DERBY CITY COUNCIL

AUDIT AND ACCOUNTS COMMITTEE
23 SEPTEMBER 2010

ITEM 5

Report of the Strategic Director of Resources

Statement of Accounts 2009/10 Post Audit Re-approval

SUMMARY

1.1 Following completion of the audit of the 2009/10 Statement of Accounts Committee is asked to approve the final set of accounts. The final set of approved accounts has to be published by 30 September 2010 under the Accounts and Audit Regulations 2003.

RECOMMENDATION

2.1 To approve the final set of accounts for the 2009/10 financial year at Appendix 2, which include final adjustments made following the audit as explained in Appendix 3.

2.2 To agree the capital determination be recommended for approval at appendix 4.

2.3 To note that the auditors anticipate issuing an unqualified audit opinion, as included in the final set of accounts, subject to this committee's re-approval of the accounts at Appendix 2 and acceptance of the external audit memorandum also on the agenda.

2.4 To note that a number of issues were identified by the external auditors and have led to a number of audit adjustments being made to the accounts presented to this committee in June 2010. These changes have not altered the £1.168m revenue outturn position to 31 March 2010, the changes being to technical non cash adjustments.

REASONS FOR RECOMMENDATION

3.1 The final set of approved accounts has to be published by 30 September 2010 under the Accounts and Audit Regulations 2003.

SUPPORTING INFORMATION

4.1 The Council's external auditors, Grant Thornton (GT), have now completed the audit of the 2009/10 set of accounts approved by this committee on 24 June 2010.
They are required to issue a report summarising the results of the audit covering issues arising from the audit of the financial statements and those issues which they are formally required to report under the Audit Commission's Code of Audit Practice and International Standard of Auditing ISA260 – Communication of audit matters with those charged with governance. This report is included as a separate item on the agenda.

4.2 The committee can draw assurance from the following results of the 2009/10 audit as confirmed in the report:

- GT anticipate issuing an unqualified audit opinion, as included in the final set of accounts, subject to this Committee's re-approval of the Accounts at Appendix 2 and acceptance of the external audit memorandum also on the agenda.
- All adjustments identified during the audit have been made to the accounts to the satisfaction of external audit.
- The changes to the Accounts have not altered the £1.168m revenue outturn reported to the Committee in June 2010.
- External Audit have provided positive feedback on the audit process and working papers provided by officers.

4.3 A number of misstatements were raised during the audit in relation to fixed assets resulting in a £0.5m (0.05%) reduction in the closing value of tangible fixed assets at 31 March 2010. This is a significant improvement on the level of adjustments identified in the previous year and is a reflection of the actions taken by the Council to improve its fixed asset register.

4.4 A small number of audit adjustments were also raised during the audit in relation to the overstatement of provisions. These resulted in a net transfer of funds into the Council's uncommitted General Budget Risk Reserve of £0.145m.

4.5 Following the audit, the changes to the statements agreed have been incorporated in the final set of accounts at Appendix 2. These adjustments are explained in Appendix 3. All changes reported are due to technical non–cash adjustments, adjusting the Income and Expenditure Account deficit downwards by £2.5m to £27.3m but had no overall impact on the General Fund deficit and revenue outturn which remained unaltered.

OTHER OPTIONS CONSIDERED

5.1 Not applicable

This report has been approved by the following officers:

Legal officer **Financial officer** **Human Resources officer** **Service Director(s)** **Other(s)**	Martyn Marples, Director of Finance and Procurement

For more information contact:	Chloe Kenny, Corporate Group Accountant, 01332 255219 e-mail: chloe.kenny@derby.gov.uk
Background papers:	None
List of appendices:	Appendix 1 – Implications Appendix 2 – Final Statement of Accounts 2009/10 Appendix 3 – Schedule of adjustments Appendix 4 – Capital Financing Determinations 2009/10

IMPLICATIONS

Financial

1.1 None directly arising

Legal

2.1 Under the Accounts and Audit Regulations 2003 there is a statutory deadline of 30 September for the Council to publish its Annual set of Accounts.

Personnel

3.1 None directly arising

Equalities Impact

4.1 None directly arising

Health and Safety

5.1 None directly arising

Carbon commitment

6.1 None directly arising

Value for money

7.1 None directly arising

Corporate objectives and priorities for change

8.1 The areas that are to be subject to external audit or inspection are generally relevant to delivery of corporate objectives and priorities

DERBY CITY COUNCIL

APPENDIX 2

STATEMENT OF ACCOUNTS

2009 – 2010

Contents

Explanatory Foreword

1. Introduction

This Statement of Accounts has been produced in order to illustrate the financial performance of Derby City Council for the year ended 31 March 2010. A high priority for the Council is to continue providing high quality services to the residents of Derby through the efficient and effective use of resources. Members and Officers under the leadership of the Cabinet endeavour to work alongside the strategic management team and the Chief Financial Officer in order to ensure that the Council continues to play a key role in the strategic planning and the delivery of outcomes for the City of Derby.

The Accounts have been prepared in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting: Statement of Recommended Practice (SORP 2009). In order to produce a Statement of Accounts which give a ‘true and fair’ view of the financial position and transactions of Derby City Council, suitable principles and practices have been adopted.

This foreword gives a brief summary of the overall financial position of the Council as at 31 March 2010. It also explains the Council’s financial activity and the purpose of the financial statements. Where necessary, estimates and judgements have been made which comply with the SORP.

In order to provide all stakeholders in the city with the confidence that public money has been properly accounted for, effective internal controls to detect and prevent any irregularities have been rigorously enforced.

2. Explanation of the statements

In accordance with the Code of Practice on Local Authority Accounting in the UK, the core financial statements summarise the Council’s finances for 2009/10 (1 April 2009 to 31 March 2010). The core financial statements comprise of:-

Statement of Accounting Policies (page 36)

The Council produces the figures in the accounts using general principles recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA). They ensure accounts from different public sector organisations are consistent and comparable. This section explains the main policies which the Council has used.

Income and Expenditure Account (page 50)

This statement reports the actual financial performance for the year, measured in terms of resources consumed and resources generated, analysed by service, over the financial period. It details how this has been financed from Council Tax, National Non-Domestic Rates and general Government Grants. It is produced in line with accounting practices covered by United Kingdom Generally Accepted Accounting Practices (UK GAAP), meaning income and expenditure are measured using accounting conventions which are broadly the same as those used by an unlisted private sector company.

Statement of Movement on the General Fund Balance (SMGFB) (page 51)

This statement shows the income and expenditure which, as defined by legislation, cannot be included in the Income and Expenditure Account in order to remain UK GAAP compliant, but is required to arrive at the amount to be funded from the Council's Council Tax. The Council's general fund balances at the year end are shown here.

Statement of Total Recognised Gains and Losses (STRGL) (page 53)

This statement shows gains and losses that are not reflected in the Income and Expenditure Account such as movements in pension fund assets and liabilities and the revaluation of fixed assets.

Balance Sheet (page 54)

This statement shows the Council's assets which include land and buildings, monies owed to the Council and investments, the Council's liabilities which include any long term loans and monies owed to creditors, and all balances and reserves as at the Balance Sheet date. It shows the Council's financial position as at the 31 March 2010. Any internal transactions between Council services are omitted from this statement.

Cash Flow Statement (page 56)

This statement is a consolidated summary showing the total cash movements during the year, arising from transactions with third parties for revenue and capital purposes.

