

# **FINAL STATEMENT OF ACCOUNTS 2015 – 2016**





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## Narrative Statement

### Introduction

Derby City Council's Statement of Accounts for 2015/16 should have been published by 30 September 2016 but have been delayed due to significant uncertainty in the estimated valuation of its assets. Considerable work has been performed to ensure valuation estimates provide a true and fair view in line with the requirements of the CIPFA code.

Our external auditors were unable to complete their audit as they could not place reliance on the final figures included in the accounts. In order to give EY assurance over the valuations and subsequent entries in the final accounts a review of the complete portfolio of assets was required. Due to the number of assets and nature of valuation work this review was conducted over several months and delayed production of the final accounts past the statutory 30th September deadline. The subsequent changes required a number of prior year period adjustments to be made to the accounts as well as the 2015/16 in year valuation. Prior Period Adjustments are required when significant errors are discovered to allow a meaningful comparison of year to year balances. The effect of the resulting adjustments to Property Plant and Equipment is summarised below and in more detail in Note 1.

	2013/14 £m	2014/15 £m
Previously reported value	1,324	1,123
Restated value	1,418	1,137

The Council has now been able to agree the fixed asset position and resolve all other issues with EY allowing the accounts to be signed. We continue to work with the external auditors to further enhance the valuation process and increase the robustness of future valuations.

The accounting treatments applied are in line with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (the Code), published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The information contained within these accounts is presented as simply and clearly as possible. However, the accounts of a large and diverse organisation such as Derby City Council are by their nature both technical and complex, so this summary explains some of the statements and provides a summary of the Council's financial performance for 2015/16 and its financial prospects. Where necessary, estimates and judgements have been made in preparing these accounts which comply with the Code. Further details of these estimates and judgements are included in the supporting notes.

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

## Our Performance

Derby has a 15 year vision based on the pledges to be a city that is Safe, Strong, Ambitious and Resilient. The 2015/16 Council Scorecard contained 42 individual measures that reflect a mixture of local and national priorities, predominately in relation to statutory services. This was a reduction from the 67 measures from the 2014/15 scorecard reinforcing the need to focus on target areas.

At the end of 2015/16, 50% of measures within the scorecard had met or exceeded the year-end target with 52% of measures having improved compared to previous year (2014/15). Areas of strong performance include:

- 100% take up for personal budgets and direct payments for social care clients and carers, maximising choice and control (based on provisional data).
- 52% take up of 'public health' health checks (based on provisional data).
- Direct intervention has led to 108 empty properties returned back to use.
- 60% of pupils achieved at least the expected levels in the early goals in the prime areas of learning and the specific areas of mathematics and literacy.
- 4.8% of 16-19 year olds are not in education, training or employment based on provisional data; this represents an improvement on the previous year.
- 53% of customers are using the self-service options available when contacting the Council through Derby Direct, compared to 38% last year.

Summary of 2015/16 performance measures relating to Council pledges:

Council Pledge	Target met / exceeded	
	2014/15	2015/16
Safe	55%	72%
Strong	80%	86%
Ambitious	38%	46%
Resilient	67%	65%

Direction	Performance compared to previous year	
	2014/15	2015/16
Improved	45%	52%
Maintained	23%	18%
Deteriorated	32%	30%

Information on the delivery of the 42 individual measures is reported to the Council cabinet each quarter.

## **Public Interest Report**

The Council's previous auditor, Grant Thornton, issued a Public Interest Report (PIR) in June 2016, identifying failings in the governance of major projects and inappropriate member conduct. The issues identified occurred under a previous Senior Management Team and Political Leader. Significant progress has been made against all twelve recommendations and this is detailed within the successive Interim Annual Governance Statements considered by Audit and Accounts Committee, most recently on 29th March 2017.

## **Revenue Income and Expenditure**

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

In March 2015, the Council agreed a net revenue budget for 2015/16 of £221.792m which was subsequently increased to £224.886m to reflect additional Public Health responsibilities transferred to the Council during the year.

The Council's actual spending was £222.529m against the final approved budget of £224.886m an underspend of £2.357m (1.05%) of the Council's 2015/16 budget requirement. This balance has been transferred to the Council's revenue reserves to help address future pressures.

### **Comparison of Actual Net Spending against Budget for 2015/16:**

	<b>Final Approved Budget £000</b>	<b>Actual £000</b>	<b>Final (Under) / Overspend £000</b>
People Services	123,890	122,459	(1,431)
Communities and Place	42,390	41,966	(424)
Organisation and Governance	43,569	43,067	(502)
<b>Total</b>	<b>209,849</b>	<b>207,492</b>	<b>(2,357)</b>
Approved Transfer to Reserves	15,037	15,037	
<b>Budget Requirement</b>	<b>224,886</b>	<b>222,529</b>	<b>(2,357)</b>

The most notable variances from the different directorates include:

- Additional costs of £1m to address issues relating to completion of 2015/16 Final Statement of Accounts.
- Savings on the anticipated demand for services in relation to the Care Act which did not materialise (£2.6m).
- Reliance on the use of private foster carers for looked after children £2.6m. This pressure was partially offset by savings achieved in the department. Through the review of vacant posts and limiting expenditure to essential spend savings of (£0.8m) were achieved.

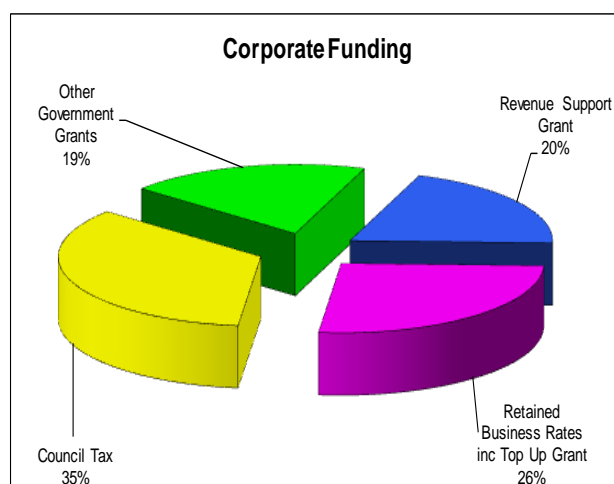
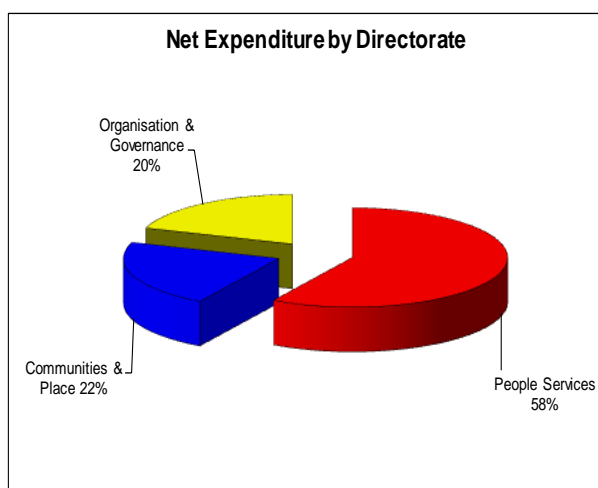
- General overachievement of parking fee and fine income (£0.4m).
- Savings within Treasury Management from the review of debt repayment and higher than budgeted investment income (£0.9m).

Further details and explanations of the year end variances are included in Revenue Outturn 2015/16 report presented to the Council Cabinet in July 2016. The following table shows the reconciliation of budget underspend to the Total Comprehensive Income and Expenditure for 2015/16.

	£000
<b>Breakdown of Underspend:</b>	
General Fund Underspend	(2,357)
HRA Underspend	(6,566)
<b>Overall (Under)/Overspend</b>	<b>(8,923)</b>
Less: Appropriations to General Fund reserves	(6,802)
Less: Movements in schools balances	(3,016)
Plus: Adjustment between GF and HRA accounting basis and funding basis	29,398
Less: Remeasurement of the net defined benefit liability	(51,077)
Less: Surplus or deficit on revaluation of Property, Plant and Equipment assets	(21,909)
<b>Total Comprehensive (Income) and Expenditure</b>	<b>(62,329)</b>

## b) Analysis of Revenue Spending

During the year the City Council manages and controls spending on services such as schools, social services and leisure facilities through its General Fund. This spending is financed from Council Tax, Retained Business Rates and Government Grants as shown below:



Further analysis of the Council's revenue spending is provided in the supporting notes.



### **c) Housing Revenue Account**

The HRA has made a net surplus of £6.566m (£8.254m in 2014/15), against a budget of £2.052m (£2.780m in 2014/15). The surplus against budget for 2015/16 is mainly due to increased rental and service charge income as a result of lower than budgeted void levels. This is combined with a lower than anticipated contribution to the bad debt provision following better performance on rental collection and the delayed implementation of Universal Credit.

### **d) Revenue Reserves**

The Council holds a number of Revenue Reserves to fund projects and unbudgeted costs. These reserves are one off funding and so cannot be used to permanently support Council services.

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

In January 2016, the Council calculated its target range for the General Fund Balance as being between £7.101m and £10.940m. This target level was set by the Chief Finance Officer after consideration of the Council's strategic and operational risks. At 31 March 2016 the unallocated General Fund Balance stands at £7.143m and is therefore within the recommended target range. The overall balance also includes schools balances which currently stand at £10.464m.

The Council also holds a number of revenue earmarked reserves to fund specific projects included within the Council's budget and priorities, such as the Council's regeneration programme and waste strategy. As at 31 March 2016 revenue earmarked reserves held by the Council total £96.038m. A review of all revenue earmarked reserves is carried out on an annual basis as part of the Medium Term Financial Strategy planning process. This aims to ensure the correct level of reserves are maintained and identify any earmarked reserves which could be redistributed to better support the Council's priorities.

Included within corporate earmarked reserves is a budget risk reserve of £11.951m at 31 March 2016. This reserve is not allocated to any specific risk areas and is held to support future budget planning risks and general unforeseen in-year budget pressures.

In addition to the general fund reserves a number of ring fenced HRA reserves are also held by the Council. These include £41.059m HRA general balances and £2.590m Major Repairs Reserves which is used to fund HRA capital expenditure.

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

## **Capital Income and Expenditure**

Alongside our day-to-day costs, the Council spends money on capital assets such as buildings, roads, major maintenance, vehicles and ICT. During 2015/16 the Council spent £77.184m on capital schemes.

### **Major Areas of Capital Spend in 2015/16:**

<b>Scheme</b>	<b>Section</b>	<b>£000</b>
New build, extensions and modernisation of schools and education centres. Devolved capital school grants	Children & Young People	7,929
Highways and transportation	Highways & Transport	4,197
Improvements to council buildings including the council house, museums, libraries and cemeteries	Property Improvements	2,088
Major repairs and maintenance to council owned properties including leisure centres, museums, libraries, car parks and community centres	Property maintenance	3,806
Regeneration of the public realm areas of the city, regeneration of buildings to create managed workspace and jobs	Regeneration	25,900
Grant aid for private sector tenants for disabled adaptations and improvements	Housing General Fund	2,313
Maintenance to the decent homes standard on all council dwellings and new build sites	HRA	18,627
Refuse vehicles, street cleaning and grounds plant	Vehicles Plant and Equipment	1,932
Improvements to the Councils flood defences and culverts	Flood Defence	2,748
Information and communication technology	ICT	1,320
Includes PFI expenditure	Other	6,324
<b>Total</b>		<b>77,184</b>

Examples of the Councils major capital 2015/16 spend include:

### **Regeneration**

Infrastructure works to enable the creation of Infinity Park Derby. A new high quality business park for both High-Tec and general business use. £8.7m.

Creation of the Innovation Centre on Infinity Park to host High-Tec SMEs, provide support services and showcase R&D opportunities. £7.6m.

Infinity Park and the Innovation Centre have been progressed with support from Rolls Royce and the University of Derby. These projects will bring together and develop excellence in transport engineering at the centre of the UK. The projects are also key strands of our Regional Growth Fund programme, utilising an element of the £40m from Government, to support our three key transport engineering sectors.

## HRA

Continued enhancement the Councils HRA stock including refurbishments, acquisitions and new builds.

## **Future investment**

Over the next 3 years the Council will continue to invest in the major projects above. In addition to these the Council will also invest in:

### Our City Our River £30m

To reduce flood risk and maximise the potential of sites along the river frontage. This includes the regeneration and releasing the potential of sites currently at risk of flooding. It will also enhancing heritage sites including the Derwent Valley Mills while protecting the ecology and wildlife.

### Waste Plant £25m

We are continuing to work with Derbyshire County Council on the building of a new waste plant.

## Financing

Capital expenditure is financed from the following sources:

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

Unapplied capital resources, excluding capital receipts, stand at £18.443m at 31 March 2016. These consist of £16.339m unapplied capital grants and £2.104m earmarked capital reserves. The unapplied capital receipts reserve stands at £8.844m at 31 March 2016.

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

## **Borrowing Facilities**

In 2015/16 the Council had an authorised limit for external debt of £642m that compares to the actual level of debts outstanding at 31 March 2016 of £474m.

## **Breakdown of Borrowing Figures:**

	2014/15	2015/16
	£m	£m
Short-Term Borrowing (i.e. due within 1 year)	8.1	4.3
Long-Term Borrowing	329.0	337.6
Long-Term PFI and finance leases	96.1	99.2
Short-Term PFI and finance leases	3.6	3.7
Debt managed by Derbyshire County Council	31.2	28.8
Debt managed by Erewash Borough Council	0.6	0.5
<b>Total</b>	<b>468.6</b>	<b>474.1</b>

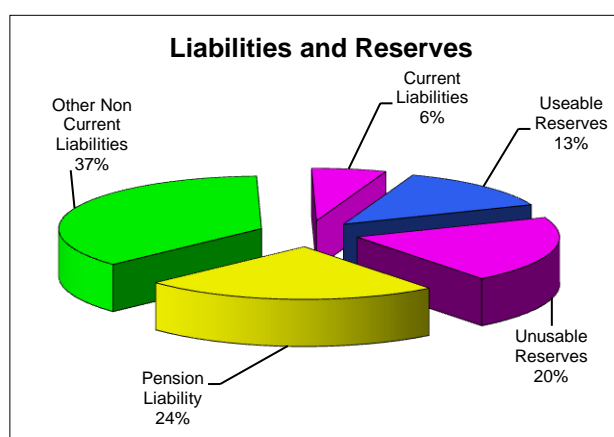
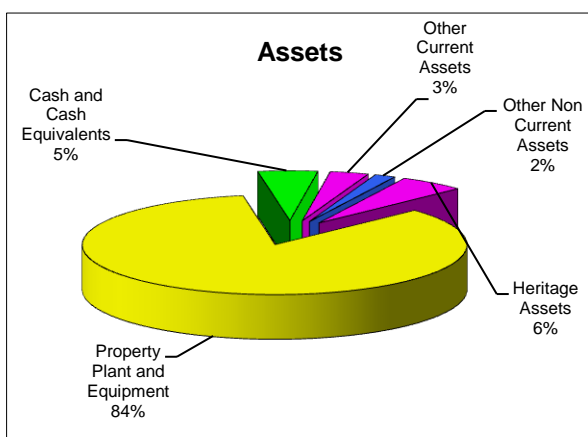
## **Explanation of the Statements**

The following core financial statements summarise the Council's finances for 2015/16 (1 April 2015 to 31 March 2016):

### **a) Balance Sheet**

The Balance Sheet is a snap shot of the value of the assets and liabilities recognised by the Council as at 31 March. The balance sheet is divided into two balancing halves showing net assets (assets less liabilities) and reserves. Assets and liabilities are categorised between non current (having a life of more than one year) and current (to be settled or realised within the year). Reserves are reported in two categories. Usable reserve, subject to maintaining a prudent minimum level and statutory limitations on use (for example the Capital Receipts Reserve can only be used to fund capital expenditure or repay debt) can be used the authority to fund services. Unusable reserves cannot be used to provide services. These include unrealised gains and losses (for example the Revaluation Reserve) where amounts would only become available if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

The charts below show the balance of assets and liabilities as at 31st March 2016



### **b) Comprehensive Income and Expenditure Statement (CIES)**

The CIES shows the accounting cost in the year of providing services in accordance with accounting standards, rather than the amount to be funded from taxation. It shows the accounting position analysed over standard defined service headings and will therefore be different to the amounts and directorate split used in management reporting.

### **c) Movement in Reserves Statement**

This statement shows the movement in the year on the different reserves held by the Council, analysed into usable reserves (i.e. those that can be used to fund expenditure or reduce local taxation) and other unusable reserves. Unusable reserves largely accrue from the differences in transactions required by accounting standards and those required by statute. Accounting standards require transactions to be included in the accounts to reflect the true economic cost of providing Council's services for example fixed asset revaluations and changes in net pension liabilities. However statute requires that these amounts do not effect Council taxation or rent setting within the Housing Revenue Account. These differences are accounted for by the use of unusable reserves. The Net Increase/Decrease before Transfers to Earmarked Reserves lines shows the statutory General Fund and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

### **d) Cash Flow Statement**

The Cash Flow Statement shows the total movements in cash and cash equivalents of the Council during 2015/16. Cash flows are related to income and expenditure but not equivalent due to the accruals concept applied in the CIES. The statement shows how the council uses cash by classifying cash flows as operating, investing and financing activities.

### **e) Housing Revenue Account**

This is a separate statutory account which summarises all income and expenditure arising from the provision, management and maintenance of Council housing. This is a ring fenced account and so cannot subsidise or be subsidised by other activities.

### **f) Collection Fund**

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

### **g) Statement of Accounting Policies**

The Council produces figures in the accounts using the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16. They ensure accounts from different public sector organisations are consistent and comparable. This section explains the main policies which the Council has adopted.

### **h) Notes to the Core Financial Statements**

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

## **i) Group Accounts**

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

### **Significant items within the accounts**

The Council is carrying a significant provision of £8.011m (£7.203m in 2014/15) for the repayment of any successful NDR appeals upheld by the VOA. Prior to the introduction of the Retained Business Rate Scheme the cost of these appeals were met by the national pool administered by central government, but now the council is liable for 49% of the cost of appeals.

In previous years the Council has maintained a provision for Unequal Pay claims not yet received. Following the announcement of the results from the recent Job Evaluation exercise the Council has not received any additional claims. The provision £13m has therefore been reversed as the Council no longer its value can be accurately estimated. This adjustment was credited to the Cost of Services and has reduced the 2015/16 Deficit on Provision of Services.

The Council's accounts include material figures for both the revaluation of property and the remeasurement of the pension liability. Property revaluations have resulted in a gain of £22m on a total Long Term Asset base of £1.2bn. A gain of £51m has been recognised on the net pension liability of £321m from the movement in investment values and forecasts of future investment growth. Although these amounts are significant in size and impact on the accounts, due to statutory requirements do not effect the usable resources the Council controls.

The additional work conducted on valuing the Councils assets has led to changes in the amounts recognised as detailed in Note 1. Due to the size of the revaluation the prior years accounts have been restated to allow for a meaningful year on year comparison to be possible. As a result of this change and changes made to future PFI liabilities revaluation losses of £207m and £286m have been recognised in the restated 2013/14 and 2014/15 accounts.

### **New Inclusions to the Statement of Accounts**

#### **Better Care Fund**

The Council has a new arrangement with the Southern Derby CCG to deliver health and social care services. Services are funded through a pooled Better Care Fund (BCF) budget of £17m which the Council and CCG both contribute to. Details of the BCF are included in the Pooled Budgets note.

## IFRS 13 Fair Value

In 2015/16 the Code adopted IFRS which changed the basis for valuing Council assets. The code still requires the value of operational assets to reflect service potential and so limited the impact of IFRS 13 to surplus assets and investment properties. These assets are valued at the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between knowledgeable participants. The Council measures the fair value using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

## Highways Network Assets

Although this requirement was planned to be introduced for 2016/17 CIPFA have now confirmed it has been withdrawn.

## Private Finance Initiatives

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

Derby City Council has five operational PFI projects as follows:

### Operational: Assets included within Council accounts

#### Grouped Schools - £25.515m

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

#### Street Lighting Columns - £24.461m

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

#### Building Schools for the Future - £26.423m

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

#### Housing PFI - £7.304m

A 30-year PFI contract was signed in September 2012 to provide a minimum of 170 affordable houses in the City. This initiative is funded in full by a special grant from Central Government.

## Operational: Assets not included within the accounts

Housing Inner City Regeneration

### **Net Pensions Liability**

The Council participates in the Derbyshire County Council defined benefit (open) pension fund and

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

### **Future Prospects for the Council**

The Council continues to have financial challenges in the forthcoming years following unprecedented cuts to public sector funding since the 2010 Comprehensive Spending Review. Despite the on-going progress of the economic recovery, the Government has previously remained committed to the austerity programme.

The Council's Medium Term Financial Strategy is also shaped by the wider local context. Derby has been experiencing above average population growth since the 2011 census, with significant demographic growth in the 0 to 4 age bracket and amongst citizens aged 60+. There has also been a significant increase of European families with young children in Derby during 2015/16. This demographic growth has contributed to a period of sustained increase in demand for Council services provided to the most vulnerable members of the community, particularly within adult social care and children's services. There are no signs of this demand declining in the foreseeable future.

Against this backdrop of financial austerity, emerging new pressures, and future uncertainty the Council set a balanced revenue budget position for 2016/17 in its Medium Term Financial Plan (MTFP). Its successful delivery is also reliant on the establishment of significant levels of permanent savings between 2016/17 and 2018/19. The Council does however have a proven track record of achieving savings and controlling spending to ensure the year end outturn is within budget.

The MTFP includes assumptions about anticipated resources from Central Government and Council Tax, inflation, service demand and the deliverability of planned savings. There are risks identified within the MTFP, particularly around the forecasting of grant and future demographic pressures. The recent EU referendum results and change in government leadership add an increased level of uncertainty to local government funding.

Mark Taylor  
Section 151 Officer  
19 September 2017



## **Statement of Responsibilities**

### **The Authority's Responsibilities:**

The Authority is required:

- (1) To make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. At Derby City Council that officer is the Director of Finance.
- (2) To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- (3) To approve the Statement of Accounts.

The Accounts were approved by the Audit and Accounts Committee on 19th September 2017

Signed:

### **The Section 151 Officer's Responsibilities**

The Section 151 Officer is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA / LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the Section 151 Officer has ensured that:

- (1) Suitable accounting policies have been selected and then applied consistently
- (2) Judgements and estimates have been made that were reasonable and prudent
- (3) Accounts comply substantially with the Local Authority Code of Practice

The Director of Finance has also ensured that:

- (1) Proper accounting records have been kept which were up to date
- (2) Reasonable steps have been taken for the prevention and detection of fraud and other irregularities

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

Mark Taylor

Date: 19th September 2017

## Balance Sheet

This statement shows the value of what the Council owns (assets) and owes (liabilities), together with reserves.

<b>1 April 2014 restated £000</b>	<b>31 March 2015 restated £000</b>		<b>Notes</b>	<b>31 March 2016 £000</b>
1,124,324	1,138,331	Property, Plant & Equipment	16	1,150,254
75,471	75,471	Heritage Assets	17	75,881
895	898	Investment Property	18	1,630
3,514	2,565	Intangible Assets		767
325	325	Long Term Investments	22	325
14,470	22,462	Long Term Debtors	25	20,393
<b>1,218,999</b>	<b>1,240,052</b>	<b>Long Term Assets</b>		<b>1,249,250</b>
261	1,770	Assets Held for Sale	24	3,550
201	201	Short Term Investments	22	3,202
665	729	Inventories		866
48,157	39,428	Short Term Debtors	25	36,798
36,873	46,676	Cash and Cash Equivalents	26	67,601
<b>86,157</b>	<b>88,804</b>	<b>Current Assets</b>		<b>112,017</b>
(31,854)	(8,110)	Short Term Borrowing	22	(4,272)
(3,494)	(3,574)	Short Term Finance Lease Liabilities	22	(3,744)
(70,615)	(61,377)	Short Term Creditors	27	(70,650)
(1,336)	(998)	Provisions	29	(2,443)
<b>(107,299)</b>	<b>(74,059)</b>	<b>Current Liabilities</b>		<b>(81,109)</b>
(95,657)	(96,133)	Long Term Finance Lease Liabilities	22	(99,203)
(18,796)	(20,710)	Provisions	29	(7,435)
(308,980)	(328,990)	Long Term Borrowing	22	(337,601)
(316,617)	(382,846)	Other Long Term Liabilities	28	(350,071)
(13,927)	(25,897)	Capital Grants Receipts in Advance	14	(23,298)
<b>(753,977)</b>	<b>(854,576)</b>	<b>Long Term Liabilities</b>		<b>(817,608)</b>
<b>443,880</b>	<b>400,221</b>	<b>Net Assets</b>		<b>462,550</b>
(142,443)	(162,849)	Usable Reserves	31	(182,477)
(301,437)	(237,372)	Unusable Reserves	32	(280,073)
<b>(443,880)</b>	<b>(400,221)</b>	<b>Total Reserves</b>		<b>(462,550)</b>

This statement has been restated to adjust for the prior period adjustments in note 1 and reallocated cash balances.

