	9.877
Lottery Funding		8.925	0.000	0.000	0.000	0.000	8.925	7.337
Local Growth Fund		32.470	0.000	0.000	0.000	0.000	32.470	22.371
Integrated Transport	DfT	3.644	0.000	0.000	0.000	0.000	3.644	3.644
Basic Need Grant	EFA	3.341	0.000	0.000	0.000	0.000	3.341	6.047
Devolved Formula Capital	DFE	2.111	0.000	0.000	0.000	0.000	2.111	2.319
Digital Derbyshire	BDUK	1.333	0.000	0.000	0.000	0.534	1.867	0.902
Pot Hole Funding	DfT	6.845	(1.514)	0.000	0.000	0.000	5.331	1.837
Land Reclamation Grant		1.603	0.000	(1.650)	0.000	0.000	(0.047)	1.650
Other Capital Grants	Various	10.819	0.000	(0.020)	0.000	0.804	11.603	6.068
		98.952	**(1.514)**	**(1.670)**	**0.000**	**1.338**	**97.105**	**80.517**

*IIA = Income received in advance, transferred to the following year
**Dr = Income due this year but not yet received.

42. CASH FLOW – INVESTING ACTIVITIES

2016-17 £m		Note	2017-18 £m
(110.301)	Purchase of Fixed Assets		(106.902)
(0.380)	Purchase of New Investments		(653.671)
10.077	Proceeds from Sale of Fixed Assets		2.260
80.517	Capital Grants Received	41	98.952
(11.084)	Investments Redeemed		663.795
(31.171)			**4.434**

43. CASH FLOW – FINANCING ACTIVITIES

2016-17 £m		Note	2017-18 £m
(85.728)	Repay Amounts Borrowed		(151.197)
(3.107)	Principal Repayment on PFI & Leases		(3.340)
55.000	New Short Term Loans		126.420
(33.835)			**(28.117)**

44. CASH FLOW – OPERATING ACTIVITIES

2016-17 £m		Note	2017-18 £m
(584.968)	Payments to and on behalf of employees		(574.375)
(504.567)	Other Operating Payments		(629.405)
279.930	Council Tax		295.251
104.841	Business Rates		106.714
67.722	Revenue Support Grant		44.056
555.170	Other Revenue Grants	41	562.621
131.699	Other Income		253.677
49.826	**Operating Costs of Providing Services**		**58.539**
(13.370)	External Interest Paid		(20.901)
(5.828)	Interest on PFI & Finance Leases		(5.245)
5.138	Interest Received		4.573
35.767			**36.967**

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

2016-17 £m		Note	2017-18 £m
(210.156)	**Surplus/(Deficit) on the Provision of Services**		**(222.586)**
	Non Cash Transactions:		
44.053	Depreciation	15	46.303
62.173	Impairment	15	30.172
38.867	Movement in Pension Liability	50	58.565
(2.447)	Adjustment for Collection Fund		1.756
11.938	Movement in Revenue Debtors		15.906
0.159	Movement in Bad Debt Provision		(0.706)
16.306	Movement in Revenue Creditors		2.675
0.136	Movement in Inventories	25	(0.483)
(2.009)	Movement in Provisions	29	(0.870)
169.176	**Total Non Cash Transactions**		**153.318**
	Items Classified Elsewhere		
135.341	Net charge for disposal of fixed assets	6	188.107
21.921	Revenue expenditure funded from capital under statute	14	15.231
(80.517)	Capital Grants	41	(97.106)
35.765			**36.964**

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

	31 Mar 2017 £m	31 Mar 2018 £m	Movement £m
Current Investments	178.485	166.415	**(12.070)**
Non Current Investments	58.190	60.655	**2.465**
Cash and Cash Equivalents	31.971	45.251	**13.280**
Current Borrowing	(24.608)	(15.303)	**9.305**
Non Current Borrowing	(302.359)	(283.471)	**18.888**
PFI & Finance Lease Liabilities	(75.591)	(71.595)	**3.996**
	(133.912)	**(98.048)**	**35.864**

	31 Mar 2016 £m	31 Mar 2017 £m	Movement £m
Current Investments	180.226	178.485	**(1.741)**
Non Current Investments	44.000	58.190	**14.190**
Cash and Cash Equivalents	61.217	31.971	**(29.246)**
Current Borrowing	(15.139)	(24.608)	**(9.469)**
Non Current Borrowing	(336.809)	(302.359)	**34.450**
PFI & Finance Lease Liabilities	(78.698)	(75.591)	**3.107**
	(145.203)	**(133.912)**	**11.291**

Reconciliation between the cash movement and the movement in net debt for 2017-18 and 2016-17:

2016-17 £m		2017-18 £m
(29.246)	**(Increase)/Decrease in Cash & Cash Equivalents**	**13.280**
11.856	Investments repaid (and accrued interest)	(663.634)
0.593	New investments (and accrued interest)	654.029
(58.615)	Loans Raised (and interest accrued)	(126.612)
83.597	Loans Repaid (includes accrued interest)	154.805
3.107	Payment of PFI & Lease Principal	3.996
11.292		**35.864**

47. LEASE TYPE ARRANGEMENTS

FINANCE LEASES – COUNCIL AS LESSEE

The Council has a number of property assets that were acquired under finance leases. All assets are carried as Property, Plant and Equipment on the Balance Sheet. Note 16 shows the net value of assets held under Finance Leases.

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

2016-17 £m				2017-18 £m		
Interest	Liability	MLP		Interest	Liability	MLP
0.552	**0.160**	**0.712**	**Within 1 year**	**0.577**	**0.268**	**0.845**
2.046	0.797	2.843	Within 2 to 5 years	2.068	1.281	3.349
7.186	3.889	11.075	More than 5 years	4.505	3.500	8.005
9.232	**4.686**	**13.918**	**Total Non-Current**	**6.573**	**4.781**	**11.354**
9.784	**4.846**	**14.630**		**7.150**	**5.049**	**12.199**

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

OPERATING LEASES – COUNCIL AS LESSEE

The Council has a number of property assets (within PPE) under operating leases. These include leases for:

- Delivery of local education.
- Local libraries.
- Youth information and clubs.
- Community and environmental purposes.
- Miscellaneous use, including office accommodation.

The Council also has a platform under an operating lease (2016-17: 1) and no longer has any vehicles (2016-17: 3).

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

2016-17 £m				2017-18 £m		
PPE	**PVE**	**Total**		**PPE**	**PVE**	**Total**
0.604	0.000	0.604	Within 1 year	0.327	0.000	0.327
1.878	0.000	1.878	Within 2 to 5 years	1.102	0.000	1.102
2.741	0.000	2.741	More than 5 years	2.314	0.000	2.314
5.223	**0.000**	**5.223**		**3.743**	**0.000**	**3.743**

No buildings leased under operating leases are sub-let. The Council entered into a number of operating leases for fire vehicles and water ladders whilst the Derbyshire Fire and Rescue Service was under Council control. The remaining vehicle is sub-let to them. The rental expenditure that was charged to the Net Cost of Services in relation to these assets was:

2016-17 £m		2017-18 £m
0.014	Minimum Lease Payment	0.013
(0.013)	Less sublease income	(0.012)
0.001		**0.001**

FINANCE LEASES – COUNCIL AS LESSOR

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

- Grassmoor Golf Centre to Grassmoor Golf Ltd on a 1,000 year lease, which commenced in 2002, for a one-off payment of £230,000.
- Unit C1 Holmewood Business Park to SBK Property Limited on a 99 year lease, which commenced in 2015.

The leases for two properties which were previously leased out under the same arrangements have been terminated:

- Castleton Former Cross Works leased to Peak District National Park Authority on a 100 year lease, which commenced in 1987 for a one-off payment of £34,000.
- Buxton Magistrates Court, Peak Buildings to the Secretary of State on a 125 year lease, which commenced 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.

The numbers of vehicles leased out are:

2016-17		2017-18
10	Vans	5
5	Cars	2
9	Other Vehicles	4
2	Miscellaneous	2

There is no further rental income due to be received over the remaining life of these leases and therefore there is no debtor held in the accounts:

2016-17 £m			2017-18 £m	
Gross Investment	Minimum Lease Payment		Gross Investment	Minimum Lease Payment
0.012	0.000	Within 1 year	0.000	0.000
0.000	0.000	Within 2 to 5 years	0.000	0.000
0.000	0.000	More than 5 years	0.000	0.000
0.000	0.000	Unearned finance income	0.000	0.000
0.012		**Gross investment**	**0.000**	
0.012		Unguaranteed residual value	0.000	
0.000	**0.000**	**Minimum Lease Payments**	**0.000**	**0.000**

The unguaranteed residual value of the asset relates to the estimated value of the vehicles at the end of the lease (i.e. an estimated sale value). The Council has no provisions for unrealised finance lease investments.

OPERATING LEASE – COUNCIL AS LESSOR

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

2016-17 £m				2017-18 £m		
Vehicles	Land & Building	Total		Vehicles	Land & Building	Total
0.006	0.782	0.788	Within 1 year	0.001	0.783	0.784
0.000	1.712	1.712	Within 2 to 5 years	0.000	2.047	2.047
0.000	5.470	5.470	More than 5 years	0.000	6.304	6.304
0.006	**7.964**	**7.970**		**0.001**	**9.134**	**9.135**

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

48. PRIVATE FINANCE INITIATIVE (PFI) AND SIMILAR CONTRACTS

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

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

Payments

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

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

During the year, the Council undertook a refinancing exercise of the BSF PFI debt, which reduced the interest charge on the long term debt. This resulted in a one-off financial benefit of approximately £2.100m for the Council in 2017-18. The term of the loan and service level elements of the agreement all remain the same.

The liability outstanding to pay the contractor for capital expenditure incurred is shown below. The 2016-17 Phase 2 and BSF current and non-current creditors disclosure has been corrected and is restated from the disclosure in the 2016-17 Statement of Accounts.

	2016-17			2017-18		
	Ph 1	Ph 2	BSF	Ph 1	Ph 2	BSF
	£m	£m	£m	£m	£m	£m
Unitary Charge Paid						
Delivery of services	2.409	2.233	2.645	2.531	2.641	3.144
Interest Payment	1.435	1.593	2.234	1.364	1.532	1.752
Reduction to Liability	1.019	0.954	0.782	1.090	1.015	0.988
Unitary Charge Paid	**4.863**	**4.780**	**5.661**	**4.985**	**5.189**	**5.884**
Loan Liability B Fwd	(20.634)	(24.962)	(31.290)	(19.615)	(24.008)	(30.508)
Reduction to Liability	1.019	0.954	0.782	1.090	1.015	0.988
Loan Liability C Fwd	**(19.615)**	**(24.008)**	**(30.508)**	**(18.526)**	**(22.993)**	**(29.520)**
Liability in Creditors	(1.090)	(1.015)	(0.837)	(1.165)	(1.080)	(1.327)
Non Current Liabilities	(18.526)	(22.993)	(29.671)	(17.360)	(21.913)	(28.193)
Loan Liability C Fwd	**(19.615)**	**(24.008)**	**(30.508)**	**(18.526)**	**(22.993)**	**(29.520)**

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

	2016-17			2017-18		
	Ph 1	Ph 2	BSF	Ph 1	Ph 2	BSF
	£m	£m	£m	£m	£m	£m
Within one year:						
Service charge	2.531	2.641	2.868	2.437	2.233	3.317
Interest element	1.364	1.532	2.178	1.289	1.468	0.815
Repayment of liability	1.090	1.015	0.837	1.165	1.080	1.327
Within two to five years:						
Service charge	9.747	8.930	9.770	9.747	8.930	13.266
Interest element	4.645	5.439	8.071	4.286	5.135	2.883
Repayment of liability	5.171	4.751	3.992	5.530	5.054	5.685
Within six to ten years:						
Service charge	12.183	11.163	12.212	12.183	11.163	16.583
Interest element	3.508	4.880	8.261	2.898	4.379	2.675
Repayment of liability	8.762	7.857	6.818	9.372	8.358	8.034
Within eleven to fifteen years:						
Service charge	5.072	10.898	12.212	2.635	8.666	16.583
Interest element	0.492	2.015	5.454	0.172	1.352	1.503
Repayment of liability	4.593	10.384	9.626	2.459	8.500	9.206
Within sixteen to twenty years:						
Service charge	0.000	0.000	8.808	0.000	0.000	8.591
Interest element	0.000	0.000	1.531	0.000	0.000	0.256
Repayment of liability	0.000	0.000	9.236	0.000	0.000	5.271

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

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

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

49. DEFINED CONTRIBUTION PENSION SCHEMES

Teachers' Pension Scheme

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

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

In 2017-18 the Council paid £42.952m to Teachers' Pensions (2016-17: £46.038m) in respect of teachers' retirement benefits. During 2017-18 the Employer's Contribution rate for the Teachers' Pension Scheme was 16.48% (2016-17: 16.48%).

NHS Pension Scheme

Former NHS employees working in the Surestart and Public Health fields that moved to the Council in 2008 and 2013, respectively, and some Public Health staff employed since then, are members of the NHS Pension Scheme, administered by the Department of Health. The Scheme provides these employees with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

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

In 2017-18 the Council paid £0.434m to the NHS Pension Scheme (2016-17: £0.482m) in respect of the retirement benefits of these Council employees. The Employer's Contribution rate during 2017-18 for the NHS Pension Scheme was 14.38% (2016-17: 14.30%). No further disclosures are required because of the immateriality of the information.