Notes to the Core Financial Statements (page 57)

These notes aim to assist in understanding, by breaking down, balances shown in the Income and Expenditure Account, Statement of Movement on the General Fund Balance, Balance Sheet, Statement of Recognised Gains and Losses and the Cash Flow Statement.

Supplementary Financial Statements

Housing Revenue Account (page 107)
This is a separate statutory account which summarises all income and expenditure arising from the provision, management and maintenance of Council housing. This account is prepared in accordance with the Best Value Accounting Code of Practice.

Collection Fund and associated notes (page 114)
There is a statutory requirement for all Councils who are billing authorities as Derby is, to produce a separate account showing all transactions relating to National Non-Domestic Rates and Council Tax. This is known as the Collection Fund Account

and it demonstrates how resources have been distributed between the Council's own general fund and the precepting authorities including Derbyshire Police and Fire Authorities.

3. Revenue Income and Expenditure

The Council incurs revenue and capital expenditure during the year. The Local Government and Housing Act 1989 requires all expenditure to be charged to a revenue account of the Authority unless it can be classified as capital or is one of the limited number of specific exclusions under the 1989 Act.

Generally, revenue spending relates to items consumed within the year, whereas capital expenditure creates an asset that has a life beyond one year. Revenue spending is financed from Council tax, fees and charges, Government grants, and other income. Capital spending is financed mainly from loans, the proceeds of asset sales, Government grants, external contributions and revenue.

The Council recognised £77.188m of income from Council Taxpayers and £86.276m from the redistribution of National Non-Domestic Rates in 2009/10. The Council also received Revenue Support Grant of £19.914m and Area Based Grant of £14.625m.

In 2009/10, net spending on the Council's General Fund services was £197.115m creating a £1.168m net underspend, which represents 0.59% of the Council's 2009/10 budget requirement. Of this, £0.157m has been set aside as a provision and £0.523m as a specific reserve for the redundancy and retirement costs of the senior officer restructure. The £0.488m balance has been transferred to the Council's budget risk reserve to help address future budget pressures. The Council's spending on interest payable and similar charges was £17.373m, a £2.784m decrease from 2008/09.

The Housing Revenue Account outturn shows a carried forward surplus of £0.907m for 2009/10, transferred to the ring fenced Housing Revenue Account balance.

The Statement of Recommended Practice (SORP 2009) defines how the Council's expenditure on services should be split for the Statement of Accounts. Expenditure is however controlled at department level and the table below shows that expenditure compared to the revised budget.

	Latest Approved Budget £000's	Final Actual £000's	Final (Under) / Over Spend £000's
Environmental Services:	22,562	22,972	410
Corporate and Adult Services	65,830	63,921	(1,909)
Resources	11,192	11,242	50
Regeneration and Community	27,764	27,508	(256)
Children and Schools – Excluding Individual Schools Budget	42,891	43,307	416
Corporate Budgets	26,322	26,443	121
Total Departmental Spending	**196,561**	**195,393**	**(1,168)**
Add Planned Transfer to Reserves	1,722	1,722	0
Net Spending	**198,283**	**197,115**	**(1,168)**
Add Transfer of Underspend to Reserves	0	1,168	1,168
Budget Requirement	**198,283**	**198,283**	**0**
Net Operating Expenditure per I&E Account		230,979	
Less Deficit for the Year		(27,330)	
Less: Additional ABG Grant received		(179)	
Less: PFI Grant (see Note 11)		(4,884)	
Less: Additional Share of Collection Fund Surplus		(303)	
		198,283	

Council Tax

In 2009/10 the Council had to decide its spending plans having regard to the Government's reserve capping powers to restrict the level of council tax increases. The Band D Council tax for 2009/10 for Derby City Council services was £1,099.75. This was derived by dividing the amount needed by the Council from council taxpayers of £77.188m by the Band D tax base of all domestic properties in the city which equates to 70,187.

Revenue Reserves

Unallocated general reserves stand at £6.743m at the end of 2009/10. The balance is consistent with the Council's financial policy of holding general reserves at approximately 2% of the net revenue budget, including schools budgets. Other revenue reserves available to the general fund stand at £50.963m and are earmarked for either service or corporate use.

Corporate earmarked reserves include £6.4m set aside to fund one-off revenue implementation costs for the Council's Transformation Programme, including the refurbished Council offices, as planned in the 2010/11 to 2012/13 revenue budget. Also included in corporate earmarked reserves are the budget risk reserve to provide a contingency towards future budget pressures, including the impact of Central Government funding reductions, and a Treasury Management reserve to cover the in-year impact of any material shifts in interest rates and borrowing requirements from the levels assumed in the budget.

4. Borrowing Facilities

The total amount of long term borrowing held by the Council at 31 March 2010 was £261m compared to £335m at 31 March 2009. Borrowing has been reduced in 2009/10 in line with the Council's approved Treasury Management Strategy. All borrowings are held with the Public Works Loan Board. See note 24 on page 84 for further details.

5. Capital Expenditure and Income

In 2009/10, the Council spent £68.3m on capital schemes. The major schemes were:

- New build, extensions and modernisation of schools and education centres
- Devolved capital school grants
- Modernisation of Council dwellings
- Highways and transportation
- Refuse vehicles, street cleaning and grounds plant and equipment
- Information and communication technology
- City centre infrastructure improvements
- Improvements to city wide parks and play areas
- Planned maintenance works
- Tomlinson Court Extra Care Units
- Rosehill Market social, economic and infrastructure improvements

Unapplied capital resources, excluding capital receipts, stand at £44.706m at 31 March 2010. These consist of £25.339m unapplied capital grants, £13.274m developer and other capital contributions and £6.093m earmarked capital reserves.

The Unapplied Capital Receipts account stands at £7.807m at 31 March 2010. This is available to fund the capital programme. These resources are earmarked and are planned to be used over the next five years, as included in the Council's 5 year capital programme, including the Accommodation Strategy.

6. Private Finance Initiatives – PFI – Schemes

PFI contracts are agreements to receive services, where the responsibility for making available the fixed assets needed to provide the services passes to the PFI contractor. 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 three operational PFI projects and a further one in procurement as follows:

Operational

- **Grouped Schools**

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

- **Housing Inner City Regeneration**

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

- **Street Lighting Columns**

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

- **In procurement**

Housing – New Build and Refurbishment (commencement due in 2010/11). To provide 175 affordable properties across the city.

7. Net Pension Liability

The Council participates in the Derbyshire County Council defined benefit (open) pension fund and the Teachers' Pension Fund. During the year there was an increase in the Council's Net Pension Liability of £91.7m. This meant the Council's Net Pension Liability as at 31 March 2010 was £292.395m. A more detailed analysis of the movement in Net Pension Liability can be found in Note 30 on page 88. The forecast pension payments will be paid out over a period of many years during which time the assets will continue to generate returns towards funding them.

In addition, future changes in the equity market will also adjust the value of the fund assets. In calculating the scheme assets and liabilities the fund's actuaries make a number of assumptions about events and circumstances in the future. The resulting actuarial calculations are subject to uncertainties on the outcome of future events and include assumptions on the income and valuation of investments held by the fund. The principal actuarial assumptions made in relation to these accounts are disclosed in Note 30. 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.

8. Impact of Current Economic Climate

Although the recent economic downturn has continued to have an impact on some services provided by the Authority in 2009/10, our General Fund and HRA balances both remain above minimum acceptable levels.