The audited financial statements were approved for issue on 19 September 2017 by the Audit and Accounts committee.

## Comprehensive Income and Expenditure Statement

This statement shows the total amounts of income and expenditure chargeable in each year.

2014/15 restated				2015/16		
Gross Exp £000	Gross Inc £000	Net £000		Gross Exp £000	Gross Inc £000	Net £000
33,136	(17,712)	15,424	Central services to the public	33,996	(15,719)	18,277
40,190	(6,716)	33,474	Cultural Related Services	47,947	(8,094)	39,853
30,110	(8,499)	21,611	Environmental & Regulatory Services	27,846	(11,252)	16,594
17,043	(17,839)	(796)	Planning Services	12,336	(8,880)	3,456
264,880	(204,525)	60,355	Education and children's services	260,115	(203,162)	56,953
27,535	(11,447)	16,088	Highways and transport services	24,226	(8,126)	16,100
45,443	(59,431)	(13,988)	Local authority housing (HRA)	49,037	(60,223)	(11,186)
106,532	(100,594)	5,938	Other housing services	109,835	(96,931)	12,904
87,834	(18,733)	69,101	Adult social care	80,856	(17,244)	63,612
4,169	(629)	3,540	Corporate and democratic core	3,686	(467)	3,219
14,925	(15,825)	(900)	Public health	16,783	(17,640)	(857)
3,443	(19)	3,424	Non distributed costs	2,559	(97)	2,462
<b>675,240</b>	<b>(461,969)</b>	<b>213,271</b>	<b>Cost of Services</b>	<b>669,222</b>	<b>(447,835)</b>	<b>221,387</b>
		12,585	Other operating expenditure (Note 9)			(1,737)
		33,493	Financing and investment income and expenditure (Note 10)			32,994
		(262,106)	Taxation and non-specific grant income (Note 11)			(241,987)
		<b>(2,757)</b>	<b>(Surplus) or Deficit on Provision of Services</b>			<b>10,657</b>
		(5,648)	(Surplus) or deficit on revaluation of Property, Plant and Equipment assets (Note 32)			(21,909)
		52,064	Remeasurement of the net defined benefit liability (Note 38)			(51,077)
		<b>46,416</b>	<b>* Other Comprehensive (Income) and Expenditure</b>			<b>(72,986)</b>
		<b>43,659</b>	<b>Total (surplus)/Deficit</b>			<b>(62,329)</b>

This statement has been restated to adjust for the prior period adjustments in note 1. It has also been adjusted to correct the allocation of HRA Corporate and Democratic Core expenditure previously reported in the HRA net cost of service line and the allocation of HRA special services previously netted off against income.

\* The Council does not have any material items of Other Comprehensive Income and Expenditure which would subsequently be reclassified to the Surplus or Deficit on the Provision of Services when specific conditions are met.

## Movement in Reserves Statement

A detailed explanation of the purpose of this statement is included in the Narrative Statement.

**2014/15**

	General Fund Balance restated £000	Earmarked General Fund Reserves £000	Housing Revenue Account £000	Earmarked HRA Reserves £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves restated £000	Total Council Reserves £000
<b>Balance at 31 March 2014 brought forward</b>	<b>(15,018)</b>	<b>(71,634)</b>	<b>(25,452)</b>	<b>(802)</b>	<b>(2,768)</b>	<b>(10,556)</b>	<b>(16,099)</b>	<b>(142,329)</b>	<b>(508,314)</b>	<b>(650,643)</b>
Effect of Restatement in note 1	0	(114)	0	0	0	0	0	(114)	206,877	206,763
<b>Restated Balance at 31 March 2014 brought forward</b>	<b>(15,018)</b>	<b>(71,748)</b>	<b>(25,452)</b>	<b>(802)</b>	<b>(2,768)</b>	<b>(10,556)</b>	<b>(16,099)</b>	<b>(142,443)</b>	<b>(301,437)</b>	<b>(443,880)</b>
<b>Movement in Reserves during 2014/15</b>										
(Surplus) or deficit on the provision of services	3,667	0	(6,424)	0	0	0	0	<b>(2,757)</b>	0	<b>(2,757)</b>
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	<b>0</b>	46,416	<b>46,416</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>3,667</b>	<b>0</b>	<b>(6,424)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(2,757)</b>	<b>46,416</b>	<b>43,659</b>
Adjustments between accounting basis & funding basis under regulations (Note 7)	(18,369)	0	(1,815)	0	(1,741)	3,757	519	<b>(17,649)</b>	17,649	<b>0</b>
<b>Net (Increase)/ Decrease before Transfers to Earmarked Reserves</b>	<b>(14,702)</b>	<b>0</b>	<b>(8,239)</b>	<b>0</b>	<b>(1,741)</b>	<b>3,757</b>	<b>519</b>	<b>(20,406)</b>	<b>64,065</b>	<b>43,659</b>
Transfers (to)/from Earmarked Reserves	15,131	(15,131)	(15)	15	0	0	0	<b>0</b>	0	<b>0</b>
<b>(Increase)/ Decrease in 2014/15</b>	<b>429</b>	<b>(15,131)</b>	<b>(8,254)</b>	<b>15</b>	<b>(1,741)</b>	<b>3,757</b>	<b>519</b>	<b>(20,406)</b>	<b>64,065</b>	<b>43,659</b>
<b>Balance at 31 March 2015 carried forward</b>	<b>(14,589)</b>	<b>(86,879)</b>	<b>(33,706)</b>	<b>(787)</b>	<b>(4,509)</b>	<b>(6,799)</b>	<b>(15,580)</b>	<b>(162,849)</b>	<b>(237,372)</b>	<b>(400,221)</b>

The balance as at 31 March 2014 and in-year entries have been restated as per Note 1.

**2015/16**

	<b>General Fund Balance £000</b>	<b>Earmarked General Fund Reserves £000</b>	<b>Housing Revenue Account £000</b>	<b>Earmarked HRA Reserves £000</b>	<b>Capital Receipts Reserve £000</b>	<b>Major Repairs Reserve £000</b>	<b>Capital Grants Unapplied £000</b>	<b>Total Usable Reserves £000</b>	<b>Unusable Reserves £000</b>	<b>Total Council Reserves £000</b>
<b>Restated Balance at 31 March 2015 brought forward</b>	<b>(14,589)</b>	<b>(86,879)</b>	<b>(33,706)</b>	<b>(787)</b>	<b>(4,509)</b>	<b>(6,799)</b>	<b>(15,580)</b>	<b>(162,849)</b>	<b>(237,372)</b>	<b>(400,221)</b>
<b>Movement in Reserves during 2015/16</b>										
(Surplus) or deficit on the provision of services	14,338	0	(3,681)	0	0	0	0	10,657	0	10,657
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	(72,986)	(72,986)
<b>Total Comprehensive Income and Expenditure</b>	<b>14,338</b>	<b>0</b>	<b>(3,681)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>10,657</b>	<b>(72,986)</b>	<b>(62,329)</b>
Adjustments between accounting basis & funding basis under regulations (Note 7)	(26,516)	0	(2,885)	0	(4,335)	4,209	(758)	(30,285)	30,285	0
<b>Net (Increase)/ Decrease before Transfers to Earmarked Reserves</b>	<b>(12,178)</b>	<b>0</b>	<b>(6,566)</b>	<b>0</b>	<b>(4,335)</b>	<b>4,209</b>	<b>(758)</b>	<b>(19,628)</b>	<b>(42,701)</b>	<b>(62,329)</b>
Transfers (to)/from Earmarked Reserves	9,159	(9,159)	0	0	0	0	0	0	0	0
<b>(Increase)/ Decrease in 2015/16</b>	<b>(3,019)</b>	<b>(9,159)</b>	<b>(6,566)</b>	<b>0</b>	<b>(4,335)</b>	<b>4,209</b>	<b>(758)</b>	<b>(19,628)</b>	<b>(42,701)</b>	<b>(62,329)</b>
<b>Balance at 31 March 2016 carried forward</b>	<b>(17,608)</b>	<b>(96,038)</b>	<b>(40,272)</b>	<b>(787)</b>	<b>(8,844)</b>	<b>(2,590)</b>	<b>(16,338)</b>	<b>(182,477)</b>	<b>(280,073)</b>	<b>(462,550)</b>

## Cash Flow Statement

A detailed explanation of the purpose of this statement is included in the Narrative Statement.

2014/15 restated £000		2015/16 £000
(2,757)	Net (surplus) or deficit on the provision of services	10,657
(84,902)	Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 41)	(79,195)
30,607	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 42)	18,209
<b>(57,052)</b>	<b>Net cash flows from Operating Activities</b>	<b>(50,329)</b>
37,096	Investing Activities (Note 44)	28,939
10,153	Financing Activities (Note 45)	465
<b>(9,803)</b>	<b>Net (increase) or decrease in cash and cash equivalents</b>	<b>(20,925)</b>
36,873	Cash and cash equivalents at the beginning of the reporting period	46,676
<b>46,676</b>	<b>Cash and cash equivalents at the end of the reporting period (Note 26)</b>	<b>67,601</b>

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

## **1. Prior Period Adjustments**

### **Restatement of Land and Building Valuations**

During the 2015/16 financial year the basis and methodologies employed for valuing the Council's assets have been reviewed. As a result of this process the Council has established that a more appropriate basis should be used to value certain elements of the land and building of some Council properties. These properties are predominantly schools which are valued on a modern equivalent replacement basis. Upon review of these assets along with external valuers Cushman and Wakefield the methodology and basis for estimating land values, notional building size, rebuild costs and remaining lives have been refined.

Applying the reviewed valuation estimates results in a net revaluation loss of (£232.005m) in 2014/15. The financial statements have therefore been restated for consistency and to enable comparison between years.

### **Capital Corrections**

During the 2015/16 audit of the statement of accounts a number of material errors regarding the treatment of assets were identified. Applying these changes has resulted in a net revaluation loss of (£30.399m) in 2014/15. The main adjustments made were due to:

- Derecognition of assets in the wrong financial year. The net impact of these adjustments was nil, however for disclosure purposes the gross book value of assets and the accumulated depreciation were overstated by £6.245m.
- Undervaluation of the Assembly Rooms car park. After the fire at the assembly rooms the assembly rooms car park was impaired and held on the asset register at nil value. The impact of the adjustment to recognise the actual valuations of the car park in 2014/15 is a net revaluation gain of £3m.
- Impairment of the Assembly Rooms recognised in the wrong financial year. The Assembly Rooms fire occurred on 14th March 2014 however the assembly rooms assets were not impaired in the asset register until 2015/16. The impact of the corrections in 2014/15 was a revaluation loss of (£42.765m).
- Park Equipment assets were not being depreciated. Depreciating the park equipment the Council holds on the asset register has resulted in a net depreciation charge of (£2.210m) affecting the 2014/15 asset values.
- The timing of writing out accumulated depreciation on Council Dwellings has been changed to match the year of revaluation. There is no net final impact from this change but recognition in individual years has been amended.

## **Data Cleansing**

The 2015/16 audit of the draft statement of accounts also highlighted a number of discrepancies between the data held on the asset register and the valuations system. The impact of these adjustments in 2014/15 is a net revaluation loss of (£17.180m).

The main adjustment was in relation to parks assets. These assets were on the asset register but their existence could not be verified. The impact of the removal of these assets was a net revaluation loss of (£9.768m) in 2014/15.

## **PFI**

The accounts have also been restated for changes relating to the timing of recognition of long term PFI liabilities.



## Restatement of Core Financial Statements

### Balance Sheet

The effect on the 2013/14 and 2014/15 Core Financial Statement's for all the Prior Period Adjustments described is set out below.

		Restatement						Restatement					
	Final 2013/14 £000	Land Values £000	PFI £000	Capital Corrections £000	Data Cleansing £000	Restated 2013/14 £000	Final 2014/15 £000	Land Values £000	PFI £000	Capital Corrections £000	Data Cleansing £000	Restated 2014/15 £000	
Property, Plant & Equipment	1,324,053	(165,987)	0	(16,444)	(17,298)	1,124,324	1,417,855	(232,005)	0	(30,339)	(17,180)	1,138,331	
Other Long Term Assets	94,675	0	0	0		94,675	101,721	0	0	0	0	101,721	
<b>Long Term Assets</b>	<b>1,418,728</b>	<b>(165,987)</b>	<b>0</b>	<b>(16,444)</b>	<b>(17,298)</b>	<b>1,218,999</b>	<b>1,519,576</b>	<b>(232,005)</b>	<b>0</b>	<b>(30,339)</b>	<b>(17,180)</b>	<b>1,240,052</b>	
<b>Current Assets</b>	<b>86,157</b>	0	0	0	0	<b>86,157</b>	<b>88,804</b>	0	0	0	0	<b>88,804</b>	
<b>Current Liabilities</b>	<b>(107,165)</b>	0	(134)	0	0	<b>(107,299)</b>	<b>(73,959)</b>	0	(100)	0	0	<b>(74,059)</b>	
<b>Long Term Liabilities</b>	<b>(747,077)</b>	0	(6,900)	0	0	<b>(753,977)</b>	<b>(848,004)</b>	0	(6,572)	0	0	<b>(854,576)</b>	
<b>Net Assets</b>	<b>650,643</b>	<b>(165,987)</b>	<b>(7,034)</b>	<b>(16,444)</b>	<b>(17,298)</b>	<b>443,880</b>	<b>686,417</b>	<b>(232,005)</b>	<b>(6,672)</b>	<b>(30,339)</b>	<b>(17,180)</b>	<b>400,221</b>	
Usable Reserves	(142,329)	0	(114)	0	0	(142,443)	(162,735)	0	(114)	0	0	(162,849)	
Unusable Reserves	(508,314)	165,987	7,148	16,444	17,298	(301,437)	(523,682)	232,005	6,786	30,339	17,180	(237,372)	
<b>Total Reserves</b>	<b>(650,643)</b>	<b>165,987</b>	<b>7,034</b>	<b>16,444</b>	<b>17,298</b>	<b>(443,880)</b>	<b>(686,417)</b>	<b>232,005</b>	<b>6,672</b>	<b>30,339</b>	<b>17,180</b>	<b>(400,221)</b>	

Comprehensive Income and Expenditure Statement	2014/15 Net Expenditure * £000	Restatement				
		Land Values £000	PFI £000	Capital Corrections £000	Data Cleansing £000	Restated 2014/15 £000
Central services to the public	15,424	0	0	0	0	15,424
Cultural Related Services	28,103	0	0	5,494	(123)	33,474
Environmental & Regulatory Services	21,635	0	0	0	(24)	21,611
Planning Services	(543)	0	0	(253)	0	(796)
Education and children's services	74,728	(10,514)	(859)	(2,892)	(108)	60,355
Highways and transport services	17,601	0	(1,553)	40	0	16,088
Local authority housing (HRA)	(13,776)	0	0	(212)	0	(13,988)
Other housing services	6,969	0	(1,031)	0	0	5,938
Adult social care	69,138	0	0	(36)	(1)	69,101
Corporate and democratic core	3,540	0	0	0	0	3,540
Public health	(900)	0	0	0	0	(900)
Non distributed costs	3,424	0	0	0	0	3,424
<b>Cost of Services</b>	<b>225,343</b>	<b>(10,514)</b>	<b>(3,443)</b>	<b>2,141</b>	<b>(256)</b>	<b>213,271</b>
Other operating expenditure (Note 9)	12,579	0	0	6	0	12,585
Financing and investment income and expenditure (Note 10)	32,133	0	1,360	0	0	33,493
Taxation and non-specific grant income (Note 11)	(263,828)	0	1,722	0	0	(262,106)
<b>(Surplus) or Deficit on Provision of Services</b>	<b>6,227</b>	<b>(10,514)</b>	<b>(361)</b>	<b>2,147</b>	<b>(256)</b>	<b>(2,757)</b>
(Surplus) or deficit on revaluation of Property, Plant and Equipment assets	(94,064)	76,532	0	11,746	138	(5,648)
Remeasurement of the net defined benefit liability	52,064	0	0	0	0	52,064
<b>Other Comprehensive (Income) and Expenditure</b>	<b>(42,000)</b>	<b>76,532</b>	<b>0</b>	<b>11,746</b>	<b>138</b>	<b>46,416</b>
<b>Total Comprehensive (Income) and Expenditure</b>	<b>(35,773)</b>	<b>66,018</b>	<b>(361)</b>	<b>13,893</b>	<b>(118)</b>	<b>43,659</b>

\* Items within Cost of Service have been recategorised with no overall change to the total balance.

		Restatement				
<b>Cash Flow Statement Summary</b>	<b>2014/15 £000</b>	<b>Land Values £000</b>	<b>PFI £000</b>	<b>Capital Corrections £000</b>	<b>Data Cleansing £000</b>	<b>Restated 2014/15 £000</b>
Net (surplus) or deficit on the provision of services	6,227	(10,514)	(361)	2,147	(256)	(2,757)
Adjustments to net surplus or deficit on the provision of services for non-cash movements	(93,525)	10,514	0	(2,147)	256	(84,902)
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	30,607	0	0	0	0	30,607
<b>Net cash flows from Operating Activities</b>	<b>(56,691)</b>	<b>0</b>	<b>(361)</b>	<b>0</b>	<b>0</b>	<b>(57,052)</b>
Investing Activities	37,096	0	0	0	0	37,096
Net cash flows from financing activities	9,792	0	361	0	0	10,153
<b>Net (increase) or decrease in cash and cash equivalents</b>	<b>(9,803)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(9,803)</b>
Cash and cash equivalents at the beginning of the reporting period	36,873	0	0	0	0	36,873
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>46,676</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>46,676</b>

<b>Movement in Reserves Statement 2014/15</b>	<b>General Fund Balance £000</b>	<b>Other Reserves £000</b>	<b>Total Usable Reserves £000</b>	<b>Unusable Reserves £000</b>	<b>Total Council Reserves £000</b>
<b>Balance at 31 March 2014 brought forward</b>	<b>(15,018)</b>	<b>(127,311)</b>	<b>(142,329)</b>	<b>(508,314)</b>	<b>(650,643)</b>
Effect of Restatements	0	(114)	(114)	206,877	206,763
<b>Restated balance at 31 March 2014 brought forward</b>	<b>(15,018)</b>	<b>(127,425)</b>	<b>(142,443)</b>	<b>(301,437)</b>	<b>(443,880)</b>
<b>Movement in Reserves during 2014/15</b>					
(Surplus) or deficit on the provision of services	12,439	(6,212)	6,227	0	6,227
Effect of restatement	(8,772)	(212)	(8,984)	0	(8,984)
<b>Restated (Surplus) or deficit on the provision of services</b>	<b>3,667</b>	<b>(6,424)</b>	<b>(2,757)</b>	<b>0</b>	<b>(2,757)</b>
Other Comprehensive Income and Expenditure	0	0	0	(42,000)	(42,000)
Effect of restatement	0	0	0	88,416	88,416
<b>Restated Other Comprehensive Income and Expenditure</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>46,416</b>	<b>46,416</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>3,667</b>	<b>(6,424)</b>	<b>(2,757)</b>	<b>46,416</b>	<b>43,659</b>
Adjustments between accounting basis & funding basis under regulations (Note 7)	(27,141)	508	(26,633)	26,633	0
Effect of restatement	8,772	212	8,984	(8,984)	0
<b>Restated Adjustments between accounting basis &amp; funding basis under regulations (Note 7)</b>	<b>(18,369)</b>	<b>720</b>	<b>(17,649)</b>	<b>17,649</b>	<b>0</b>
<b>Net (Increase)/ Decrease before Transfers to Earmarked Reserves</b>	<b>(14,702)</b>	<b>(5,704)</b>	<b>(20,406)</b>	<b>64,065</b>	<b>43,659</b>
Transfers (to)/from Earmarked Reserves	15,131	(15,131)	0	0	0
<b>(Increase)/ Decrease in 2014/15</b>	<b>429</b>	<b>(20,835)</b>	<b>(20,406)</b>	<b>64,065</b>	<b>43,659</b>
<b>Balance at 31 March 2015 carried forward</b>	<b>(14,589)</b>	<b>(148,260)</b>	<b>(162,849)</b>	<b>(237,372)</b>	<b>(400,221)</b>

## **2. Accounting Policies 2015/16**

### **i. General Principles**

The Statement of Accounts summarises the Council's transactions for the 2015/16 financial year and its position at the year-end of 31 March 2016. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015, these Regulations require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and the Service Reporting Code of Practice 2015/16, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. The Statement of Accounts has been prepared on a going concern basis.

### **ii. Accruals of Income and Expenditure**

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

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

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

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

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

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

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

## 7) Collection Fund

Retained Business Rate and Council Tax income is included in the Comprehensive Income & Expenditure Statement for the year and treated as accrued income. This is measured at the full amount receivable.

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

While the Council Tax and NNDR income for the year credited to the Collection Fund is the accrued income for the year, regulations determine when it should be released from the Collection Fund and transferred to the Council's General Fund, or paid out from the Collection Fund to the major preceptors. The amount credited to the General Fund under statute is the Council's demand on the Fund for that year, plus/(less) the Council's share of any surplus/(deficit) on the Collection Fund for the previous year. This amount may be more or less than the accrued income for the year in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

Revenue from non-exchange transactions shall be recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the authority, and the amount of the revenue can be measured reliably.

### **iii. Cash and Cash Equivalents**

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

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

### **iv. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors**

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

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

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period. The revaluation of Property has been treated as a material error in 2014/15.

#### **v. Charges to Revenue for Non-Current Assets**

Services are debited with the following amounts to record the cost of holding non current assets during the year:

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

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

For capital expenditure incurred before 1st April 2008 and for supported capital expenditure incurred on or after that date, MRP will be determined by charging the expenditure on straight line basis over the remaining useful life in respect of that expenditure.

For unsupported capital expenditure incurred after 31st March 2008, MRP will be determined by charging the expenditure over the expected useful life of the relevant assets as the principal repayment on an annuity with an annual interest rate of 5.5% if the asset life is less than 10 years, and 6.5% if the asset life is over 10 years, starting in the year after the asset becomes operational. MRP on purchases of freehold land will be charged over 50 years. MRP on expenditure not related to fixed assets but which has been capitalised by regulation or direction will be charged over 20 years.

For assets acquired by finance leases or the Private Finance Initiative and for the transferred debt from Derbyshire County Council, MRP will be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability.

Where loans are made to other bodies for their capital expenditure they are matched by an actual PWLB loan being taken out. The capital receipts generated by the annual repayments from the 3rd party are set aside to repay the PWLB debt.

No MRP will be charged in respect of assets held within the Housing Revenue Account.

## **vi. Employee Benefits**

### **Benefits Payable During Employment**

Short-term employee benefits are those due to be settled within 12 months of the year end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the Council.

An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. untaken flexi leave) earned by employees but not taken before the year end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefits. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

### **Termination Benefits**

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service or, where applicable, to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement at the earlier of when the authority can no longer withdraw the offer of those benefits or when the authority recognises costs for a restructuring.

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

### **Post Employment Benefits**

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

- 1) The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE).
- 2) The NHS' Pension Scheme, administered by NHS Pensions for Public Health employees who transferred to Derby City Council.
- 3) The Local Government Pensions Scheme, administered by Derbyshire County Council.

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



However, the arrangements for the Teachers' scheme and NHS Scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. These scheme's are therefore accounted for as if they were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. Within the Comprehensive Income and Expenditure Statement the Education and Children's Services and Public Health lines are charged with the employer's contributions payable to Teachers' Pensions and NHS Pensions in the year.