50. DEFINED BENEFIT SCHEME

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

The Council participates in two post-employment schemes:

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

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

The following transactions have been made during the year:

	Notes/ Statement	LGPS		Teachers	
		2016-17 £m	2017-18 £m	2016-17 £m	2017-18 £m
Current service cost		75.981	106.233	0.000	0.000
Net interest cost	7	20.035	17.197	2.225	1.723
Past service costs & curtailments	12	0.474	0.418	0.000	0.000
Settlements	12	0.000	(7.191)	0.000	0.000
Benefits charged to the CIES		**96.490**	**116.657**	**2.225**	**1.723**
Actuarial losses/(gains)	CIES	37.884	(69.017)	4.993	(0.614)
Total Loss/(Gain)		**134.374**	**47.640**	**7.218**	**1.109**
Movements in Reserves Statement:					
Reversal of charges made	15	(96.490)	(116.657)	(2.225)	(1.723)
Contributions - unfunded benefits	15	2.577	2.481	0.000	0.000
Employers' contributions payable	15	52.778	52.804	4.493	4.530

Assets and Liabilities in Relation to Post-Employment Benefits

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

	Funded liabilities:		Unfunded liabilities:	
	2016-17 £m	2017-18 £m	2016-17 £m	2017-18 £m
Opening balance at 1 April	**2,142.057**	**2,626.028**	**65.787**	**68.512**
Current service cost	75.981	106.233	0.000	0.000
Interest cost	75.407	68.617	2.225	1.723
Contributions by participants	16.535	16.129	0.000	0.000
Actuarial gains and losses	380.485	(51.686)	4.993	(0.614)
Benefits paid	(62.334)	(61.210)	0.000	0.000
Unfunded benefits paid	(2.577)	(2.481)	(4.493)	(4.530)
Effect of settlements	0.000	(21.429)	0.000	0.000
Past service costs	0.474	0.418	0.000	0.000
Closing balance at 31 March	**2,626.028**	**2,680.619**	**68.512**	**65.091**

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

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

	Local Government	
	2016-17 £m	2017-18 £m
Opening balance at 1 April	**(1,579.686)**	**(1,984.638)**
Expected rate of return	(55.372)	(51.420)
Actuarial gains	(342.601)	(17.331)
Employer contributions	(52.778)	(52.804)
Contributions by participants	(16.535)	(16.129)
Benefits paid	62.334	61.210
Effect of settlements	0.000	14.238
Closing balance at 31 March	**(1,984.638)**	**(2,046.874)**

Scheme History

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

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

	Present value of liabilities:		Present Value of assets:	(Surplus)/deficit in the Scheme:		
	LGPS £m	Discretionary Benefits £m	LGPS £m	LGPS £m	Discretionary Benefits £m	**Total £m**
2013-14	1,875.235	67.761	(1,407.197)	468.038	67.761	**535.799**
2014-15	2,247.975	73.775	(1,575.232)	672.743	73.775	**746.518**
2015-16	2,142.057	65.787	(1,579.686)	562.371	65.787	**628.158**
2016-17	2,626.028	68.512	(1,984.638)	641.390	68.512	**709.902**
2017-18	2,680.619	65.091	(2,046.874)	633.745	65.091	**698.836**

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2019 is £53.322m.

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 Hymans Robertson LLP, an independent firm of actuaries, with estimates for the Council Fund being based on the latest full valuation of the scheme as at 31 March 2016.

The principal assumptions used by the Actuary have been:

	2016-17	**2017-18**
Mortality Assumptions:		
Longevity at 65 (current pensioners):		
-Men	21.9	21.9
-Women	24.4	24.4
Longevity at 65 (future pensioners):		
-Men	23.9	23.9
-Women	26.5	26.5
Inflation Rates:		
Increase in salaries (LGPS only)	2.9%	2.9%
Increase in pensions	2.4%	2.4%
Discounting scheme liabilities	2.6%	2.7%

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below, showing the impact of a change at 31 March 2018:

	Local Government Approximate increase to employer liability %	Approximate monetary amount £m
0.5% decrease in real discount rate	10	0.270
0.5% increase in salary increase rate	1	0.040
0.5% increase in pension increase rate	8	0.226

The Actuary has noted that in order to quantify the impact of a change in the financial assumptions used, the value of the scheme liabilities at 31 March 2018 has been calculated and compared on varying bases. The approach taken is consistent with that adopted to derive the IAS19 figures provided by the Actuary for the accounts.

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

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

The return on the Fund in market value terms for the period to 31 March 2018 is estimated based on actual Fund returns as provided by the Administering Authority and index returns where necessary. The total return for the period from 1 April 2017 to 31 March 2018 is 3.5% (2016-17: 20.8%). The 2016-17 returns were unusually high but in line with the Fund's benchmark.

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:

	2016-17 %	2017-18 %
Equity investments	68.9	67.7
Debt instruments:		
Government bonds	10.5	9.5
Other bonds	7.9	9.4
Property	6.4	6.6
Cash and cash equivalents	4.6	4.8
Other assets	1.7	2.0
Total	**100.0**	**100.0**

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

	LGPS		Teachers
	Actuarial (gain) / loss on assets over total assets	Actuarial (gain) / loss on liabilities over total liabilities	Actuarial (gain) / loss on liabilities over total liabilities
2013-14	(3.02%)	(8.34%)	(0.58%)
2014-15	(6.83%)	12.26%	10.75%
2015-16	(3.10%)	(10.13%)	(8.62%)
2016-17	17.26%	14.49%	7.29%
2017-18	0.85%	(1.93%)	(0.94%)

Forecast for next year

	Local Government		Teachers Pensions	
	£m	£m	£m	£m
Projected service cost				
Estimated pay:	261.658		0.000	
Service cost (% of pay)	39.2%		n/a	
Implied service cost next year:		101.867		0.000
Net interest cost		17.738		1.697
Administration expenses		0.785		0.000
Total pension cost recognised		**120.390**		**1.697**
Projected employer contributions				
Normal contributions	(53.322)		(4.530)	
Total employer contributions next year		**(53.322)**		**(4.530)**
Current deficit		633.745		65.091
Projected deficit next year		**700.813**		**62.258**

51. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

Detailed information can be found in the annual Treasury Management Strategy which is available on the Council's website:
www.derbyshire.gov.uk/council/meetings-decisions/meetings/cabinet/cabinet-25-january-2018.aspx

Credit risk

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

The Council's maximum exposure to credit risk in relation to its investments in banks, building societies and money market funds is £235.740m, all of which is deposited in the UK, except £9.768m in global pooled funds and £0.016m deposited in Sweden. A risk of non-recovery applies to all of the Council's deposits, but there was no evidence at 31 March 2018 that this was likely to crystallise. The profile of these investments by credit rating (AAA is strongest credit rating) is as follows:

	AAA or equivalent £m	AA or equivalent £m	A or equivalent £m	Rated Not Strong £m	Not Rated £m	Total £m
Cash and cash equivalents	0.000	10.016	1.000	0.000	0.500	11.516
Loans and receivables	0.000	162.526	27.000	10.000	5.000	204.526
Available for sale	0.000	0.000	0.000	0.000	19.698	19.698
Total financial assets	**0.000**	**172.542**	**28.000**	**10.000**	**25.198**	**235.740**

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 £22.776m (2016-17: £21.287m) and 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 2017 £m	31 Mar 2018 £m
Less than three months	11.691	14.446
Three to six months	1.525	1.640
Six months to one year	1.288	2.173
More than one year	6.783	4.517
Total	**21.287**	**22.776**

Liquidity risk

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

The contractual maturity for Financial Liabilities is as follows:

	31 Mar 2018 £m
Less than one year	(13.320)
Between one and two years	(9.150)
Between two and five years	(11.895)
Between five and ten years	(26.073)
More than ten years	(236.183)
Total financial liabilities	**(296.621)**

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:

	Total £m	Non-interest bearing £m	Variable or Fixed <1 year £m	Fixed > 1 year £m	Fixed rate: Weighted average int rate (%)	Fixed rate: Weighted average period (years)
Financial assets	**235.740**	1.000	200.730	34.010	1.30	3
Financial liabilities	**(296.621)**	0.000	(6.000)	(290.621)	4.66	19

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

	Impact on provision of services £m	Impact on net worth £m
Increase by 1% (100 basis points)	1.779	45.990
Decrease by 1% (100 basis points)	(1.779)	(45.990)

52. SUBSEQUENT EVENTS

Derbyshire County Council, as the Administering Authority for the Derbyshire Pension Fund, has entered into a Discretionary Investment Management Agreement with LGPS Central Limited, whereby LGPS Central Limited will manage the Pension Fund's UK direct equity portfolio on a discretionary basis from 1 April 2018.

More information regarding LGPS Central Limited, a Midlands based collaboration of nine local government pension schemes, is included in the Pension Fund accounts.

Statement of Accounts Derbyshire Pension Fund 2017-18

Version History			
Vsn	**Date**	**Detail**	**Author**
1.0	10.07.18	Final Draft for Audit Committee Approval	E Scriven

This document has been prepared using the following ISO27001:2013 standard controls as reference:	
ISO Control	**Description**
A.8.2	Information classification
A.7.2.2	Information security awareness, education and training
A.18.1.1	Identification of applicable legislation and contractual requirements
A.18.1.3	Protection of records
A.18.1.4	Privacy and protection of personally identifiable information

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 (for civilian employees); the University of Derby, Colleges and Academies (non-teaching staff); Charities and some private companies providing services to local councils.

Derbyshire Pension Fund (the Fund) has over 200 participating employers and over 100,000 members, either active contributors, pensioners or deferred pensioners (people who have stopped paying into the scheme but are not yet receiving a pension).

The benefits payable to members within the Fund are determined by regulations and are guaranteed. Assets in the Fund meet members' benefit payments when they fall due and are accumulated through a combination of contributions from employees and employers within the Fund and from investment returns (both income and capital).

At the end of March 2018, the value of the Fund's assets was over £4.6bn. The investment return in the year to March 2018 was 3.8%, with returns affected by market volatility in the final quarter.

LGPS Central Limited, the company established to manage investments on behalf of nine LGPS funds including Derbyshire Pension Fund, has now received authorisation from the Financial Conduct Authority and has completed the recruitment of its Executive Team. Four members of Derbyshire County Council's (the Council) In-House Investment Team transferred to the company on 1 April 2018 and the Council has entered into a discretionary management agreement with the company for the management of the Fund's UK Equity portfolio. The transition of the Fund's remaining assets into products offered by LGPS Central Limited is likely to take several years.

During the year, a new pensions administration system has been procured and data migration and system implementation plans are being developed. Despite recent success in the reduction of overall backlogs, significant backlogs remain in some areas of administration due to the difficulties experienced with the existing system. It is likely that meaningful inroads into the remaining backlogs will only be made once the new system is fully established.

A separate Annual Report is produced for the Fund which, in addition to the Fund's accounts, includes the governance arrangements for the Fund, detailed performance information and the Fund's approved policy statements. The Annual Report is available on the Council's website:

www.derbyshire.gov.uk/working-for-us/pensions/investments/annual-report/annual-report

Membership Statistics

	Actuals		
	31 Mar 2016	31 Mar 2017	31 Mar 2018
Contributors	40,030	40,640	41,010
Pensioners and Dependants	26,622	27,599	27,959
Deferred Pensioners	27,240	30,327	32,099

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	2017-18	2018-19
Derbyshire County	14.5% plus £15.230m	14.5% plus £15.382m
Derby City	13.5% plus £6.844m	13.5% plus £6.912m
Amber Valley Borough	14.0% plus £1.036m	14.0% plus £1.047m
District of Bolsover	13.9% plus £0.943m	13.9% plus £0.953m
Chesterfield Borough	14.2% plus £1.951m	14.2% plus £1.971m
Derbyshire Dales	13.6% plus £0.632m	13.6% plus £0.639m
Erewash Borough	13.1% plus £1.103m	13.1% plus £1.114m
High Peak Borough	12.4% plus £1.797m	12.4% plus £1.815m
North East Derbyshire	13.7% plus £1.497m	13.7% plus £1.512m
South Derbyshire	13.8% plus £0.665m	13.8% plus £0.671m

The percentage rates that were determined by the Actuary in the valuation of the Fund at 31 March 2016, for 2017-18 onwards, are intended to cover the cost of future service of active Fund members, with the past service deficit being addressed by an annual fixed cash amount.

Members' Contributions

For 2017-18 the contribution rates payable by members into the Fund are determined by The Local Government Pension Scheme 2013 Regulations. The rates are between 5.5% and 12.5% of members' pay, including non-contractual overtime, depending on their pay banding.

Investment Policy

During 2017-18 responsibility for policy matters rested with a Pensions and Investments Committee of eight County Councillors, two Derby City Councillors and two non-voting Trade Union representatives. The Pensions and Investments Committee received advice from the Director of Finance & ICT and from one independent external adviser.

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

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

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

The table below shows the Fund's returns over 1, 3, 5 and 10 years to 31 March 2018, compared to those of its strategic benchmark, as well as the impact of inflation on Fund returns.

	Return		Inflation		Fund Real Return	
Periods to 31 Mar 2018	**Derbyshire Fund**	**Benchmark**	**CPI**	**RPI**	**Versus CPI Inflation**	**Versus RPI Inflation**
	% pa	**% pa**	**%**	**%**	**%**	**%**
1 Year	3.8	3.2	2.5	3.3	1.3	0.5
3 Years	7.9	7.2	2.0	2.9	5.9	5.0
5 Years	8.4	7.9	1.5	2.4	6.9	6.0
10 Years	7.9	7.4	2.4	2.8	5.5	5.1

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

The Fund outperformed its benchmark over the one, three, five and ten year periods. It is important to note that the Fund delivered real returns over these periods, with returns ahead of inflation in each period.

The 2017-18 return of 3.8% followed an unusually high return of 21.1% in 2016-17, when all the asset classes performed well and overseas equity returns received a strong boost on translation from Sterling weakness following the EU Referendum.

In the twelve months to March 2018, equity returns to Sterling investors ranged from 1.2% in the UK to 8.8% in Emerging Markets, with overseas equity returns being adversely impacted on translation by a recovery in the value of Sterling, after the sharp devaluation in the pound.

UK equity returns were affected by on-going uncertainty following the EU Referendum. Overseas equity returns in local currency ranged from 1.6% in Europe to 22.0% in Emerging Markets, reflecting steady and sustained global economic growth. Equity markets weakened in the first quarter of 2018, experiencing increased volatility, as investors became concerned about the future path of interest rates, increased United States protectionism and growing barriers to global trade.

Bond returns largely traded sideways in 2017-18, with UK Gilts returning 0.5%, UK Index-Linked Bonds returning 0.5% and Corporate Bonds returning 1.7%, reflecting the generally positive global economic conditions. Bond prices fell in the first quarter of 2018, as markets reflected in bond prices higher inflation and tighter monetary policy going forward. Property returned 9.7% in 2017-18, reflecting a combination of continued capital growth and rental income.

Actuarial Position of the Fund

Every three years an actuarial valuation of the Fund is undertaken in accordance with the provisions of The Local Government Pension Scheme Regulations 2013. The purpose of the valuation is to determine the solvency of the Fund and to set the level of contributions payable by each participating employer for the following three years. A valuation of the Fund was undertaken as at 31 March 2016 to set the level of employer contributions for the three years commencing 1 April 2017.

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

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

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

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

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

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

The contribution rates required have been determined using a “risk based” approach. The level of contribution rate to give an appropriate likelihood of meeting an employer’s funding target (usually a 100% funding level), within the agreed timeframe, is determined for each employer. The full rate of an employer’s contribution provides for the cost of year-by-year accrual of benefits in respect of current Fund members and the amount required to meet a shortfall in respect of the assets required for pensions in payment (including those payable to survivors of former members) and benefits accrued by other members, which will become payable in the future (known as a past service deficiency).