The Council has not observed any major adverse shift in levels of debtors or debt collection rates for general council tax and business rates debtors. There was no significant impact to income of the low bank interest rates throughout 2009/10 as we had set our spending plans on the basis of lower investment income and some of our investments were for fixed term periods taken out when investment rates were relatively high. As a result, the Council has ensured that it continues to meet its commitments and protect the fiduciary interests of the residents of Derby.

The current economic climate has also resulted in a reduction in the asset values of some of our operational land and buildings and a total impairment adjustment of £34.7m has been applied to the Gross Book Asset Values at 31 March 2010. The impact has not been as significant as in the 2008/9 Accounts as the opening asset values were already lower due to the downwards adjustment in 2008/09 or from previous years rolling programme revaluations. The comparable impairment adjustment for 2008/09 was £168m, of which £117m related to Council Dwellings due to the impact of the housing market decline. The impairment adjustment for Council dwellings for 2009/10 is £7m. Further details of the asset impairments applied are included in Note 14(d) on page 78.

In recognition of the slow economic recovery, the Council will continue with the action plan introduced in 2009/10 to ensure the impact for citizens and businesses is minimised.

9. Medium Term Financial Position

The Council's medium term revenue financial plan for 2010/11 to 2012/13 delivers a fully balanced position after providing for rising costs, which will maintain priority services and invest for the future. It does, however, reflect assumptions about resources from central government and Council Tax, inflation, service demand and the deliverability of planned savings.

The balanced position relies on the delivery of £8.6m savings in 2010/11, a further £10.4m from 2011/12 and a further £6.9m from 2012/13, to generate permanent annual savings of £25.9m by 2012/13. Of this total, £11.1m will be delivered from identified service savings and £2.1m from base budget service reviews. In addition, the Council's Transformation programme 'One Derby One Council' is expected to deliver £2.2m savings in 2010/11, a further £6.5m from 2011/12 and a further £4.0m from 2012/13, to generate permanent annual efficiency savings of £12.71m by 2012/13.

Some contingency has been built into the medium term plan for estimated pay inflation and Local Government Pension scheme contribution increases and the cost of implementing Single Status. One-off revenue costs to implement the Council's Transformation programme, including the new Council offices, are included in the medium term plan.

The Council's medium term capital investment plan totals £392.4m over the next three years. This includes £32m for the new Council offices, £12m IT investment to support our Transformation programme, £36m to deliver the Council's Leisure strategy, £25m for a jointly funded waste disposal plant with Derbyshire County Council, £174m Schools programme, £47m Housing programme, and £19m Local Transport Plan. This is to be funded mainly from a combination of borrowing, Government Grants, receipts from the disposal of assets and reserves.

The Council will need to carefully consider the implications of the Central Government funding reductions, as they become known, for our medium term revenue and capital spending plans. We will be examining all service areas to see where further savings can be made to revise our spending plans downwards in line with reduced funding, to continue to deliver our priority services.

10. Significant Changes in Accounting Policy

a) Private Finance Initiative Schemes

In accordance with the SORP 2009 the accounting requirements for Private Finance Initiatives for 2009/10 are no longer based on the UK Accounting Standard FRS 5, but on International Financial Reporting Standards (as interpreted by IFRIC 12 Service Concession Arrangements). This change in accounting policy has led to PFI properties used to deliver PFI services now being recognised on the Council's Balance Sheet, along with a liability for the financing provided by the PFI operator. Further details of the Council's PFI schemes and accounting for these are included in Note 6 on page 60.

Prior period adjustments have been included within the 2008/09 figures for the changes in treatment for Private Finance Initiative Schemes. £45.434m of Schools PFI assets and £8.879m of Street Lighting PFI assets used to deliver PFI services have been recognised in the Council's 2008/09 Balance Sheet. A liability for the financing provided by the PFI operator of £39.931m has also been recognised. Long term debtors of £12.093m have also been reversed and a £1.134m for the prepayment recognised for lifecycle costs. These adjustments gave rise to an overall restatement of the Balance Sheet of £3.421m. This gain has also been reflected as a prior period adjustment in the Statement of Recognised Gains and Losses.

b) Council Tax and National Non-Domestic Rates

Under the 2009 Local Authority SORP, significant changes to the accounting treatment for Council Tax and National Non-Domestic Rates (NNDR) have also been introduced and have resulted in prior year adjustments to the Statement of Accounts.

The SORP 2009 clarifies for the first time the agency arrangements between the Council and its major precepting Authorities in terms of collection of Council Tax. Apart from the Council's share of council tax transactions, the Council's accounts now only reflect the effects of timing differences between the collection of council tax attributable to major precepting bodies and the paying it across to those authorities, rather than the totals of these transactions. This led to a downwards restatement of the 2008/09 Council Tax debtor and creditor figures by £0.240m.

Also under the agency arrangements, NNDR income is not classed as income of the Council and is therefore not included in the Income and Expenditure Account. Similarly the NNDR debtor and creditor balances with taxpayers are not assets and liabilities of the Council and have not been recognised in the Balance Sheet. The Council's accounts instead include a debtor balance relating to the difference between the cash collected from NNDR taxpayers and the amount paid to Central Government at the Balance Sheet date. The 2008/09 debtor and creditor balances have been reduced accordingly by £0.196m.

c) Other Changes

In the 2009/10 Statement of Accounts five disclosure notes have been removed as these are no longer required under the 2009 SORP. These include section 137 expenditure; expenditure on publicity; the building control account; Business Improvement District Schemes; and income under the Local Authorities Goods and Services Act respectively. None of these disclosures are required by accounting standards or legislation and therefore the Council has not voluntarily chosen to disclose any of these notes.

In 2009/10 new legislation, the Accounts and Audit (Amendment) (England) Regulations 2009, has also changed the overriding requirement of the Statement of Accounts to give a 'true and fair' view (rather than 'presents fairly' as in previous years) of the financial position and transactions of the authority.

11. Impact of Conversion to International Financial Reporting Standards

From 2010/11 the Council will be adopting International Financial Reporting Standards (IFRS) in accordance with HM Treasury and CIPFA requirements, and IFRS compliant accounts will be prepared for the year ending 31 March 2011. This process will also require the production of IFRS compliant prior year comparatives and the retrospective restatement of the 2009/10 Statement of Accounts.

The Council is currently working to ensure that its current business practices and reporting systems are appropriate to meet these IFRS requirements. There is an IFRS Working Group in place to implement IFRS within the Council and considerable progress has been made in establishing the adjustments required to restate the 2009/10 opening balance sheet position.

As part of the conversion process, and in accordance with the SORP 2009, IFRS compliant accounting treatment of the Council's PFI schemes has been introduced for 2009/10, see section 10 for further details.

Don McLure
Strategic Director of Resources
24 June 2010

Annual Governance Statement 2009/10

1. Scope of Responsibility

Derby City Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

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

Derby City Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the code is on our website or can be obtained from the Council's Head of Audit and Risk Management. This statement explains how [the authority] has complied with the code and also meets the requirements of regulation 4 (2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment)(England) Regulations 2006 in relation to the publication of a statement on internal control.

2. The Council's Governance Framework

The governance framework comprises the systems and processes, and culture and values, by which the Council is directed and controlled, and by which it accounts to, engages with and leads the community. It includes arrangements to monitor the achievement of its strategic objectives and to consider whether this has led to the delivery of appropriate, cost-effective services.