## **The Local Government Pension Scheme**

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

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

Liabilities are discounted to their value at current prices, using a discount rate. The details of these rates are included in the Defined Benefit Pension Schemes note.

The assets of Derbyshire County Council pension fund attributable to the Council are included in the Balance Sheet at their fair value:

- Quoted securities - current bid price
- Unquoted securities - professional estimate
- Unitised securities - current bid price
- Property - market value.

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

### **1) Service costs comprising:**

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

b) past service cost - the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years - debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.

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

## 2) Remeasurements comprising:

- a) the return on plan assets - excluding amounts included in net interest on the net defined benefit liability (asset) - charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- b) actuarial gains and losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions - charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

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

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

### **Discretionary Benefits**

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

## **vii. Events After the Balance Sheet Date**

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

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

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

## **viii. Financial Instruments**

### **Financial Liabilities**

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

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustments Account in the Movement in Reserves Statement.

### **Financial Assets**

Financial assets are classified into two types:

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

## Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

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

## Available-for-Sale Assets

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

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- Instruments with quoted market prices - the market price.
- Other instruments with fixed and determinable payments - discounted cash flow analysis.
- Equity shares with no quoted market prices - independent appraisal of company valuations (unless deemed not to be material then held at historical cost).

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset.

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred - these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

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

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

## **ix. Government Grants and Contributions**

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

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

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

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

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

### **Business Improvement Districts (BID)**

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

## **x. Heritage Assets**

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

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

Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets as detailed below. Smaller individual items with a value of less than £10,000 are not recognised unless they form part of a significant collection. The accounting policies in relation to heritage assets that are deemed to include elements of intangible heritage assets are also presented below.

The Council's heritage asset collections are relatively static and acquisitions and donations are rare. Where they do occur acquisitions are initially recognised at cost and donations are recognised at valuation, using the appropriate methodology for the specific collection. The Council's materiality is consistent with the policy for Property, Plant and Equipment.

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

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

Where the Council's heritage assets are recognised on the balance sheet, they are deemed to have indeterminate lives and a high residual value and therefore the Council does not consider it appropriate to charge depreciation.

The Council's most significant collections of heritage assets are accounted for as follows:

### **Art Collection**

The art collection includes paintings, drawings and sculptures and is reported in the Balance Sheet at insurance valuations. The most significant element of the Council's art collection is its collection of Joseph Wright oil paintings.

### **Decorative Art Collection**

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

### **Industrial Collection**

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

### **Natural History Collection**

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

### **Military Collection**

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

### **Civic Regalia**

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

### **Sculptures/Monuments**

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

### **Other Collections**

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

## **Heritage Assets - General**

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

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

### **xi. Leases**

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

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

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

### **xii. The Council as Lessee**

#### **Finance Leases**

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

Lease payments are apportioned between:

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



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

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

### **Operating Leases**

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

## **xiii. The Council as Lessor**

### **Finance Leases**

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

Lease rentals receivable are apportioned between:

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

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

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

### **Operating Leases**

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

## **xiv. Overheads and Support Services**

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2015/16 (SeRCOP). The total absorption costing principle is used - the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- 1) Corporate and Democratic Core - costs relating to the Council's status as a multi-functional, democratic organisation.
- 2) Non Distributed Costs - the cost of discretionary benefits awarded to the employees retiring early and impairment losses chargeable on Assets Held for Sale.

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

## **xv. Property, Plant and Equipment**

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

### **Recognition**

Expenditure on the acquisition, creation or enhancement of PPE is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Single item acquisitions below £10,000 are not recognised on the Council's Balance Sheet in line with the Council's de minimus threshold for capitalisation, however these items are financed as capital. Expenditure that maintains, but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

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

In accordance with the Code of Practice 2015/16, PPE assets are only recognised if it is probable that future economic benefits or service potential associated with the item will flow to the Council. The PPE assets of the Council's Community, Voluntary Controlled, Voluntary Aided (excluding land) and Foundation schools are considered to meet the IFRS definition for recognition and are included in the Council's balance sheet. Land at Voluntary Aided school sites does not meet this criteria and so is excluded. In addition as Academy schools are not owned or fully funded by the Council, they are also not considered to meet the recognition criteria and are therefore not included in the Council's Balance Sheet.

### **Derecognition**

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

## Measurement

Assets are initially measured at cost, comprising:

- 1) The purchase price
- 2) Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- 3) The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

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

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

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

- Assets under construction - cost
- Infrastructure and community assets - depreciated historical cost
- Dwellings - current value, determined using the basis of existing use value for social housing (EUVSH)
- Surplus assets – fair value, estimated at highest and best use from a market participant's perspective.
- All other assets - current value, determined as the amount that would be paid for the asset in its existing use (existing use value - EUV).

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

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

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

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

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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

## **Impairment**

Where indications of impairment exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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

## **Depreciation**

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

Depreciation is calculated on the following bases:

- Dwellings and other buildings - straight-line allocation over the useful life of the property as estimated by the Valuer (usually 60 years)
- Vehicles, plant, furniture and equipment - straight-line allocation over the useful life of the asset (useful life is estimated by the purchasing officer and is usually between 3 and 20 years).
- Infrastructure - straight-line allocation over 40 years.

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

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

## Disposals and Non-current Assets Held for Sale

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

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

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

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

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

### **xvi. Private Finance Initiative (PFI) and Similar Contracts**

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. Where the Council is deemed to control the services that are provided under its PFI schemes, and controls a significant residual interest of the asset, the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment. Where either of these criteria are not met the assets are not included in the Council's balance sheet.

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

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

The amounts payable to the PFI operators each year are analysed into five elements:

- Fair value of the services received during the year - debited to the relevant service in the Comprehensive Income and Expenditure Statement.
- Finance cost - an interest charge of 2.61% - 7.53% on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- Contingent rent - increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- Payment towards liability - applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease).
- Lifecycle replacement costs - proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

## **xvii. Provisions, Contingent Liabilities and Contingents Assets**

### **Provisions**

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

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

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

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

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

### **Contingent Liabilities**

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

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

## **xviii. Reserves**

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

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

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

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



## **xx. Accounting for Local Government Schools**

The Code of Practice on Local Authority Accounting in the United Kingdom confirms that the balance of control for local authority maintained schools (i.e. those categories of school identified in the School Standards and Framework Act 1998, as amended) lies with the local authority. The Code also stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the local authority financial statements (and not the Group Accounts). Therefore schools' transactions, cash flow and balances are recognised in each of the financial statements of the authority as if they were the transactions, cash flows and balances of the authority.

The treatment of land and buildings for each type of school is based on the legal framework underlying each type of school. The Council controls the management and running of community, special, voluntary aided and voluntary controlled schools and therefore the land (excluding voluntary aided schools) and buildings of those schools are included on the Council's balance sheet.

All activities of community, special, foundation, voluntary aided and voluntary controlled schools are accounted for by the Council. For example, capital expenditure is added to the balances for those schools.

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

Individual schools' balances at 31st March 2016 are included in the balance sheet of the Council as any unspent delegated schools budgets remain the property of the Council.

### **PFI Schemes**

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

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

## **xxi. VAT**

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

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

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

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

The Council's main interest relates to Derby Homes Ltd which is a wholly owned subsidiary of the Council. Derby Homes produce financial statements to 31st March in line with the Council's own financial reporting; there are no material differences in accounting policies between the two entities. In line with the code of practice for local authority accounting these accounts are consolidated into the group accounts on a line by line basis. This is the only entity consolidated into the Council's group accounts.

## **xxiii. Fair Value Measurement**

The Council measures some of its non-financial assets such as surplus assets and investment properties at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either;

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

The Council measures the fair value of an asset or liability 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 participant's 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.

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 – unobservable inputs for the asset or liability.

#### **xxiv. Investment Property**

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

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are valued annually according to market conditions at the year end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

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

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

The Council is required to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

#### **IAS1 Presentation of Financial Statements**

This standard gives guidelines on the format of the financial statements. Changes to the presentation of the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement will be required for the 2016/17 accounts along with a new Expenditure and Funding Analysis. These changes are being introduced to improve 'telling the story' and make the accounts more accessible to end users.

#### **Annual Improvements to IFRS**

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

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

The Statement of Accounts was authorised for issue by the Director of Finance on 19 September 2017. Events taking place after this date are not reflected in the financial statements or notes.

The Council is not aware of any events that occurred between the 31 March 2016 and this authorisation date, that would require disclosure.

### **5. Critical Judgements in Applying Accounting Policies**

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

### 1) Government Funding:

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

### 2) PFI Schemes:

The Council has five PFI schemes in operation which are included within the Statement of Accounts. In all cases, judgements have been made about the nature and timing of future project expenditure given the complexity of projects. The actual profiling of future project costs may be subject to change due to unforeseen circumstances. The Council has judged that 1 of these schemes does not meet the recognition criteria and is therefore not included on the balance sheet. Further details of the Council's PFI schemes are included in the relevant notes to the accounts.

### 3) Componentisation of Property, Plant and Equipment:

The Code of Practice on Local Authority Accounting 2015/16 requires that the Council depreciates separately any part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item.

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

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

### 4) Heritage Assets:

The Code of Practice on Local Authority Accounting 2015/16 requires that the Council accounts for its tangible and intangible heritage assets. As a result, values for these assets are now recognised in the Council's balance sheet position, except where valuations are not available and the cost of obtaining valuations would be disproportionate to the benefits to the users of the Statement of Accounts.

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

#### 5) Equal Pay

Under the Equal Pay Act 1970, as amended by the Equal Pay Act (Amendment) Regulations 2003, employees are entitled to equal pay for work of equal value. The Council has received a number of claims under the Equal Pay Act and, as a result, has set aside a provision in the accounts. The provision is dependant upon the Council's judgement of the likelihood and value of successful claims. No provision has been made for claims not yet received as a reliable estimate of value and timing of such claims cannot be made.

#### 6) Group Accounts

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

#### 7) Pooled Budgets

The Council has entered into a pooled budget arrangement with the Southern Derbyshire CCG (SDCCG) for the provision of health and social care services. This agreement has been made under section 75 of the National Health Services Act 2006. Within the pooled budget the Council has assessed that it operates as both the host partner and as the lead commissioner. In line with this assessment the Council's accounts include income from the SDCCG and expenditure to providers on a gross basis. Further details of the pool arrangement are included in the Pooled Budget note.

### **6. Assumptions made about the future and other major sources of estimation uncertainty**

The preparation of financial statements requires management to make judgements, estimates and assumptions on amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The key judgements and estimation uncertainty that have a significant risk of causing material adjustment to the carrying of assets and liabilities within the next financial year are:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment - Valuation	<p>The Council's portfolio of Other Land and Buildings is revalued as part of a 5 year rolling programme. The value of those assets is based upon calculations and estimation techniques employed by the Council's Valuers following the Royal Institute of Chartered Surveyors (RICS) guidance. Changes in asset values are largely influenced by market forces which can be volatile. Therefore it is uncertain that the Council's assets will not see a significant change in value.</p>	<p>Any revaluation of assets either upward or downward would be reflected in the Council's asset base. It is estimated that a 1% change in asset values would result in a change of £5.106 million.</p>
Pensions Liability	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.</p>	<p>Details of the effect of changes in the key actuarial assumptions are included in the Defined Benefit Pension Schemes note.</p>
Arrears	<p>At 31 March 2016, the Council had a balance of short-term debtors of £36.798 million. The Council has applied an impairment of doubtful debts of £27.908 million based on age of debt and historic experience of rates of recovery. However, in the current economic climate it is not certain that such an allowance would be sufficient.</p>	<p>If collection rates were to deteriorate a 10% increase in the number of bad and doubtful debts would require an additional £2.791 million to be set aside as an allowance. The Council's impairment of doubtful debts include £11.910m in relation to Council Tax and NDR based on assumed collection rates. A 1% reduction in these rates would require an additional impairment of £0.119m to be put aside.</p>

## **7. Adjustments between accounting basis and funding basis under regulations**

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

<b>2015/16</b>	<b>Usable</b>					<b>Unusable</b>
	<b>General Fund Balance £000</b>	<b>Housing Revenue Account £000</b>	<b>Capital Receipts Reserve £000</b>	<b>Major Repairs Reserve £000</b>	<b>Capital Grants Unapplied £000</b>	<b>Movement in Unusable Reserves £000</b>
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation and impairment of non-current assets	(26,261)	(16,995)	0	0	0	43,256
Revaluation losses on Property Plant and Equipment	(34,076)	(9,572)	0	0	0	43,648
Revaluation gains matched to prior years impairments	10,022	9,871	0	0	0	(19,893)
Movements in the market value of Investment Properties	(2,952)	0	0	0	0	2,952
Amortisation of intangible assets	(1,963)	0	0	0	0	1,963
Capital grants and contributions applied	23,205	0	0	0	0	(23,205)
Revenue expenditure funded from capital under statute	(5,743)	0	0	0	0	5,743
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(2,602)	(3,853)	0	0	0	6,455
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	12,269	55	0	0	0	(12,324)
Capital expenditure charged against the General Fund and HRA balances	3,920	65	0	0	0	(3,985)
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	8,827	21	0	0	(8,848)	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	8,090	(8,090)



2015/16	Usable					Unusable
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustment primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	3,229	6,226	(9,455)	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	3,915	0	0	(3,915)
Use of Capital Receipts Reserve towards administrative costs of non-current capital receipts pool	(1,262)	0	1,262	0	0	0
Transfer from deferred capital receipts reserve upon receipt of cash	0	0	(57)	0	0	57
Adjustment primarily involving the Major Repair Reserve:						
Reversal of Major Repairs Allowance credited to the HRA	0	11,594	0	(11,594)	0	0
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	15,803	0	(15,803)
Adjustment primarily involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(54)	(220)	0	0	0	274
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(42,759)	(262)	0	0	0	43,021

2015/16	Usable					Unusable
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Employers pensions contributions and direct payments to pensioners payable in the year	21,974	185	0	0	0	(22,159)
Adjustments primarily involving the Unequal Pay Back Pay Adjustment Account:						
Amounts by which the amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure Statement are different from the costs of settlements chargeable in the year in accordance with statutory requirements.	13,003	0	0	0	0	(13,003)
Adjustable primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax and NNDR income credited to the Comprehensive Income and Expenditure Statement is different from council tax and NNDR income calculated for the year in accordance with statutory requirements	(5,293)	0	0	0	0	5,293
<b>Total Adjustments</b>	<b>(26,516)</b>	<b>(2,885)</b>	<b>(4,335)</b>	<b>4,209</b>	<b>(758)</b>	<b>30,285</b>

2014/15 Comparative Figures	Usable					Unusable
	General Fund Balance restated £000	Housing Revenue Account restated £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves restated £000
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation and impairment of non-current assets	(30,998)	(12,085)	0	0	0	43,083
Revaluation losses on Property Plant and Equipment	(24,851)	(1,328)	0	0	0	26,179
Revaluation gains matched to prior years impairments	8,391	873	0	0	0	(9,264)
Movements in the market value of Investment Properties	3	0	0	0	0	(3)
Amortisation of intangible assets	(1,756)	0	0	0	0	1,756
Capital grants and contributions applied	37,135	0	0	0	0	(37,135)
Revenue expenditure funded from capital under statute	(6,537)	(3,274)	0	0	0	9,811
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(14,996)	(3,532)	0	0	0	18,528
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	13,702	58	0	0	0	(13,760)
Capital expenditure charged against the General Fund and HRA balances	3,660	43	0	0	0	(3,703)

2014/15 Comparative Figures	Usable					Unusable
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	12,328	0	0	0	(12,328)	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	12,847	(12,847)
Adjustment primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,065	5,976	(7,041)	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	4,206	0	0	(4,206)
Use of Capital Receipts Reserve towards administrative costs of non-current capital receipts pool	(1,103)	0	1,103	0	0	0
Transfer from deferred capital receipts reserve upon receipt of cash	0	0	(9)	0	0	9
Adjustment primarily involving the Major Repair Reserve:						
Reversal of Major Repairs Allowance credited to the HRA	0	11,708	0	(11,708)	0	0
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	15,465	0	(15,465)
Adjustment primarily involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(53)	(233)	0	0	0	286

2014/15 Comparative Figures	Usable					Unusable
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(36,941)	(161)	0	0	0	37,102
Employers pensions contributions and direct payments to pensioners payable in the year	21,438	139	0	0	0	(21,577)
Adjustments primarily involving the Unequal Pay Back Pay Adjustment Account:						
Amounts by which the amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure Statement are different from the costs of settlements chargeable in the year in accordance with statutory requirements.	(4,678)	0	0	0	0	4,678
Adjustable primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax and NNDR income credited to the Comprehensive Income and Expenditure Statement is different from council tax and NNDR income calculated for the year in accordance with statutory requirements	4,976	0	0	0	0	(4,976)
Adjustment primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	847	1	0	0	0	(848)
<b>Total Adjustments</b>	<b>(18,369)</b>	<b>(1,815)</b>	<b>(1,741)</b>	<b>3,757</b>	<b>519</b>	<b>17,649</b>

This statement has been restated to adjust for the prior period adjustments in note 1 and to remove the separate disclosure of transferred debt financing.

## **8. Amounts Reported for Resource Allocation Decisions**

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the CIPFA Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Council's Cabinet on the basis of budget reports analysed across directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- 1) No charges are made in relation to capital expenditure (whereas depreciation, revaluation amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
- 2) The cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year
- 3) Expenditure on some support services is budgeted for centrally and not charged to directorates

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

<b>Directorate Income and Expenditure</b>	<b>People Services - Children and Young People restated £000</b>	<b>People Services - Adults restated £000</b>	<b>Communities and Place restated £000</b>	<b>Organisation and Governance restated £000</b>	<b>Total £000</b>
<b>2014/15</b>					
Fees, charges & other service income	(18,619)	(15,134)	(43,331)	(30,639)	<b>(107,723)</b>
Government Grants	(185,626)	(3,994)	(18,504)	(94,246)	<b>(302,370)</b>
<b>Total income</b>	<b>(204,245)</b>	<b>(19,128)</b>	<b>(61,835)</b>	<b>(124,885)</b>	<b>(410,093)</b>
Employee expenses	152,614	18,593	36,834	27,332	<b>235,373</b>
Other service expenses	86,829	74,926	66,536	142,167	<b>370,458</b>
<b>Total expenditure</b>	<b>239,443</b>	<b>93,519</b>	<b>103,370</b>	<b>169,499</b>	<b>605,831</b>
<b>Net Expenditure</b>	<b>35,198</b>	<b>74,391</b>	<b>41,535</b>	<b>44,614</b>	<b>195,738</b>

This note has been restated to reflect the Council's change in organisational structure implemented on 1st September 2015 and for the incorrect categorisation of PFI Grant income.

<b>Directorate Income and Expenditure</b>	<b>People Services - Children and Young People £000</b>	<b>People Services - Adults £000</b>	<b>Communities and Place £000</b>	<b>Organisation and Governance £000</b>	<b>Total £000</b>
<b>2015/16</b>					
Fees, charges & other service income	(17,665)	(13,258)	(48,727)	(31,517)	<b>(111,167)</b>
Government Grants	(186,571)	(4,976)	(6,645)	(89,066)	<b>(287,258)</b>
<b>Total income</b>	<b>(204,236)</b>	<b>(18,234)</b>	<b>(55,372)</b>	<b>(120,583)</b>	<b>(398,425)</b>
Employee expenses	154,728	19,802	35,126	23,837	<b>233,493</b>
Other service expenses	90,760	79,639	62,212	139,813	<b>372,424</b>
<b>Total expenditure</b>	<b>245,488</b>	<b>99,441</b>	<b>97,338</b>	<b>163,650</b>	<b>605,917</b>
<b>Net Expenditure</b>	<b>41,252</b>	<b>81,207</b>	<b>41,966</b>	<b>43,067</b>	<b>207,492</b>

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

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

	<b>2014/15 £000</b>	<b>2015/16 £000</b>
Net expenditure in the Directorate Analysis	195,738	207,492
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis (including HRA)	17,533	13,895
<b>Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>213,271</b>	<b>221,387</b>

## Reconciliation to Subjective Analysis

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

	Directorate Analysis restated	Amounts not reported to management for decision making restated	Allocation of Recharges	Cost of Services restated	Corporate Amounts	Derby City Council restated Total
2014/15	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(107,723)	(58,617)	(25,158)	(191,498)	0	(191,498)
Interest and Investment Income	0	0	0	0	(655)	(655)
RSG	0	0	0	0	(62,095)	(62,095)
Retained Business Rates	0	0	0	0	(42,801)	(42,801)
Business Rate Top Up grant	0	0	0	0	(12,913)	(12,913)
Income from Council Tax	0	0	0	0	(73,851)	(73,851)
PFI Deferred Income	0	0	0	0	281	281
Government Grants and Contributions	(302,370)	(17,496)	0	(319,866)	(70,727)	(390,593)
<b>Total income</b>	<b>(410,093)</b>	<b>(76,113)</b>	<b>(25,158)</b>	<b>(511,364)</b>	<b>(262,761)</b>	<b>(774,125)</b>
Employee expenses	235,373	8,987	0	244,360	11,641	256,001
Other service expenses	370,458	22,905	0	393,363	0	393,363
Support service recharges	0	0	25,158	25,158	0	25,158
Depreciation, amortisation and impairment	0	61,754	0	61,754	0	61,754
Interest payments	0	0	0	0	22,507	22,507
Housing Capital Receipts Pooling	0	0	0	0	1,103	1,103
Gain or Loss on Disposal of non current assets	0	0	0	0	11,482	11,482
<b>Total expenditure</b>	<b>605,831</b>	<b>93,646</b>	<b>25,158</b>	<b>724,635</b>	<b>46,733</b>	<b>771,368</b>
<b>Surplus or deficit on the provision of services</b>	<b>195,738</b>	<b>17,533</b>	<b>0</b>	<b>213,271</b>	<b>(216,028)</b>	<b>(2,757)</b>

This note has been restated for the prior year adjustments in note 1



	Directorate Analysis	Amounts not reported to management for decision making	Allocation of Recharges	Cost of Services	Corporate Amounts	Derby City Council Total
2015/16	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(111,167)	(59,989)	(22,651)	<b>(193,807)</b>	0	<b>(193,807)</b>
Interest and Investment Income	0	0	0	<b>0</b>	(867)	<b>(867)</b>
RSG	0	0	0	<b>0</b>	(44,930)	<b>(44,930)</b>
Retained Business Rates	0	0	0	<b>0</b>	(42,667)	<b>(42,667)</b>
Business Rate Top Up Grant	0	0	0	<b>0</b>	(13,160)	<b>(13,160)</b>
Income from Council Tax	0	0	0	<b>0</b>	(75,502)	<b>(75,502)</b>
PFI Deferred Income	0	0	0	<b>0</b>	(406)	<b>(406)</b>
Government Grants and Contributions	(287,258)	(19,210)	0	<b>(306,468)</b>	(65,322)	<b>(371,790)</b>
<b>Total income</b>	<b>(398,425)</b>	<b>(79,199)</b>	<b>(22,651)</b>	<b>(500,275)</b>	<b>(242,854)</b>	<b>(743,129)</b>
Employee expenses	233,493	11,031	0	<b>244,524</b>	11,033	<b>255,557</b>
Other service expenses	372,424	13,089	0	<b>385,513</b>	0	<b>385,513</b>
Support service recharges	0	0	22,651	<b>22,651</b>	0	<b>22,651</b>
Depreciation, amortisation and impairment	0	68,974	0	<b>68,974</b>	0	<b>68,974</b>
Interest payments	0	0	0	<b>0</b>	22,828	<b>22,828</b>
Housing Capital Receipts Pooling	0	0	0	<b>0</b>	1,262	<b>1,262</b>
Gain or Loss on Disposal of non current assets	0	0	0	<b>0</b>	(2,999)	<b>(2,999)</b>
<b>Total expenditure</b>	<b>605,917</b>	<b>93,094</b>	<b>22,651</b>	<b>721,662</b>	<b>32,124</b>	<b>753,786</b>
<b>Surplus or deficit on the provision of services</b>	<b>207,492</b>	<b>13,895</b>	<b>0</b>	<b>221,387</b>	<b>(210,730)</b>	<b>10,657</b>

## **9. Other operating expenditure**

<b>2014/15 £000</b>		<b>2015/16 £000</b>
1,103	Payments to the Government Housing Capital Receipts Pool	1,262
11,482	Gains/losses on the disposal of non-current assets	(2,999)
<b>12,585</b>	<b>Total</b>	<b>(1,737)</b>

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

<b>2014/15 £000</b>		<b>2015/16 £000</b>
22,559	Interest payable and similar charges	22,882
11,641	Net interest on the net defined benefit liability	11,033
(655)	Interest receivable and similar income	(867)
(52)	Income and expenditure in relation to investment properties and changes in their fair value	(54)
<b>33,493</b>	<b>Total</b>	<b>32,994</b>

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

<b>2014/15 £000</b>		<b>2015/16 £000</b>
281	PFI Deferred rental income	(406)
(72,770)	Council tax income	(75,195)
(2,931)	Share of prior year Collection Fund Surplus	(45)
(62,095)	Revenue Support Grant	(44,930)
(40,951)	Retained Business Rates	(42,929)
(12,913)	Business Rates Retention Top Up Grant	(13,160)
(21,264)	Non-ring-fenced government grants	(33,270)
(49,463)	Capital grants and contributions	(32,052)
<b>(262,106)</b>	<b>Total</b>	<b>(241,987)</b>

## 12. Accounting for Local Government Schools

The Council has the following maintained schools:

	Community	Voluntary Controlled	Voluntary Aided	Foundation	Special	Total
Number of schools, (including nursery schools and excluding PFI schools)	60	1	8	5	5	79
Value of land and buildings at 31st March 2016	£173.4m	£1.0m	£11.8m	£59.2m	£13.9m	£259m
Number of schools subject to PFI contracts	3	0	0	2	1*	5
Value of land and buildings at 31st March 2016	£17m	0	0	£35m	0	£52m

\*For valuation purposes Noel Baker Foundation school and St Martins special school are held as one asset on the balance sheet, therefore no separate asset value for St Martin's can be shown in the table above. The valuation for the site as a whole is included within the Foundation Schools total for PFI assets.