Further Information

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

FUND ACCOUNT

2016-17 £m		Note	2017-18 £m
	Dealings with Members, Employers and Others Directly Involved in the Fund		
157.030	Contributions	7,25	164.420
7.160	Transfers in from Other Pension Funds	8	12.724
164.190			**177.144**
(145.892)	Benefits	9,25	(155.380)
(6.897)	Payments to and on Account of Leavers	10	(17.210)
(152.789)			**(172.590)**
11.401	**Net Additions from Dealings with Members, Employers and Others Directly Involved in the Fund**		**4.554**
(21.279)	Management Expenses	11	(24.947)
(9.878)	**Net Withdrawals Including Fund Management Expenses**		**(20.393)**
	Returns on Investments		
84.331	Investment Income	12	94.882
0.401	Taxes on Income	13	0.048
725.894	Profits and Losses on Disposal of Investments and Changes in Value of Investments	14	96.925
810.626	**Net Return on Investments**		**191.855**
800.748	**Net Increase in the Net Assets Available for Benefits During the Year**		**171.462**
3,671.821	Opening Net Assets of the Fund		4,472.569
4,472.569	**Closing Net Assets of the Fund**		**4,644.031**

NET ASSETS STATEMENT

31 Mar 2017 £m		Note	31 Mar 2018 £m
4,469.137	Investment Assets	14-16	4,626.179
(4.960)	Investment Liabilities	14-16	(6.803)
13.959	Current Assets	18	30.195
(5.567)	Current Liabilities	19	(5.540)
4,472.569	**Net Assets of the Scheme Available to Fund Benefits at the Period End**		**4,644.031**

The accounts summarise the transactions of the Fund and deal with the net assets at the disposal of the Pensions and Investments Committee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Fund year. The actuarial present value of promised retirement benefits is disclosed in Note 24 of these accounts.

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

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

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

1. Basis of preparation

The accounts have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2017-18 ("the Code"), which is based upon International Financial Reporting Standards (IFRS), which require the Fund's accounts to comply with IAS 26 Accounting and Reporting by Retirement Benefit Plans, subject to the interpretations and adaptations for the Public Sector detailed in the Code and the Statement of Recommended Practice 2015 ("SORP"): Financial Reports of Pension Schemes insofar as it is relevant.

The accounts summarise the transactions of the Fund and deal with the net assets at the disposal of the Pensions and Investments Committee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Fund year. The actuarial present value of promised retirement benefits is disclosed in Note 24 of these accounts.

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

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, such as deficit funding contributions, are accounted for in accordance with the agreement under which they are paid, or in the absence of an agreement, on a cash basis.

Benefits

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

Transfers

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

Management expenses

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

Investment income

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

Taxes on income

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

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

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

3. Basis of valuation

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

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

4. Accounting Standards issued and not yet applied

At the balance sheet date, the following new standards and amendments to existing standards had been published but not yet adopted by the Code:

• IFRS 9 Financial Instruments, which introduces extensive changes to the classification and measurement of financial assets, and a new "expected credit loss" model for impairing financial assets. The impact will be to reclassify assets currently classified as loans and receivables to amortised cost. There are not expected to be any changes in the measurement of financial assets and the Fund does not at this stage anticipate any adjustments for impairments.

• IFRS 15 Revenue from Contracts with Customers, presents new requirements for the recognition of revenue, based on a control-based revenue recognition model. The Fund does not have any revenue streams within the scope of the new standard.

• IAS 7 Statement of Cash Flows (Disclosure Initiative), will potentially require some additional analysis of Cash Flows from Financing Activities, however since the Fund is not currently required to prepare a Cash Flow Statement it does not anticipate any additional disclosure.

• IAS 12 Income Taxes (Recognition of Deferred Tax Assets for Unrealised Losses), applies to deferred tax assets related to debt instruments measured at fair value. Currently the Fund does not hold such financial instruments.

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

	2016-17	2017-18
	£m	£m
Employers		
Normal	83.297	90.665
Deficit Funding	35.974	35.700
Members		
Normal	37.759	38.055
	157.030	**164.420**

Employers' contributions rates payable in 2016-17 were set as part of the 2013 valuation which revealed an overall funding level of 82.5%. Employers' contributions rates payable in 2017-18 were set as part of the 2016 valuation which revealed an overall funding level of 86.7%.

8. Transfers in from other pension funds

	2016-17	2017-18
	£m	£m
Individual transfers in from other pension funds	**7.160**	**12.724**

9. Benefits

	2016-17	2017-18
	£m	£m
Pensions	113.127	119.980
Commutation of pensions and lump sum retirement benefits	28.834	30.806
Lump sum death benefits	3.931	4.594
	145.892	**155.380**

10. Payments to and on account of leavers

	2016-17	2017-18
	£m	£m
Refund of contributions to members leaving the Fund	0.709	0.543
Group transfers out to other pension funds	0.217	1.008
Individual transfers out to other pension funds	5.971	15.659
	6.897	**17.210**

The majority of group transfers out in 2017-18 relates to the transfer of members who are past and present employees of Derby College to Manchester College, which is part of the Greater Manchester Pension Fund (GMPF). Following the finalisation of transfer regulations, £1.006m was paid in cash from the Fund to the GMPF in respect of their share of the Fund's assets. All liabilities in relation to these members have also been transferred to the GMPF.

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

Individual transfers out to other pension funds has increased in 2017-18 because of a significant increase in transfers out in the year.

11. Management expenses

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

	2016-17	2017-18
	£m	**£m**
Investment management expenses	18.898	22.602
Administrative costs	1.547	2.056
Oversight and governance costs	0.834	0.289
	21.279	**24.947**

Oversight and governance costs fell by £0.545m in 2017-18, reflecting a combination of lower legal fees and the inclusion of an income accrual of £0.500m for the costs of setting up LGPS Central Limited, which will be refunded in 2018-19. Oversight and governance costs includes audit fees of £0.029m (2016-17: £0.029m).

Administration costs increased by £0.509m in 2017-18. Pensions administration costs per member remained relatively consistent between 2013-14 and 2016-17 but increased to £20.34 per member in 2017-18. The increase principally reflects a combination of contractual payments in respect of the existing pensions administration system and additional staffing resource to support service levels.

Investment management expenses are analysed below:

	2016-17	2017-18
	£m	**£m**
Fund value based management fees	16.422	20.393
In house management fees	0.740	0.757
Transaction costs	1.697	1.409
Custody fees	0.039	0.043
	18.898	**22.602**

Fund value based management fees increased by £3.971m, to £20.393m in 2017-18, reflecting an increase in the value of underlying investments and an on-going shift in the Fund's asset mix to above average cost alternative investments. This followed revisions to the Fund's approved Asset Allocation in July 2015 and in March 2017, which increased the proportion of the Fund's investments assets to be allocated to private equity, infrastructure and indirect property investments, from 5% to 17%. Fund value based management fees expressed as a proportion of investment assets increased from 0.37% in 2016-17 to 0.44% in 2017-18.

Transaction costs relate to the following asset classes:

	2016-17	2017-18
	£m	**£m**
Equities	1.672	1.389
Bonds	0.025	0.020
	1.697	**1.409**

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

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

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

Costs are incurred indirectly by the Fund on sales and purchases of pooled investment vehicles through the difference between the highest price a buyer of a security or other asset is willing to pay and the lowest price a seller is willing to offer (bid-offer spread).

Such costs are not separately identifiable but are reflected in the cost of these investment purchases and in the proceeds from their sale (Note 14).

12. Investment income

	2016-17	2017-18
	£m	**£m**
Income from equities	60.081	68.289
Income from bonds	9.770	9.432
Net rents from properties	8.005	9.299
Income from pooled investment vehicles	5.750	6.981
Interest on cash deposits	0.725	0.881
	84.331	**94.882**

Rents from properties are net of £0.576m of property expense (2016-17, include £0.082m of property income). The income or expense each year is the net of property management expenses recovered by service charges to tenants and irrecoverable property management expenses, for instance, rates on vacant properties.

13. Taxes on income

	2016-17	2017-18
	£m	£m
Taxation receivable	**(0.401)**	**(0.048)**

From 6 April 2016 there are no notional tax charges for UK dividends, reducing reported taxes on income in 2016-17. The tax credits in 2016-17 and 2017-18 relate to reclaimed withholding taxes in respect of overseas investment income, which are recoverable by the Fund.

14. Investment assets and liabilities

	Value at 31 Mar 2017	Purchases & hedging payments	Sales & hedging receipts	Profits & losses on disposal of investments & changes in value of investments	Value at 31 Mar 2018
	£m	£m	£m	£m	£m
Investment assets					
Equities	2,056.935	580.782	(647.132)	0.453	1,991.038
Bonds	529.485	67.990	(65.868)	(14.435)	517.172
Pooled investment vehicles	1,447.425	197.373	(81.509)	93.633	1,656.922
Properties	161.200	27.797	-	10.178	199.175
Currency hedging contracts	0.113	368.070	(375.779)	7.596	-
	4,195.158	*1,242.012*	*(1,170.288)*	*97.425*	*4,364.307*
Cash deposits & short term loans	253.586			-	247.698
Other investment balances	20.393			-	14.174
	4,469.137			**97.425**	**4,626.179**
Investment liabilities					
Currency hedging contracts	-	-	-	(0.500)	(0.500)
Other investment balances	(4.960)			-	(6.303)
	(4.960)			**(0.500)**	**(6.803)**
	4,464.177			**96.925**	**4,619.376**

The total of profits and losses on disposal of investments and changes in value of investment assets and investment liabilities has increased the Fund's value by £96.925m during 2017-18 (2016-17, £725.894m increase). This total includes all increases and decreases in the market value of investments held at any time during the year and profits and losses realised on sales of investments during the year.

At 31 March 2018 the value of the Fund's investment in the UBS Life Europe Ex-UK Equity Tracker Fund was £476.430m, representing 10.3% (2017, £458.447m, 10.3%) of the total value of the Fund's net assets available for benefits. This holding is categorised as an in-house investment, which is consistent with the categorisation of existing pooled investment vehicles held as stock selection decisions.

Currency hedging receipts and payments represent the transactions settled during the year on currency hedging contracts. The Fund's objective is to decrease risk in the portfolio by entering into forward contracts to match a proportion of assets that are already held in the portfolio without disturbing the underlying assets.

At the year end, there was one currency hedging contract, with less than six months to expiry, with a gross contract value of £68.116m (2017, one contract, with less than six months to expiry, with a gross contract value of £77.806m).

Investment assets are further analysed below:

	31 Mar 2017 £m	31 Mar 2018 £m
Equities		
UK quoted	1,312.896	1,210.882
UK unquoted	-	1.315
Overseas quoted	744.039	778.841
	2,056.935	**1,991.038**
Bonds		
UK quoted	451.757	446.894
UK unquoted	-	0.685
Overseas quoted	77.728	69.593
	529.485	**517.172**
Pooled Investment Vehicles		
Property – unquoted	94.393	119.941
Property - quoted	22.896	22.149
Other quoted	967.809	1,002.306
Other unquoted	362.327	512.526
	1,447.425	**1,656.922**
Properties		
UK freehold	114.950	145.850
UK leasehold	46.250	53.325
	161.200	**199.175**
Cash deposits and short term loans		
Sterling cash deposits	24.574	27.544
Money market funds	39.000	-
Other Sterling short term loans	177.400	211.000
Foreign currency	12.612	9.154
	253.586	**247.698**

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.

	31 Mar 2017		31 Mar 2018	
	£m	%	£m	%
In-house	3,782.658	84.7	3,895.003	84.3
Wellington Management International Ltd	518.243	11.6	523.485	11.3
Colliers Capital Holdings Ltd	163.276	3.7	200.888	4.4
	4,464.177	**100.0**	**4,619.376**	**100.0**

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

Fund	**Country of registration of fund manager**
Aberdeen Global Japan Smaller Companies Fund	Luxembourg
AMP Capital Infrastructure Debt Fund III	Luxembourg
Barings Global Private Loan Fund I	Luxembourg
Barings Global Private Loan Fund II	Luxembourg
Fidelity Eurozone Select Real Estate Fund	Luxembourg
Invesco Real Estate Europe Fund	Luxembourg
J P Morgan Funds Latin American Equity Fund	Luxembourg
M&G European Property Fund	Luxembourg
Polunin Emerging Markets Developing Countries Fund	Luxembourg
Baring Australia Fund	Republic of Ireland
FPP Global Emerging Markets Fund	Republic of Ireland
JO Hambro Capital Management Japan Fund	Republic of Ireland
Legg Mason Martin Currie Greater China Fund	Republic of Ireland
Montanaro UK Smaller Companies Fund	Republic of Ireland
Adam Street 2017 Global Fund Program	Cayman Islands
3i Infrastructure Plc	Channel Islands
Baird Capital Partners Europe Fund	Channel Islands
Epiris II LP Fund	Channel Islands
Foresight Solar	Channel Islands
Granville PE Managers	Channel Islands
HICL Infrastructure Company Limited	Channel Islands
International Public Partnerships Limited	Channel Islands
Macquarie European Infrastructure Fund 5 (MEIF 5)	Channel Islands
Macquarie European Infrastructure 5 Co Investment Fund	Channel Islands
Partners Group – Global Value 2008 Fund	Channel Islands
Princess Private Equity Holding Limited	Channel Islands
The Renewables Infrastructure Group Limited	Channel Islands

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

	31 Mar 2017		31 Mar 2018	
	£m	%	£m	%
UK	2,610.110	58.5	2,618.553	56.7
N America	611.270	13.7	625.613	13.5
Europe	521.640	11.7	594.509	12.9
Asia and other	721.157	16.1	780.701	16.9
	4,464.177	**100.0**	**4,619.376**	**100.0**

UK investments increased by £8.443m between 31 March 2017 and 31 March 2018 but fell as a proportion of the total investment portfolio, from 58.5% to 56.7%, principally reflecting a lower allocation to UK Equities and weaker relative returns in this geographical sector. The increase in the proportion of European investments, from 11.7% to 12.9%, reflects new investments in European Multi-Asset Credit. The increase in the proportion of Asia and other investments largely reflects increased allocations and stronger relative equity returns across the Asia Pacific and Emerging Market regions during 2017-18.

16. Fair value – Basis of valuation

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

- Market quoted investments, where there is a readily available market price, are valued at the bid market price on the final day of the accounting period.
- Quoted bonds are valued at net market value excluding accrued income.
- Pooled investment vehicles are included at closing bid price for funds with bid/offer spreads, or if single priced, at the closing price. For unquoted pooled investment vehicles this is at the price advised by the fund manager.
- Unquoted investments are valued at fair value, at the price or net asset value advised by the fund manager, or for private equity investments, based on the Fund's share of net assets at the year end, using the latest financial information available from the respective fund managers, adjusted for drawdowns and distributions to the final day of the accounting period, if the latest financial information is not produced to that date.
- Property is included at market value on the final day of the accounting period, determined in accordance with the Royal Institution of Chartered Surveyors' Valuation Standards. The property portfolio was independently valued by Savills, Property Advisers.

- Fair value for investment property is calculated using the investment method of valuation, the premise of which is that all current and future income streams are capitalised at a rate or rates compared against yields achieved in market investment transactions and adjusted for individual characteristics of the subject property, based on valuer's opinions, wholly derived from observable prices achieved in market transactions.
- Forward foreign exchange contracts are valued by determining the gain or loss that would arise from closing out the contract at the reporting date by entering into an equal and opposite contract on that date.