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

The following paragraphs summarise Derby City Council's Governance Framework which has been in place for the year ended 31st March 2010 and up to the date of approval of this Statement and the Statement of Accounts. The framework is described to reflect the arrangements in place to meet the six core principles of effective governance.

3. Determining the Council's Purpose, its vision for the local area and intended outcomes for the Community

The Corporate Plan sets out the vision and priorities for the Council in the context of the wider Sustainable Community Strategy.

The overarching LSP 2020 vision is for Derby to become a city for all ages' – *'People of all ages and from all walks of life will feel they belong to Derby and that Derby offers them everything they need - for work, education, housing, leisure and a safe, healthy lifestyle'.'*

Derby City Partnership is the Local Strategic Partnership for the city. Chaired by the Leader of the Council, the partnership was restructured in 2006 to reflect current priorities and is divided into five 'cities' or themed areas…

- City for Children and Young People.
- City Growth.
- Cultural City.
- Healthy City.
- City for Stronger and Safer Communities.

The Council is a leading member of the Derby City Partnership. The new Sustainable Community Strategy was launched in April 2009 covering the period to 2011.

Derby City Partnership manages Derby's Local Area Agreement, LAA, which was set up in 2005 to help deliver a set of shared priorities agreed between Government and key partners in Derby. In July 2006, the Government Office for the East Midlands rated Derby's LAA as 'Green', which is the highest rating. A new three-year Local Area Agreement was negotiated in June 2008.

The Community Strategy, LAA and the Corporate Plan reflect the outcome of extensive consultation, analysis of current and future needs, and consideration of current performance.

In 2009/10 the Council further developed its Shared Evidence Base for the city, bringing together a range of demographic and socio-economic data. A State of the City report has been produced highlighting major trends in areas such as community cohesion and involvement, education and learning, culture and recreation, transport and access, environment, community safety, housing, health, social and economic well-being. This will inform the review of the Sustainable Community Strategy and setting of new priorities in 2011. The Shared Evidence Base will be continually updated through the Council's Data Warehouse system.

For 2008-2011, we set six key priorities for improvement in our Corporate Plan…

- Making us proud of our neighbourhoods.
- Creating a 21st century city centre.

- Leading Derby towards a better environment.
- Supporting everyone in learning and achieving.
- Helping us all to be healthy, active and independent.
- Giving you excellent services and value for money.

The Corporate Plan identifies actions and resources over a three year period, most recently 2008-11 and the Annual Report contains specific targets for improvement. The Council has a range of performance indicators used to measure progress against its key priorities in the Corporate Plan and in the Local Area Agreement. Performance is reported to Council Cabinet on a quarterly basis, and is monitored by the Overview and Scrutiny Commissions. Performance reports are also prepared for the Derby City Partnership City Groups, Management Group and Board on a quarterly basis. Performance information is available across the Council and Partnership through the DORIS information system.

There are service delivery plans for all service units. These plans include clear identification of objectives and targets and reflect Corporate Plan priorities. They are updated annually.

The Council has a medium term financial plan and capital programme, to ensure that resources are aligned to priorities. The budget process incorporates consideration of the allocation of resources for the Corporate Plan aims. The medium term plan allows annual strategic review in the context of performance against Corporate Plan aims, and sets targets of efficiency improvement, to release resources for redeployment. Quarterly monitoring reports for the revenue budget and the capital programme are submitted to the Corporate Management Team, to Cabinet and to Resources Scrutiny Commission, and issues are referred to other Scrutiny Commissions as appropriate.

In 2009 The City Council launched a major transformation programme called One Derby One Council which brings together a number of corporate, programmes and projects designed to improve business efficiency including standardisation of processes, improved customer services, rationalisation of Council accommodation and greater value for money. The programme will enable a reduction of staffing numbers by 465 over the next three years. The programme has included 150 members of staff working as Change Champions to review areas such as performance management, equalities and communication. The ideas put forward will be incorporated into an improvement plan.

Value for money is embedded in our culture; it is one of the components of our strategic priorities and has been for many years. The Improvement and Efficiency Board has been leading the process to develop a new Value for Money strategy, define priorities and improve monitoring arrangements.

The Council's Performance Strategy sets out the planning and performance framework to manage the delivery of priority outcomes. The strategy is reviewed regularly (currently in place for 2007-10) and is supported by an action plan to develop arrangements for managing performance. The strategy is based on clear accountabilities, balanced information to support decision making, sound data quality and prompt action to tackle underperformance. For example, performance surgeries are held to discuss indicators that have missed targets or compare poorly with other authorities. In 2008, a new Performance Support Group was established at Partnership level to review cross cutting areas of service delivery, focused on the Local Area Agreement. This group meets quarterly and is composed of Cabinet, Scrutiny and Partnership representatives.

In 2008, a Data Quality Policy was approved by the Council and Partnership. The policy sets out the standards, roles and responsibilities for those involved in collating, analysing and reporting information. The policy is supported by an action plan, updates on which are regularly presented to Audit & Accounts Committee.

The Council has published a set of customer service standards and operates a complaints procedure and uses this to identify areas where service quality is not satisfactory, and to take action to improve.

As an organisation we are committed to meeting the service needs of a very diverse community. The Council was assessed at Level 3 of the ‘Equality Standard for Local Government’. We are now working towards achieving “excellent status” under the new “Equality Framework for Local Government” which builds on and develops the work we have done under the old standard.

4. Members and Officers working together to achieve a common purpose with clearly defined functions and roles

The Council aims to ensure that the roles and responsibilities for governance are defined and allocated so that accountability for decisions made and actions taken are clear.

The Council appoints a Cabinet, made up of the Leader, Deputy Leader and five other members, who are responsible for proposing budgets and policies and taking key decisions. Each Cabinet Member is responsible for a portfolio.

Over the last few years, the Council has sustained robust governance during a period of changing political administration. Indeed, since July 2005, the Council has had 4 different types of political control, which has not affected overall performance.

The Council has six Overview and Scrutiny Commissions which are tasked with scrutinising the Council’s decisions and contributing to the development of its policies. Although they have no decision making powers, the Commissions are able to ‘call-in’ and review certain decisions of Council Cabinet. Until the call-in process is completed the decision cannot be implemented.

Additionally, the Council appoints a number of committees to discharge the Council's regulatory and scrutiny responsibilities. These leadership roles, and the delegated responsibilities of officers, are set out in the Constitution which came into effect on 3 December 2001.

All Committees have clear terms of reference and work programmes to set out their roles and responsibilities. An Audit and Accounts Committee provides assurance to the Council on the effectiveness of the governance arrangements, risk management framework and internal control environment.

The Constitution also includes a Member/Officer protocol which describes and regulates the way in which Members and Officers should interact to work effectively together

The Council's Chief Executive (and Head of Paid Service) leads the Council's officers and chairs the Chief Officer Group – COG – which meets on a weekly basis. Strategic Directors meet with their respective Cabinet members on a regular basis. A Service Directors Group supports the work of COG focussing on HR issues. A number of Officer Working Groups meet to deal with a range of specific service as well as cross-cutting issues.

All staff, including senior management, have clear conditions of employment and job descriptions which set out their roles and responsibilities. Terms and conditions of employment are overseen by the Consultative Joint Committee.

The Strategic Director of Resources, as the section 151 Officer appointed under the 1972 Local Government Act, carries overall responsibility for the financial administration of the City Council. A corporate finance function provides support to departmentally based finance teams, and determines the budget preparation and financial monitoring process.