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

The buildings of VA schools with a carrying value of £11.8m, while included in the Council's financial statements due to the control arrangements, are owned by individual diocese. The Council would be unable to use these assets to settle future liabilities.

Capital expenditure on community, special, foundation, voluntary aided and voluntary controlled schools is added to the balances for those schools as reported in Note 16. Academy schools are separate entities not controlled by the Council and so are not included in the financial statements.

Where a school proposes to transfer to Academy Status, the Council will continue to retain any asset subject to transfer on the basis of its last revaluation and maintains both the asset value and the anticipated useful life until the date of transfer. The Council has taken the view that any asset transferring will continue to be used for the provision of education services thus supporting the Council's statutory obligation for the provision of education. On transfer to an Academy, assets are derecognised in the Council's financial statements for nil consideration. During 2015/16 no Derby City Council school's converted to academy status.

The Council receives Dedicated Schools Grant (DSG) for all its maintained schools and therefore includes both income and expenditure items within the accounts for all schools.

DSG is credited to the Comprehensive Income and Expenditure Statement within Taxation and Non Specific Grant Income based on amounts due from the Department for Education for 2015/16.

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

Individual schools' balances at 31<sup>st</sup> March 2016 are included in the balance sheet of the Council under the heading Usable Reserves.

### PFI Schemes

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

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

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

The Council also has two school's which are subject to its BSF PFI contract. These schools, and the associated PFI liabilities, are also shown on the Council's Balance Sheet. These schools are shown as one asset on the balance sheet for valuation purposes.

### **13. Dedicated Schools Grant**

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). The DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2011. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

<b>Schools Budget Funded by Dedicated Schools Grant</b>			
	<b>Central Expenditure</b>	<b>Individual Schools Budget</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Final DSG for 2015/16 before Academy recoupment			(205,292)
Academy figure recouped for 2015/16			49,503
Total DSG after Academy recoupment for 2015/16			<b>(155,789)</b>
plus: brought forward from 2014/15			(4,839)
Agreed initial budgeted distribution in 2015/16	(23,661)	(136,967)	<b>(160,628)</b>
In year adjustments	205	(205)	<b>0</b>
Final budget distribution for 2015/16	(23,456)	(137,172)	<b>(160,628)</b>
Actual central expenditure	16,574		<b>16,574</b>
Actual ISB deployed to schools		137,172	<b>137,172</b>
Carried forward to 2016/17	(6,882)	0	<b>(6,882)</b>

## **14. Grant Income**

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2015/16.

	<b>2014/15 restated £000</b>	<b>2015/16 £000</b>
<b>Credited to Taxation and Non Specific Grant Income</b>		
Non Specific Grants	14,100	23,347
PFI Grant	7,164	9,922
Capital Grants	49,463	32,052
<b>Total</b>	<b>70,727</b>	<b>65,321</b>
<b>Credited to Services</b>		
Housing Benefit Subsidy	54,113	52,825
Rent Rebate - Housing Benefit	36,243	34,642
Public Health Grant	15,825	17,640
Housing Benefit Administration	1,712	1,570
YPLA & Learning and Skills	7,072	7,210
Standards Fund	12,788	14,303
Dedicated Schools Grant	155,353	155,555
PFI Grants Credited to Service	7,666	3,156
Regional Growth Fund	9,759	2,528
Other Communities and Place	4,920	3,985
Other People's Service - Children and Young People	7,610	6,477
Other People's Service - Adults	3,994	4,976
Other Organisation and Governance	2,812	1,600
<b>Total</b>	<b>319,867</b>	<b>306,467</b>

This note has been restated to reflect the new organisational structure implemented on 1st September 2015 and for the prior omission of PFI Grant income.

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

	2014/15 £000	2015/16 £000
<b>Capital Grants Receipts in Advance</b>		
Children & Young People (CYP) Grants	628	658
CYP Primary Capital Programme Grant	1,863	1,863
Housing General Fund (HGF) Grants	606	564
Regional Growth Fund	21	21
HGF Housing Intelligence 4 East Midlands - CLG Grant	0	170
Communities and Place Grants	1,105	191
Communities and Place Contributions	657	6
Derby Arena	2,927	45
Environment Agency - Our City Our River	13,347	12,409
D2N2 Our City Our River	0	788
School's Devolved Contributions	301	304
Section 106 contributions	3,936	5,356
Capital Receipts - CPO	506	923
<b>Total</b>	<b>25,897</b>	<b>23,298</b>

## **15. External Audit Costs**

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

	2014/15 £000	2015/16 £000
Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor for the year	190	0
Fees payable to Ernst and Young with regard to external audit services carried out by the appointed auditor for the year	0	143
Fees payable to Ernst and Young with regard to additional audit services carried out for the 2015/16 Statement of Accounts	0	250
Fees payable to Grant Thornton for the certification of grant claims and returns for the year	27	36
Fees payable to Ernst and Young for the certification of grant claims and returns for the year	0	21
Audit commission rebate	(26)	0
Fees payable in respect of other services provided by Grant Thornton during the year	45	20
<b>Total</b>	<b>236</b>	<b>470</b>

## 16. Property, Plant and Equipment

### a) Movements on Balances

	Council Dwellings restated £000	Other Land & Buildings restated £000	Vehicles, Plant, Furniture & Equipment restated £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets under Construction £000	Total Property, Plant & Equipment restated £000	PFI Assets Included in Property, Plant & Equipment £000
<b>Movements in 2014/15:</b>									
<b>Cost of Valuation at 1 April 2014</b>	202,481	585,662	231,104	190,027	17,887	8,674	59,621	<b>1,295,456</b>	<b>77,177</b>
Restatement of Opening Balances componentisation	160,979	15,899	(176,878)	0	0	0	0	<b>0</b>	<b>0</b>
Restatement of Opening Balances (note 1)	0	(60,034)	(12,688)	(3,353)	(11,709)	0	(76)	<b>(87,860)</b>	1,473
Recategorisations	0	43,827	0	9,953	66	0	(53,846)	<b>0</b>	137
Additions	13,148	31,462	4,453	9,690	117	2,400	27,126	<b>88,396</b>	7,883
Revaluation increases/(decreases) recognised in the Revaluation Reserve	7,036	(17,296)	8	(883)	0	(2,650)	0	<b>(13,785)</b>	140
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(240)	(26,080)	(8)	(25)	(240)	(1,348)	0	<b>(27,941)</b>	(3,892)
Derecognition - disposals	0	(15,201)	(1,062)	0	0	0	0	<b>(16,263)</b>	0
Assets reclassified (to)/from Held for Sale	(1,929)	(1,594)	(1,612)	0	0	(480)	0	<b>(5,615)</b>	0
Other reclassifications	348	(186)	1	0	0	0	0	<b>163</b>	0
<b>At 31 March 2015</b>	<b>381,823</b>	<b>556,459</b>	<b>43,318</b>	<b>205,409</b>	<b>6,121</b>	<b>6,596</b>	<b>32,825</b>	<b>1,232,551</b>	<b>82,918</b>

This note has been restated for the prior period adjustments in note 1. It has also been adjusted for the recategorisation of components of large assets. These had previously been classified as vehicles, plant and equipment but are now included in the same category as the main asset.

<b>Movements in 2014/15</b>	<b>Council Dwellings restated £000</b>	<b>Other Land &amp; Buildings restated £000</b>	<b>Vehicles, Plant, Furniture &amp; Equipment restated £000</b>	<b>Infrastructure Assets £000</b>	<b>Community Assets £000</b>	<b>Surplus Assets £000</b>	<b>Assets under Construction £000</b>	<b>Total Property, Plant &amp; Equipment restated £000</b>	<b>PFI Assets Included in Property, Plant &amp; Equipment £000</b>
<b>Accumulated Depreciation and Impairment at 1 April 2014</b>	<b>(3,899)</b>	<b>(26,515)</b>	<b>(34,652)</b>	<b>(36,134)</b>	<b>(151)</b>	<b>0</b>	<b>0</b>	<b>(101,351)</b>	<b>(4,532)</b>
Restatement of Opening Balances componentisation	(6,936)	(3,016)	9,952	0	0	0	0	0	0
Restatement of Opening Balances (note 1)	10,836	2,441	6,244	394	(1,837)	0	0	18,078	0
Depreciation charge	(11,167)	(10,232)	(6,717)	(4,231)	(397)	0	0	(32,744)	(1,094)
Depreciation written out to the Revaluation Reserve	10,207	8,225	0	0	0	0	0	18,432	2,327
Depreciation written out to the Surplus/Deficit on the Provision of Services	935	(367)	0	0	0	0	0	568	303
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	50	69	883	0	0	0	1,002	0
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	118	0	0	0	0	0	118	0
Sale	39	9	70	0	0	0	0	118	0
Derecognition - disposals	0	651	910	0	0	0	0	1,561	0
Other reclassifications	(15)	13	0	(1)	1	0	0	(2)	0
<b>At 31 March 2015</b>	<b>0</b>	<b>(28,624)</b>	<b>(24,124)</b>	<b>(39,089)</b>	<b>(2,384)</b>	<b>0</b>	<b>0</b>	<b>(94,221)</b>	<b>(2,996)</b>
<b>Net Book Value</b>									
<b>At 31 March 2015</b>	<b>381,823</b>	<b>527,836</b>	<b>19,194</b>	<b>166,320</b>	<b>3,737</b>	<b>6,596</b>	<b>32,825</b>	<b>1,138,331</b>	<b>79,922</b>
<b>At 1 April 2014</b>	<b>363,461</b>	<b>514,437</b>	<b>23,082</b>	<b>150,934</b>	<b>4,190</b>	<b>8,674</b>	<b>59,545</b>	<b>1,124,323</b>	<b>72,645</b>



	Vehicles, Plant, Furniture & Equipment Infrastructure Assets Community Assets Surplus Assets Assets under Construction							Total Property, Plant & Equipment £000	PFI Assets Included in Property, Plant & Equipment £000
<b>Movements in 2015/16:</b>	<b>Council Dwellings £000</b>	<b>Other Land &amp; Buildings £000</b>	<b>Furniture &amp; Equipment £000</b>	<b>Infrastructure Assets £000</b>	<b>Community Assets £000</b>	<b>Surplus Assets £000</b>	<b>Assets under Construction £000</b>		
<b>Cost of Valuation at 1 April 2015</b>	<b>381,823</b>	<b>556,459</b>	<b>43,318</b>	<b>205,409</b>	<b>6,121</b>	<b>6,596</b>	<b>32,825</b>	<b>1,232,551</b>	<b>82,918</b>
Recategorisations	393	15,365	2	8,850	2,348	0	(26,958)	0	0
Additions	11,428	19,010	2,683	4,268	651	3	30,629	<b>68,672</b>	6,935
Revaluation increases/(decreases) recognised in the Revaluation Reserve	3,008	(30,120)	0	0	0	5,363	0	<b>(21,749)</b>	3,220
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(5,392)	(29,791)	(22)	0	(1,974)	(64)	0	<b>(37,243)</b>	(5,699)
Derecognition - disposals	0	0	(1,150)	0	0	0	0	<b>(1,150)</b>	0
Derecognition - other	0	0	(793)	0	0	0	0	<b>(793)</b>	0
Assets reclassified (to)/from Held for Sale	(3,831)	(7,349)	0	0	0	0	0	<b>(11,180)</b>	0
Other reclassifications	9	(9,466)	202	0	(266)	9,521	0	<b>0</b>	0
Other movements	3	0	1	0	1		0	<b>5</b>	0
<b>At 31 March 2016</b>	<b>387,441</b>	<b>514,108</b>	<b>44,241</b>	<b>218,527</b>	<b>6,881</b>	<b>21,419</b>	<b>36,496</b>	<b>1,229,113</b>	<b>87,374</b>

			Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets under Construction £000	Total Property, Plant & Equipment £000	PFI Assets Included in Property, Plant & Equipment £000
<b>Movements in 2015/16</b>	<b>Council Dwellings £000</b>	<b>Other Land &amp; Buildings £000</b>							
<b>Accumulated Depreciation and Impairment at 1 April 2015</b>	<b>0</b>	<b>(28,624)</b>	<b>(24,124)</b>	<b>(39,089)</b>	<b>(2,384)</b>	<b>0</b>	<b>0</b>	<b>(94,221)</b>	<b>(2,996)</b>
Depreciation charge	(11,330)	(10,844)	(6,508)	(4,774)	(393)	0	0	(33,849)	(1,190)
Depreciation written out to the Revaluation Reserve	10,131	31,900	0	0	0	0	0	42,031	170
Depreciation written out to the Surplus/Deficit on the Provision of Services	1,205	4,077	0	0	0	0	0	5,282	343
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	15	0	0	5	0	0	20	0
Derecognition - disposals	0	0	1,114	0	0	0	0	1,114	0
Derecognition - other	0	0	769	0	0	0	0	769	0
Other reclassifications	(4)	4	0	0	0	0	0	0	0
Other movements	(2)	(16)	15	0	(2)	0	0	(5)	0
<b>At 31 March 2016</b>	<b>0</b>	<b>(3,488)</b>	<b>(28,734)</b>	<b>(43,863)</b>	<b>(2,774)</b>	<b>0</b>	<b>0</b>	<b>(78,859)</b>	<b>(3,673)</b>
<b>Net Book Value</b>									
<b>At 31 March 2016</b>	<b>387,441</b>	<b>510,620</b>	<b>15,507</b>	<b>174,664</b>	<b>4,107</b>	<b>21,419</b>	<b>36,496</b>	<b>1,150,254</b>	<b>83,701</b>
<b>At 1 April 2015</b>	<b>381,823</b>	<b>527,836</b>	<b>19,194</b>	<b>166,320</b>	<b>3,737</b>	<b>6,596</b>	<b>32,825</b>	<b>1,138,331</b>	<b>79,922</b>

## b) Depreciation

	Council Dwellings	Council Dwellings - components	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure
Useful lives used in calculation of depreciation	60 years	13 - 60 years	5 years - perpetuity	3-20 years	40 years

## c) Capital Commitments

As at 31 March 2016 the Council had entered into a number of contracts for the enhancement of property, plant and equipment with future costs estimated as £26.888 million. The equivalent figure as at 31 March 2015 was £37.310 million. The major commitments are summarised by strategy area:

Strategy Area	Major Schemes	Scheme Commitment £000	Total Commitment £000
Highways & Transport	Street Lighting renewal/ A52 improvements	1,513	2,255
Housing	Construction of major new build council house schemes	2,913	6,199
Parks			425
Other	Schools, Property and VPE		291
Regeneration	Infinity Park Derby construction of the infrastructure for the enterprise zone, innovation campus, purpose built centre and public realm improvements The Spot	5,187	6,778
ICT	Investment in new efficiency generating technologies		548
Flood Defence	Our City Our River construction of improved flood defences for the city	10,316	10,392
<b>Total</b>		<b>19,929</b>	<b>26,888</b>

## d) Revaluation

The Council carries out a rolling programme for its Property, Plant and Equipment assets which are measured at current value and revalued at least every five years. This year additional valuations have been required for Schools, Parks and other significant assets which have been completed by external valuers Cushman and Wakefield. The remaining valuations were carried out internally by qualified valuers employed by the Council. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors (RICS). Valuations of vehicles, plant, furniture and equipment are based on depreciated historic cost.

The significant assumptions applied in estimating the current values are:

- 1) All assets have been valued at Current Value as described in the RICS Guidance Notes. The Property Plant and Equipment assets have been valued at Current Value (Existing Use Value).
- 2) Housing Revenue Account - The assets held in the Housing Revenue Account have been valued using the guidance from DCLG as described in the Guidance for Valuers 2010. The adjustment factor applicable for the East Midlands as contained within this guidance is 34% and this has been applied to the relevant asset valuations.
- 3) De minimus - The de minimus level adopted for the 2015/16 revaluation is £10,000.

	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets under Construction £000	Total Property, Plant & Equipment £000	Heritage Assets £000
<b>Carried at Historical Cost</b>		258	15,507	174,664	4,107		36,496	231,032	75,881
<b>Valued at Fair Value as at:</b>									
31 March 2012		2,370						2,370	0
31 March 2013		15,865						15,865	0
31 March 2014		4,184						4,184	0
31 March 2015		5,091						5,091	0
31 March 2016	387,441	482,852				21,419		891,712	0
<b>Total cost or Valuation</b>	<b>387,441</b>	<b>510,620</b>	<b>15,507</b>	<b>174,664</b>	<b>4,107</b>	<b>21,419</b>	<b>36,496</b>	<b>1,150,254</b>	<b>75,881</b>

## **17. Heritage Assets**

Heritage Assets consist of the Council's collections of art, decorative art, industrial heritage artefacts, natural history, military artefacts, civic regalia, sculptures/monuments and other minor collections. Smaller individual items with an insurance value of less than £10,000 are considered deminimus and not recognised unless they form part of a larger collection. For further information on Derby City Council's Heritage Assets please see Accounting Policies note.

	Civic Regalia £000	Art Collection £000	Decorative Art Collection £000	Industrial Collection £000	Natural History Collection £000	Other £000	Total £000
<b>Cost or Valuation</b>							
<b>31 March 2014</b>	<b>608</b>	<b>64,385</b>	<b>3,892</b>	<b>1,196</b>	<b>1,250</b>	<b>4,140</b>	<b>75,471</b>
<b>31 March 2015</b>	<b>608</b>	<b>64,385</b>	<b>3,892</b>	<b>1,196</b>	<b>1,250</b>	<b>4,140</b>	<b>75,471</b>
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	0	(1,216)	0	0	0	0	(1,216)
Revaluations recognised in the Revaluation Reserve	0	1,467	100	(124)	(13)	196	1,626
<b>31 March 2016</b>	<b>608</b>	<b>64,636</b>	<b>3,992</b>	<b>1,072</b>	<b>1,237</b>	<b>4,336</b>	<b>75,881</b>

## **18. Investment Properties**

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

	<b>2014/15 £000</b>	<b>2015/16 £000</b>
Rental income from investment property	(52)	(54)
<b>Net (gain)/loss</b>	<b>(52)</b>	<b>(54)</b>

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

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

	<b>2014/15 £000</b>	<b>2015/16 £000</b>
Balance at start of the year	895	898
Additions: Subsequent expenditure	0	372
Net gain/losses from fair value adjustments	3	360
<b>Balance at the end of the year</b>	<b>898</b>	<b>1,630</b>

### **Fair Value Hierarchy**

All the Council's investment properties have been value assessed as Level 3 on the fair value hierarchy for valuation purposes (see Accounting Policies for an explanation of the fair value levels).

### **Valuation Techniques Used to Determine Level 3 Fair Values for Investment Property**

The fair value of investment property has been measured using a market approach utilising the comparable and investment technique. This uses prices and other relevant information gathered by market transactions from comparable (ie similar) assets. Observable inputs have taken the form of market evidence such as sale information, rental transactions and yield evidence of comparable properties within the East Midlands market at or around the valuation date. Unobservable inputs have taken the form of valuer adjustments to the inputs and interpretation of covenant strength of the Tenant.

### **Highest and Best Use**

In estimating the fair value of the Council's investment properties, the highest and best use is their current use.

### **Valuation Process for Investment Properties**

The Council's investment property has been valued as at 31 March 2016 in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

## 19. Capital Expenditure and Capital Financing

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

	2014/15 restated £000	2015/16 £000
<b>Opening Capital Financing Requirement</b>	<b>(608,004)</b>	<b>(633,835)</b>
Opening balance restatement per note 1	(7,148)	0
<b>Revised opening balance</b>	<b>(615,152)</b>	<b>(633,835)</b>
Capital Investment:		
Property, Plant and Equipment	(88,396)	(68,672)
Investment Properties	0	(372)
Intangible Assets	(807)	(473)
Revenue Expenditure Funded from Capital Under Statute	(9,811)	(5,743)
LAMS/Long Term Debtors	(6,785)	(1,924)
Sources of finance:		
Capital Receipts	4,170	3,915
Capital Grants Repaid	36	3,561
Capital Reserves	15,465	15,803
Government grants and other contributions	49,982	31,295
Sums set aside from revenue:		
Direct revenue contributions	3,703	3,985
Minimum Revenue Provision	12,356	10,978
Transferred Debt	1,404	1,346
<b>Closing capital financing requirement</b>	<b>(633,835)</b>	<b>(640,136)</b>
<b>Explanation of movements in year</b>		
Increase/(decrease) in underlying need to borrow (supported by government financial assistance)	(5,318)	(4,805)
Increase/(decrease) in underlying need to borrow (unsupported by government financial assistance)	25,756	10,403
HRA capital receipts set aside for redemption of debt	(2,312)	(2,456)
Assets acquired under finance leases	174	(99)
Assets acquired under PFI/PPP contracts	383	3,258
<b>Increase/(decrease) in capital financing requirement</b>	<b>18,683</b>	<b>6,301</b>

This note has been restated to correct the movement in the underlying need to borrow split between supported and unsupported borrowing.

## **20. Leases**

### **Authority as Lessee**

#### **Finance Leases**

The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet. The net book value (NBV) of these assets and depreciation (Depn) charged for each category of leased assets is shown in the table below.

	2014/15		2015/16	
	NBV £000	Depn £000	NBV £000	Depn £000
Other Land and Buildings	6,423	(118)	6,286	(120)
Vehicles, Plant, Furniture and Equipment	784	(338)	683	(290)
<b>Total</b>	<b>7,207</b>	<b>(456)</b>	<b>6,969</b>	<b>(410)</b>

#### **Operating Leases**

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

	31/03/2015 £000	31/03/2016 £000
No later than one year	680	639
Later than one year and not later than five years	1,842	1,911
Later than five years	2,353	3,470
<b>Total</b>	<b>4,875</b>	<b>6,020</b>

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

	31/03/2015 £000	31/03/2016 £000
Minimum lease payments	709	676
<b>Total</b>	<b>709</b>	<b>676</b>

### **Authority as Lessor**

#### **Finance Leases**

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

	31/03/2015 £000	31/03/2016 £000
Finance lease debtors (net present value of minimum lease payments):		
Current	4	4
Non-current	1,543	1,490
Unearned finance income	2,599	2,488
Unguaranteed residual value of property	(79)	(78)
<b>Gross investment in the lease</b>	<b>4,068</b>	<b>3,905</b>

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

	Gross Investment		Minimum Lease	
	31/03/2015 £000	31/03/2016 £000	31/03/2015 £000	31/03/2016 £000
Not later than one year	43	42	4	4
Later than one year and not later	171	166	19	19
Later than five years	3,854	3,697	1,445	1,394
<b>Total</b>	<b>4,068</b>	<b>3,905</b>	<b>1,468</b>	<b>1,417</b>

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

#### Operating Leases

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

	31/03/2015 £000	31/03/2016 £000
No later than one year	1,090	1,478
Later than one year and not later	2,932	3,613
Later than five years	11,513	21,637
<b>Total</b>	<b>15,535</b>	<b>26,728</b>

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



## **21. Private Finance Initiatives and Similar Contracts**

The Council has assessed the contractual arrangements of its PFI schemes and with the exception of the Housing Inner City Regeneration scheme has concluded all these assets should be included within the Council's accounts. The Housing Inner City Regeneration PFI has not been included as the Council does not control a significant residual interest in the asset or have the option to purchase or receive the asset for nil consideration.