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

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

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

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

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

	31 Mar 2017	31 Mar 2018
	£m	**£m**
Financial Assets		
Level 1		
UK quoted	1,312.896	1,210.882
Overseas quoted equities	744.039	778.841
UK quoted	451.757	446.894
Overseas quoted bonds	77.728	69.593
	2,586.420	**2,506.210**

	31 Mar 2017	31 Mar 2018
	£m	**£m**
Level 2		
Property - quoted pooled investment vehicles	22.896	22.149
Other quoted pooled investment vehicles	967.809	1,002.306
UK unquoted equities	-	1.315
UK unquoted bonds	-	0.685
Currency hedging contracts	0.113	-
	990.818	**1,026.455**
Level 3		
Property – unquoted pooled investment vehicles	94.393	119.941
Other unquoted pooled investment vehicles	362.327	512.526
UK freehold properties	114.950	145.850
UK leasehold properties	46.250	53.325
	617.920	**831.642**
Loans and Receivables		
Sterling cash deposits	24.574	27.544
Money market funds	39.000	-
Other Sterling short term loans	177.400	211.000
Foreign currency	12.612	9.154
Other investment balances	20.393	14.174
	273.979	**261.872**
Financial Assets	**4,469.137**	**4,626.179**
Financial Liabilities		
Level 2		
Currency hedging contracts	-	(0.500)
	-	**(0.500)**
Loans and Receivables		
Other investment balances	(4.960)	(6.303)
	(4.960)	(6.303)
Financial Liabilities	**(4.960)**	**(6.803)**
	4,464.177	**4,619.376**

Below is a reconciliation of the movement in fair value measurements within Level 3 of the fair value hierarchy from the start to the end of 2017-18:

	Value at 1 Apr 2017	Transfers within Level 3	Purchases	Sales	Unrealised gains/ (losses)	Realised gains/ (losses)	Value at 31 Mar 2018
	£m	£m	£m	£m	£m	£m	£m
Financial Assets							
Level 3							
Pooled investment vehicles							
Property – unquoted	94.393	-	44.219	(27.903)	(1.771)	11.003	119.941
Other unquoted	362.327	-	148.498	(17.639)	19.295	0.045	512.526
Properties							
UK freehold	114.950	8.900	12.815	-	9.185	-	145.850
UK leasehold	46.250	(8.900)	14.982	-	0.993	-	53.325
	617.920	**-**	**220.514**	**(45.542)**	**27.702**	**11.048**	**831.642**

The transfer within Level 3 during 2017-18 relates to the purchase of the freehold on one of the Fund's leasehold properties.

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

17. Additional Voluntary Contributions

In accordance with Regulation 4(1)(b) of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, the Accounts do not include employees' Additional Voluntary Contributions ("AVCs"). The amounts involved are not material in relation to the size of the overall Pension Fund.

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

	31 Mar 2017	31 Mar 2018
	£m	£m
Equitable Life Assurance Society		
With profits fund	0.247	0.219
Unit-linked funds	0.487	0.441
Total Equitable Life Assurance Society	*0.734*	*0.660*

	31 Mar 2017	31 Mar 2018
	£m	**£m**
Standard Life		
Managed fund	0.747	0.743
Multi asset managed fund	0.060	0.059
Protection fund	0.072	0.071
Ethical fund	0.098	0.104
With profits fund	0.285	0.296
Total Standard Life	*1.262*	*1.273*
Prudential Assurance Company Ltd		
Deposit fund	3.036	2.822
With profits cash accumulation fund	2.380	3.454
Cash fund	0.080	0.094
Discretionary fund	0.526	0.570
Fixed interest fund	0.093	0.077
Global equity fund	0.261	0.333
Index-linked fund	0.280	0.312
International equity fund	0.231	0.291
Property fund	0.154	0.212
Retirement protection fund	0.125	0.205
Socially responsible fund	0.053	0.072
UK equity fund	0.138	0.158
UK equity (passive) fund	0.234	0.238
Total Prudential Assurance	*7.591*	*8.838*
Clerical Medical		
With profits fund	0.316	0.344
Unit linked fund	0.051	0.049
Total Clerical Medical	*0.367*	*0.393*
Total AVC Investments	**9.954**	**11.164**
Death in Service Cover		
Equitable Life	**0.142**	**0.117**

Death in Service cover is payable by the AVC provider where an employee has opted to pay an extra life insurance sum. The Local Government Pension Scheme Regulations 2013 require the death grant payable for contributors into the LGPS to be three times their “final pay” (in the case of a part-time employee it is three times their actual pensionable pay). The Inland Revenue limit for death in service cover is four times “final pay”, so the maximum extra amount insurable is, therefore, restricted to an amount equivalent to one times “final pay” and in the case of a part-time contributor, their actual pensionable pay. “Final pay” is defined in the above Regulations.

	Equitable Life	Prudential	Standard Life	Clerical Medical	Total
	£m	£m	£m	£m	£m
Value at 31 Mar 2017	**0.734**	**7.591**	**1.262**	**0.367**	**9.954**
Income					
Contributions received	0.003	2.536	0.025	0.014	2.578
Interest and bonuses and change in market value	0.033	0.213	0.011	0.060	0.317
Transfers in	-	0.002	-	-	0.002
Expenditure					
Life assurance premiums	(0.001)	-	-	-	(0.001)
Retirement benefits	(0.073)	(1.504)	(0.025)	(0.041)	(1.643)
Transfers out and withdrawals	(0.036)	-	-	(0.007)	(0.043)
Value at 31 Mar 2018	**0.660**	**8.838**	**1.273**	**0.393**	**11.164**

18. Current assets

	31 Mar 2017	31 Mar 2018
	£m	£m
Employers’ contributions due	7.007	6.135
Employees’ contributions due	1.842	1.546
Amounts owed by Derbyshire County Council	3.716	3.243
Sundry debtors	0.790	1.280
Cash balance	0.604	17.991
	13.959	**30.195**

Employers' and employees' contributions due at 31 March 2018 have been received since the year-end.

19. Current liabilities

	31 Mar 2017	31 Mar 2018
	£m	£m
Unpaid benefits	2.568	2.551
Sundry creditors	2.999	2.989
	5.567	**5.540**

20. Related party transactions

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

Included in management expenses in 2017-18 are charges from Derbyshire County Council of £2.471m (2016-17, £2.252m) for expenses incurred in respect of oversight and governance of the Fund, for Fund administration and for management of the Fund's in-house investments.

At 31 March 2018 the Council owed the Fund £3.243m (2017, the Council owed the Fund £3.716m).

It has not been possible to apportion, on a reasonable basis, the costs and benefits of key management personnel between the Council and the Fund. However, Members' Allowances and Officers' Remuneration are disclosed in Notes 35 and 36 of the Council's Statement of Accounts.

LGPS Central Limited
LGPS Central Limited has been established to manage investment assets on behalf of nine Local Government Pension Scheme (LGPS) funds across the Midlands. It is jointly owned in equal shares by the eight administering authorities participating in the LGPS Central Pool, of which Derbyshire County Council as the administering authority for the Derbyshire Pension Fund is one of the shareholders.

No services were provided by LGPS Central Limited during 2017-18 as the company only launched its first products on 1 April 2018. The Pension Fund has invested £1.315m in share capital and £0.685m in a loan to LGPS Central Limited in 2017-18. These are the balances at the year end.

The Derbyshire Pension Fund has incurred £0.422m on setting up LGPS Central Limited during the year. These costs were borne by West Midlands Pension Fund and then recharged equally to the eight administering authorities. An amount is due to be refunded to the Derbyshire Pension Fund by LGPS Central Limited in 2018-19, reflecting the cost of setting up the enterprise to the end of March 2018. This income has been accrued in the accounts at £0.500m.

As noted in the Explanatory Forward, four members of the Derbyshire Pension Fund's in-house investment team transferred into LGPS Central Limited on 1 April 2018.

21. Subsequent events

Derbyshire County Council, as the Administering Authority for Derbyshire Pension Fund, has entered into a Discretionary Investment Management Agreement with LGPS Central Limited, whereby LGPS Central Limited will manage the Pension Fund's UK direct equity portfolio on a discretionary basis from 1 April 2018.

22. Investment commitments

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

	31 Mar 2017	31 Mar 2018
	£m	£m
Unquoted investments	163.990	253.985
Other Sterling short-term loans	75.000	5.000
	238.990	**258.985**

Unquoted investments commitments are commitments to invest in Multi-Asset Credit, Private Equity, Infrastructure and Indirect Property investments, not yet drawn-down by the managers. Revisions to the Fund's approved Asset Allocation in July 2015 and March 2017 increased the proportion of the Fund's investments required to be invested in Multi-Asset Credit, Private Equity, Infrastructure and Indirect Property investments from 5% to 17%.

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

The Other Sterling short-term loans commitments are commitments to make short-term investments at the year-end. There is no provision or creditor for these amounts in the financial statements as the legal obligation to pay was not fulfilled at 31 March 2018. These commitments will be met using funds received from the maturity of earlier investments and therefore have no impact on the financial position reported.

There was one such commitment at 31 March 2018 (2017, ten), which was secured to take advantage of higher rates available at that time because of a cash shortage in the market.

23. Financial instruments

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

Nature and extent of risks arising from financial instruments

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

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

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

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

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

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

Credit risk

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

Treasury activities - The Fund places security of capital and liquidity ahead of investment return. Credit risk on treasury activities is minimised through the Fund's annual Treasury Management Strategy, which requires that deposits 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 2017-18 was approved by the Full Council on 8 February 2017.

The Fund's maximum exposure to credit risk in relation to its treasury/cash deposit investments and operating cash in banks, building societies, money market funds and UK local authorities of £265.689m (2017, £254.190m) 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 2018 that this was likely to occur. No breaches of the Fund's counterparty criteria occurred during the reporting period. At 31 March 2018, the Fund had £17.991m in its operational account with Lloyds Bank.

Forward currency contracts - Credit risk from forward currency contracts is minimised by limiting the extent of these contracts to managing the currency risk on overseas bonds, the value of which comprise 2% (2017, 2%) of investment assets at the year end and by selecting large banks as the counterparties. The forward currency contract at the year end was with Bank of New York Mellon.

The maximum credit risk exposure on forward currency contracts is the full amount of the foreign currency which the Fund pays when the settlement occurs, should the counterparty fail to pay the amount which it is committed to pay the Fund. At the year end, there was one currency hedging contract, with less than six months to expiry, with a gross contract value of £68.116m (2017, one contract, with less than six months to expiry, with a gross contract value of £77.806m). The Fund does not expect any losses from non-performance by any of its counterparties in relation to this contract.

Other financial assets - Bonds mainly include investments in UK and US Government securities and certain corporate bond funds. The Fund does not expect any losses from non-performance by any of its counterparties in relation to these financial assets.

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

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

Liquidity risk

The Fund is not yet mature and is cash flow positive each year 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 two working days. Holdings of investments which may be less easy to realise are limited. Current Pensions and Investments Committee guidelines limit investments in property to 12%, multi asset credit to 6% and alternatives to 12%.

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

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

Maturity analysis for liabilities at the year end:

- There were no financial liabilities within the portfolio at the year end other than those that arose from the trading of investments. Such liabilities fall due within 12 months of the year end.

- There were one derivative financial liability held at the year-end in respect of the currency hedging contract referred to above (2017, 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. Risk reduction arises from the different investments not being perfectly correlated.

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

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

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

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

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

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

The Fund manages price risk by holding fixed interest bonds, index-linked stocks and property and by holding a diversified equity portfolio spread geographically, across market sectors and across investments. Contracts specify the level of risk to be taken by the external Fund managers investing in overseas equities. These external managers are monitored by in-house managers.

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

The table below quantifies the level of price risk that the Fund's investment assets and liabilities at 31 March 2018 are potentially exposed to. Potential price changes are determined based on the observed historical volatility of asset class returns, for example, 'riskier' assets such as equities display greater potential volatility than bonds. The potential volatilities are consistent with a one standard deviation movement in the change in value of the assets over the last three years. The volatility shown for total investment assets and liabilities in both tables below incorporates the impact of correlation across asset classes, which dampens volatility, therefore the value on increase/decrease figures of the asset classes will not sum to the total assets figure.

	Value at 31 Mar 2018 £m	Change %	Value on increase £m	Value on decrease £m
Underlying asset type				
UK Government bonds	232.487	6.52	247.645	217.329
UK index-linked	214.407	8.81	233.296	195.518
UK corporate bonds	245.365	5.20	258.124	232.606
Overseas index-linked	49.844	13.89	56.767	42.921
Overseas bonds	155.990	3.50	161.450	150.530
UK equities	1,110.293	9.28	1,213.328	1,007.258
Overseas equities	1,763.034	10.61	1,950.092	1,575.976
Alternatives	251.122	5.53	265.009	237.235
Cash	247.698	0.35	248.565	246.831
Other investment balances	7.871	-	7.871	7.871
Properties (non-financial instruments)	341.265	5.45	359.864	322.666
Total investment assets and liabilities	**4,619.376**	**6.92**	**4,939.037**	**4,299.715**

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 2018 are potentially exposed to. Currency risk on overseas sovereign bonds is managed using forward currency contracts, therefore sovereign overseas bonds have been excluded from the table. Potential aggregate currency exposure within the Fund at 31 March 2018 is determined using a currency "basket" based on the Fund's currency mix at that date. The weight of each currency multiplied by the change in its exchange rate relative to Sterling is summed to create the aggregate currency change of the basket. The outcomes are then applied to all unhedged overseas assets.

	Value at 31 Mar 2018 £m	Change %	Value on increase £m	Value on decrease £m
Underlying asset type				
Overseas equities	1,763.034	8.10	1,905.840	1,620.228
Overseas bonds	136.740	8.10	147.816	125.664
Overseas cash	9.154	9.30	10.005	8.303
Overseas investment assets	**1,908.928**	**8.10**	**2,063.551**	**1,754.305**

24. Actuarial Present Value of Promised Retirement Benefits

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

"The promised retirement benefits at 31 March 2018 have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2016. The approximation involved in the roll forward model means that the split of benefits between the three classes of member may not be reliable. However, I am satisfied that the total figure is a reasonable estimate of the actuarial present value of benefit promises. The figures below include both vested and non-vested benefits, although the latter is assumed to have a negligible value. Further, I have not made any allowance for unfunded benefits.

	31 Mar 2017 £m	31 Mar 2018 £m
Active members	*2,922.000*	*3,153.000*
Deferred members	*1,169.000*	*1,163.000*
Pensioners	*2,025.000*	*1,947.000*
Present Value of Promised Retirement Benefits	***6,116.000***	***6,263.000***

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

Assumptions

The assumptions used are those adopted for the Administering Authority's IAS19 report and are different as at 31 March 2018 and 31 March 2017. I estimate that the impact of the change in financial assumptions to 31 March 2018 is to decrease the actuarial present value by £125m. There is no impact from any change in the demographic and longevity assumptions because they are identical to the previous period.

Financial assumptions

Year ended (% p.a.)	***31 Mar 2017 %***	***31 Mar 2018 %***
Pension Increase Rate	*2.40*	*2.40*
Salary Increase Rate	*2.90*	*2.90*
Discount Rate	*2.60*	*2.70*

Longevity assumptions

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

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

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

Please note that the longevity assumptions have not changed since the previous IAS26 disclosure for the Fund.