The Service Director of Legal and Democratic Services, as Monitoring Officer, carries overall responsibility for legal compliance. Staff in the Legal Department work closely with departments to advise on requirements.

The Council has developed a partnership register which is updated annually.

5. Promoting our Values and Upholding High Standards of Conduct and Behaviour

Member and Officer behaviour is governed by Codes of Conduct. These include a requirement for declarations of interest to be completed.

The Council takes fraud, corruption and maladministration very seriously and has the following policies which aim to prevent or deal with such occurrences:

- Anti-Fraud and Corruption Policy and Fraud Response Plan
- Confidential Reporting Code (Whistleblowing Policy)
- Anti- Money Laundering Policy
- HR policies that includes disciplinary action against staff involved in such incidents

Conduct of Members is monitored by a Standards Committee, which also investigates allegations of misconduct by Members.

The Corporate Complaints Procedure enables the Council to receive and investigate any complaint made against it, a Member or a member of staff.

Our Workforce Development Plan 2007/10 was a three-year delivery plan for our People Strategy. Implementing the Plan was a key objective in the Corporate Plan.. Going forward a new Workforce Strategy has been approved. The Strategy sets out an exciting and challenging agenda for change that we believe will maintain and develop a workforce fit for the challenges on the years ahead.

6. Taking Informed and Transparent Decisions and Managing Risk

The Council's Constitution sets out how the Council operates and the process for policy and decision making.

Full Council sets the policy and budget framework. Within this framework, all key decisions are made by the Cabinet. Cabinet meetings are open to the public (except where items are exempt under the Access to Information Act). The council uses webcasting of Full Council, Council Cabinet and Planning Control meetings. The Forward Plan of key decisions to be taken is published on our website.

All decisions made by Cabinet are made on the basis of written reports, including assessments of the legal and financial implications. The financial and legal assessments are provided by finance and legal officers.

The decision-making process is scrutinised by a scrutiny function which has the power to call in decisions made, but which also undertakes some pre-decision scrutiny and some policy development work.

Other decisions are made by officers under delegated powers. Authority to make day to day operational decisions is detailed in departmental Schemes of Delegation.

Policies and procedures governing the Council's operations include Financial Procedure rules, Contract Procedure Rules, Procurement Regulations and a Risk Management Policy. Ensuring compliance with these policies is the responsibility of managers across the City Council. The Internal Audit Section checks that policies are complied with. Where incidents of non-compliance are identified, appropriate action is taken.

The Council's Risk Management Strategy requires that consideration of risk is embedded in all key management processes undertaken. These include policy and decision making, service delivery planning, project and change management, revenue and capital budget management and partnership working. In addition, a Corporate Risk Register is maintained and a monitoring group meets quarterly to review the extent to which the risks included are being effectively managed.

Departmental Risk Registers are maintained through the Business Planning process. A Strategic Risk Group which is chaired by the Corporate Director - Resources, meets to identify best practice in respect of risk management and to provide opportunities for shared learning across departments. The Audit and

Accounts Committee oversees the effectiveness of risk management arrangements and provides assurance to the Council in this respect. Risk management is also built into our project management methodology.

Financial Management processes and procedures are set out in the City Council's Financial Procedure Rules and include:

- comprehensive budgeting systems on a medium term basis
- clearly defined capital and revenue expenditure guidelines
- regular reviews and reporting of financial performance against the plans for revenue expenditure
- overall cash limited budgets and a clear Scheme of Delegation defining financial management responsibilities
- regular capital monitoring reports which compare actual expenditure plus commitments to budgets
- key financial risks are highlighted in the budgeting process and are monitored through the year departmentally and corporately.
- robust core financial systems
- documented procedures are in place for business critical financial systems,
- and these are also checked on a regular basis by the Internal Audit Section.

Having a set of clearly defined priorities means that sometimes we have to make difficult decisions and adopt alternative methods of service delivery providing services which better meet the needs of our citizens or which provide better value for money.

7. Effective Management - Capacity and Capability of Members and Officers

The Council's structure gives clear accountability for the performance management of services, both within departments and corporately.

The Council aims to ensure that Members and managers of the Council have the skills, knowledge and capacity they need to discharge their responsibilities and recognises the value of well trained and competent people in effective service delivery. All new Members and staff undertake an induction to familiarise them with protocols, procedures, values and aims of the Council.

Progress towards accreditation for the East Midlands Member Development Charter continues with an assessment date set for 22 June 2010. An action plan, developed as a result of the diagnostic report in October 2009, should enhance the probability of success. A Member Development Policy is in place and the budget for Member Development has been further enhanced. Member Role Descriptions and Person Specifications have been developed. Training of Members before they are allowed to sit on regulatory panels and committees has been reinforced, with separate sessions for Planning, Taxi and General Licensing and Employee Appeals all completed within three weeks of confirmation of Constitutional appointments at the Annual Meeting.
The Council recognises the value of the I&DeA Leadership Academy and funds Members involvement. There is a commitment to enhance support services to

Members and funding for this growth area was approved in May 2010 for implementation before the end of the year.

Members of the Audit and Accounts Committee are provided with training specific to its responsibilities on an annual basis. The focus is on key governance issues such as risk management and internal control. Individual briefings are provided to Members of the Committee as and when required. In 2009/10 this included briefings on the implementation International Financial Reporting Standards and on Treasury Management.

Over 100 managers have been through our Leading Manager Programme, designed and delivered in partnership with the University of Derby. The programme is delivering leadership capacity to a critical mass of our Leaders and generating a real and measurable return on investment. The programme has been featured nationally and internationally as a best practice example and was shortlisted for a Training Journal 'Best Public Service Initiative Award'.

The Council's Achievement and Development Scheme for all staff ensures performance is managed and development needs for each member of staff are identified and met. We have recognised the need to review the scheme and launched a new Managing Individual Performance scheme in April 2010 following extensive piloting, which it is hoped will better meet the needs of employees as well as promoting effective performance management. We are continually looking to develop the potential of our staff and one initiative in achieving this is the creation of a "Succession Pool" for heads of service and service directors.

The Council has successfully achieved the Investors in People accreditation in all its departments which is due for reassessment in 2010.

8. Engaging with Local people and other stakeholders to ensure robust accountability

The Council's planning and decision making processes are designed to include consultation with stakeholders and the submission of views by local people.

Every year, together with our partners, we carry out many consultation exercises, including the community safety audit, Derby Pointer survey of a representative sample of residents, Police budget survey, the NHS patient satisfaction survey and many more. These surveys and events enable the Council and our partners to gauge understanding of our shared vision and priorities for the city. We have adopted a Community Engagement Strategy with DCP to ensure a co-coordinated approach to community engagement across partner organisations.

Following publication of the Place Survey results in 2009, the Council consulted further with local residents to explore particular issues around satisfaction with services and perceptions of the Council. A workshop was also held in November 2009 with Members, senior officers and partners to develop an action plan for improvement, which was formally approved by Cabinet in February 2010.

The Sustainable Community Strategy has been re-launched in April 2010. Extensive consultation is planned during the summer following a leadership away day on 11 June 2010 attended by all key partners, to engage with local people about their needs and aspirations for Derby.

Neighbourhood working in Derby has been set up by public services and local people to create stronger communities that are safer, cleaner, healthier, better informed, friendlier and empowered.

The neighbourhood model has four key objectives…

- Empowering local communities.
- Strengthening local democracy.
- Building more responsive public services.
- Developing integrated frontline public services.