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

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

### **Street Lighting**

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

The rentals payable in 2015/16 were £4.646m, (2014/15 £4.612m), of which £0.915m related to write down of obligations, £1.724m finance costs and the remainder to service charges/prepayments/contingent rent.

Outstanding obligations to make payments under the Street Lighting PFI finance lease at 31 March 2016, accounted for as part of long-term liabilities, are as follows:

	<b>Payment for Services £000</b>	<b>Reimbursement of Capital Expenditure £000</b>	<b>Interest £000</b>	<b>Total £000</b>
Payable in 2016/17	1,888	912	1,835	4,635
Payable within two to five years	8,074	4,315	6,147	18,536
Payable within six to ten years	12,664	6,980	3,525	23,169
Payable within eleven to fifteen years	9,604	9,843	3,721	23,168
Payable within sixteen to twenty years	2,521	2,861	373	5,755
<b>Total</b>	<b>34,751</b>	<b>24,911</b>	<b>15,601</b>	<b>75,263</b>

The above table reflects costs and income at 2015/16 levels. The amounts are partially subject to indexation (RPIx) and to date cumulative inflation applied to some elements of the scheme is 15%. A 1% variation in RPIx would result in a £0.028m change in payments for services in

Finance lease obligations are recognised on a stage of completion basis during the Core Investment Period (CIP - 2007/08-2012/13) and therefore there are no finance lease liability costs at 31 March 2016.

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

	<b>2014/15 restated £000</b>	<b>2015/16 £000</b>
Balance outstanding at start of year	26,614	25,826
Payments during the year	(788)	(915)
<b>Balance outstanding at year end</b>	<b>25,826</b>	<b>24,911</b>

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

### **Affordable Housing**

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

The construction of the first properties were completed in 2013/14 in July and payments commenced in August 2013. By 31st March 2016 the construction phase was complete.

Riverside Group Ltd receive both a unitary payment from Derby City Council and rental income from property tenants. Approximately 50% of capital expenditure is funded through the Derby City Council lease liability with the remaining 50% met through rental income.

The total unitary charge payable in 2015/16 was £1.122m (2014/15 £0.888m) of which £0.216m related to the write down of obligations (i.e. repayment of principal), £0.664m interest costs and the remainder to service charges/prepayments.

The total Derby City Council capital repayment to Riverside (to be met through the unitary charge) for the whole of the contract is £12.754m and the finance lease obligations are recognised on a phased stage of completion of the properties, therefore £3.393m finance lease liability costs have been recognised at 31 March 2016. The table below shows the outstanding obligations to make payments at 31 March 2016.

	<b>Payment for Services £000</b>	<b>Reimbursement of Capital Expenditure £000</b>	<b>Interest £000</b>	<b>Total £000</b>
Payable in 2016/17	277	320	653	1,250
Payable within two to five years	1,213	1,348	2,437	4,998
Payable within six to ten years	1,699	1,940	2,609	6,248
Payable within eleven to fifteen years	2,140	2,035	2,073	6,248
Payable within sixteen to twenty years	2,376	2,387	1,485	6,248
Payable twenty one to twenty five years	2,506	2,970	773	6,249
Payable within thirty years	1,586	1,040	81	2,707
<b>Total</b>	<b>11,797</b>	<b>12,040</b>	<b>10,111</b>	<b>33,948</b>

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

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

	<b>2014/15 restated £000</b>	<b>2015/16 £000</b>
Balance outstanding at start of year	7,250	8,844
Payments during the year	(260)	(216)
Capital expenditure incurred in the year	1,854	3,393
<b>Balance outstanding at year end</b>	<b>8,844</b>	<b>12,021</b>

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

The housing rental deferred liability to meet the liability to the contractor for capital expenditure incurred is as follows:

<b>Housing Rental Deferred Liability</b>	<b>2014/15 £000</b>	<b>2015/16 £000</b>
Balance outstanding at start of year	7304	8,726
Payments during the year	(422)	(406)
Capital expenditure incurred in the year	1,844	3,375
<b>Balance outstanding at year end</b>	<b>8,726</b>	<b>11,695</b>

### **Housing Inner City Regeneration**

There is a 30-year contract with Home Housing Association, which commenced in January 2001. Gross service charge payments of £0.48m are anticipated in 2016/17. Future cash payments between 2016/17 and the end of the contract are expected to be approximately £8.013m.

### **Grouped Schools**

A 27-year PFI Contract was signed in November 2004 with Derby School Solutions (DSS), a private sector consortium, to build, maintain and operate 5 new schools and a Children's Centre with two support units in the City. The first new school became fully operational in October 2005. Ultimately, the value of contract payments depend on the level of performance of DSS, measured against predetermined standards. Amounts include a variation made to the contract in November 2007 to design, build, finance and operate two additional support units and a Children's Centre at Lakeside Primary School. Services commenced during September 2008. They also include a further variation made in April 2013 for additional classrooms at Lakeside Primary School. Services commenced in 2014. The contract end date for the variation finishes in line with the original grouped schools contract agreement.

The rentals payable were £5.251m in 2015/16 (£5.393m in 2014/15) of which £1.432m related to write down of obligations (i.e. repayment of principal), £1.408m interest costs and the remainder to service charges/prepayments.

Outstanding obligations to make payments under the Grouped Schools PFI finance lease at 31 March 2016, accounted for as part of long-term liabilities, are as follows:

	<b>Payment for Services £000</b>	<b>Reimbursement of Capital Expenditure £000</b>	<b>Interest £000</b>	<b>Total £000</b>
Payable in 2016/17	2,320	1,424	1,399	5,143
Payable within two to five years	9,218	5,580	4,784	19,582
Payable within six to ten years	11,523	6,854	4,152	22,529
Payable within eleven to fifteen years	11,523	7,098	2,117	20,738
Payable within sixteen to twenty years	1,136	1,529	306	2,971
<b>Total</b>	<b>35,720</b>	<b>22,485</b>	<b>12,758</b>	<b>70,963</b>

The above table reflects costs and income at 2015/16 levels. The amounts are partially subject to indexation (RPIx) and to date cumulative inflation applied to some elements of the scheme is 43%. A 1% variation in RPIx would result in a £0.026m change in payments for services in 2016/17.

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

	<b>2014/15 restated £000</b>	<b>2015/16 £000</b>
Balance outstanding at start of year	25,375	23,917
Payments during the year	(1,458)	(1,432)
<b>Balance outstanding at year end</b>	<b>23,917</b>	<b>22,485</b>

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

## **Building Schools for the Future (BSF)**

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

The rentals payable were £5.124m in 2015/16 (£5.131m in 2014/15) of which £0.427m related to write down of obligations (i.e. repayment of principal), £2.886m interest costs and the remainder to service charges/prepayments.

Outstanding obligations to make payments under the BSF Schools PFI finance lease at 31 March 2016, accounted for as part of long-term liabilities, are as follows:

	<b>Payment for Services £000</b>	<b>Reimbursement of Capital Expenditure £000</b>	<b>Interest £000</b>	<b>Total £000</b>
Payable in 2016/17	1,637	518	2,927	5,082
Payable within two to five years	6,556	2,582	11,188	20,326
Payable within six to ten years	8,141	4,865	12,401	25,407
Payable within eleven to fifteen years	8,271	7,431	9,706	25,408
Payable within sixteen to twenty years	8,506	11,281	5,621	25,408
Payable within twenty one to twenty five years	2,351	4,295	555	7,201
<b>Total</b>	<b>35,462</b>	<b>30,972</b>	<b>42,398</b>	<b>108,832</b>

The above table reflects costs and income at 2015/16 levels. The amounts are partially subject to indexation (RPIx) and to date cumulative inflation applied to some elements of the scheme is 17%. A 1% variation in RPIx would result in a £0.022m change in payments for services in 2016/17.

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

	<b>2014/15 restated £000</b>	<b>2015/16 £000</b>
Balance outstanding at start of year	31,786	31,399
Payments during the year	(387)	(427)
<b>Balance outstanding at year end</b>	<b>31,399</b>	<b>30,972</b>

## 22. Financial Instruments

### Categories of Financial Instruments

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

	Long - term		Current	
	31/03/15 £000	31/03/16 £000	31/03/15 £000	31/03/16 £000
<b>Investments</b>				
Loans and receivables	325	325	201	3,202
<b>Total investments</b>	<b>325</b>	<b>325</b>	<b>201</b>	<b>3,202</b>
<b>Debtors</b>				
Loans and receivables	22,462	20,393	20,154	19,252
Debtors that are not financial instruments	0	0	19,274	17,546
<b>Total debtors</b>	<b>22,462</b>	<b>20,393</b>	<b>39,428</b>	<b>36,798</b>
<b>Cash</b>				
Loans and receivables			46,676	67,601
<b>Total cash: asset</b>			<b>46,676</b>	<b>67,601</b>
<b>Borrowings</b>				
Financial liabilities at amortised cost	(328,990)	(337,601)	(8,110)	(4,272)
<b>Total borrowings</b>	<b>(328,990)</b>	<b>(337,601)</b>	<b>(8,110)</b>	<b>(4,272)</b>
<b>Other Long Term Liabilities</b>				
Financial liabilities at amortised cost	(96,133)	(99,203)	(3,574)	(3,744)
<b>Total other long term liabilities</b>	<b>(96,133)</b>	<b>(99,203)</b>	<b>(3,574)</b>	<b>(3,744)</b>
<b>Creditors</b>				
Financial liabilities at amortised cost carried at contract amount	(382,846)	(350,071)	(50,895)	(54,557)
Creditors that are not financial instruments	0	0	(10,482)	(16,093)
<b>Total creditors</b>	<b>(382,846)</b>	<b>(350,071)</b>	<b>(61,377)</b>	<b>(70,650)</b>

In the table above the principal amount figures represent the actual value of the loan, not arising from any adjustments. The amortised cost figures represent the principal amount of the loan or receivable, plus any interest accruing as at 31 March 2016. Short duration receivables or payables with no stated interest rate shall be measured at original invoice amount.

## Income, Expense, Gains and Losses

	2014/15			2015/16		
	Financial Liabilities measured at amortised £000	Financial Assets: Loans and receivables £000	Total £000	Financial Liabilities measured at amortised £000	Financial Assets: Loans and receivables £000	Total £000
Interest expense	(22,559)	0	(22,559)	(22,882)	0	(22,882)
<b>Total expense</b>	<b>(22,559)</b>	<b>0</b>	<b>(22,559)</b>	<b>(22,882)</b>	<b>0</b>	<b>(22,882)</b>
Interest Income	0	655	655	0	867	867
<b>Total income</b>	<b>0</b>	<b>655</b>	<b>655</b>	<b>0</b>	<b>867</b>	<b>867</b>
<b>Net gain/(loss)</b>	<b>(22,559)</b>	<b>655</b>	<b>(21,904)</b>	<b>(22,882)</b>	<b>867</b>	<b>(22,015)</b>

## Fair Values of Assets and Liabilities

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

- Loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.
- The value of “Lender’s Option Borrower’s Option” (LOBO) loans have been increased by the value of the embedded options. Lenders’ options to propose an increase to the interest rate on the loan have been valued according to a proprietary model for Bermudan cancellable swaps. Borrower’s contingent options to accept the increased rate or repay the loan have been valued at zero, on the assumption that lenders will only exercise their options when market rates have risen above the contractual loan rate.
- The fair values of other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31st 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.
- No early repayment impairment is recognised.
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount.



Fair values are shown in the table below, split by their level in the fair value hierarchy:  
The fair values calculated are as follows:

	31/03/2015 restated			31 March 2016		
	Fair Value Level	Carrying amount	Fair value	Fair Value Level	Carrying amount	Fair value
		£000	£000		£000	£000
<b>Financial Liabilities</b>						
Long Term loans from PWLB	2	(273,459)	(420,959)	2	(280,672)	(371,040)
Long Term LOBO	2	(20,000)	(30,347)	2	(20,000)	(30,175)
Other Long term loans	2	(35,531)	(39,967)	2	(38,041)	(42,673)
Transferred Debt	2	(31,829)	(42,205)	2	(30,525)	(39,950)
Short Term Loans	N/A	(8,110)	(8,110)	N/A	(4,272)	(3,159)
PFI	2	(92,040)	(125,332)	2	(102,051)	(116,637)
Short-term creditors	N/A	(50,895)	(50,895)	N/A	(54,557)	(54,557)
<b>Total</b>		<b>(511,864)</b>	<b>(717,815)</b>		<b>(530,118)</b>	<b>(658,191)</b>

This table has been restated to include transferred debt and the fair value hierarchy level.

The fair value of financial liabilities held at amortised cost is higher than their balance sheet carrying amount because the authority's portfolio of loans includes a number of loans where the interest rate payable is higher than the current rates available for similar loans as at the Balance Sheet date.

	31/03/2015 restated			31 March 2016		
	Fair Value Level	Carrying amount	Fair value	Fair Value Level	Carrying amount	Fair value
	£000	£000	£000	£000	£000	£000
<b>Assets</b>						
Transferred debt	2	3,039	2,995	2	2,917	2,731
Loans and receivables	N/A	20,154	20,154	N/A	19,252	19,252
Money market investments < 1 yr	N/A	201	201	N/A	3,202	3,202
Cash and Cash Equivalents	N/A	46,676	46,676	N/A	67,601	67,601
<b>Total</b>		<b>70,070</b>	<b>70,026</b>		<b>92,972</b>	<b>92,786</b>

This table has been restated to include transferred debt, cash and cash equivalents and the fair value hierarchy level.

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

The Council has adopted CIPFA's Code of Practice on Treasury Management. As part of the adoption of the Treasury Management Code the Council approves a Treasury Management Strategy before the commencement of each financial year. The Strategy sets out the parameters for the management of risks associated with financial instruments.

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

- Credit risk - the possibility that other parties might fail to pay amounts due to the
- Liquidity risk - the possibility that the Council might not have funds available to meet its commitments to make payments;
- Market risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest and stock market movements.

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

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

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

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

### **Credit Risk**

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

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

A limit of £12m was placed on the amount of money that can be invested with a single counterparty in 2015/16. The Council also sets a total group investment limit for institutions that are part of the same banking group.

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

Deposits with money market funds, banks and institutions	Amount at 31 March 2016 £000	Market historical experience of default %	Adjustment for market conditions at 31 March 2015	Estimated maximum exposure to default as at 31 March 2016 £000	Estimated maximum exposure to default as at 31 March 2015 £000
	(a)	(b)	(c)	(a * c)	
AAA rated	22,520	0.04%	0.04%	9	8
AA rated	3,000	0.03%	0.03%	1	3
A rated	7,601	0.06%	0.06%	5	7
Local Authorities	36,000			0	0
<b>Total</b>	<b>69,121</b>			<b>14</b>	<b>18</b>

It must also be noted that although credit ratings remain a key source of information, the Council recognises that they have limitations and investment decisions are based on a range of market intelligence. All investments have been made in line with the Council's Treasury Management Strategy Statement for 2015/16, approved by Council Cabinet on 18 February 2015.

Throughout 2015/16 the minimum criteria for new investments has been UK and European Banks and Building societies with a credit rating of BBB+ and above and any other body or investment scheme of "high credit quality" organisation with a credit rating of A-.

The table below summarises the nominal value of the Council's investment portfolio at 31st March 2016, including cash equivalent and confirms that all investments were made in line with the Council's approved credit rating criteria:

Counterparty	Credit Rating Criteria Met When Investment Placed?	Credit Rating Criteria Met on 31 March 2016	Balance Invested as at 31 March 2016		Total
			Up to 1 month	Over 1 month	
			£000	£000	£000
Other Local Authorities and Public Sector Organisations	Yes	Yes	28,000	8,000	36,000
Money Market Funds	Yes	Yes	22,520	0	22,520
Call Accounts	Yes	Yes	10,601	0	10,601
<b>Total</b>			<b>61,121</b>	<b>8,000</b>	<b>69,121</b>

The Council does not generally allow credit for its trade debtors, such that £7.1m of the £23.549m balance, as at 31 March 2016, is past its due date for payment. The past due amount can be analysed by age as follows:

	2014/15 £000	2015/16 £000
Less than 3 months	1,980	1,761
Three to six months	628	1,109
Six months to one year	938	758
More than one year	2,454	3,472
	<b>6,000</b>	<b>7,100</b>

## Liquidity Risk

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

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

The maturity analysis of financial liabilities is as follows:

	<b>2014/15 £000</b>	<b>2015/16 £000</b>
Less than one year	8,110	4,272
Between one and two years	0	0
Between two and five years	20,000	20,754
Between five and ten years	19,531	23,009
More than ten years	289,459	293,838
	<b>337,100</b>	<b>341,873</b>

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

## **Market Risk**

### **Interest Rate Risk**

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

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

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

The Council has a number of strategies for managing interest rate risk. The annual Treasury Management Strategy draws together the Council's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. From this strategy a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure. The Council monitor market and forecast interest rates within the year to adjust exposures accordingly. For instance, during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns.

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

	£000
Increase in interest receivable on variable rate investments	(650)
<b>Impact on Surplus of Deficit on the Provision of Services</b>	<b>(650)</b>

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

## **24. Assets Held for Sale**

	Current	
	2014/15 £000	2015/16 £000
<b>Balance outstanding at start of year</b>	261	1,770
Assets newly classified as held for sale:		
Property, plant and equipment	5,615	11,180
Impairment losses	0	(3,312)
Assets declassified as held for sale:		
Other movements	(161)	0
Assets sold	(3,945)	(6,088)
<b>Balance outstanding at year-end</b>	<b>1,770</b>	<b>3,550</b>

## **25. Debtors**

### **25a. Current Debtors**

	31 March 2015 £000		31 March 2016 £000	
Central government bodies	10,481		10,478	
<b>Central government bodies</b>		<b>10,481</b>		<b>10,478</b>
Other local authorities	1,568		2,460	
<b>Other local authorities</b>		<b>1,568</b>		<b>2,460</b>
NHS Bodies	2,032		2,396	
<b>NHS Bodies</b>		<b>2,032</b>		<b>2,396</b>
Council Taxpayers	14,061		15,012	
Less Impairment Allowance	(6,234)		(8,119)	
<b>Council Taxpayers</b>		<b>7,827</b>		<b>6,893</b>
NNDR	3,930		5,672	
Less Impairment Allowance	(3,001)		(3,791)	
<b>NNDR</b>		<b>929</b>		<b>1,881</b>
Housing Rents	3,617		4,931	
Less Impairment Allowance	(2,504)		(4,701)	
<b>Housing Rents</b>		<b>1,113</b>		<b>230</b>
Sundry Debtors	23,794		23,549	
Less Impairment Allowance	(8,317)		(11,089)	
<b>Sundry Debtors</b>		<b>15,477</b>		<b>12,460</b>
<b>Total</b>		<b>39,428</b>		<b>36,798</b>

## **25b. Non-Current Debtors**

	<b>31 March 2015 £000</b>	<b>31 March 2016 £000</b>
Mortgages for sale of Council Housing	22	19
Derbyshire County Council 1974 Transferred Funds	3,039	2,800
Loans to Derby Homes	3,237	3,176
Regeneration Loans	9,255	7,054
Other Loans	5	3
PFI Prepayments	4,440	4,929
Finance Lease Receivables	1,464	1,412
Local Authority Mortgage Scheme	1,000	1,000
<b>Total</b>	<b>22,462</b>	<b>20,393</b>

## **26. Cash and Cash Equivalents**

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

	<b>31 March 2015 restated £000</b>	<b>31 March 2016 £000</b>
Cash held by the Council	260	175
Bank current accounts	1,352	1,237
Short-term deposits	45,064	66,189
<b>Total</b>	<b>46,676</b>	<b>67,601</b>

This statement has been restated to adjust for previously misallocated cash balances.

## **27. Creditors**

	<b>31 March 2015 £000</b>	<b>31 March 2016 £000</b>
Central government bodies	(9,097)	(13,738)
Other local authorities	(9,981)	(11,399)
NHS Bodies	(662)	(1,106)
Public bodies & Trading Funds	(3)	0
Council Taxpayers	(1,385)	(1,355)
Short-term Employee Benefits	(3,661)	(3,661)
Sundry Creditors	(36,588)	(39,391)
<b>Total</b>	<b>(61,377)</b>	<b>(70,650)</b>

## **28. Other Long Term Liabilities**

	<b>31 March 2015 £000</b>	<b>31 March 2016 £000</b>
Share of liability for a proportion of the County Council's debt charges on becoming a Unitary Authority on 1 April 1997	(31,254)	(28,805)
Loans transferred from neighbouring authorities in 1968	(575)	(464)
Net Pensions Liability (Defined Benefit Pension Scheme Note)	(351,017)	(320,802)
<b>Total Long Term Liabilities</b>	<b>(382,846)</b>	<b>(350,071)</b>

## **29. Provisions**

### **Equal Pay Claims**

Under the Equal Pay Act 1970, as amended by the Equal Pay Act (Amendment) Regulations 2003, employees are entitled to equal pay for work of equal value. The Council had previously set aside a provision of £13.003m for claims both received and yet to be received. To date the Council has received a small number of claims under the Equal Pay Act and has set aside a provision of £0.280m. During 2015/16 the results of the revised Job Evaluation review have been announced but no further claims have been received. Therefore due to the uncertainty of the value and timing of any further claims the Council has only included the provision for received claims from 2015.

### **Non Domestic Rate Appeals**

The Council is carrying a significant provision of £8.011m (£7.203m in 2014/15) for the repayment of any successful NDR appeals upheld by the VOA. Prior to the introduction of the Retained Business Rate Scheme the cost of these appeals were met by the national pool administered by central government, but now the council is liable for 49% of the cost of appeals. The timing of these appeals is uncertain and outside the control of the Council as they are dependant upon reviews of cases conducted by the VOA.