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

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

Sensitivity to the assumptions for the year ended 31 Mar 2018	*Approximate increase to liabilities %*	*Approximate monetary amount £m*
0.5% p.a. increase in the Pension Increase Rate	8	509
0.5% p.a. increase in the Salary Increase Rate	2	102
0.5% p.a. decrease in the Real Discount Rate	10	652

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

Stacey McLean
30 April 2018
For and on behalf of Hymans Robertson LLP

25. 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), District Councils (which are Scheduled Bodies), further Scheduled Bodies and Admission Bodies. The Unitary and District Councils are listed in the foreword of this Annual Report. Other participating employers are listed on the following pages.

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

	2016-17		2017-18	
	Benefits payable	Contributions receivable	Benefits payable	Contributions receivable
	£m	£m	£m	£m
Derbyshire County Council	71.072	68.747	73.616	69.575
Scheduled Bodies	69.380	84.141	76.104	90.472
Admission Bodies	5.440	4.142	5.660	4.373
	145.892	**157.030**	**155.380**	**164.420**

	Total contribution rate % of pensionable payroll	
	2017-18	2018-19
Scheduled Bodies		
Peak District National Park Authority	14.0 plus £0.219m	14.0 plus £0.221m
Chesterfield Crematorium	17.8 plus £0.028m	17.8 plus £0.029m
Derbyshire Police Authority	12.9 plus £1.436m	12.9 plus £1.451m
Derbyshire Fire & Rescue	13.2 plus £0.167m	13.2 plus £0.168m
Derby Homes Limited	13.4 plus £0.284m	13.4 plus £0.287m
Rykneld Homes	16.4	16.4
University of Derby	12.7 plus £0.730m	12.7 plus £0.738m
Chesterfield College	13.9 plus £0.155m	13.9 plus £0.156m
Derby College	13.7 plus £0.432m	13.7 plus £0.437m
Landau Forte College	12.3 plus £0.003m	12.3 plus £0.003m
Akaal Academy Trust Derby	19.5	17.7
Allenton Primary	27.9	16.6
Al-Madinah School	20	15.5
All Saints Infants School - from 1 April 2017	*	21
All Saints Junior School - from 1 April 2017	*	21.0
Bishop Lonsdale Church of England Primary School	25.8	17.7
Bolsover Church of England Junior - from 1 November 2017	*	21
Breadsall Hill Top Primary - from 1 July 2017	*	21.0
Brimington Infant School	18.9	18.9
Brimington Junior School	18.3	18.3
Brookfield Academy	20.0	17.4

	Total contribution rate % of pensionable payroll	
	2017-18	2018-19
Cavendish Close Junior - from 1 September 2017	*	21.0
Cavendish Multi-Academy Trust	19.3	19.3
Chellaston Academy	20.9	18.1
Christ Church Church of England Primary School	21.5	21.5
City of Derby Academy	22.8	16.9
Cloudside Junior - from 1 September 2017	*	21.0
Da Vinci Academy - from 1 May 2017	*	21.0
Darley Churchtown Primary - from 1 May 2017	*	21.0
David Neiper Academy	17.8	17.8
Derby Moor Community Sports College - from 1 January 2018	*	21.0
Derby Pride Academy	15.5	13.2
Derwent Primary - from 1 June 2017	*	21.0
Dovedale Primary School (Willows Academy Trust)	20.9	17.5
Ecclesbourne Academy	22.6	16.7
Eckington Junior - from 1 April 2017	*	19.4
English Martyrs Catholic Voluntary Academy	18.5	17.1
Firs Estate Primary School - from 1 January 2018	*	21.0
Frederick Gent - from 1 November 2017	*	21.0
Grampian Primary Academy	19.2	15.7
Granville Sports College - from 1 September 2017	*	21.0
Hardwick Primary - from 1 January 2018	*	21.0
Heanor Gate Science College	20.5	17.5
Heritage High School - from 1 April 2017	*	21.0
Holbrook Primary School	22.4	22.4
Hope Valley College	23.3	17.6
Inkersall Primary School	20.2	17.2
Immaculate Conception Academy Trust	20.7	16.0
Ironville and Codnor Park Primary - from 1 March 2018	*	21.0
John King Infant - from 1 January 2018	*	21.0
John Port Academy	20.4	20.4
John Flamsteed Community School	20.2	20.2

	Total contribution rate % of pensionable payroll	
	2017-18	2018-19
Kirk Hallam Academy	18.4	16.4
Kirkstead Junior Academy - from 1 February 2018	*	21.0
Landau Forte Moorhead Academy	19.6	16.2
Langley Mill Junior - from 1 February 2018	*	21.0
Leesbrook School	19.7	16.3
Longwood Community Infant - from 1 January 2018	*	21.0
Mary Swanwick Primary - from 1 June 2017	*	21.0
Merrill Academy	22.5	16.2
Newbold Church of England Primary School	17.3	16.8
New Whittington Primary - from 1 April 2017	*	21.0
Noel Baker School - from 1 February 2017	*	21.0
Outwood Academy Newbold	20.2	17.2
Peartree Junior - from 1 July 2017	*	21.0
Pennine Way Junior Academy	19.7	17.7
QEGS Multi-Academy Trust - from 1 April 2017	20.2/21.6	21.6
Redhill Primary School	20.7	18.8
Sawley Infant School (Willows Academy Trust)	20.0	17.5
Sawley Junior School (Willows Academy Trust)	21.2	17.4
Scargill Primary - from 1 September 2017	0.0	21.0
Shardlow Primary School (Willows Academy Trust)	23.3	18.1
Shirebrook Academy	20.4	17.0
Somercotes Infant School - from 1 September 2017	0.0	21.0
Somerlea Park Junior - from 1 September 2017	0.0	21.0
St Benedict Voluntary Catholic Academy	22.0	16.8
St Edward's Catholic Academy	20.0	20.0
St George's Primary (New Mills) - from 1 September 2017	0.0	21.0
St George's Voluntary Catholic Academy	20.1	16.2
St Giles Church of England Aided Primary School	20.3	17.6
St Giles Primary (Killamarsh) - from 1 September 2017	0.0	21.0
St John Fisher Catholic Voluntary Academy	21.7	18.6
St John Houghton Catholic Voluntary Academy	20.6	16.9

	Total contribution rate % of pensionable payroll	
	2017-18	2018-19
St Joseph's Catholic Primary School (Matlock)	20.0	20.0
St Joseph's Catholic Primary School Voluntary Academy	17.6	16.7
St Laurence Primary School	21.2	17.1
St Mary's Catholic High School Academy Trust	21.4	17.3
St Philip Howard Catholic Voluntary Academy	20.2	16.4
Swanwick Hall School	20.2	20.2
Temple Normanton Primary - from 1 May 2017	0.0	21.0
The Bolsover Academy	20.9	18.0
The Long Eaton Academy	19.9	16.8
The Ormiston Ilkeston Enterprise Academy	23.7	17.8
The Pingle Academy - from 1 May 2017	0.0	21.0
The Ripley Academy	25.0	17.2
Turnditch Church of England Primary School	20.2	17.1
Walter Evans Primary School	21.0	21.0
West Park Academy	21.2	17.6
William Gilbert Endowed (C of E) Primary School	21.2	17.8
Woodlands School	19.9	16.5
Wyndham Primary Academy (Boulton Primary School)	16.7	15.3
Town and Parish Councils - Group 1	23.8	23.8
Town and Parish Councils - Group 2	17.2	17.2

* Rates not yet finalised

Town and Parish Councils

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

The following Admission Bodies also participate:

	Total contribution rate % of pensionable payroll	
	2017-18	2018-19
7 Hills Leisure Trust	25.3	25.3
Acclaim Housing Group Limited	28.1 plus £0.018m	28.1 plus £0.018m
Action for Children - from 1 September 2016	*	28.1
Active Nation	28.2 plus £0.002m	28.2 plus £0.002m
Alliance Environmental Services Ltd - from 5 August 2017	*	26.4
Amber Valley Schools Sports Partnership - from 1 June 2017	*	21.0
Arvato Government Services Ltd (Derbyshire Dales)	13.8	13.8
Arvato Government Services (Sefton) Ltd	14.5	14.5
Aspens Services Ltd	28.2 plus £0.001m	28.2 plus £0.001m
Balfour Beatty Power Networks Ltd	16.5	16.5
Engie	20.6	20.6
Barnados	21.1	21.1
Belper Leisure Centre Ltd	31.4	31.4
Brookwood	14.4	14.4
Catering Academy - to 2017-18	*	0.0
Caterlink Ltd (Lea Primary) - from 8 April 2017	*	30.2
Caterlink Ltd (Reigate Primary) - from 10 October 2017	*	*
Caterlink Ltd (Shirebrook/Stubbin Wood) - from 8 April 17	*	30.8
Caterlink Ltd (St Marys) - from 22 October 2017	*	29.1
Caterlink Ltd (Swanwick Hall) - from 1 August 2017	*	29.8
Chesterfield Care Group	25.2	25.2
Churchill Contractor Services - to 7 April 2017	25.9	0.0
Clean Slate (UK) Ltd (City Schools) - to 6 July 2017	22.8	0.0
Clean Slate (UK) Ltd (Pottery)	30.4 plus £0.001m	30.4 plus £0.001m
Compass Contract Services (UK) Ltd	10.3	10.3
Compass Services Ltd (DCC)	16.5	16.5
CSE Education - from 1 December 2016	*	29.0
DCS Cleaning Solutions - to 31 December 2017	20.3	0.0
Derby County Community Trust	23.1	23.1
Derby Museums & Arts Trust	19.2	19.2
Derbyshire Building Control - from 30 March 2017	*	23.2

	Total contribution rate % of pensionable payroll	
	2017-18	2018-19
Derbyshire Coalition for Inclusive Living (DCIL)	26.7 plus £0.015m	26.7 plus £0.015m
Derbyshire Student Residences Ltd	25.8	25.8
Elior UK plc	32.7	32.7
Elite Cleaning and Environmental Services	32.8	32.8
EMH Homes	22.3 plus £0.161m	22.3 plus £0.161m
European Electronique Ltd - to 6 March 2018	13.4	0.0
Futures Homescape Ltd	23.9 plus £0.103m	23.9 plus £0.103m
Initial Catering Services Ltd	20.2	20.2
Initial Facilities Management Ltd	7.1	7.1
KCLS Ltd (Tibshelf Infant) - from 5 June 2017	*	34.4
Kier Ltd	13.8	13.8
Leisure Amber Valley BC	13.8	13.8
Leisure High Peak BC	1.4	1.4
Macintyre Care Ltd	2.0	2.0
Mellors Catering	25.7	25.7
Mellors Catering (Murray Park) - from 1 June 2016 - finalised in 2017-18	*	31.7
Mitie Facilities Services Ltd	37.7	37.7
Northgate Information Solutions UK Ltd - to 31 January 2017	23.5	0.0
Norwest Holst Ltd (previously Vinci plc)	33.0	33.0
NSL Ltd	22.3	22.3
Office Care Ltd (Brookfield Academy) - from 5 June 2017	*	29.5
RM Education Ltd - from 1 July 2017	*	28.8
SIV Enterprises Ltd	4.6	4.6
Superclean Services Wothorpe Ltd (Fire)	11.2	11.2
Taylor Shaw	34.7	34.7
Tramway Museum Society	24.0 plus £0.015m	24.0 plus £0.015m
Veolia (Amber Valley Refuse)	6.1	6.1
Veolia (Chesterfield Refuse)	17.5	17.5
Veolia Ltd (contract with High Peak BC) - to 3 August 2017	5.3	0.0
Voluntary and Community Services Peaks and Dales	33.3	33.3
Vinci Construction	18.8	18.8

	Total contribution rate % of pensionable payroll	
	2017-18	2018-19
Vinci Construction UK (Ashcroft & Portway)	31.7	31.7
Vinci plc (Ravensdale)	29.9	29.9

* Rates not yet finalised

KPMG

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DERBYSHIRE COUNTY COUNCIL

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Derbyshire County Council ('the Authority') for the year ended 31 March 2018 which comprise the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Movement in Reserves Statement, the Cash Flow Statement, the Fund Account and Net Assets Statement for the Derbyshire Pension Fund and the related notes, including the accounting policies in Appendix 1 and the Pension Fund accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2018 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 Derbyshire Pension Fund during the year ended 31 March 2018 and the amount and disposition of the Fund's assets and liabilities as at 31 March 2018; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Authority in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Other information published with the financial statements

The Director of Finance & ICT is responsible for the other information published with the financial statements, including the Narrative Report and the Annual Governance Statement. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information. In our opinion the other information published with the financial statements for the financial year is consistent with the financial statements.

Director of Finance & ICT's responsibilities

As explained more fully in the statement set out on page 19, the Director of Finance & ICT is responsible for: the preparation of the Authority's 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 2017/18; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting on the assumption that the functions of the Authority will continue in operational existence for the foreseeable future.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities

REPORT ON OTHER LEGAL AND REGULATORY MATTERS

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

Conclusion

On the basis of our work, having regard to the guidance issued by the Comptroller and Auditor General in November 2017, 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 ended 31 March 2018.

Respective responsibilities in respect of our review of arrangements for securing economy, efficiency and effectiveness in the use of resources

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

We are required under Section 20(1) (c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. 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.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether Derbyshire County Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Derbyshire County Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Statutory reporting matters

The Code of Audit Practice requires us to report to you if:

- any matters have been reported in the public interest under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of, the audit;
- any recommendations have been made under Section 24 of the Local Audit and Accountability Act 2014;
- an application has been made to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- an advisory notice has been issued under Section 29 of the Local Audit and Accountability Act 2014; or
- an application for judicial review has been made under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects

THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. 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.

DELAY IN CERTIFICATION OF COMPLETION OF THE AUDIT

Due to work on the WGA Return not being completed by 30 July 2018

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Authority's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

John Cornett
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
St Nicholas House
31 Park Row
Nottingham
NG1 6FQ

30 July 2018

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 2017-18 financial year.

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

The Accounting Policies of the Council as far as possible have been developed to ensure that the accounts of the Council are understandable, relevant, free from material error or misstatement, reliable and comparable. A Glossary of Terms can be found at the end of this document.

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

ACCOUNTING PRINCIPLES

1.1. Going Concern

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

1.2. Accruals Concept

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

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

1.3. Cost of Services

Internal support service costs (e.g. Human Resources) are apportioned across the core service areas to represent the total cost of delivering that service to the public, in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2017-18 (SerCOP).

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

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

1.4. Value Added Tax

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

1.5. Changes in Accounting Policy

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

- The nature of the change in accounting policy;
- The reasons why applying the new accounting policy provides reliable and more relevant information;

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

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

1.6. Prior Year Adjustments

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

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

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

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

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

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

1.7. Unidentified Income

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

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

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

1.9. **Exceptional Items**

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

1.10. **Contingent Assets and Liabilities**

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

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

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

CAPITAL ACCOUNTING

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

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

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

and defines them as :-

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

The initial measurement of an asset is recognised to be:

- Purchase price, construction cost, minimum lease payments or equivalent including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates.
- Costs associated with bringing the asset to the location and condition necessary for it to be capable of operating in the manner required by management.