In every part of the City, a partnership of services and organisations has come together to create a Neighbourhood Team. Each team reflects the neighbourhood's needs and is committed to working with residents for the benefit of the community. Neighbourhood Teams are made up of a Neighbourhood Co-ordinator, a Neighbourhood Environmental Action Team (NEAT), a Police Community Support Officer, a Community Safety Officer, a Police Neighbourhood Team and a Community Engagement Officer. In addition, there is frequent input from other agencies, such as Derby Homes' Community Watch Patrol, Derbyshire Fire and Rescue Service and Central and Derby City Primary Care Trust.

To give local citizens a greater say in local decision making, every ward or neighbourhood has a forum and board. Neighbourhood forums are open public meetings that are held at a local venue every two or three months. The forum is an opportunity for residents to find out what's happening in their area and to discuss the big issues and priorities. Residents meet with councillors and representatives from police, health, council and community safety. Neighbourhood boards are local leadership groups that agree priorities, decide where community grants are to be spent, monitor performance and decide on the vision for the neighbourhood.

In May 2010, the Council launched Streetpride, a new service aimed at giving communities more control over the appearance of their street and local environment, including some control over how and where money is spent. Streetpride focuses on the customer and will make a positive difference to the way customers interact with us and our street-based services.

Other arrangements for consultation and for gauging local views include the Derby Pointer Citizen's Panel. Your Derby magazine provides summary information on the Council's vision and priorities and is delivered to homes and businesses across Derby.

The Community Strategy is drawn up in consultation with stakeholders across the city including…

- the results of Citizens Panel consultations
- the results of surveys/consultations on other supporting strategies and plans
- stakeholder meetings and events
- advice from Government advisors and consultants.

Let's Talk Budget is our process for engaging residents and organisations interested in the budget setting process. We have used a budget-modelling tool and encourage participation in the budget setting process through our consultation and engagement framework.

Performance and progress against the Community Strategy, LAA and Corporate Plan is evaluated regularly using performance indicators on DORIS. Regular monitoring reports are presented to the DCP Board and there is an extensive annual review process.

9. Review of Effectiveness

Derby City Council annually reviews the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by managers within the Council who have responsibility for the development and maintenance of the governance environment, the work of the internal auditors and by comments made the external auditors and other inspection agencies.

Both in year and year end review processes have taken place. In year review mechanisms include:

- the Cabinet is responsible for considering overall financial and performance management and receives comprehensive reports on a quarterly basis. It is also responsible for key decisions and for initiating corrective action in relation to risk and internal control issues.

- there is a well resourced Scrutiny function which holds the Cabinet to account. The Scrutiny Management Commission is responsible for maintaining an overview of service and financial performance, efficiency and effectiveness.

- the Standards Committee has met regularly throughout the year to consider and review issues relating to the conduct of Members including referrals from the standards board. Their work has included reviewing the Code of Conduct for Members and preparation/training for the new requirements for dealing with investigations into Members' conduct.

- the Audit and Accounts Committee met throughout the year to provide independent assurance to the Council in relation to the effectiveness of the risk management framework and internal control environment. The Committee met 5 times during the year receiving regular reports on governance, risk and internal control matters.

- Internal Audit is an independent and objective assurance service to the management of the City Council who complete a programme of reviews throughout the year to provide an opinion on the internal control, risk management and governance arrangement. In addition, the Section undertakes fraud investigation and proactive fraud detection work which includes reviewing the control environment in areas where fraud or irregularity has occurred. Significant weaknesses in the control environment identified by Internal Audit are reported to senior management and the Audit and Accounts Committee.

- the External Auditor’s Annual Audit and Inspection Letter is considered by the Audit and Accounts Committee, Cabinet and the Chief Officer Group. A number of external audits and inspections have also taken place.

- the External Auditors completed their CAA Use of Resources Key Lines of Enquiry assessment during the year and awarded the Council's governance arrangements a score of 3 overall.

- the Performance and Improvement Team monitor National and Key Performance Indicators on a quarterly basis and recommend improvements to the performance framework on a regular basis.

- the Strategic Risk Group reviews newly identified corporate risks and ensures that actions are being taken to effectively manage the Council's highest risks. The Group reviews the effectiveness of the Council's Risk Management Framework

- the Controls Review Group reviews internal control issues within the key financial systems of the Council

The review of the Council’s governance arrangements and the control environment included:

- the role of the Governance Working Group in reviewing the Council's own governance arrangements against a best practice framework endorsed by CIPFA/SOLACE to identify areas for improvement. A sub-group chaired by the Monitoring Officer reviewed this self–assessment and produced a Governance action plan which was approved by Audit and Accounts on 25 March 2010. This met one of the objectives for the Chief Executive which was “to ensure that an action plan is in place by 31/3/10 to refresh and improve the robustness of the corporate governance framework that meets the principles of good governance and statutory requirements”.

- reviewing other external inspection reports received by the Council during the year

- validating assurances obtained by reference to documentation held and by comparing the assurances provided to an evaluation of the effectiveness of the control environment.

- the opinion of the Head of Audit and Risk Management in his annual report to Audit and Accounts Committee and an evaluation of management information in key areas to identify any indications that the control environment may not be sound.
- a report from the Strategic Director of Resources on the effectiveness of the system of internal audit.
- consulting the Audit and Accounts Committee regarding any potential issues it felt could indicate a problem with the control environment.

10. Significant Governance Issues 2009/10

Planning Issues

The Council failed to properly advertise 60 major planning applications in the press prior to them being granted planning permission. This meant that members of the public may be less likely to be aware of them and raise any objections before approval was given. Where there are four or more letters received that differ from the Planning Officers recommendation, then the application is considered by councillors at a meeting of the Planning Control Committee.

When this administrative error came to light, it was immediately referred to Ombudsman. The Ombudsman asked the Council to investigate the Citygate planning application, which was the application that had triggered the discovery of the error. The investigation found that advertising in the press would not have had any bearing on outcome. The Planning Committee was asked to reconsider the application and all residents were notified. The application was voted through. All the other 59 cases were reviewed and went to Planning Committee where it was decided that members would not have made a different decision to the original outcomes. The Ombudsman agreed with the manner of the Council's investigation and that the public had not been prejudiced by the Council's error.

Partnerships

An internal audit review of "Partnership – Governance" assessed the internal control environment around this area as unsatisfactory. The audit focused on the governance arrangements in place for three existing partnerships within the Council, assessing them against best practice as identified by the Audit Commission and CIPFA.

The audit made recommendations around the following key control weaknesses:

- The Council has not adopted a consistent approach to the governance of partnerships which accords with best practice guidelines.
- The Council has not developed a policy on partnership working.
- The Council had not entered into formal Partnership agreements with 2 of the 3 partnerships sampled.

- A number of areas were missing from the Accountable Body agreement (Partnership Agreement) for one of the partnerships sampled, which best practice dictates should be documented and agreed upon.
- Exit strategies for partnerships were not being considered and documented when partnership agreements were being drawn up. Exit strategies were not being considered until partnerships were drawing to a close.
- Business continuity arrangements had not been fully developed for the sample partnerships examined.
- Staff working at the partnerships sampled, were not required to declare their pecuniary and non-pecuniary interests to identify any conflicts that may exist.
- There was not a risk register in place for one of the partnerships sampled nor were the risk management arrangements documented within the Accountable Body agreement.
- A formal risk assessment was not conducted before entering into one of the 3 partnerships.