	Equal Pay Claims	Non Domestic Rates		Other		Total	
	Non - Current £000	Current £000	Non-Current £000	Current £000	Non-Current £000	Current £000	Non-Current £000
<b>Balance at 1 April 2015</b>	<b>13,003</b>	<b>0</b>	<b>7,203</b>	<b>998</b>	<b>504</b>	<b>998</b>	<b>20,710</b>
Additional provisions made in 2015/16	0	0	2,165	670	0	670	2,165
Transferred to Current Provisions	0	1,360	(1,360)	0	0	1,360	(1,360)
Amounts used in 2015/16	0	0	(1,357)	(585)	0	(585)	(1,357)
Provision written back in year	(12,723)	0	0	0	0	0	(12,723)
<b>Balance at 31 March 2016</b>	<b>280</b>	<b>1,360</b>	<b>6,651</b>	<b>1,083</b>	<b>504</b>	<b>2,443</b>	<b>7,435</b>



### 30. Transfers to/from earmarked reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2015/16

	Balance at 31 March 2014 restated £000	Transfers Out 2014/15 £000	Transfers In 2014/15 restated £000	Movement between earmarked reserves 2014/15 £000	Balance at 31 March 2015 restated £000	Transfers Out 2015/16 £000	Transfers In 2015/16 £000	Movement between earmarked reserves 2015/16 £000	Balance at 31 March 2016 £000
<b>General Fund</b>									
Unallocated General Fund Balance	(7,143)	0	0	0	(7,143)	0	0	0	(7,143)
Balances held by schools under a scheme of delegation	(7,875)	7,930	(7,503)	0	(7,448)	7,592	(10,608)	0	(10,464)
<b>TOTAL</b>	<b>(15,018)</b>	<b>7,930</b>	<b>(7,503)</b>	<b>0</b>	<b>(14,591)</b>	<b>7,592</b>	<b>(10,608)</b>	<b>0</b>	<b>(17,607)</b>
<b>Revenue Earmarked Reserves</b>									
Budget Risk Reserve	(16,682)	2,992	(17,113)	10,263	(20,540)	2,984	(9,874)	15,479	(11,951)
MTFP Specific Reserve	0	0	0	0	0	0	0	(10,144)	(10,144)
Reserve for Asbestos	(1,262)	0	0	0	(1,262)	62	0	0	(1,200)
Central Schools Budget Reserve	1,356	0	(6,339)	0	(4,983)	970	(2,418)	0	(6,431)
Insurance Savings Reserve	(890)	0	0	0	(890)	0	(335)	0	(1,225)
Waste Strategy Corporate Reserve	(1,818)	769	0	0	(1,049)	0	0	0	(1,049)
Trading Services Reserve	(611)	177	(221)	172	(483)	209	(828)	0	(1,102)
Job Evaluation Reserve	(4,104)	3,482	(561)	(8,253)	(9,436)	3,699	(671)	3,000	(3,408)
Year end grants with restrictions Reserve	(2,254)	45	(4,822)	0	(7,031)	4,897	(895)	0	(3,029)
Redundancy Costs Reserve	(2,514)	1,000	(199)	0	(1,713)	235	0	0	(1,478)
Regeneration Fund Reserve	(1,488)	505	(558)	0	(1,541)	1,345	(3,527)	0	(3,723)
ICT Reserve	(138)	0	(180)	128	(190)	129	(100)	(2,600)	(2,761)
Benefit Payments/Subsidy Corporate Defined Use Reserve	0	0	(1,395)	0	(1,395)	0	0	0	(1,395)
Assembly Rooms Reserve	0	0	0	0	0	0	(3,408)	0	(3,408)
Achieving Change Reserve	0	0	0	0	0	0	0	(5,000)	(5,000)

	Balance at 31 March 2014 restated £000	Transfers Out 2014/15 £000	Transfers In 2014/15 restated £000	Movement between earmarked reserves 2014/15 £000	Balance at 31 March 2015 restated £000	Transfers Out 2015/16 £000	Transfers In 2015/16 £000	Movement between earmarked reserves 2015/16 £000	Balance at 31 March 2016 £000
PFI Reserves	(18,301)	14	(2,566)	0	(20,853)	139	(2,296)	0	(23,010)
Other Service Reserves	(12,612)	12,263	(2,666)	(6,313)	(9,328)	3,576	(4,472)	(400)	(10,624)
Other Corporate Reserves	(7,347)	726	(577)	4,003	(3,195)	2,109	(1,575)	(335)	(2,996)
Earmarked reserves to support the capital programme	(3,083)	1,528	(1,435)	0	(2,990)	886	0	0	(2,104)
<b>TOTAL</b>	<b>(71,748)</b>	<b>23,501</b>	<b>(38,632)</b>	<b>0</b>	<b>(86,879)</b>	<b>21,240</b>	<b>(30,399)</b>	<b>0</b>	<b>(96,038)</b>
<b>HRA</b>									
Housing Revenue Account	(25,452)	0	(8,239)	(15)	(33,706)	0	(6,566)	0	(40,272)
Other Earmarked HRA Reserves	(802)	0	0	15	(787)	0	0	0	(787)
Major Repairs Reserve	(10,556)	15,465	(11,708)	0	(6,799)	15,803	(11,594)	0	(2,590)
<b>TOTAL</b>	<b>(36,810)</b>	<b>15,465</b>	<b>(19,947)</b>	<b>0</b>	<b>(41,292)</b>	<b>15,803</b>	<b>(18,160)</b>	<b>0</b>	<b>(43,649)</b>
<b>Capital Grants and Receipts</b>									
Usable Capital Receipts	(2,768)	5,310	(7,050)	0	(4,508)	5,177	(9,513)	0	(8,844)
Capital Grants Unapplied	(16,099)	12,847	(12,327)	0	(15,579)	8,090	(8,850)	0	(16,339)
<b>TOTAL</b>	<b>(18,867)</b>	<b>18,157</b>	<b>(19,377)</b>	<b>0</b>	<b>(20,087)</b>	<b>13,267</b>	<b>(18,363)</b>	<b>0</b>	<b>(25,183)</b>

<b>TOTAL USABLE RESERVES</b>	<b>(142,443)</b>	<b>65,053</b>	<b>(85,459)</b>	<b>0</b>	<b>(162,849)</b>	<b>57,902</b>	<b>(77,530)</b>	<b>0</b>	<b>(182,477)</b>
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This note has been restated to adjust the categorisation of service and corporate reserves movements.

### **31. Usable Reserves**

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and Note 7.

Details of the major usable reserves are set out below:

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

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

MTFP Specific Reserve - reserve held to smooth the effects of the £45m cuts to the Council budgets over the next three years.

Achieving Change Reserve - reserve held to support the delivery of savings required in the 2016/17 – 2018/19 Medium Term Financial Plan (MTFP).

PFI Reserves - accumulated government PFI credits held to support the PFI business models and contractual commitments over the next 27 years.

Other Ring-Fenced Reserves - reserves set aside to support future years service delivery. The reserves cover a wide range of areas including regeneration projects, job evaluation and priority families.

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

Major Repairs Reserve - the Council is required by The Accounts and Audit Regulations 2015 to maintain the Major Repairs Reserve. The reserve controls an element of the capital resources required to be used on HRA assets or for capital financing purposes.

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

### **32. Unusable Reserves**

<b>31 March 2015 restated £000</b>		<b>31 March 2016 £000</b>
(294,453)	Revaluation Reserve	(307,928)
(303,259)	Capital Adjustment Account	(294,893)
(969)	Financial Instruments Adjustment Account	(695)
351,016	Pensions Reserve	320,802
(1,479)	Deferred Capital Receipts Reserve	(1,421)
(4,892)	Collection Fund Adjustment Account	401
3,661	Accumulated Absences Account	3,661
13,003	Unequal Pay Back Pay Adjustment Account	0
<b>(237,372)</b>	<b>Total Unusable Reserves</b>	<b>(280,073)</b>

#### **32a. Revaluation Reserve**

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

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

<b>2014/15 restated £'000</b>		<b>2015/16 £'000</b>
<b>(353,964)</b>	<b>Balance at 1 April</b>	<b>(294,453)</b>
49,986	Opening balance restatement	
<b>(303,978)</b>	<b>Restated Balance at 1 April</b>	
(16,451)	Upward revaluation of assets	(28,066)
10,804	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	6,156
(5,647)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	(21,910)
7,336	Difference between fair value depreciation and historical cost depreciation	7,609
7,836	Accumulated gains on assets sold or scrapped	826
15,172	Amount written off to the Capital Adjustment Account	8,435
<b>(294,453)</b>	<b>Balance at 31 March</b>	<b>(307,928)</b>

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

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

### **32b. Capital Adjustment Account**

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

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

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

Note 7 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

<b>2014/15 restated £000</b>		<b>2015/16 £000</b>
<b>(447,952)</b>	<b>Balance at 1 April</b>	<b>(303,259)</b>
156,890	Opening Balance restatement	0
<b>(291,062)</b>	<b>Restated balance at 1 April</b>	<b>(303,259)</b>
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
32,744	Charges for depreciation of non-current assets	33,849
10,339	Charges for impairment of non-current assets	9,407
26,179	Revaluation losses on Property, Plant and Equipment	43,646
(9,263)	Revaluation gains matched to prior year impairments	(19,892)
(3)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	2,952
1,756	Amortisation of intangible assets	1,963
9,811	Revenue expenditure funded from capital under statute	5,743
18,528	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	6,455
(15,172)	Adjusting amounts written off of the Revaluation Reserve	(8,435)
<b>74,919</b>	<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement</b>	<b>75,688</b>

2014/15 £000		2015/16 £000
Capital financing applied in the year:		
(4,206)	Use of the capital receipts reserve to finance new capital expenditure	(3,915)
(15,465)	Use of the Major Repairs Reserve to finance new capital expenditure	(15,803)
(37,135)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(23,205)
(12,847)	Application of grants to capital financing from the Capital Grants Unapplied Account	(8,090)
(12,356)	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(10,978)
(1,404)	Transferred Debt	(1,346)
(3,703)	Capital expenditure charged against the General Fund and HRA balances	(3,985)
<b>(87,116)</b>	<b>Capital financing applied in the year</b>	<b>(67,322)</b>
<b>(303,259)</b>	<b>Capital Adjustment Account Balance at 31 March</b>	<b>(294,893)</b>

### **32c. Pensions Reserve**

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

2014/15 £000		2015/16 £000
<b>283,427</b>	<b>Balance at 1 April</b>	<b>351,016</b>
52,064	Remeasurement of the net defined benefit liability	(51,077)
37,102	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	43,022
(21,577)	Employer's pensions contributions and direct payments to pensioners payable in the year	(22,159)
<b>351,016</b>	<b>Balance at 31 March</b>	<b>320,802</b>

### **32d. Unequal Pay Back Pay Adjustment Account**

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

<b>2014/15 £000</b>		<b>2015/16 £000</b>
<b>8,325</b>	<b>Balance at 1 April</b>	<b>13,003</b>
4,678	Amount by which equal pay claims charged to the Comprehensive Income and Expenditure Statement are different from amounts chargeable in accordance with statutory requirements	(13,003)
<b>13,003</b>	<b>Balance at 31 March</b>	<b>0</b>

For further details relating to the movement in this reserve please see note 29.

### **33. Related Parties**

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

#### **UK Government**

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

#### **Members and Chief Officers**

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2015/16 is shown in the members' allowances note. Council members make disclosures of their pecuniary and non-pecuniary interests to the Council's Monitoring Officer and have to make declarations on individual committee agenda items in accordance with section 117 of the Local Government Act 1972. In addition, where members are nominated by the Council to sit on outside bodies, this is reported to the Council.

During 2015/16 services to the value of £636,917 were commissioned from companies in which 6 members had interests. These relationship had no bearing on any decision made. Contracts were entered into following full compliance with the Council's procedure rules. In addition, the Council paid grants totalling £297,042 to organisations in which 4 members have an interest. These grants were made with proper consideration of declarations of interest. All grant payments had been made by 31 March 2016.

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

The Council has a pooled budget arrangement with NHS Derby City for the provision of an integrated disabled children's service. The Council's contribution to this service in 2015/16 was £1.127m.

The Council has entered into a pooled budget arrangement with the Southern Derbyshire CCG (SDCCG) for the provision of health and social care services. This agreement has been made under section 75 of the National Health Services Act 2006. Both parties contribute to the fund which total £17.4m in 2015/16. The pooled budget is then used to procure health and social care services. Further details of the pool arrangement are included in the Pooled budget note.

The Council has outstanding borrowing with a number of Local Authorities totalling £35m this consists of £15m with Staffordshire County Council, and two loans of £10m with Lancashire County Council and Derbyshire County Council respectively.

### **Subsidiary Companies**

The Council has included £1.190m income (£1.018m in 2014/15) from Derby Homes Limited for the provision of support services, paid out of the management fee Derby Homes received from the Housing Revenue Account. This income is included in the Income and Expenditure Statement. Derby Homes is treated as a Subsidiary Company within the group accounts.

At the 31st March 2016 the Council had four on-going loan agreements in operation with Derby Homes totalling £3.175m.

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

### **Contribution to Joint Committees and Joint Bodies**

The City Council contributes to Derbyshire County Council for a number of services. In 2015/16 the Council contributed £0.373m towards the cost of the Coroners service (£0.403m in 2014/15), £0.136m towards Emergency planning (£0.136m in 2014/15) and £4.273m towards the Concessionary Fare Service (£5.079m in 2014/15) with a further £1.539m outstanding at year end.

### **34. Members' Allowances**

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

	<b>2014/15 £000</b>	<b>2015/16 £000</b>
Allowances	805	819
Expenses	5	5
<b>Total</b>	<b>810</b>	<b>824</b>



### 35. Officers' Remuneration

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

#### a) Senior Officer Remuneration

		Salary, Fees and Allowances £	Pension Contribution £	Redundancy £	Total £
A. Wilkinson (Chief Executive) to 31/01/15	2014/15	133,333	25,680	140,000	299,013
	2015/16	160,003	30,816	0	190,819
P Robinson (Chief Executive) from 01/02/15	2014/15	35,269	5,136	0	40,405
Strategic Director of Neighbourhoods to 31/01/15	2014/15	96,848	21,596	0	118,444
Acting Strategic Director of Neighbourhoods 01/02/15 - 31/08/15	2015/16	45,035	8,674		53,709
	2014/15	10,937	1,735	0	12,672
Strategic Director of Communities and Place & Deputy Chief Executive from 01/09/15	2015/16	63,494	12,229	0	75,723
Strategic Director of Adult ,Health and Housing to 12/04/15	2015/16	6,231	763	0	6,994
	2014/15	118,890	22,898	0	141,788
Interim Strategic Director of Adult ,Health and Housing 06/04/15 - 31/03/16	2015/16	106,583	20,528	0	127,111
Strategic Director of Children and Young People to 16/08/15	2015/16	46,754	9,005	69,094	124,853
	2014/15	119,781	23,070	0	142,851
Strategic Director of Children and Young People 03/08/15 - 29/02/16	2015/16	62,468	12,031	0	74,499
Strategic Director of People Services from 01/03/16	2015/16	9,908	1,908		11,816
Strategic Director of Public Health to 01/03/15	2014/15	101,216	14,079	0	115,295
Strategic Director of Public Health 01/05/15 - 13/12/15	2015/16	58,681	8,391	0	67,072
Strategic Director of Public Health from 22/12/15	2015/16	28,943	5,575	0	34,518
	2015/16	7,114	1,018	0	8,132
Strategic Director of Resources to 16/04/15	2014/15	118,890	22,898	0	141,788
	2015/16	595,214	110,938	69,094	775,246
<b>TOTAL</b>	2014/15	735,164	137,092	140,000	1,012,256

**b) Number of Employees by Remuneration Band (excluding senior officers)**

Remuneration Band	2014/15 Number of employees	2015/16 Number of employees
£50,000 - £54,999	60	59
£55,000 - £59,000	53	44
£60,000 - £64,000	23	32
£65,000 - £69,000	18	14
£70,000 - £74,999	10	7
£75,000 - £79,000	6	4
£80,000 - £84,999	12	13
£85,000 - £89,999	0	1
£90,000 - £94,999	0	0
£95,000 - £99,999	1	0
£100,000 - £104,999	1	0
£105,000 - £109,999	0	1
£110,000 - £114,999	1	1
<b>Total</b>	<b>185</b>	<b>176</b>

**c) Exit Costs**

Exit package cost band (including special payments)	Head count number of compulsory redundancies		Head count number of other departures agreed		Total head count by cost band		Total cost of exit packages in each band	
	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16
	£	£	£	£	£	£	£	£
£0-£20,000	58	61	67	92	125	153	646,717	747,447
£20,001-£40,000	1	2	8	7	9	9	242,862	225,645
£40,001-£60,000	0	0	0	2	0	2	0	88,077
£60,001-£80,000	0	0	0	1	0	1	0	69,094
£80,001-£140,000	0	0	1	0	1	0	140,000	0
<b>Total</b>	<b>59</b>	<b>63</b>	<b>76</b>	<b>102</b>	<b>135</b>	<b>165</b>	<b>1,029,579</b>	<b>1,130,263</b>

### **36. Termination Benefits**

During 2015/16 the Council continued with the on-going voluntary redundancy programme to meet the reduced Council funding set by Central Government. This exercise resulted in 98 employees leaving the organisation during 2015/16.

The associated costs of this redundancy programme consisted of £635,746 redundancy payments (£778,187 in 2014/15) and £203,255 pension shortfall costs (£270,686 in 2014/15). The Council has funded these costs through a combination of contingencies, use of specific reserves set aside for this purpose and the use of in year budget savings.

### **37. Pensions Schemes Accounted for as Defined Contribution 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 technically a defined benefit scheme. However, the Scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Council is not able to identify its share of underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme. In 2015/16 the Council paid £8.962m to Teachers' Pensions in respect of teachers' retirement benefits representing 14.1% of pensionable pay until 31/08/15 and 16.48% from 01/09/15 onwards. The figures for 2014/15 were £8.207m and 14.1%. Contributions for 2016/17 are expected to be £9.426m.

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

#### **NHS Pension Scheme**

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

The scheme is technically a defined benefit plan however as the NHS bodies account for the scheme as a defined contribution plan, it would be extremely unlikely that local authorities would be able to identify the underlying scheme assets and liabilities for NHS staff who have transferred across. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme. In 2015/16 the Council paid £0.102m to the NHS in respect of retirement benefit's for those public health staff who transferred across on 1st April 2014 representing on average 14.0% of pensionable pay. The figures for 2014/15 were £0.111m and 14.0%. The Council expects to pay £0.102m to the NHS in 2016/17 in pension contributions.

## **38. Defined Benefit Pension Schemes**

### **Participation in Pension Schemes**

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The Council participates in two post employment schemes:

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

The contribution rate paid by the Council is a combination of two elements:

future service rate – the estimated cost of future benefits being built up year on year and  
past service rate – an adjustment for the difference between the value of assets built up to date and the estimated value of past benefits earned by employees

Employer contributions are credited to the pension fund which in turn funds the benefits paid to employees. The fund must have assets available to meet the cost of retirement and death benefits that employees are entitled to and so a prudent contribution rate is calculated. However the Fund Actuary (Hymans Robertson LLP) and the Administering body (Derbyshire County Council) are aware that the employer rate set will have a direct impact on the level of council services and council tax charged. The administering body will risk assess the employer to understand their financial standing and ability to meet long term financial commitments. It will then use appropriate methodology when setting a contribution rate for the council including:

stabilisation - capping rate increases to predetermined ranges,  
deficit recovery - allowing a past service rate to be applied over an extended period of time  
phasing in of contribution increases

This achieves the balance of setting a stable, affordable rate with the requirement for a prudent long term view ensuring a solvent fund.

2) Arrangements for the award of discretionary post retirement benefits upon early retirement - this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pensions liability, and cash has to be generated to meet actual pensions payments as they eventually fall due.

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

## Transactions Relating to Post-Employment Benefits

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge which is required to be made against council tax is based on the cash payable in the year, so the real cost of post employment retirement is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves during the year.

### Comprehensive Income and Expenditure Statement

	2014/15	2015/16
<b>Comprehensive Income and Expenditure Statement</b>		
<b>Cost of Services:</b>		
Current service cost	25,082	31,389
Past service cost	379	599
<b>Financing and Investment Income and Expenditure:</b>		
Net interest expense	11,641	11,033
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	37,102	43,021
<b>Remeasurement of the net defined benefit liability:</b>		
Return on plan assets (excluding the amounts included in net interest)	(49,890)	21,613
Actuarial gain and losses arising on changes in financial assumptions	112,530	(64,026)
Actuarial gain and losses arising from other experience	(10,576)	(8,664)
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>89,166</b>	<b>(8,056)</b>
<b>Movement in Reserves Statement</b>		
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(15,525)	(20,862)
<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>		
Employers' contributions payable to scheme	21,577	22,159

The amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2016 is a Gain of £51.077m.

## Pension Assets and Liabilities Recognised in the Balance Sheet

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

	2014/15	2015/16
	£000	£000
<b>Present value of the defined benefit obligation</b>		
Local Government Pension Scheme	(1,029,315)	(1,004,272)
Discretionary Benefits	(36,983)	(38,288)
Fair value of assets in the Local Government Pension Scheme	715,281	721,758
<b>Net liability arising from defined benefit obligation</b>		
Local Government Pension Scheme	(314,034)	(282,514)
Discretionary Benefits	(36,983)	(38,288)
<b>Total</b>	<b>(351,017)</b>	<b>(320,802)</b>

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

	2014/15	2015/16
<b>Opening balance at 1 April</b>	<b>(917,095)</b>	<b>(1,066,298)</b>
Current service cost	(25,082)	(31,389)
Interest cost	(37,718)	(33,296)
Contributions from scheme participants	(6,381)	(6,384)
<b>Remeasurement gains or losses:</b>		
Actuarial gains or losses arising from changes in financial assumptions	(112,530)	64,026
Actuarial gains or losses arising from other experience	10,576	8,664
Benefits paid	22,311	22,716
Past services costs	(379)	(599)
<b>Closing balance at 31 March</b>	<b>(1,066,298)</b>	<b>(1,042,560)</b>

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

	2014/15 £000	2015/16 £000
<b>Opening fair value of scheme assets at 1 April</b>	<b>633,667</b>	<b>715,281</b>
Interest income	26,077	22,263
The return on plan assets excluding the amount included in the net interest expense	49,890	(21,613)
Contributions from employer	21,577	22,159
Contributions from employees into the scheme	6,381	6,384
Benefits paid	(22,311)	(22,716)
<b>Closing balance at 31 March</b>	<b>715,281</b>	<b>721,758</b>

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

Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year 2015/16 was £0.650m. This is based on an actual loss of (£21.613m) and interest of £22.263m. The return for 2014/15 was £75.967m.

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of £1,042.560m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in a net pensions deficit balance of £320.802m. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

(i) The deficit on the local government scheme will be made good by increased contributions over the remaining working life of benefits (i.e. before payments fall due), as assessed by the scheme actuary. The actuary reviews past and future service rates and the deficit recovery period to achieve a long term solvent fund.

(ii) Finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

## Pension Scheme Assets

	2014/15		2015/16	
	£000	%	£000	%
<b>Quoted prices in active markets</b>				
Equity Investments				
Consumer	56,646	7.9%	59,348	8%
Manufacturing	71,686	10.0%	67,321	9%
Energy	52,221	7.3%	41,134	6%
Financial Institutions	55,579	7.8%	56,590	8%
Health	31,988	4.5%	31,310	4%
ICT	14,385	2.0%	20,154	3%
Other	71,556	10.0%	73,839	10%
Government Bonds	87,267	12.2%	80,850	11%
Other Bonds	18,937	2.6%	14,406	2%
Private Equity	3,495	0.5%	9,792	2%
Investment Funds - Equities	127,004	17.8%	137,122	19%
Infrastructure	0	0.0%	8,231	1%
Cash	45,388	6.3%	0	0%
<b>Quoted prices not in active markets</b>				
Corporate Bonds	34,549	4.8%	39,960	6%
Private Equity	1,823	0.3%	2,959	0%
Property	34,693	4.9%	43,030	6%
Investment Funds - Equities	4,330	0.6%	1,950	0%
Investment Funds - Infrastructure	3,734	0.5%	4,167	1%
Cash	0	0.0%	29,595	4%
<b>Total</b>	<b>715,281</b>	<b>100%</b>	<b>721,758</b>	<b>100%</b>

## Basis for Estimating Assets and Liabilities

The principal risks to the Council of the scheme are:

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

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependant on assumptions about mortality rates, salary levels etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates for the Council being based on the latest full valuation (conducted every 3 years) of the scheme as at 31 March 2016.



For 2015/16 the actuary calculated a discount rate to value the scheme liabilities by using high quality corporate bonds and government yield curves by adopting the "Hymans Robertson" corporate bond yield curve approach which is constructed based on the constituents of the iBoxx AA corporate bond index.

The principal assumptions used by the actuary have been:

	2014/15	2015/16
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	22.0	22.0
Women	24.2	24.2
Longevity at 65 for future pensioners:		
Men	24.1	24.1
Women	26.6	26.6
Rate of inflation CPI	2.3%	2.2%
Rate of increase in salaries	3.0%	3.1%
Rate of increase in pensions	2.1%	2.1%
Rate of discounting scheme liabilities	3.1%	3.4%

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

RPI is based on the Bank of England implied inflation curve as at 31 March 2016

CPI is assumed as RPI less 1%. This gap has increased by 0.1% from 2015.

## Sensitivity

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

Change in assumptions at 31 March 2016	Approximate %	Approximate
0.5% decrease in real discount rate	12%	121,549
1 year increase in member life expectancy	3%	31,277
0.5% increase in Salary Increase Rate	3%	35,140
<b>0.5% increase in the Pension Increase</b>	<b>8%</b>	<b>85,000</b>

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

## Asset and Liability Matching Strategy

The Fund does not have a formal Asset and Liability Matching Strategy, but it does select investments that are expected to meet the payment liabilities over the long term.