- Initial estimate of the costs of dismantling and removing the asset and restoring the site on which it is located, the obligation for which the Council incurred either when the asset was acquired or as a consequence of having used the asset during a particular period for purposes other than producing inventories during that period.

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

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

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

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

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

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

1.12. **Donated Assets**

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

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

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

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

1.13. **Non-Current Asset Classification**

The Council manages its assets in the following categories:

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

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

  - Land and/or Buildings Assets.
    These assets are recorded, valued and accounted for based on their significant components in line with IAS 16. The Council recognises a significant asset to be 25% of the total asset base. A component would be recognised if its expenditure in a given financial year exceeds 25% of the total value of the significant asset and has a substantially different life to the overall asset:
    - Combined Group containing Flat Roof & Mechanical Engineering (Internal Works i.e. boiler system)
    - Land
    - Temporary Buildings (sheds / portacabins)

  - Combined group containing permanent structure, external works (i.e. car park), pitched roof and components of less than 25% of the overall structure value
  - Other unique features (e.g. a swimming pool)

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

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

- Infrastructure Assets
  These include all tangible (physical) assets 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.

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

➢ **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**

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

- **Assets Held for Sale**

  The Council will classify assets as held for sale where all of the following criteria have been met:
  - The asset is in the condition required for sale and is vacant.
  - The asset's sale is highly probable.
  - The asset has been advertised for sale and a buyer sought.
  - The completion of the sale is expected within 12 months.

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

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

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

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

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

The various classifications of assets as outlined in Accounting Policy 1.13 are valued on a differing base. Where not explicitly stated otherwise, property revaluations are completed by a RICS qualified valuer (who is internal to the Council), over a 'short period', interpreted to mean on a five year rolling programme for each class of asset i.e. 20% of the Council's assets are revalued at the 1 April for the financial year. However an impairment review to consider if any material degradation or other impairment has occurred during the financial year is then completed at the Balance Sheet date.

Where there is an upward revaluation, the carrying value is increased and the associated credit charged directly to the Revaluation Reserve. This is then reflected in the Comprehensive Income and Expenditure Statement as a revaluation gain. Where there is a revaluation resulting in a lower than carrying amount valuation, this is treated in line with Accounting Policy 1.15 – impairment of Non-Current Assets.

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

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

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

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

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

Existing use value for the following assets:

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

Fair value for the following assets:

- Investment assets
- Surplus assets
- Assets Held for Sale

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

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

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

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

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

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

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

Valuations are completed under IFRS 13 as follows:

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

- **Property Plant and Equipment (PPE) –** Property Assets are held at current value which is the amount that would be paid for the asset in its existing use. This requirement is met by providing a valuation on the basis of Existing Use Value (EUV) in accordance with United Kingdom Practice Statement (UKPS) 1.3 of the RICS Valuation Standards. Where no other valuation method can be used, Depreciated Replacement Cost (DRC) is used. Vehicles, Plant and Equipment, IT Hardware, and Assets Under Construction within PPE are held at historic cost (not valued).

- **Infrastructure Assets –** the Council recognises Infrastructure Assets at Depreciated Historical Cost.

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

- **Community Assets –** the Council recognises Community Assets at historic cost.

- **Heritage Assets –** where it is possible to determine a valuation for Heritage Assets, then the Council will recognise the asset in the Balance Sheet at that valuation. All Heritage Assets are disclosed in the notes to the accounts, even where they are not held in the Balance Sheet. Where there is evidence of impairment to Heritage Assets e.g. where an item has suffered a physical deterioration or where there is a doubt to the authenticity of a piece of art, any impairment is recognised and measured in accordance with the Council's general policies on impairment.

- **Assets Held for Sale –** Assets held for sale are, at initial classification and at the end of each reporting year, valued at the lower of carrying amount and fair value less costs to sell and depreciation on these assets should cease.

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

1.15. **Impairment of Non-Current Assets**

This accounting policy has been created in accordance with IAS 36.

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

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

The Council recognises impairment as:

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

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

1.16. **Disposal of Non-Current Assets**

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

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

1.17. **Depreciation / Amortisation Methodology**

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

The economic lives of assets are:

- **Intangible Assets –** 5 years.

- **Property Plant and Equipment**
  - Combined Group for Flat Roof and Mechanical Engineering – 20 years
  - Land – not depreciated
  - Temporary Buildings – 15 years
  - Modular Buildings – 25 years
  - Combined group for structure, external works, pitched roof and components of less than 25% of the overall structure value – 40 years
  - Other unique features (i.e. a swimming pool) – as required
  - Fixtures and Fittings – 10 years
  - IT Hardware – 5 years
  - Vehicles – 3 to 10 years

- **Infrastructure Assets**
  - Carriage ways – 40 years
  - Footways and cycle tracks – 40 years
  - Structures – 40 years
  - Lighting – 25 years
  - Traffic management – 25 years
  - Street furniture – 25 years

- **Investment Property Assets –** not depreciated

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

- **Assets Held for Sale –** are not depreciated

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

1.18. **Leases**

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

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

1.19. **Defining a Finance Lease**

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

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

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

- The lessee has the ability to continue the lease for a secondary period at a rent that is substantially lower than market rent.

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

1.20. **Defining an Operating Lease**

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

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

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

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

1.22. **Lessor Accounting for a Finance Lease**

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

1.23. **Lessor Accounting for an Operating Lease**

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

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

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

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

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

PFI Credits are treated as general revenue government grants.

1.25. **Capital Grants and Contributions**

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

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

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

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

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

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

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

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

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

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

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

1.28. **Capital Reserves**

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

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

REVENUE ACCOUNTING

1.29. **Recognition of Revenue Expenditure**

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

1.30. **Employee Costs**

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

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

Short Term Employee Benefits

- **Salaries and Wages –** The total salary and wages earned by employees during the financial year are charged to the Comprehensive Income and Expenditure Statement. Where the amount accrued exceeds the amount paid at the 31 March, a creditor will be reflected in the accounts.

- **Leave Owed, Accumulating Absences –** The Council allows employees to earn time off in one period with the resulting cost to the Council in a later period when that time is either taken off or paid to the employee. Examples of this accumulating leave are annual leave, flexi-time and time off in lieu.

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

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

- **Easter Bank Holiday –** When Good Friday and/or Easter Monday fall in April, the preceding financial year only accounts for 6 or 7 bank holidays rather than the statutory 8. When this occurs a charge is made to the Comprehensive Income and Expenditure Statement and a creditor accrual is reflected in the Balance Sheet.

- **Non-accumulating Absences –** are periods of leave that cannot be carried forward for use in future periods. Examples include Maternity Leave, Special Leave, Sick Leave and Jury Service. The Council does not recognise non-accumulating compensated absences until the time that the absence occurs.

- **Non-monetary Benefits –** Where employees have non-monetary benefits (e.g. retirement benefits or life insurance), the associated cost of providing that benefit has been charged to the Comprehensive Income and Expenditure Statement.

Termination Benefits

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

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

Pensions Costs

- **Teachers' Pension Scheme –** is a defined benefit scheme administered by the Department for Education. The assets and liabilities of the Teachers' Pension Scheme are not attributable to the Council, therefore the Council accounts for the scheme as if it were a defined contribution scheme. This means that the Children and Education Services line in the Comprehensive Income and Expenditure Statement will only include the Council's contributions payable to the scheme.

- **Local Government Pension Scheme –** is a defined benefit scheme. The liabilities of the scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions such as mortality rates and employee turnover rates, and projections of earnings for current employees.

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

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

- Current Service Cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement within the relevant service area dependant on staff employed at the Council. The current service cost includes an allowance for administration expenses
- Past Service Cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- Gains/Losses on Settlements and Curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited to the Net Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- Interest Cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to Net Operating Expenditure in the Comprehensive Income and Expenditure Statement
- Interest Income on Plan Assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to Net Operating Expenditure in the Comprehensive Income and Expenditure Statement
- Actuarial Gains and Losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Movement in Reserves Statement.
- Employer Contributions – cash paid by the Council to the Pension Fund.

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

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

1.31. **Lessee Accounting for an Operating Lease**

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

1.32. **Revenue Grants and Contributions**

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

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

1.33. **Provisions**

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

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

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

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

The Council does not hold any general provisions.

1.34. **Revenue Reserves**

The Council holds usable revenue reserves for the purpose of funding future expenditure. The General Reserve represents the balance of reserves to meet short term, unforeseeable expenditure and to enable significant changes in resources or expenditure to be properly managed over the period of the Five Year Financial Plan.

Earmarked Reserves represent balances where approval has been received to use the reserve for a specific purpose.

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

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

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

1.35. **Research Costs**

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

1.36. **Members' Allowances**

The Council in exercise of the powers and duties conferred by the Local Authorities (Members' Allowances) (England) Regulations 2003, has established a Members Allowance Scheme, outlining the allowances payable to Members of the Council.
Members are reminded of the need to keep detailed supporting information, such as a diary, about every attendance for which they claim. This information should be available for scrutiny by the Council's Auditors or other relevant persons as and when required. The scheme is updated annually, and full details are available on the Council's website.

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

1.37. **Council Tax and Business Rates Recognition**

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

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

1.38. **Inventories and Work in Progress**

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

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

1.39. **Provisions for bad and doubtful debts**

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

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

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

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

TREASURY MANAGEMENT

1.40. **Definition of Treasury Management Activities**

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

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

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

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

1.41. **Cash and Cash Equivalents**

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

1.42. **Financial Liabilities**

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

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

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

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

1.43. **Financial Assets**

Financial assets are classified into two types:

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

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

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

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

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

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

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

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

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

Values are based on the following principles:

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

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

1.44. **Interests in Companies and Other Entities**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Annual Leave
Yearly entitlement of paid time off for Council staff.

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

Assets
Right or other access to future economic benefits.

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

Assets Under Construction
Assets which are in the process of being constructed and are not yet operational.

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

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

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

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

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

Bias
Influence or direction.

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

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

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

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

Capital
Assets which have a long term value (more than one year) to the Council such as Buildings.

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

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

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

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

Capital Financing Requirement
The Capital Financing Requirement measures the amount of capital spending that has not yet been financed by capital receipts, capital grants or contributions from revenue income. It is a measure of the underlying need to borrow for a capital purpose.

Capital Grant
Grant which is intended to fund capital expenditure.

Capital Grants Unapplied Reserve
Balance of capital grants received which is available to finance future capital expenditure.

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

Capital Reserves
Reserve balances held for capital purposes.

Carrying Value
The amount at which an asset is recognised after deducting any accumulated depreciation and impairment losses.

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

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

Chartered Institute of Public Finance And Accountancy (CIPFA)
The main authority on accountancy and financial management for the public services in the UK.

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

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

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

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

Community Assets
Assets which are held for the benefit of the community where there is no determinable useful life.

Comparative Year
The previous year to that which is being reported.

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

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

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

Contingent Assets And Liabilities
A possible asset or obligation that arises from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Council.

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

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

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

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

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

Credit
A credit represents income to a revenue account.

Creditor

Represents the amount that the Council owes other parties.

Current Service Cost

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

Current Value

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

Current Year Entry

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

Curtailments

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

Debit

A debit represents expenditure against a revenue account.

Debt Outstanding

The remaining principal balance owed on a loans or investments.

Debtors

Represents the amounts owed to the Council.

Defined Benefit Scheme

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

Defined Contribution Scheme

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

De-Minimis

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

Department For Education

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

Depreciable Replacement Cost (DRC)

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

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

Derecognition
The process whereby a component is replaced to avoid double counting when no future economic benefits or service potential are expected from its use or upon disposal.

Discount
An allowance received through the early repayment of debt.

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

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

Discretionary Benefits
Benefits given to employees which are not statutorily obliged.

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

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

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

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

Economic Life
The number of years the Council is expected to receive economic benefits to deliver services.

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

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

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

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

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

Enhancement Expenditure

Expenditure which increases the value of an asset.

Entity

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

Events After The Balance Sheet Date

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

Exceptional Items

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

Existing Use Value (EUV)

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

Exit Packages

The payment made to an employee upon leaving the Council.

Expenditure

Payments made of goods or services.

Fair Value

The income that would be received on sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Finance Income

Interest receipts.

Finance Lease

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

Financial Assets

A right to future economic benefits controlled by the Council.

Financial Instruments

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

Financial Instruments Adjustment Account

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

Financial Liabilities

An obligation to transfer economic benefits controlled by the Council.

Financial Statements

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

Financial Year

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

Five Year Financial Plan
The Councils Medium Term Financial Plan, setting out the financial projection for the Council over the coming 5 years.

Fixed Assets
See Non-Current Assets.

Flexi-Time
Time owed to employees who have worked above the contracted hours.

Gain
Where income exceeds expenditure.

General Provisions
Money set aside in the Balance Sheet where its future use is not known.

General Reserve
The reserve held by the County Council for general purposes, i.e. against which there are no specific commitments.

General Revenue Government Grants
Grant income received from Central Government (or Government Department) which is not restricted in its use.

Going Concern
The going concern accounting concept assumes that the organisation will not significantly curtail the scale of its operation in the foreseeable future.

Goods Or Services
Supplies required by the Council to perform its operations. Examples of goods; paper, bricks or light bulbs, and services; electricity, petrol or agency staff.

Grants
Payment towards the cost of local authority services. These are either for particular purposes or services (specific grants) or in aid of local services generally (formula grant).

Group Accounts
Where a Council has a controlling interest in another organisation, group accounts have to be produced. These accounts report the financial position of all of the group entities.

Infrastructure
A network and grouping of inalienable components, expenditure on which is only recoverable by continued use of the asset created i.e. there is no prospect of sale or alternative use. The inalienable components include carriageways, footways, cycle tracks, structures, street furniture, street lighting, traffic management systems and land.

Hire Purchase
A contract for the provision of an asset which becomes the property of the lessee at the end of the contract period.

Historic Cost
The cash paid in obtaining an asset in its current form. Inclusive of purchase price and enhancement expenditure.

HM Revenue & Customs
Her Majesty's Revenue and Customs is a non-ministerial department of the UK Government responsible for the collection of taxes, the payment of some forms of state support, and the administration of other regulatory regimes including the national minimum wage.

HM Treasury
Her Majesty's Treasury, sometimes referred to as the Exchequer, or more informally the Treasury, is the United Kingdom government department responsible for developing and executing the British government's public finance policy and economic policy.

IFRIC
International Financial Reporting Interpretation Committee.

Immateriality
Immateriality is an expression of the relative insignificance or unimportance of a particular matter in the context of the financial statements as a whole.

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

Inception
The point in time which something began such as a project, contract or lease.

Income
Cash flows into the Council.

Income In Advance
Income received before the point at which an obligation to receive it has occurred.