The Council is producing a partnership toolkit which will provide guidance and address the issues raised above. This toolkit will be available from July 2010. Training will also take place for relevant officers in July. The Council's Governance Action Plan also addresses the issues raised in the audit report.

Governance Issues raised in Audit and Accounts Committee

All significant governance issues are reported to the Audit and Accounts Committee. Below are the issues reported during 2009/10:

Waste Management Contract:

The Audit and Accounts Committee held a special meeting to discuss the governance issues following the Council's Planning Committee's decision to refuse a planning application by Resource Recovery Solutions to build an incinerator in Sinfin. The meeting was called because Members were concerned following publicity that Derby City Council would have to pay thousands of pounds to fight its own planning committee's refusal of permission for the site.

At the meeting the Committee considered the project agreement for the contract and procurement with RRS Waste Management. The Committee expressed concerns about the isolation of clause 9 of the project agreement and its component parts to allow the expenditure of £180k as part costs of an appeal against the refusal of planning permission. It was resolved to "ask Council Cabinet to review its decision to support the continuation of the project in light of the refusal of planning permission by the Council's own Planning Committee".

The matter was referred to the Cabinet meeting on 20 April 2010, at which Cabinet requested a detailed report reviewing the decision to be taken to its next meeting. This took place on 8 June 2010 and the Cabinet decided to "reaffirm the original decision."

Debt Management /Bad debt provision:

In its Audit Strategy document, External Audit recommended that:

- The Council should review the percentage rates applied each year to calculate bad debt provisions, against current collection patterns, to ensure the percentages remain appropriate. The results of this review will then form a working paper that will support the Council's approach for audit purposes.
- The Council should consider undertaking a review of old debt and writing these, and the associated bad debt provision, out of the ledgers.

Work is moving forward on a revised debtors' policy and issues are also being addressed through the Control Review Group.

Fixed Assets:

Both Internal and External Audit have highlighted issues during 2009/10.

In its Audit Strategy document presented to Audit and Accounts Committee in June 2009, the External Auditor recommended that "the current practice of maintaining separate registers will continue to increase the risk of material misstatement and ultimately the Council should strongly consider the introduction of an integrated asset management system."

The Statement of Accounts - Post Audit Re-approval report to Audit and Accounts Committee in September highlighted that the External Auditor had found "A number of fundamental misstatements were raised during the audit in relation to fixed assets resulting in a £117m (9.7%) reduction in the closing value of tangible fixed assets at 31 March 2009".

The issue over the misstatement resulted in a Use of Resources score of 2 for KLoE 1.3 (financial reporting).

An Internal Audit review of fixed assets gave a control rating of "marginal". The following issues were considered to be the key control weaknesses:

- The fixed asset records did not clearly identify the nature of all assets listed and furniture had not been recorded on the fixed asset records as specified in SORP B28.
- There were no documented procedures relating to the compilation of the fixed asset records and evidence of write-offs had not been retained by the Capital Team.
- Art gallery and museums exhibits (heritage assets) had not been valued recently to enable them to be recorded in the Council's fixed asset records.
- The Capital Team's fixed asset records were not being comprehensively reconciled to the Property Asset Register.
- Fixed asset records were being maintained by the Capital Team on an Excel spreadsheet. Access to this spreadsheet was not appropriately restricted and no checks were being undertaken to ensure that the spreadsheet's logic and formulae had not been modified. Spreadsheets do not provide an audit trail of any entries or changes made and are prone to error.

Given the concerns of both Internal and External Audit to elements of the system for recording the Council's fixed assets, the Audit and Accounts Committee has made the decision to "call in" the relevant managers to seek explanations and assurances that the system will be improved.

The Council has implemented a new fixed asset register and reviewed the robustness of the underlying source data and accounting treatments in 2009/10.

Markets – Income (Probity Audit)

The audit focused on the processes in operation surrounding Markets income, including the collection, receipting, recording, banking, security and reconciliation controls in place. The report contained 15 recommendations of which 13 were significant, from which Internal Audit determined the control environment to be "unsound". Following the audit, Management has made significant progress in implementing the recommendations made by Internal Audit. The audit report stated that should all the control weaknesses be addressed as agreed, the overall control environment would then be considered satisfactory.

Governance Issues raised in Standards Committee

The Standards Committee has considered governance issues as part of its work programme. During 2009/10, the Independent Members of the Committee met each of the Council's political groups to seek their views on the operation of the ethical framework. As a result of these meetings, the committee has decided that, during 2010/11, it will review the effectiveness of the codes and protocols that support the Members' Code of Conduct and consult with partners on a code or protocol to govern the conduct of partnerships. The committee will also produce an annual report to the Council in July each year.

Data Protection Issues

The Information Commissioner's Office (ICO) received a complaint from a City Council employee about the way the council had processed her personal data. It involved an incident where confidential information was accidentally published on Environmental Services' portion of MOSS. The employee had notified the council at the time, and the issue was rectified.

From the information provided, the ICO assessed that there was strong evidence that Derby City Council had failed to comply with Principle 7. The ICO has proposed no further action as the Council has proposed to carry out refresher training for staff on the Data protection principles.

11. Update on Governance Issues reported in previous Annual Governance Statements

Progress continues to be made on significant governance issues raised in the 2008/9 annual governance statement.

ANNUAL GOVERNANCE STATEMENT

Governance Issues	Progress made/Comments
Political Control At the local elections in May 2008 no one political party achieved an outright majority. The party with the most seats, the Liberal Democrats, chose to form the Council Cabinet. This situation of no overall control has impacted on the decision-making process of the Council, in particular the setting of the 2009/10 budget.	 This situation of no overall control continued in 2009/10, because 2009 was a fallow year in the City Council's local election process. The local elections in May 2010 saw no change to the situation of no one party achieving an outright majority although there was a change in administration where the Liberal Democrat administration has been replaced by a Conservative administration.
Highways Maintenance The performance of the Derbyroads Partnership	 Further reports were made to the Audit and Accounts Committee in 2009/10 to keep members up to date with developments.
Fraud/ Cash payments The Council's cash advance payments system in payroll was the subject of fraudulent activity.	 In response to recent frauds in the Resources Directorate, a Controls Review Group was set up to review and make improvements to financial control within the authority. All payroll cash payments have now ceased. A full review is also being carried out by the control review group to minimise the number of cash transactions.
Non-adherence with Contract Procedure Rules Following a presentation on the development of the Procurement Connection website to the Audit and Accounts Committee, its members raised concerns over the levels of compliance with the Council's Contract Procedure Rules.	 Audit and Accounts Committee receives half yearly reports on all non-compliant contracts, together with an explanation as to the reason for it occurring. All contract waivers requested are reported to the Committee for information.

There is one governance issue from the 2007/8 Annual Governance statement that is still on-going.

Governance Issues	Progress made/Comments
Derwent New Deal for Communities (NDC) The Corporate Director – Resources commissioned Internal Audit to review the project appraisal process for NDC following a number of high profile Derwent Community Team project failures. The Director of Derwent Community Team is addressing the governance and control issues raised and also has regular meetings with the Chief Executive and the Corporate Director – Resources	The funding has been on hold since June 2009. A recovery plan was submitted to DCLG. Local Improvement Advisers reviewed Derwent NDC in December 2009 and produced a report. The council submitted a revised recovery plan in April 2010. An internal audit review of the controls and governance arrangements in place at Derwent Community Team has been requested by the Strategic Director – Resources for inclusion in the 2010/11 Internal Audit Plan.