The fund's primary long term risk is that the Fund's assets do not meet it's liabilities i.e. the benefits payable to members. Therefore, the aim of the Fund's investment management is to achieve the long term expected rate of return with an acceptable level of risk. The Fund achieves this by setting a strategic asset allocation on a triennial basis which is expected to achieve the target return over the long term. The tactical asset allocation is determined by the Pensions Committee, administered by Derbyshire County Council, on a quarterly basis.

## Defined Benefit Obligation

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

	Liability Split	Weight Average
Active members	47.7%	24.0
Deferred members	17.4%	22.1
Pensioner members	34.9%	8.9
<b>Total</b>	<b>100.0%</b>	<b>16.8</b>

The total employer contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2017 are £21.041m.

## 39. Contingent Liabilities

As at 31 March 2016, the Council had one material contingent liability.

The Council has one wholly owned subsidiary, Derby Homes Ltd. The Council continues to underwrite the pension liability relating to Derby Homes membership of the Local Government Pension Scheme. In the event of Derby Homes ceasing to trade this liability would transfer to the City Council. The value of Derby Homes' reported pension deficit was £15.114m as at 31 March 2016.

## 40. Contingent Assets

The Council does not have any contingent assets in 2015/16 (nil in 2014/15).

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

<b>2014/15 restated £000</b>		<b>2015/16 £000</b>
(34,500)	Depreciation and amortisation	(35,812)
(27,251)	Impairment and downward valuations	(36,111)
(1,959)	(Increase)/decrease in impairment for provision for bad debt	(7,644)
10,032	(Increase)/decrease in creditors	(7,404)
1,222	Increase/(decrease) in debtors	2,945
63	Increase/(decrease) in stock	137
(1,576)	(Increase)/decrease in provisions	11,829
(15,525)	Pension liability	(20,862)
(15,408)	Other non-cash items charged to the net Surplus or Deficit on the Provision of Services	13,727
<b>(84,902)</b>	<b>Total Non-Cash Movements</b>	<b>(79,195)</b>

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

<b>2014/15 £000</b>		<b>2015/16 £000</b>
7,041	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	9,455
23,566	Capital grants credited to surplus or deficit on provision of services	8,754
<b>30,607</b>	<b>Total adjustments for items that are investing and financing activities</b>	<b>18,209</b>

#### **43. Operating Activities**

The cash flows for operating activities include the following items:

<b>2014/15 £000</b>		<b>2015/16 £000</b>
(655)	Interest Received	(867)
22,559	Interest Paid	22,882
<b>21,904</b>		<b>22,015</b>

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

<b>2014/15 £000</b>		<b>2015/16 £000</b>
82,793	Purchase of property, plant and equipment, investment property and intangible assets	61,731
0	Purchase of short-term and long-term investments	3,000
(7,041)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(9,455)
(38,656)	Capital grants (cash) received	(26,337)
<b>37,096</b>	<b>Net Cash Flows from Investing activities</b>	<b>28,939</b>

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

<b>2014/15 £000</b>		<b>2015/16 £000</b>
(25,009)	Cash receipts of short and long-term borrowing	(9,755)
4,803	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on balance sheet PFI contracts	3,884
30,359	Repayments of short- and long-term borrowing	6,336
<b>10,153</b>	<b>Net cash flows from financing activities</b>	<b>465</b>

#### **46. Transport Act 2000**

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

<b>Service Description</b>	<b>Exp £000</b>	<b>Inc £000</b>	<b>Net £000</b>
Concessionary fares for public transport – English National Concessionary Travel Scheme for older and disabled people (and b-line scheme for young people) administered by Derbyshire County Council.	5,858	(7)	5,851

## **47. Pooled Budgets**

### **Better Care Fund (BCF)**

The Council has entered into a pooled budget arrangement with the Southern Derbyshire CCG (SDCCG) for the provision of health and social care services to meet the needs of people living with the Derby City Council area.

2015/16 is the first year that the Council has operated a BCF pooled budget. The Authority and the CCG have an agreement in place for funding these services that runs annually. The arrangement is made in accordance with Section 75 of the National Health Service Act 2006. The Pooled budget is overseen by the Peoples Commissioning Board. The Board is made up of 6 members with equal representation from both parties. Both parties contribute funds to the pool which is hosted by Derby City Council on behalf partners in line with the agreement. The agreement contains several specific schemes for which the Council acts as Lead Commissioner. For these schemes the Council is directly responsible for commissioning providers and providing care services.

<b>2014/15 £000</b>		<b>2015/16 £000</b>
	<b>Funding provided to the pooled budget:</b>	
0	Derby City Council	1,537
0	NHS Southern Derbyshire CCG	15,866
<b>0</b>		<b>17,403</b>
	<b>Expenditure met from the pooled budget:</b>	
0	Derby City Council	12,818
0	NHS Southern Derbyshire CCG	4,585
<b>0</b>		<b>17,403</b>
<b>0</b>	Net surplus / (deficit) arising from pooled budget:	<b>0</b>
<b>0</b>	Derby City Council share net surplus / (deficit) arising from pooled budget:	<b>0</b>

## **HOUSING REVENUE ACCOUNT INCOME & EXPENDITURE STATEMENT**

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

<b>HRA Income and Expenditure Statement</b>	<b>2014/15</b>	<b>2015/16</b>
	<b>£000</b>	<b>£000</b>
<b>Expenditure</b>		
Repairs and Maintenance	15,245	15,961
Supervision and Management	12,918	12,857
Special Services	1,020	1,125
Depreciation and impairments of non-current assets	15,813	16,698
Debt Management costs	135	106
Movement in allowance for bad debts	312	2,289
<b>Total Expenditure</b>	<b>45,443</b>	<b>49,036</b>
<b>Income</b>		
Dwelling rents	(54,243)	(55,172)
Non dwelling rents	(549)	(569)
Charges for Services and facilities	(4,639)	(4,347)
Contributions towards expenditure	0	(135)
<b>Total Income</b>	<b>(59,431)</b>	<b>(60,223)</b>
<b>Net cost of HRA Services as included in the Comprehensive Income and Expenditure account</b>	<b>(13,988)</b>	<b>(11,187)</b>
HRA services share of Corporate and Democratic Core	121	49
<b>Net Income for HRA Services</b>	<b>(13,867)</b>	<b>(11,138)</b>
<b>HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:</b>		
Gain or loss on sale of HRA non-current assets	(2,445)	(2,376)
Interest payable and similar charges	10,094	10,139
Interest and Investment income	(206)	(285)
Capital Grant Income	0	(21)
<b>(Surplus) / Deficit for the year on HRA services</b>	<b>(6,424)</b>	<b>(3,681)</b>

## **MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT**

<b>Movement on the Housing Revenue Account Balance Statement</b>	<b>2014/15</b>	<b>2015/16</b>
	<b>£000</b>	<b>£000</b>
<b>Balance on the HRA at the end of the previous year</b>	<b>(25,452)</b>	<b>(33,706)</b>
(Surplus) or deficit for the year on the HRA income and expenditure statement	(6,424)	(3,681)
<b>Adjustments between accounting basis and funding basis under Statute:</b>		
Difference between interest payable and similar charges determined in accordance with the Code and those determined in accordance with Statute	(175)	(166)
Difference between any other item of income and expenditure determined in accordance with the Code and those determined in accordance with Statute	1	0
Gain or loss on sale of HRA non-current assets	2,445	2,376
HRA share of contributions to or from the Pensions Reserve	(23)	(77)
Capital expenditure funded by the HRA	43	65
<b>Net (Increase) or decrease before transfers to/from reserves</b>	<b>(4,133)</b>	<b>(1,483)</b>
<b>Transfers (to) or from reserves:</b>		
Transfers (to)/from the Capital Grants Unapplied Reserve	0	21
Transfers (to)/from the Capital Adjustment Account	(4,106)	(5,104)
Transfers (to)/from other Earmarked Reserves	(15)	0
<b>Increase or (decrease) in year on the HRA</b>	<b>(8,254)</b>	<b>(6,566)</b>
<b>Balance on the HRA at the end of the current year</b>	<b>(33,706)</b>	<b>(40,272)</b>

## **NOTES TO HOUSING REVENUE ACCOUNT**

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

<b>Dwelling Type</b>	<b>31 March 2015 £000</b>	<b>31 March 2016 £000</b>
Houses	7,668	7,556
Flats	4,293	4,257
Bungalows	1,350	1,362
<b>Total</b>	<b>13,311</b>	<b>13,175</b>

### **Operational/ Non Operational Assets**

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

#### **a. Operational Assets**

	<b>31 March 2015 £000</b>	<b>31 March 2016 £000</b>
Dwellings	381,823	387,443
Other Land and Buildings	8,615	6,994
Infrastructure	1,743	1,695
Vehicles, plant and equipment	27	25
Community Assets	513	354
	<b>392,721</b>	<b>396,511</b>

Valuations are calculated starting with an actual valuation obtained at 1 April then uplifting this amount for market changes throughout the year to give a 31 March value. The regional adjusting factor for Existing Use Value for Social Housing (EUVSH) has remained at 34%.

#### **b. Non Operational Assets**

	<b>31 March 2015 £000</b>	<b>31 March 2016 £000</b>
Surplus properties	567	3,963
Construction & Work in progress	555	7,200
	<b>1,122</b>	<b>11,163</b>



## **2. Council Dwellings Vacant Possession Value**

The total vacant possession value of dwellings within the HRA at 1 April 2015 was £1,101m (£1,079m at 1 April 2014). ODPM guidance requires that the balance sheet valuation of £374.34m at 1 April 2015, (£366.788m at 1 April 2014) be determined by applying a regional multiplier 34% for the East Midlands (34% for the East Midlands in 2015) to the vacant possession value of dwellings.

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

During 2015/16 the housing market has taken an upturn and as such the housing stock has been uplifted by 3.5% to take account of market conditions. The total vacant possession value of dwellings within the HRA at 1 April 2016 is estimated to be £1,140m after applying the uplift. The balance sheet valuation after applying the regional multiplier 34% is £387.44m when adding the 3.5% uplift.

## **3. Major Repairs Reserve**

The movements on the Major Repairs Reserve are shown below:

	<b>2014/15 £000</b>	<b>2015/16 £000</b>
Balance at beginning of the year	(10,556)	(6,799)
MRA allowance	(11,708)	(11,594)
	<b>(22,264)</b>	<b>(18,393)</b>
Debit to MRA in respect of capital expenditure on properties within the HRA	15,465	15,803
<b>Balance at end of Year</b>	<b>(6,799)</b>	<b>(2,590)</b>

## **4. Housing Repairs Account**

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

	<b>2014/15 £000</b>	<b>2015/16 £000</b>
Balance at beginning of the year	(15)	0
	<b>(15)</b>	<b>0</b>
Less balance transferred to general HRA reserves	15	0
<b>Balance at end of Year</b>	<b>0</b>	<b>0</b>

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

### **5a. Summary of Capital Expenditure and Financing**

	<b>2014/15 £000</b>	<b>2015/16 £000</b>
<b>Expenditure</b>		
Council Dwellings	13,148	11,428
Other Land and Buildings	0	37
Revenue Expenditure Funded from Capital under Statute	3,274	0
Assets Under Construction	555	7,162
<b>Total Capital Expenditure</b>	<b>16,977</b>	<b>18,627</b>
<b>Sources of Funding</b>		
Capital Receipts	1,450	925
Other Contributions and Grants	62	1,899
Major Repairs Reserve	15,465	15,803
<b>Balance at end of Year</b>	<b>16,977</b>	<b>18,627</b>

### **5b. Summary of Capital Receipts**

	<b>2014/15 £000</b>	<b>2015/16 £000</b>
Dwellings	6,188	6,409
<b>Total Receipts</b>	<b>6,188</b>	<b>6,409</b>

The Capital receipts figure in this note is gross and is prior to the allowable deduction of £0.182m capital pooling administration expenditure.

### **6. Depreciation**

	<b>2014/15 £000</b>	<b>2015/16 £000</b>
<b>Operational</b>		
Council Dwellings	11,167	11,330
Other operational land and buildings	423	196
Infrastructure	48	48
Community Assets	-	18
VPE	70	2
<b>Total Depreciation HRA</b>	<b>11,708</b>	<b>11,594</b>
<b>Net Charge to HRA</b>	<b>11,708</b>	<b>11,594</b>

## **7. Impairment and Revaluation Losses**

In order to ensure compliance with the Decent Homes Standard, Council Dwellings are regularly maintained and as such large capital expenditure is incurred to undertake refurbishments. The valuation of Council Dwellings is required to be adjusted by 66% to reflect the regional factor for Existing Use Value for Social Housing and as such the £11.428m capital expenditure for the year must also be written down by the same adjusting factor. This writing down of the value of capital expenditure on Council Dwellings equates to £7.543m in 2015/16 (£8.678m in 2014/15).

The HRA impairment charges are summarised below:

	<b>Asset Category</b>	
	<b>Council Dwellings £000</b>	<b>Other Land and Buildings £000</b>
<b>HRA Impairment Charges 2015/16</b>		
Impairment charge recognised against Cost/ Valuation	(8,340)	(4,834)
Writing down of 2015/16 Capital Expenditure	(7,543)	(37)
Writing down of 2015/16 Recategorisations	(313)	(44)
<b>Total HRA Impairment charges</b>	<b>(16,196)</b>	<b>(4,915)</b>
Impairments charged directly to Revaluation Reserve	(4,516)	(1,622)
Impairments and revaluation losses charged to HRA Income & Expenditure Account	(11,680)	(3,293)
	<b>(16,196)</b>	<b>(4,915)</b>

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

There has been no Revenue Expenditure Funded from Capital under Statute attributable to the HRA for 2015/16 (£3.274m in 2014/15).

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

	<b>2014/15 £000</b>	<b>2015/16 £000</b>
<b>Amount of rent arrears</b>	<b>2,684</b>	<b>3,268</b>
<b>Balance sheet provision in respect of uncollectable debts</b>	<b>2,504</b>	<b>2,948</b>

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

	<b>2014/15 £000</b>	<b>2015/16 £000</b>
Current Service Cost	162	262
Reversal of net charges made to the Surplus or Deficit for the Provision of services for post employment benefits in accordance with the Code	(139)	(185)
<b>HRA share of Contributions to/from the Pensions Reserve</b>	<b>23</b>	<b>77</b>

## THE COLLECTION FUND

Business Rates £000	Council Tax £000	Total 2014/15 £000	INCOME AND EXPENDITURE	Business Rates £000	Council Tax £000	Total 2015/16 £000
			<b>Income:</b>			
0	(91,731)	(91,731)	Council Tax	0	(94,428)	(94,428)
(86,671)	0	(86,671)	Business Rates	(89,364)	0	(89,364)
<b>(86,671)</b>	<b>(91,731)</b>	<b>(178,402)</b>	<b>Total Income</b>	<b>(89,364)</b>	<b>(94,428)</b>	<b>(183,792)</b>
			<b>Expenditure:</b>			
			<b>Precepts and Demands</b>			
41,787	0	41,787	Payment to National Pool	43,040	0	43,040
40,951	72,770	113,721	Derby City Council	42,180	75,195	117,375
0	10,625	10,625	Derbyshire Police Precept	0	10,979	10,979
836	4,273	5,109	Fire Precept	861	4,414	5,275
			<b>Charges to the Collection Fund:</b>			
314	0	314	Costs of Collection	315	0	315
1,646	1,850	3,496	Write offs	263	1,200	1,463
(464)	910	446	Increase / (Decrease) in bad debt provision	790	2,269	3,059
(2,049)	0	(2,049)	Increase / (Decrease) in appeals provision	808	0	808
709	0	709	Disregarded Amounts	725	0	725
			<b>Transfer of previous years estimated surplus</b>			
(2,086)	0	(2,086)	Central Government	3,017	0	3,017
(2,045)	0	(2,045)	Derby City Council	2,956	2,381	5,337
0	0	0	Derbyshire Police Authority	0	348	348
(42)	0	(42)	Derbyshire Fire Authority	60	140	200
<b>79,557</b>	<b>90,428</b>	<b>169,985</b>	<b>Total Expenditure</b>	<b>95,015</b>	<b>96,926</b>	<b>191,941</b>
(7,114)	(1,303)	(8,417)	(Surplus) / Deficit for the year	5,651	2,498	8,149
3,732	(2,102)	1,630	(Surplus) / Deficit brought forward	(3,382)	(3,405)	(6,787)
<b>(3,382)</b>	<b>(3,405)</b>	<b>(6,787)</b>	<b>(Surplus) / Deficit at the end of the year</b>	<b>2,269</b>	<b>(907)</b>	<b>1,362</b>
			<b>Share of Collection Fund</b>			
(1,691)	0	(1,691)	Central Government	1,135	0	1,135
(1,657)	(2,826)	(4,483)	Derby City Council	1,112	(753)	359
0	(413)	(413)	Derbyshire Police Authority	0	(110)	(110)
(34)	(166)	(200)	Derbyshire Fire Authority	22	(44)	(22)
<b>(3,382)</b>	<b>(3,405)</b>	<b>(6,787)</b>	<b>(Surplus) / Deficit at the end of the year</b>	<b>2,269</b>	<b>(907)</b>	<b>1,362</b>

## **NOTES TO THE COLLECTION FUND**

### **1. Council Tax**

The Council's tax base for 2015/16 was 63,240.36, (62,419.06 in 2014/15). This is the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply) converted to an equivalent number of band D dwellings. Details are as follows:

<b>Band</b>	<b>Ratio</b>	<b>Band D Equivalent Dwellings</b>
A	6/9	23,562.55
B	7/9	12,844.90
C	8/9	12,189.27
D	9/9	7,400.90
E	11/9	4,891.56
F	13/9	3,012.19
G	15/9	939.54
H	18/9	21.00
		<b>64,861.91</b>
Less adjustment for non-collection		(1,621.55)
<b>Council Tax Base</b>		<b>63,240.36</b>

The Council collects council tax on behalf of the preceptors. The Council's local share is 83% and the remainder is distributed to Derbyshire Fire and Rescue Service (5%) and the Police and Crime Commissioner (12%).

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

The Council collect Non Domestic Rates (NDR) for its local businesses. NDR is based on the individual rateable property values set by the Valuation Office Agency (VOA) multiplied by a national multiplier set by Central Government.

Under the Business Rate Retention scheme the Councils local share is currently 49% and the remainder is distributed to the preceptors, Central Government (50%) and Derbyshire Fire and Rescue Service (1%).

The non-domestic rateable value at 31 March 2016 was £215.292m (£214.647m in 2014/15).

The national non-domestic multiplier for 2015/16 was 49.3p (48.2p in 2014/15).

## **GROUP ACCOUNTS**

To provide a full picture of the activities of the Council, Group Accounts have been prepared. The accounts of Derby Homes Ltd, a wholly owned subsidiary, have been combined with the Council's single entity accounts on a line by line basis. Derby Homes produce financial statements to 31 March in line with the Council's own financial reporting, there are no material differences in accounting policies between the two entities. Derby Homes is the only entity consolidated into the Council's group accounts.

Along with the consolidated core financial statements, notes to the accounts for the group have been included where there is a significant difference between the group and the entity accounts.

The single entity accounts of Derby City Council include significant prior period adjustments as detailed in Note 1. These adjustments effect the entity single accounts only and therefore references to restatements included in the Group Accounts are in relation to the single entity element of the group accounts only.

## **GROUP BALANCE SHEET**

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

<b>01 April 2014 restated £000</b>	<b>31 March 2015 restated £000</b>		<b>31 March 2016 £000</b>
1,128,975	1,145,080	Property, Plant & Equipment	1,157,215
75,471	75,471	Heritage Assets	75,881
895	898	Investment Property	1,630
3,860	2,565	Intangible Assets	767
325	325	Long Term Investments	325
14,470	19,271	Long Term Debtors	17,218
<b>1,223,996</b>	<b>1,243,610</b>	<b>Long Terms Assets</b>	<b>1,253,036</b>
201	201	Short Term Investments	3,202
261	1,770	Assets Held for Sale	3,550
841	831	Inventories	864
52,881	39,557	Short Term Debtors	37,724
36,875	53,530	Cash and Cash Equivalents	74,665
<b>91,059</b>	<b>95,889</b>	<b>Current Assets</b>	<b>120,005</b>
(31,854)	(8,110)	Short Term Borrowing	(4,272)
(3,494)	(3,574)	Short Term Finance Lease Liabilities	(3,744)
(71,115)	(61,098)	Short Term Creditors	(68,837)
(1,336)	(998)	Provisions	(2,443)
<b>(107,799)</b>	<b>(73,780)</b>	<b>Current Liabilities</b>	<b>(79,296)</b>
(95,657)	(96,133)	Long Term Finance Lease Liabilities	(99,203)
(18,796)	(20,710)	Provisions	(7,435)
(311,745)	(331,210)	Long Term Borrowing	(339,674)
(330,679)	(405,590)	Other Long Term Liabilities	(365,185)
(13,927)	(25,897)	Capital Grants Receipts in Advance	(23,298)
<b>(770,804)</b>	<b>(879,540)</b>	<b>Long Term Liabilities</b>	<b>(834,795)</b>
<b>436,452</b>	<b>386,179</b>	<b>Net Assets</b>	<b>458,950</b>
(145,970)	(168,429)	Usable Reserves	(189,156)
(290,482)	(217,750)	Unusable Reserves	(269,794)
<b>(436,452)</b>	<b>(386,179)</b>	<b>Total Reserves</b>	<b>(458,950)</b>

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



## **GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT**

A detailed explanation of the purpose of this statement is included in the Narrative Statement.

<b>2014/15 restated</b>				<b>2015/16</b>		
<b>Gross Expenditure £000</b>	<b>Gross Income £000</b>	<b>Net £000</b>		<b>Gross Expenditure £000</b>	<b>Gross Income £000</b>	<b>Net £000</b>
33,136	(17,712)	15,424	Central services to the public	33,996	(15,719)	18,277
40,190	(6,716)	33,474	Cultural Related Services	47,947	(8,094)	39,853
30,110	(8,499)	21,611	Environmental & Regulatory Services	27,846	(11,252)	16,594
17,043	(17,839)	(796)	Planning Services	12,336	(8,880)	3,456
264,880	(204,525)	60,355	Education and children's services	260,115	(203,162)	56,953
27,535	(11,447)	16,088	Highways and transport services	24,226	(8,126)	16,100
41,061	(57,181)	(16,120)	Local authority housing (HRA)	43,012	(56,254)	(13,242)
106,532	(100,594)	5,938	Other housing services	109,835	(96,931)	12,904
87,834	(18,733)	69,101	Adult social care	80,856	(17,244)	63,612
4,169	(629)	3,540	Corporate and democratic core	3,686	(467)	3,219
14,925	(15,825)	(900)	Public health	16,783	(17,640)	(857)
3,443	(19)	3,424	Non distributed costs	2,559	(97)	2,462
<b>670,858</b>	<b>(459,719)</b>	<b>211,139</b>	<b>Cost of Services</b>	<b>663,197</b>	<b>(443,866)</b>	<b>219,331</b>
		12,585	Other operating expenditure			(1,737)
		33,572	Financing and investment income and expenditure			33,950
		(262,106)	Taxation and non-specific grant income			(241,987)
		<b>(4,810)</b>	<b>(Surplus) or Deficit on Provision of Services</b>			<b>9,557</b>
		(5,648)	(Surplus) or deficit on revaluation of Property, Plant and Equipment assets			(21,909)
		60,731	Remeasurement of the net defined benefit liability			(60,419)
		<b>55,083</b>	<b>* Other Comprehensive (Income) and Expenditure</b>			<b>(82,328)</b>
		<b>50,273</b>	<b>Total</b>			<b>(72,771)</b>

This statement has been restated to adjust for the prior period adjustments in note 1. It has also been adjusted to correct the allocation of HRA Corporate and Democratic Core expenditure previously reported in the HRA net cost of service line.

\* The Group does not have any material items of Other Comprehensive Income and Expenditure which would subsequently be reclassified to the Surplus or Deficit on the Provision of Services when specific conditions are met.