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

Interest Accrued
Accrued interest is the interest on a bond or loan that has accumulated since the principal investment or since the previous coupon payment if there has been one already.

Interest Payable
The amount of interest due for payment within a financial year.

Interest Rate
The rate at which interest is calculated on a loan or investment.

Interest Receivable
The amount of interest due for receipt within a financial year.

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

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

International Public Sector Accounting Standards (IPSAS)
Public Sector regulations outlining the method of accounting for activities.

Inventories
Goods purchased in advance of their use which are held in store.
Investment Property
Assets held solely for the purposes of rental generation or for increasing the value pre-sale (capital appreciation) or both.
Joint Venture
An organisation which the Council has partial control and ownership, but decisions require the consent of all participants.
Lease
Financial contract for the continuing use of an asset.
Lease Interest
The interest rate inherent within a lease allowing for regular rental payments and an adjustment for the time value of money.
Lease Payments
Regular payment made in exchange for the use of an asset.
Leases
A method of funding expenditure by payment over a defined period of time.
Lessee
The person or organisation that is using or occupying an asset under lease (tenant).
Lessor
The person or organisation that owns an asset under lease (landlord).
Liabilities
An obligation to transfer economic benefits. Current liabilities are payable within one year.
Loans And Receivables
Financial assets which are not quoted in an active market and have either a fixed or determinable payment.
Long Term Debtor
Income due in more than 365 days of the balance sheet date.
Long Term Liability
Payment due in more than 365 days of the balance sheet date.
Loss
Where expenditure exceeds income.
Materiality / Material
Materiality is an expression of the relative significance or importance of a particular matter in the context of the financial statements as a whole.
Maternity Leave
Statutory time off due to pregnant women and new mothers.
Members
Elected Councillors responsible for the democratic leadership of the Council.
Members Allowances
Allowances paid to members in association with their roles and responsibilities.
Minimum Lease Payments
The minimum which will be paid or received over the life of a lease agreement.

Minimum Revenue Provision (MRP)
A prudent amount of revenue set aside to contribute towards capital expenditure which has been financed by borrowing or credit arrangements.

Misstatement
An error whereby something was included in the accounts wrongly.

Modern Equivalent Asset (MEA)
The MEA should give the same service and performance as the existing asset, but should use modern materials and technology.

Movement In Reserves Statement (MiRS)
The statement detailing the movement in the reserves of the Council.

Net Cost Of Services
The direct cost of delivering the Councils services after allowing for specific income received by those services.

Net Operating Expenditure
The cost of operational items which are not direct services, such as disposing of the Councils assets, after allowing for specific income received.

Net Realisable Value
The estimated selling price of an asset in the ordinary course of operations less any completion costs and costs to make the sale, exchange or distribution.

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

Non-Accumulating Absences
Types of leave an employee may take in a financial year, which if are not taken do not get added to the following year’s entitlement. For example Sick Leave.

Non-Current Assets
Assets that yield benefits to the Council for a period of more than one year, examples include land, buildings and vehicles.

Non-Vesting
An obligation which cannot be settled by a monetary payment.

Notes To The Accounts
A set of supplementary comments, tables and information which further explains the main Financial Statements.

Obligation
The requirement to transfer economic benefits.

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

Operational
The normal activities of the Council.

Past Service Cost
Past service cost is the change in the present value of defined benefit obligations caused by employee service in prior periods.

Payment In Advance
A payment made which is before the point of any obligation.

Pension Liabilities
The cost, calculated by an Actuary, of providing the current members of a pension scheme with retirement benefits as set out in the pension scheme rules.

Pensions Costs
The benefits paid by the Council which are accrued during the period of employment and paid to ex-employees after retirement.

PFI
See Private Finance Initiative.

PFI Credits
The financial support provided to Local Authorities to part fund PFI capital projects.

Premium
A payment made in association with the early repayment of debt.

Pre-Payments
See payment in advance.

Present Value
See Discounted.

Previous Year Adjustments
These are material adjustments relating to prior year accounts that are reported in subsequent years and arise from changes in accounting policies or from the correction of fundamental errors.

Principal
The amount of repayment to a lender which relates to the reduction in the loan, rather than the interest paid on the loan.

Private Finance Initiative (PFI)
A Government initiative that enables, through the provision of financial support, Authorities to carry out capital projects through partnership with the private sector.

Projected Unit Method
This is a common actuarial funding method to value pension scheme liabilities.

Property, Plant And Equipment Assets (PPE)
Assets with a long Term value and physical substance such as buildings, land, IT equipment or vehicles.

Provisions
Potential costs that the Council may incur in the future because of something that happened in the past, which are likely or certain to be incurred and a reliable estimate can be made to the costs.

Prudent
A cautious approach to present the Financial Statements without significant risk of failure to achieve the assets presented.

Quoted Market Prices
A method of determining the fair value of financial assets via prices quoted on an active market.

Recognition
The process upon which assets are deemed to belong to the Council ether by purchase, construction or other form of acquisition.

Residual
The remaining value in an asset at the end of a contract or lease.
Retirement Benefits
Remuneration package received by employees after their retirement from the Council.
Retrospectively
Changes made to previous years accounts to alter the treatment which has previously been reported.
Revaluation Gain
The increase to the fair value of an asset following a valuation.
Revaluation Reserve
This reserve contains revaluation gains on assets recognised since 1 April 2007 only, the date of its formal implementation.
Revenue
The cost associated with providing Council services.
Revenue Expenditure
Expenditure which is not capital.
Revenue Expenditure Funded From Capital Under Statute (REFCUS)
This is expenditure that is classified as capital although it does not result in the creation of a fixed asset.
Revenue Grant
Grant which is not capital.
Risk
The chance of an asset not coming to fruition or a liability being greater than anticipated.
Royal Institute Or Chartered Surveyors (RICS)
An international organisation who represent everything professional and ethical in land, property and construction.
Salaries And Wages
Payments made to employees in exchange for service worked at the Council.
Service Concession Arrangements
Arrangements which involve the supply and maintenance of assets and service delivery.
Service Costs
Reflects the element of annual payment for PFI or Leased assets which is in relation to services provided within the contract.
Service Expenditure Reporting Code of Practice (SERCOP)
CIPFA guidelines on reporting revenue expenditure.
Service Level Agreements
Contract of service.
Short Term
Less than 365 days from the balance sheet date.
Short Term Benefits
Employee benefits earned and consumed during employment.

Significant
A measure of materiality where the value is deemed to be almost all of the total value in question.
Soft Loans
Low interest rate loans.
Spot Yields
A calculation of the projected return on bonds if held to maturity.
Staff
See employee.
Statute
Set out in legislation.
Straight Line Basis
The method of calculation of depreciation to allocate an equal amount of depreciation each year over an asset's useful life.
Support Services
Indirect costs of providing Council services including HR, Finance, Legal and Property Maintenance.
Surplus
Arises when income exceeds expenditure or when expenditure is less than available budget.
Surplus Assets
Assets which are no longer in operation.
Tangible
Physical, can be touched.
Tenant
The person or organisation that is occupying an asset under lease.
Termination Benefits
Employee benefits paid upon termination of employment such as redundancy.
The Code
CIPFA guidelines on accounting within Local Government.
Transactions
Individual items of income or expenditure.
Treasury Management
Utilisation of cash flows through investments and loans.
Unidentified Income
Income received by the Council where the reason for the income is unknown.
Unusable
Balances which are not available to support future spending.
Usable
Balances which are available to support future spending.
Useful Life
The period with which an asset is expected to be useful to the Council in its current state.
Value Added Tax
National taxation charged on goods and services.

Vesting

Obligation due which can be paid in cash.

Work In Progress

The fair value of incomplete contracts for goods and services which are to be charged to external customers.

CONTACT INFORMATION

If you require any further assistance

E-mail 💻:

contact.centre@derbyshire.gov.uk

Phone ☎:

01629 533190

Annual Governance Statement 2017/18

DERBYSHIRE
County Council

Contents

Introduction and the Purpose of the Governance Framework

Defining Corporate Governance

Corporate governance includes the systems, processes and values by which councils operate and through which they engage with, and are held accountable to, their communities and stakeholders.

Good corporate governance underpins credibility and confidence in public services. Derbyshire County Council is committed to effective corporate governance and has assessed itself against the Framework issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE), entitled "Delivering Good Governance in Local Government (2016)"

The Framework defines the seven core principles, each supported by sub-principles which should underpin the governance framework of the Council. Acting in the public interest requires a commitment to and effective arrangements for:-

- Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rules of law;
- Ensuring openness and comprehensive stakeholder engagement;
- Defining outcomes in terms of sustainable economic, social and environmental benefits;
- Determining the interventions necessary to optimise the achievement of the intended outcomes;
- Developing the Council's capacity, including the capability of its leadership and the individuals within it;
- Managing risks and performance through robust internal control and strong public financial management;
- Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

The Council's Structure

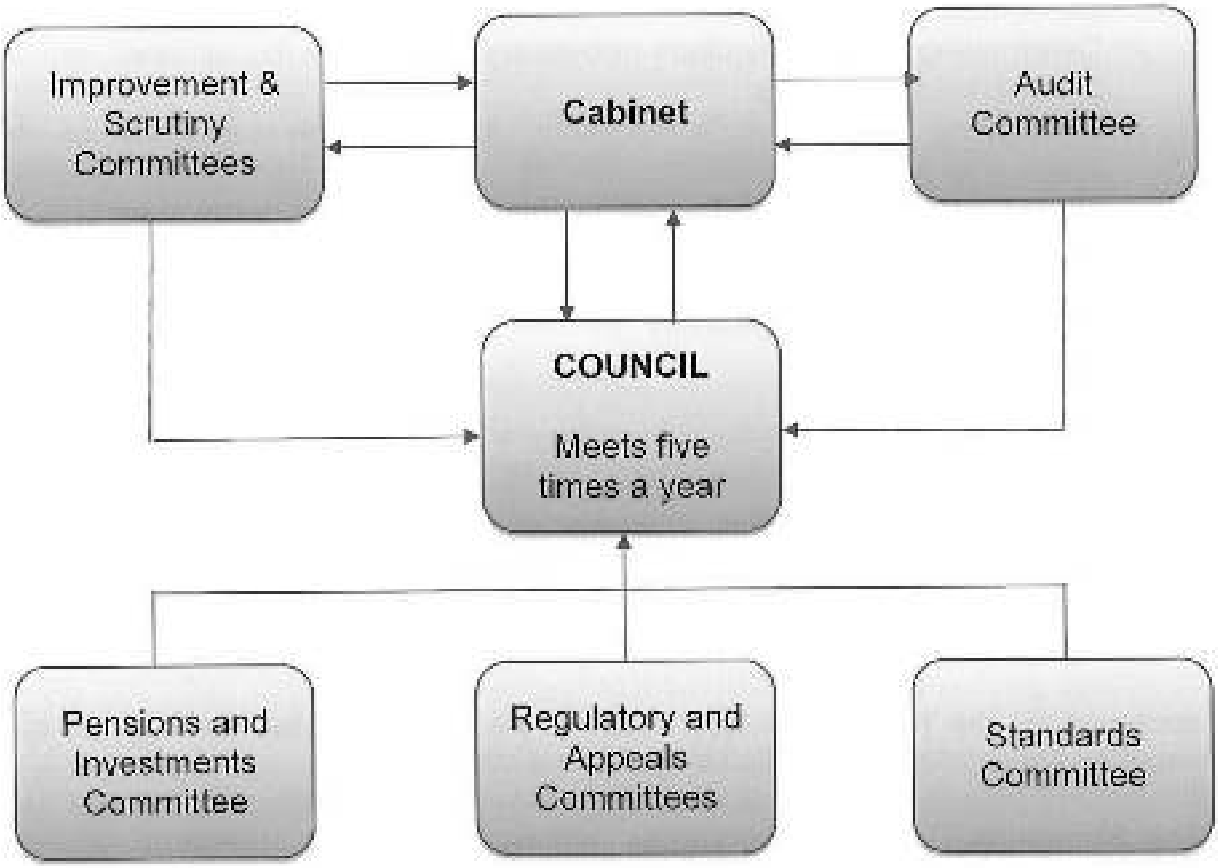
The Council is composed of 64 Elected Members who are democratically accountable to residents of their electoral division. Members follow a Code of Conduct to ensure high standards in the way they undertake their duties. The Cabinet consists of the Leader of the Council and six Members. The Cabinet is responsible for guiding the Council in the formulation of its corporate plan of objectives and key priorities. Within the policy framework, budgets and major plans approved by the full Council, the Cabinet has executive responsibility for the implementation of the Council's key goals and objectives.

The Standards Committee promotes and maintains high standards, assists Members in observing the Code of Conduct and advises the Council on matters relating to the Code. The Council also operates four Improvement and Scrutiny Committees which support the work of the Cabinet and the Council as a whole. These allow citizens to have a greater say in Council matters by holding inquiries in public into matters of local concern. These lead to reports and recommendations which advise the Cabinet and the Council as a whole on its policies, budget and service delivery, and other public bodies. The Improvement and Scrutiny Committees also monitor the decisions of the Cabinet. They can 'call-in' a decision which has been made by the Executive but not yet implemented.

All Members meet together as the Council; meetings are generally open for the public to attend except where confidential matters are being discussed. The full Council decides the overall policy framework and sets the budget each year.

The Audit Committee independently contributes to the Council's process of ensuring internal control systems are maintained and in doing so is responsible for approving and monitoring progress of the Annual Audit Plan. In addition, it considers matters referred to the Committee by the Council's external auditor, approves the Annual Statement of Accounts and the Annual Governance Statement.

The Council's structure in 2017/18, the year to which this Statement relates to is documented below:-



Derbyshire County Council's Governance Framework

The governance framework comprises the systems, processes and values by which the Council 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 the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them effectively, efficiently and economically.

The governance framework has been in place at the County Council for the year ended 31 March 2018 and up to the date of the Statement of Accounts being certified by the Director of Finance and ICT.

Scope of Responsibility

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

In discharging this overall responsibility, the 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.

The Council has developed an approach to Corporate Governance to ensure that it is consistent with the CIPFA/SOLACE Framework Delivering Good Governance in Local Government and demonstrates its commitment to corporate governance as "good corporate governance underpins credibility and confidence in our public services".

This Statement explains how the Council demonstrates compliance with the Framework and also meets the requirements of Regulation 6 of the Accounts and Audit Regulations 2015 in relation to the publication of an Annual Governance Statement.

As part of this process, an assessment has been made of the Council's performance against each of the seven core principles using the following criteria:-

Category	Definition
Good	The governance framework is effective and fit for purpose, although some minor weaknesses and improvements may have been identified.
Adequate	Whilst the governance arrangements are generally effective, there are gaps within the framework which need to be addressed. Should these issued remain unaddressed, there is an increased risk that the Council may be exposed to reputational risk.
Inadequate	Significant weaknesses have been identified in the governance arrangements which expose the Council to reputational risk.
Ineffective	The governance arrangements are considered to be deficient as weaknesses have been identified in a number of key areas rendering the overall framework ineffective and leaving the Council open to a high risk of error/abuse and significant reputational risk/damage.