### Group Movement in Reserves Statement

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

2014/15

	General Fund Balance restated	Earmarked General Fund Reserves	Housing Revenue Account	Earmarked HRA Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves restated	Total Council Reserves	Council's share of Reserves of subsidiary	Total Group Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 31 March 2014 brought forward</b>	(15,018)	(71,634)	(25,452)	(802)	(2,768)	(10,556)	(16,099)	(142,329)	(508,314)	(650,643)	7,428	(643,215)
Effect of restatement in note 1	(114)	0	0	0	0	0	0	(114)	206,877	206,763	0	206,763
<b>Restated Balance at 31 March 2014 brought forward</b>	(15,132)	(71,634)	(25,452)	(802)	(2,768)	(10,556)	(16,099)	(142,443)	(301,437)	(443,880)	7,428	(436,452)
<b>Movement in Reserves during 2014/15</b>												
(Surplus) or deficit on the provision of services	3,667	0	(6,424)	0	0	0	0	(2,757)	0	(2,757)	(2,053)	(4,810)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	46,416	46,416	8,667	55,083
<b>Total Comprehensive Income and Expenditure</b>	<b>3,667</b>	<b>0</b>	<b>(6,424)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(2,757)</b>	<b>46,416</b>	<b>43,659</b>	<b>6,614</b>	<b>50,273</b>
Adjustments between accounting basis & funding basis under regulations (Note 7)	(18,369)	0	(1,815)	0	(1,741)	3,757	519	(17,649)	17,649	0	0	0
<b>Net (Increase)/ Decrease before Transfers to Earmarked Reserves</b>	<b>(14,702)</b>	<b>0</b>	<b>(8,239)</b>	<b>0</b>	<b>(1,741)</b>	<b>3,757</b>	<b>519</b>	<b>(20,406)</b>	<b>64,065</b>	<b>43,659</b>	<b>6,614</b>	<b>50,273</b>
Transfers (to)/from Earmarked Reserves	15,131	(15,131)	(15)	15	0	0	0	0	0	0	0	0
<b>(Increase)/ Decrease in 2014/15</b>	<b>429</b>	<b>(15,131)</b>	<b>(8,254)</b>	<b>15</b>	<b>(1,741)</b>	<b>3,757</b>	<b>519</b>	<b>(20,406)</b>	<b>64,065</b>	<b>43,659</b>	<b>6,614</b>	<b>50,273</b>
<b>Balance at 31 March 2015 carried forward</b>	<b>(14,703)</b>	<b>(86,765)</b>	<b>(33,706)</b>	<b>(787)</b>	<b>(4,509)</b>	<b>(6,799)</b>	<b>(15,580)</b>	<b>(162,849)</b>	<b>(237,372)</b>	<b>(400,221)</b>	<b>14,042</b>	<b>(386,179)</b>

2015/16

	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Earmarked HRA Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves	Council's share of Reserves of subsidiary	Total Group Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 31 March 2015 brought forward</b>	(14,703)	(86,765)	(33,706)	(787)	(4,509)	(6,799)	(15,580)	(162,849)	(237,372)	(400,221)	14,042	(386,179)
<b>Movement in Reserves during 2015/16</b>												
(Surplus) or deficit on the provision of services	14,338	0	(3,681)	0	0	0	0	10,657	0	10,657	(1,100)	9,557
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	(72,986)	(72,986)	(9,342)	(82,328)
<b>Total Comprehensive Income and Expenditure</b>	<b>14,338</b>	<b>0</b>	<b>(3,681)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>10,657</b>	<b>(72,986)</b>	<b>(62,329)</b>	<b>(10,442)</b>	<b>(72,771)</b>
Adjustments between accounting basis & funding basis under regulations (Note 7)	(26,516)	0	(2,885)	0	(4,335)	4,209	(758)	(30,285)	30,285	0	0	0
<b>Net (Increase)/ Decrease before Transfers to Earmarked Reserves</b>	<b>(12,178)</b>	<b>0</b>	<b>(6,566)</b>	<b>0</b>	<b>(4,335)</b>	<b>4,209</b>	<b>(758)</b>	<b>(19,628)</b>	<b>(42,701)</b>	<b>(62,329)</b>	<b>(10,442)</b>	<b>(72,771)</b>
Transfers (to)/from Earmarked Reserves	9,159	(9,159)	0	0	0	0	0	0	0	0	0	0
<b>(Increase)/ Decrease in 2015/16</b>	<b>(3,019)</b>	<b>(9,159)</b>	<b>(6,566)</b>	<b>0</b>	<b>(4,335)</b>	<b>4,209</b>	<b>(758)</b>	<b>(19,628)</b>	<b>(42,701)</b>	<b>(62,329)</b>	<b>(10,442)</b>	<b>(72,771)</b>
<b>Balance at 31 March 2016 carried forward</b>	<b>(17,722)</b>	<b>(95,924)</b>	<b>(40,272)</b>	<b>(787)</b>	<b>(8,844)</b>	<b>(2,590)</b>	<b>(16,338)</b>	<b>(182,477)</b>	<b>(280,073)</b>	<b>(462,550)</b>	<b>3,600</b>	<b>(458,950)</b>

## **GROUP CASH FLOW STATEMENT**

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

<b>2014/15 restated £000</b>		<b>2015/16 £000</b>
(4,810)	Net (surplus) or deficit on the provision of services	9,557
(90,152)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(79,185)
30,607	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	18,209
<b>(64,355)</b>	<b>Net cash flows from Operating Activities</b>	<b>(51,419)</b>
37,374	Investing Activities	29,629
10,326	Financing Activities	655
<b>(16,655)</b>	<b>Net (increase) or decrease in cash and cash equivalents</b>	<b>(21,135)</b>
36,875	Cash and cash equivalents at the beginning of the reporting period	53,530
<b>53,530</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>74,665</b>

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

## **NOTES TO THE GROUP ACCOUNTS**

Notes to the Group Accounts have been presented where figures are materially different from those of the Council's entity accounts. Where there are not material differences, the Notes to the Council entity accounts provide the required disclosures for the Group.

### **1. Group Defined Benefit Pension Schemes**

#### **Participation in Pension Schemes**

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

#### **Comprehensive Income and Expenditure Statement**

	<b>2014/15 £000</b>	<b>2015/16 £000</b>
<b>Comprehensive Income and Expenditure Statement</b>		
<b>Cost of Services:</b>		
Current service cost	27,485	34,622
Past service cost	419	599
<b>Financing and Investment Income and Expenditure:</b>		
Net interest expense	14,260	11,799
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	42,164	47,020
<b>Remeasurement of the net defined benefit liability:</b>		
Return on plan assets (excluding the amounts included in net interest)	(52,603)	23,340
Actuarial gain and losses arising on changes in financial assumptions	123,359	(74,641)
Actuarial gain and losses arising from other experience	(13,411)	(9,119)
<b>Total Post Employment Benefit Charged to the Comprehensive and Expenditure Statement</b>	<b>99,509</b>	<b>(13,400)</b>
<b>Movement in Reserves Statement</b>		
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(24,207)	(22,575)
<b>Actual amount charged against the General Fund Balance</b>		
Employers' contributions payable to scheme	23,292	24,445

## Pension Assets and Liabilities Recognised in the Balance Sheet

	2014/15 £000	2015/16 £000
<b>Present value of the defined benefit obligation</b>		
Local Government Pension Scheme	(1,104,845)	(1,074,275)
Discretionary Benefits	(36,983)	(38,288)
Fair value of assets in the Local Government Pension Scheme	768,067	776,647
<b>Net liability arising from defined benefit obligation</b>		
Local Government Pension Scheme	(336,778)	(297,628)
Discretionary Benefits	(36,983)	(38,288)
<b>Total</b>	<b>(373,761)</b>	<b>(335,916)</b>

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

	2014/15	2015/16
<b>Opening balance at 1 April</b>	<b>(976,919)</b>	<b>(1,141,828)</b>
Current service cost	(27,539)	(34,622)
Interest cost	(40,337)	(35,838)
Contributions from scheme participants	(6,992)	(7,043)
<b>Remeasurement gains or losses:</b>		
Actuarial gains or losses arising from changes in financial assumptions	(123,359)	74,641
Actuarial gains or losses arising from other experience	10,576	9,119
Benefits paid	23,161	23,607
Past services costs	(419)	(599)
<b>Closing balance at 31 March</b>	<b>(1,141,828)</b>	<b>(1,112,563)</b>

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

	2014/15 £000	2015/16 £000
<b>Opening fair value of scheme assets at 1 April</b>	<b>679,429</b>	<b>768,067</b>
Interest income	28,790	24,039
The return on plan assets excluding the amount included in the net interest expense	52,725	(23,340)
Contributions from employer	23,292	24,445
Contributions from employees into the scheme	6,992	7,043
Benefits paid	(23,161)	(23,607)
<b>Closing balance at 31 March</b>	<b>768,067</b>	<b>776,647</b>

The total employer contributions expected to be made to the Local Government Pension Scheme by the Group in the year to 31 March 2017 are £22.571m.

## Pension Scheme Assets

	2014/15		2015/16	
	£000	%	£000	%
<b>Quoted prices in active markets</b>				
Equity Investments				
Consumer	60,826	7.9%	63,861	8%
Manufacturing	76,976	10.0%	72,441	9%
Energy	56,074	7.3%	44,262	6%
Financial Institutions	59,680	7.8%	60,894	8%
Health	34,348	4.5%	33,691	4%
ICT	15,447	2.0%	21,687	3%
Other	76,837	10.0%	79,454	10%
Government Bonds	93,707	12.2%	86,999	11%
Other Bonds	20,335	2.6%	15,501	2%
Private Equity	3,753	0.5%	10,537	2%
Investment Funds - Equities	136,376	17.8%	147,550	19%
Infrastructure	0	0.0%	8,857	1%
Cash	48,738	6.3%	0	0%
<b>Quoted prices not in active markets</b>				
Corporate Bonds	37,099	4.8%	42,998	6%
Private Equity	1,958	0.3%	3,184	0%
Property	37,253	4.9%	46,303	6%
Investment Funds - Equities	4,650	0.6%	2,098	0%
Investment Funds - Infrastructure	4,010	0.5%	4,484	1%
Cash	0	0.0%	31,846	4%
<b>Total</b>	<b>768,067</b>	<b>100%</b>	<b>776,647</b>	<b>100%</b>

Change in assumptions at 31 March 2016	Approximate % increase to employer liability		Approximate Monetary Amount £000	
	DCC	DH	DCC	DH
0.5% decrease in real discount rate	12%	13%	121,549	9,388
1 year increase in member life expectancy	3%	3%	31,277	2,100
0.5% increase in Salary Increase Rate	3%	6%	35,140	3,954
0.5% increase in the Pension Increase Rate	8%	8%	85,000	5,251

## Defined Benefit Obligation

	Liability Split	Weight Average Duration
Active members	47.7%	24.0
Deferred members	17.4%	22.1
Pensioner members	34.9%	8.9
<b>Total</b>	<b>100.0%</b>	<b>16.8</b>

## 2. Group Accounts Reconciliation to Subjective Analysis

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

	Directorate Analysis	Amounts not reported to management for decision making restated	Allocation of Recharges	Cost of Services restated	Corporate Amounts	Derby City Council Total restated	Derby Homes	Group Total restated
2014/15	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(107,723)	(58,617)	(25,158)	(191,498)	0	(191,498)	(34,316)	(225,814)
Interest and Investment Income	0	0	0	0	(655)	(655)	0	(655)
RSG	0	0	0	0	(62,095)	(62,095)	0	(62,095)
Retained Business Rates	0	0	0	0	(42,801)	(42,801)	0	(42,801)
Business Rate Top Up grant	0	0	0	0	(12,913)	(12,913)	0	(12,913)
Income from Council Tax	0	0	0	0	(73,851)	(73,851)	0	(73,851)
PFI Deferred Income	0	0	0	0	281	281	0	281
Government Grants and Contributions	(302,370)	(17,496)	0	(319,866)	(70,727)	(390,593)	0	(390,593)
<b>Total income</b>	<b>(410,093)</b>	<b>(76,113)</b>	<b>(25,158)</b>	<b>(511,364)</b>	<b>(262,761)</b>	<b>(774,125)</b>	<b>(34,316)</b>	<b>(808,441)</b>
Employee expenses	235,373	8,987	0	244,360	11,641	256,001	14,110	270,111
Other service expenses	370,458	22,905	0	393,363	0	393,363	17,579	410,942
Support service recharges	0	0	25,158	25,158	0	25,158	0	25,158
Depreciation, amortisation and impairment	0	61,754	0	61,754	0	61,754	401	62,155
Interest payments	0	0	0	0	22,507	22,507	173	22,680
Housing Capital Receipts Pooling	0	0	0	0	1,103	1,103	0	1,103
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	11,482	11,482	0	11,482
<b>Total expenditure</b>	<b>605,831</b>	<b>93,646</b>	<b>25,158</b>	<b>724,635</b>	<b>46,733</b>	<b>771,368</b>	<b>32,263</b>	<b>803,631</b>
<b>Surplus or deficit on the provision of services</b>	<b>195,738</b>	<b>17,533</b>	<b>0</b>	<b>213,271</b>	<b>(216,028)</b>	<b>(2,757)</b>	<b>(2,053)</b>	<b>(4,810)</b>



	Directorate Analysis	Amounts not reported to management for decision making	Allocation of Recharges	Cost of Services	Corporate Amounts	Derby City Council Total	Derby Homes	Group Total
2015/16	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(111,167)	(59,989)	(22,651)	<b>(193,807)</b>	0	<b>(193,807)</b>	(37,297)	<b>(231,104)</b>
Interest and Investment Income	0	0	0	<b>0</b>	(867)	<b>(867)</b>	0	<b>(867)</b>
RSG	0	0	0	<b>0</b>	(44,930)	<b>(44,930)</b>	0	<b>(44,930)</b>
Retained Business Rates	0	0	0	<b>0</b>	(42,667)	<b>(42,667)</b>	0	<b>(42,667)</b>
Business Rate Top Up Grant	0	0	0	<b>0</b>	(13,160)	<b>(13,160)</b>	0	<b>(13,160)</b>
Income from Council Tax	0	0	0	<b>0</b>	(75,502)	<b>(75,502)</b>	0	<b>(75,502)</b>
PFI Deferred Income	0	0	0	<b>0</b>	(406)	<b>(406)</b>	0	<b>(406)</b>
Government Grants and Contributions	(287,258)	(19,210)	0	<b>(306,468)</b>	(65,322)	<b>(371,790)</b>	0	<b>(371,790)</b>
<b>Total income</b>	<b>(398,425)</b>	<b>(79,199)</b>	<b>(22,651)</b>	<b>(500,275)</b>	<b>(242,854)</b>	<b>(743,129)</b>	<b>(37,297)</b>	<b>(780,426)</b>
Employee expenses	233,493	11,031	0	<b>244,524</b>	11,033	<b>255,557</b>	17,169	<b>272,726</b>
Other service expenses	372,424	13,089	0	<b>385,513</b>	0	<b>385,513</b>	18,463	<b>403,976</b>
Support service recharges	0	0	22,651	<b>22,651</b>	0	<b>22,651</b>	0	<b>22,651</b>
Depreciation, amortisation and impairment	0	68,974	0	<b>68,974</b>	0	<b>68,974</b>	375	<b>69,349</b>
Interest payments	0	0	0	<b>0</b>	22,828	<b>22,828</b>	190	<b>23,018</b>
Housing Capital Receipts Pooling	0	0	0	<b>0</b>	1,262	<b>1,262</b>	0	<b>1,262</b>
Gain or Loss on Disposal of Fixed Assets	0	0	0	<b>0</b>	(2,999)	<b>(2,999)</b>	0	<b>(2,999)</b>
<b>Total expenditure</b>	<b>605,917</b>	<b>93,094</b>	<b>22,651</b>	<b>721,662</b>	<b>32,124</b>	<b>753,786</b>	<b>36,197</b>	<b>789,983</b>
<b>Surplus or deficit on the provision of services</b>	<b>207,492</b>	<b>13,895</b>	<b>0</b>	<b>221,387</b>	<b>(210,730)</b>	<b>10,657</b>	<b>(1,100)</b>	<b>9,557</b>

## Group Property, Plant and Equipment

### a) Movements on Balances

	<b>Council Dwellings restated £000</b>	<b>Other Land &amp; Buildings restated £000</b>	<b>Vehicles, Plant, Furniture &amp; Equipment restated</b>	<b>Infrastructure Assets £000</b>	<b>Community Assets £000</b>	<b>Surplus Assets £000</b>	<b>Assets under Construction £000</b>	<b>Total Property, Plant &amp; Equipment restated</b>
<b>Movements in 2014/15:</b>								
<b>Cost of Valuation at 1 April 2014</b>	205,623	585,662	234,166	190,027	17,887	8,674	60,149	<b>1,302,188</b>
Restatement of Opening Balances componentisation	160,979	15,899	(176,878)	0	0	0	0	<b>0</b>
Restatement of Opening Balances (note 1)	0	(60,034)	(12,688)	(3,353)	(11,709)	0	(76)	<b>(87,860)</b>
Recategorisations	458	43,827	0	9,953	66	0	(54,304)	<b>0</b>
Additions	15,472	31,462	4,626	9,690	117	2,400	27,126	<b>90,893</b>
Revaluation increases/(decreases) recognised in the Revaluation Reserve	7,036	(17,296)	8	(883)	0	(2,650)	0	<b>(13,785)</b>
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(240)	(26,080)	(8)	(25)	(240)	(1,348)	0	<b>(27,941)</b>
Derecognition - disposals	0	(15,201)	(1,062)	0	0	0	0	<b>(16,263)</b>
Assets reclassified (to)/from Held for Sale	(1,929)	(1,594)	(1,612)	0	0	(480)	0	<b>(5,615)</b>
Other movements in cost or valuation	348	(186)	1	0	0	0	0	<b>163</b>
<b>At 31 March 2015</b>	<b>387,747</b>	<b>556,459</b>	<b>46,553</b>	<b>205,409</b>	<b>6,121</b>	<b>6,596</b>	<b>32,895</b>	<b>1,241,780</b>

This note has been restated for the prior period adjustments in note 1. It has also been adjusted for the recategorisation of components of large assets previously classified as vehicles, plant and equipment.

	Council Dwellings restated £000	Other Land & Buildings restated £000	Vehicles, Plant, Furniture & Equipment restated £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets under Construction £000	Total Property, Plant & Equipment restated £000
<b>Movements in 2014/15</b>								
<b>Accumulated Depreciation and Impairment at 1 April 2014</b>	<b>(3,945)</b>	<b>(26,515)</b>	<b>(36,686)</b>	<b>(36,134)</b>	<b>(151)</b>	<b>0</b>	<b>0</b>	<b>(103,431)</b>
Restatement of Opening Balances componentisation	(6,936)	(3,016)	9,952	0	0	0	0	0
Restatement of Opening Balances (note 1)	10,836	2,441	6,244	394	(1,837)	0	0	18,078
Depreciation charge	(11,246)	(10,232)	(7,039)	(4,231)	(397)	0	0	(33,145)
Depreciation written out to the Revaluation Reserve	10,207	8,225	0	0	0	0	0	18,432
Depreciation written out to the Surplus/Deficit on the Provision of Services	935	(367)	0	0	0	0	0	568
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	50	69	883	0	0	0	1,002
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	118	0	0	0	0	0	118
Assets reclassified (to)/from Held for Sale	39	9	70	0	0	0	0	118
Derecognition - disposals	0	651	910	0	0	0	0	1,561
Other movements in depreciation and impairment	(14)	13	0	(1)	1	0	0	(1)
<b>At 31 March 2015</b>	<b>(124)</b>	<b>(28,624)</b>	<b>(26,480)</b>	<b>(39,089)</b>	<b>(2,384)</b>	<b>0</b>	<b>0</b>	<b>(96,701)</b>
<b>Net Book Value</b>								
<b>At 31 March 2015</b>	<b>387,623</b>	<b>527,836</b>	<b>20,073</b>	<b>166,320</b>	<b>3,737</b>	<b>6,596</b>	<b>32,895</b>	<b>1,145,080</b>
<b>At 1 April 2014</b>	<b>366,557</b>	<b>514,437</b>	<b>24,110</b>	<b>150,934</b>	<b>4,190</b>	<b>8,674</b>	<b>60,073</b>	<b>1,128,975</b>

	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets under Construction £000	Total Property, Plant & Equipment £000
<b>Movements in 2015/16:</b>								
<b>Cost of Valuation at 1 April 2015</b>	<b>387,747</b>	<b>556,459</b>	<b>46,553</b>	<b>205,409</b>	<b>6,121</b>	<b>6,596</b>	<b>32,895</b>	<b>1,241,780</b>
Restatement of Opening Balances	(1)	0	0	0	0	0	0	(1)
Recategorisations	393	15,365	2	8,850	2,348	0	(26,958)	0
Additions	11,428	19,010	3,113	4,268	651	3	30,885	<b>69,358</b>
Revaluation increases/(decreases) recognised in the Revaluation Reserve	3,008	(30,120)	0	0	0	5,363	0	<b>(21,749)</b>
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(5,392)	(29,791)	(22)	0	(1,974)	(64)	0	<b>(37,243)</b>
Derecognition - disposals	0	0	(1,150)	0	0	0	0	<b>(1,150)</b>
Derecognition - other	0	0	(793)	0	0	0	0	<b>(793)</b>
Assets reclassified (to)/from Held for Sale	(3,831)	(7,349)	0	0	0	0	0	<b>(11,180)</b>
Other movements in cost or valuation	9	(9,466)	202	0	(266)	9,521	0	<b>0</b>
<b>At 31 March 2016</b>	<b>393,361</b>	<b>514,108</b>	<b>47,905</b>	<b>218,527</b>	<b>6,880</b>	<b>21,419</b>	<b>36,822</b>	<b>1,239,022</b>

	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets under Construction £000	Total Property, Plant & Equipment £000
<b>Movements in 2015/16</b>								
<b>Accumulated Depreciation and Impairment at 1 April 2015</b>	<b>(124)</b>	<b>(28,624)</b>	<b>(26,480)</b>	<b>(39,089)</b>	<b>(2,384)</b>	<b>0</b>	<b>0</b>	<b>(96,701)</b>
Depreciation charge	(11,433)	(10,844)	(6,781)	(4,774)	(393)	0	0	<b>(34,225)</b>
Depreciation written out to the Revaluation Reserve	10,131	31,900	0	0	0	0	0	<b>42,031</b>
Depreciation written out to the Surplus/Deficit on the Provision of Services	1,205	4,077	0	0	0	0	0	<b>5,282</b>
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(98)	15	0	0	5	0	0	<b>(78)</b>
Derecognition - disposals	0	0	1,114	0	0	0	0	<b>1,114</b>
Derecognition - other	0	0	769	0	0	0	0	<b>769</b>
Other movements in depreciation and impairment	(4)	4	0	0	0	0	0	<b>0</b>
<b>At 31 March 2016</b>	<b>(323)</b>	<b>(3,472)</b>	<b>(31,378)</b>	<b>(43,863)</b>	<b>(2,772)</b>	<b>0</b>	<b>0</b>	<b>(81,808)</b>
<b>Net Book Value</b>								
<b>At 31 March 2016</b>	<b>393,038</b>	<b>510,636</b>	<b>16,527</b>	<b>174,664</b>	<b>4,108</b>	<b>21,419</b>	<b>36,822</b>	<b>1,157,215</b>
<b>At 1 April 2015</b>	<b>387,623</b>	<b>527,836</b>	<b>20,073</b>	<b>166,320</b>	<b>3,737</b>	<b>6,596</b>	<b>32,895</b>	<b>1,145,080</b>

## **GLOSSARY**

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

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

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

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

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

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

**AGS:** Annual Governance Statement.

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

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

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

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

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

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

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

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

**Billing Authority:** Derby City Council is the authority responsible for the collection and redistribution of council tax and non-domestic rates.

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

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

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

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

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

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

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

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

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

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

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

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

**Cash Flow:** Movement in money received and paid by the Council in the accounting period. The change in Cash is recorded within the cash flow statement. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as being from operating, investing and financing activities.

**Central Government Grants:** There are different types of grant;

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

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

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

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

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

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

**Consolidated:** Added together with adjustments to avoid double counting of income, expenditure, creditors and debtors as a result of trading between services within the Council which are reported as a whole in the consolidated financial accounts.

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**National Non-Domestic Rates (NNDR):** Represents the rate of taxation on business properties.

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

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

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

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

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

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

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

**Prior Year Adjustment:** Material adjustments to the accounts of earlier years arising from changes in accounting policies or from the correction of fundamental errors. They do not include normal recurring correction or adjustments of accounting estimates made in prior years.

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

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

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

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

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

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

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

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

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

Audit Opinion to be added