The Effectiveness of the Council's Governance Arrangements

The Annual Governance Statement summarises the findings of the review of the Council's existing governance arrangements.

The review examined the Council's position against the CIPFA/SOLACE Framework Delivering Good Governance in Local Government which defines the seven core principles, each supported by sub-principles which underpin the governance framework of the Council.

A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

The Council is accountable not only for how much it spends, but also for how it uses the resources under its stewardship. This includes accountability for outputs, both positive and negative, and for the outcomes which have been achieved. In addition, the Council has an overarching responsibility to serve the public interest in adhering to the requirements of legislation and government policies. It is essential that, as a whole, it can demonstrate the appropriateness of all its actions and have mechanisms in place to encourage and enforce adherence to ethical values and to respect the rule of law.

Principle A **Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law**	**Overall Assessment** **ADEQUATE**
What the Council does well	➢ The Council Plan sets out the Authority's key priorities; ➢ The Constitution details the roles of the Cabinet, Committees, full Council and Strategic Directors; ➢ Codes of Conduct define the standards of behaviour for Members and officers; ➢ The Authority operates an Equality and Diversity Policy, Whistleblowing The Confidential Reporting Code and Complaints Procedures; ➢ An Anti-Fraud and Anti-Corruption Strategy, Fraud Response Plan and Anti-Money Laundering Policy demonstrate the Council's stance against fraud; ➢ The Monitoring Officer is responsible for ensuring the lawfulness of decisions taken by Cabinet, Committees and officers; ➢ Improvement and Scrutiny Committees support the work of the Executive and the Authority; ➢ Financial Management Arrangements conform to the Cipfa Statement on the Role of the Chief Financial Officer in Local Government (2016);

Principle A **Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law**	**Overall Assessment** **ADEQUATE**
	➢ The Standards Committee monitors and reviews the operation of the Constitution and the ethical framework; ➢ Role profiles have been agreed for Members and together with Personal Development Plans inform Member Development programmes; ➢ Clear channels of communication are in place for all sections of the community and stakeholders; ➢ Embedded Financial Regulations, Procurement policies and practices and the Derbyshire Partnership Toolkit.
Areas for Improvement	➢ The Council should continually review how it best protects its vulnerable residents and takes on board learning from all relevant reviews whether they are Derbyshire focussed or not, e.g. safeguarding reviews, governance reviews, national research into child sexual exploitation etc.; ➢ The Council's Corporate Governance Group, chaired by the Director of Legal Services and Monitoring Officer, would operate more effectively if its profile could be raised and its activities better resourced; ➢ Officers' declarations of interests and gifts and hospitality are not consistently made and recorded; ➢ The Whistleblowing The Confidential Reporting Code could be communicated more widely.

B. Ensuring openness and comprehensive stakeholder engagement

The Council is run for the public good and therefore should ensure openness in its activities. Clear, trusted channels of communication and consultation should be used to engage effectively with all groups of stakeholders, such as individual citizens and service users, as well as institutional stakeholders.

Principle B Ensuring openness and comprehensive stakeholder engagement	Overall Assessment GOOD
What the Council does well	➢ The Assistant Director of Finance (Audit) produces an Annual Report which is considered by Audit Committee, highlights both significant areas of good practice and those where improvements can be made. This Report includes the annual internal audit opinion which concludes on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control; ➢ The Authority operates a partnership protocol, toolkit and database with specific requirements of partnership working defined in Financial Regulations; ➢ Partnership arrangements are subject to annual review by Audit Services; ➢ The Council publishes decisions on the website; ➢ The Council engages with the citizens of Derbyshire; ➢ The Council consults stakeholders as part of the decision making process; ➢ The Council fulfils its responsibilities on the Duty to Cooperate; ➢ Equality Impact Assessments are undertaken and considered in decision making; ➢ A Communications Strategy is in place; ➢ The Council consults with citizens, trade unions and business ratepayers when setting its budget; ➢ The Council has established an "Enterprising Council" approach designed to ensure services meet the needs of users, utilising the best delivery vehicle in each circumstance.
Areas for Improvement	➢ More active use of parish/town councils and community groups could be considered.

C. Defining outcomes in terms of sustainable economic, social, and environmental benefits

The long-term nature and impact of the Council's responsibilities mean that it should define and plan outcomes and that these should be sustainable. Decisions should further the Authority's purpose, contribute to intended benefits and outcomes, and remain within the limits of authority and resources. Input from all groups of stakeholders, including employee groups, Citizens' Panel, Youth Council, 50+ Forum, BME Forum, Local Area Fora, School Councils, service user groups and institutional stakeholders, is vital to the success of this process and in balancing competing demands when determining priorities for the finite resources available.

Principle C Defining outcomes in terms of sustainable economic, social and environmental benefits	Overall Assessment ADEQUATE
What the Council does well	➢ The Council Plan outlines the Council's strategy and vision; ➢ Departmental and Service Plans are developed which are consistent with the overarching Council Plan and incorporate a range of performance measures; ➢ Progress against a range of targets is monitored; ➢ The Authority has in place an effective risk management framework and business continuity plans; ➢ The Strategic Risk Register is subject to regular review; ➢ Capital investment is structured and in line with the Investment Strategy.
Areas for Improvement	➢ Ensure that decisions are taken with regard to, or based on the longer term view; ➢ More emphasis could be placed on measuring and monitoring longer term outcomes as opposed to outputs; ➢ Social Value Strategy and approach is in place and will be developed. The Council should continue to develop and embed Social Value to ensure that the economic, environmental and social benefits are realised for Derbyshire when procuring services.

D. Determining the interventions necessary to optimise the achievement of the intended outcomes

The Council achieves its intended outcomes by providing a mixture of legal, regulatory, and practical interventions. Determining the right mix of these courses of action is a critically important strategic choice that the Council has to make to ensure intended outcomes are achieved. Robust decision-making mechanisms are required to ensure that defined outcomes can be achieved in a way that provides the best trade-off between the various types of resource inputs while still enabling effective and efficient operations. Decisions made need to be reviewed continually to ensure that achievement of outcomes is optimised.

Principle D Determining the interventions necessary to optimise the achievement of the intended outcomes	Overall Assessment ADEQUATE
What the Council does well	➢ Financial Regulations and Standing Orders in relation to Contracts are subject to periodic review by officers and the Audit Committee; ➢ Decision making protocols are in place; ➢ Social Value consideration are included in decisions; ➢ A Financial Strategy is in place; ➢ Member Report considerations include financial, legal, prevention of crime and disorder, equality and diversity, human resources, environmental, health, social value, property and transport considerations; ➢ The Council has Improvement and Scrutiny Committees in place.
Areas for Improvement	➢ Development of consistent and effective business cases; ➢ The Council could develop a more proactive approach to the use of collective intelligence to guide decision making, rather than data; ➢ Revised strategies in relation to ICT and HR will be useful to ensure consistent council wide approach and guide future investment in technology and skills; ➢ Development of a robust post implementation review process for major projects.

E. Developing the entity's capacity, including the capability of its leadership and the individuals within it

The Authority needs appropriate structures and leadership, as well as people with the right skills, appropriate qualifications and mind-set, to operate efficiently and effectively and achieve their intended outcomes within the specified periods. The Council must ensure that it has both the capacity to fulfil its own Plans and objectives and to make certain that there are policies in place to guarantee that its management has the operational capacity for the organisation as a whole. Because both individuals and the environment in which the Authority operates will change over time, there will be a continuous need to develop its capacity as well as the skills and experience of the leadership of individual staff members. The Council's leadership is strengthened by the participation of people with many different types of backgrounds, reflecting the structure and diversity of communities.

Principle E **Developing the entity's capacity, including the capability of its leadership and the individuals within it**	**Overall Assessment** **ADEQUATE**
What the Council does well	➢ Members and officers work together to deliver a common purpose with clearly defined functions and roles; ➢ The arrangements for Member training and development are reviewed through the Member Development Working Group; ➢ Staff development is supported through the provision of generic and specific skills training including supporting the maintenance of professional standards and qualification training; ➢ The Council operates a My Plan process to identify training and development opportunities.
Areas for Improvement	➢ Strategy to manage staff reductions and the impact on capability and capacity; ➢ Staff Inductions and MyPlans are not always provided, documented and evidenced in all service areas although there are areas of good practice; ➢ Workforce planning, succession planning, mentoring leadership training and management development is not formalised and monitored within the Council. It is inconsistent with no Council wide approach in place; ➢ Consistent training of new staff in the IT systems they are expected to use, alongside refresher training for existing staff to ensure effective use of systems.

F. Managing risks and performance through robust internal control and strong public financial management

The Council needs to ensure that the organisations and governance structures that it oversees have implemented, and can sustain, an effective performance management system which facilitates effective and efficient delivery of planned services. Risk management and internal control are important and integral parts of a performance management system and crucial to the achievement of outcomes. Risk should be considered and addressed as part of all decision making activities.

A strong system of financial management is essential for the implementation of policies and the achievement of intended outcomes, as it will enforce financial discipline, strategic allocation of resources, efficient service delivery, and accountability. It is also essential that a culture and structure for scrutiny is in place as a key part of accountable decision making, policy making and review. A positive working culture that accepts, promotes and encourages constructive challenge is critical to successful scrutiny and successful delivery. Importantly, this culture does not happen automatically, it requires repeated public commitment from those in authority.

Principle F Managing risks and performance through robust internal control and strong public financial management	Overall Assessment GOOD
What the Council does well	➢ The Audit Committee operates in accordance with prescribed terms of reference. The Committee receives, approves and monitors the Audit Plans for internal and external audit; ➢ The Audit Committee monitors the effectiveness of the Authority's risk management arrangements; ➢ Audit Committee Members are provided with relevant training; ➢ The effectiveness of the governance framework including the system of internal control is reviewed annually; ➢ Audit Services review the effectiveness of the Authority's internal controls; ➢ The Council has an embedded Risk Management Strategy; ➢ The Strategic Risk Register is subject to regular review and project specific risk logs 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;

Principle F Managing risks and performance through robust internal control and strong public financial management		Overall Assessment GOOD
	➢ Departmental risk registers are in place and regularly reviewed by management teams; ➢ Strong and effective information governance arrangements; ➢ The Council has been proactive in its preparations for the implementation of the General Data Protection Regulation (GDPR). In 2016/17 the Information Commissioner's Office (ICO) undertook an audit of the Council's data processing arrangements at the Council's request. Following this review, the Council has been actively seeking to implement and address the recommendations contained within the Audit Action Plan. ➢ The Council has a Medium Term Financial Plan and effective Budget Monitoring Procedures; ➢ The Scrutiny Committees scrutinise decisions made or actions taken in connection with the discharge of any of the Council's functions; ➢ The standards of behaviour and conduct are detailed in the Protocol for Elected Member Behaviour and Conduct; ➢ Whistleblowing The Confidential Reporting Code enables individuals or organisations to disclose information about malpractice whilst offering protection; ➢ Performance management is well embedded; ➢ The Council has established a working group to consider cyber security risks. ➢ Independence of Internal Audit and access to the Head of Paid Service; ➢ Ensuring compliance with the principles set out in the Cipfa guidance on the Role of the Chief Financial Officer in public service organisations.	
Areas for Improvement	➢ Data Protection arrangements will require continual monitoring and review to ensure compliance with the General Data Protection Regulation. ➢ Cyber security threats will require ongoing monitoring and development of appropriate responses; ➢ The APEX performance system is relatively new and further development is ongoing to utilise it to its full capacity.	

G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability

Accountability is about ensuring that those making decisions and delivering services are answerable for them. Effective accountability is concerned not only with reporting on actions completed, but also ensuring that stakeholders are able to understand and respond as the organisation plans and carries out its activities in a transparent manner. Both external and internal audit contribute to effective accountability.

Principle G Implementing good practices in transparency, reporting and audit to deliver effective accountability	Overall Assessment GOOD
What the Council does well	➢ The Constitution defines how the Council operates and the decision making processes to ensure the Council is efficient, transparent and accountable to local people; ➢ Council, Departmental and Service Plans set out objectives and include performance targets; ➢ Council, Cabinet and Member meetings are open to the public and minutes are published on the website; ➢ Financial Statements are produced and published on a consistent and timely basis; ➢ Departmental Schemes of Delegation supplement the Council's Financial Regulations; ➢ The Assistant Director of Finance (Audit) produces the Annual Report which is considered by Audit Committee and highlights both significant areas of good practice and those where improvements can be made; ➢ Effective partnership working arrangements; ➢ The Council routinely publishes data and meets the requirements of the Local Government Transparency Code; ➢ Schemes of Delegation have been reviewed.
Areas for Improvement	➢ Continue to improve robust systems for property valuations building on the enhancements completed during 2017/18.

The Annual Governance Statement

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 those opportunities for improvement 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.

Councillor Barry Lewis **Leader of the Council**	**Emma Alexander** **Chair of the Corporate Management Team, Strategic Director Commissioning, Communities and Policy and Head of Paid Service**
Date 30th July 2018	Date 30.7.18

On behalf of Derbyshire County Council

Action Plan - Areas for Improvement

Area for Improvement	Proposed Method of Delivery	
Raise the profile of Governance throughout the Council	• Development of a Local Code of Corporate Governance; • Review the membership and role of the Council's Governance Group.	
Staff Development	• Improve communication of The Whistleblowing Confidential Reporting Code; • Staff Inductions and MyPlans to be consistently provided, documented and evidenced in all service areas; • Develop a strategy to manage staff reductions and the impact on capability and capacity.	
Improved utilisation of resources	• More active use of parish/town councils and community groups to be considered; • Co-production / commissioning for better outcomes; • Development of consistent and effective business cases; • Develop a more proactive approach to the use of collective intelligence to guide decision making; • Workforce planning, succession planning, mentoring, leadership training and management development to be formalised and monitored within the Council; • Consistent training of new staff in the IT systems they are expected to use, alongside refresher training for existing staff to ensure effective use of systems; • Strategies in relation to ICT and HR to be reviewed to ensure consistent council wide approach and guide future investment in technology and skills;	

Area for Improvement	Proposed Method of Delivery	
	• Continue to develop and embed the Social Value Strategy to ensure that the economic, environmental and social benefits are realised for Derbyshire when procuring services.	
Enhanced Accountability	• Develop systems to ensure that officers' declarations of interests and gifts and hospitality are consistently made and recorded; • Development of a robust post implementation review process for major projects. • Review and develop a robust system for property valuations. • The APEX performance system is relatively new and further development is ongoing to utilise it to its full capacity. • Schemes of Delegation are being reviewed.	
Compliance with legislative and best practice requirements	• Continually review how the Council best protects its vulnerable residents and takes on board learning from all relevant reviews whether they are Derbyshire focussed or not, e.g. safeguarding reviews, governance reviews, national research into child sexual exploitation etc; • Data Protection arrangements require continual monitoring and review to ensure compliance with the General Data Protection Regulation; • Cyber security threats require ongoing monitoring and development of appropriate responses.	