12. Certification

To the best of our knowledge, the governance arrangements, as defined above, have been effectively operating during the year with the exception of those areas identified in section 10. We propose over the coming year to take steps to address the above matters to further enhance our governance arrangement. We are satisfied that these steps will address the need for improvements that were identified during the review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Harvey Jennings Leader of the Council	Adam Wilkinson Chief Executive

Statement of Responsibilities

The Authority's Responsibilities

The Authority is required:

(1) To make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. At Derby City Council that officer is the Strategic Director of Resources.

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

(3) To approve the Statement of Accounts.

The Accounts were approved by Audit and Accounts Committee on 24 June 2010.

Signed: ____

Councillor Eric Ashburner - Chair, Audit and Accounts Committee

The Strategic Director of Resources' Responsibilities

The Strategic Director of Resources is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA / LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the SORP). The Code requires the Authority to present fairly the financial position of the Authority and its income and expenditure for the year ended 31 March 2010.

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

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

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

(3) Compliance with the local authority SORP.

The Strategic Director of Resources has also ensured that:

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

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

Signed: ____

Don McLure-

Strategic Director of Resources

Date: ____

Audit Opinion

To be added to the published version following the audit**.**

Audit Opinion (cont.)

Audit Opinion (cont.)

Statement of Accounting Policies

1. General Principles

The Statement of Accounts summarises the Council's transactions for the 2009/10 financial year and its position at the year end of 31 March 2010. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2009 - A Statement of Recommended Practice (the SORP), including applicable Statements of Standard Accounting Practice (SSAP) and Financial Reporting Standards (FRS).
The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets.

2. 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 accordance with the SORP and FRS18. For example:

- Fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods or services.
- Supplies are recorded as expenditure when they are consumed. Where there is a gap between the supply date and when the supplies are used they are carried as stocks on the Balance Sheet.
- Income and expenditure are credited and debited to the relevant service revenue account, unless they properly represent capital receipts or capital expenditure.
- Revenue is only recognised when a right to consideration exists.
- Works are charged as expenditure when they are completed, before which they are carried as work in progress on the Balance Sheet.
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where income 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 it is doubtful that the debt will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

3. Provisions

The treatment outlined is in line with FRS12 (Provisions, contingent liabilities and contingent assets) and the 2009 SORP.
Provisions are required for any liabilities of uncertain timing or amount that have been incurred.
Provisions are required to be recognised when:

- The local authority has a present obligation (legal or constructive) as a result of a past event.
- It is probable that a transfer of economic benefits will be required to settle the obligation.
- A reliable estimate can be made of the amount of the obligation.

A transfer of economic benefits or other events is regarded as probable if the event is more likely than not to occur. If these conditions are not met, no provision is recognised.
The obligation can be 'constructive' (e.g. the authority has publicly expressed an intention to do something, and other parties have acted in expectation of this).

Provisions are charged to the appropriate service revenue account in the year that the Council becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made they are charged to the provision set up on the Balance Sheet. Estimated settlements are reviewed at the end of each financial year. Where it becomes more likely than not that a transfer of economic benefits will not now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service revenue account.

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

4. Bad Debt Provision

The authority maintains bad debt provisions for any potential non payment of debtors.

The bad debt provisions are calculated firstly by providing fully for any specific debts that are considered to be doubtful, and then using an estimation of what percentage of debt will be repaid assessed on a year-on-year basis for the remaining balance based on the Council's experience of historic collection rates.

5. Contingent Assets and Liabilities

Contingent assets are not recognised in the Statement of Accounts but are disclosed within the notes if the inflow of a receipt or economic benefit is probable.

Contingent liabilities are not recognised in the Statement of Accounts but are disclosed within the notes if there is a possible, but not probable, obligation that may require a payment or transfer of economic benefits.

Both of these policies are in line with FRS 12 (Provisions, contingent liabilities and contingent assets).

6. Reserves

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

Certain reserves are kept to manage the accounting processes for tangible fixed assets and retirement benefits and do not represent usable resources for the Council (e.g. Capital Adjustment Account, Revaluation Reserve, and Pension Reserve). These reserves are explained in the relevant policies below.

7. Retirement Benefits

Employees of the Council are members of two separate pension schemes both of which provide defined benefits to members – retirement lump sums and pensions, earned as employees worked for the Council.

- **The Teachers' Pension Scheme**, administered by Capita Teachers' Pensions on behalf of the Department for Children, Schools and Families (DCSF). Liabilities for the defined benefits cannot be identified to the Council. The scheme is therefore accounted for as if it were a funded defined contributions scheme in accordance with the SORP. No liability for future payments of benefits is recognised in the Balance Sheet and the Education Service revenue account is charged with the employer's contributions payable to teachers' pensions in the year.

- **The Local Government Pension Scheme**, administered by Derbyshire County Council and is accounted for as a funded defined benefits scheme as per FRS17 (Retirement benefits) and SORP. The liabilities of Derby City Council Pension Fund 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 price using a discount rate of 5.6% (as indicated by Mercer Ltd, the fund Actuary).

The assets of the Derby City Council Pension Fund 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 bid price

STATEMENT OF ACCOUNTING POLICIES

The Statement of Accounts includes accounting for and disclosure of pension costs, assets and liabilities in compliance with the requirements with the SORP relating to FRS17. The objective is to ensure that the Council's financial statements reflect at fair value the future pension liabilities that have been incurred and the extent to which assets have already been set aside to fund them.

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

- Current Service Cost: the increase in liabilities as a result of years of service earned this year – allocated in the Income and Expenditure Account to the revenue accounts of services for which the employees worked.
- Past Service Cost: the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs.
- Interest Cost: the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to Net Operating Expenditure in the Income and Expenditure Account.
- Expected Return on Assets: the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to Net Operating Expenditure in the Income and Expenditure Account.
- Gains/Losses on Settlements and Curtailments: the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs.
- Actuarial Gains and Losses: changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Statement of Total Recognised Gains and Losses
- Contributions Paid to the Derby City Council Pension Fund: cash paid as employer's contributions to the pension fund.

Statutory provisions limit the Council to raising the Council tax to cover the amounts payable by the Council to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the Statement of Movement on the General Fund Balance this means that there are appropriations to and from the Pensions Reserves to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year end.

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 and 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.

8. Government Grants and Contributions

- **Revenue:** Whether paid on account, by instalment or in arrears, government grants and external contributions and donations are recognised as income at the date the Council satisfies the conditions of entitlement to the grant/contribution, there is a reasonable assurance that the monies will be received, and the expenditure for which the grant has been given has been incurred. Revenue grants are matched in service revenue accounts with the service expenditure to which they relate. Grants to cover general expenditure are credited to the foot of the Income and Expenditure Account after Net Operating Expenditure.

- **Capital:** Where grants and contributions are received that are identifiable to fixed assets with a finite useful life, the amounts are credited to the Government Grants Deferred Account. The balance is then written down over the useful life of the asset to revenue to offset depreciation charges made for the related assets, in the relevant service revenue account, in line with the depreciation policy applied to them. Grants and contributions that are attributable to assets that are not depreciated or non-Council assets are credited to the service revenue account as they occur. To neutralise the impact of this credit a debit entry is made on the Statement of Movement on the General Fund Balance and a credit to the Capital Adjustment Account.

9. Intangible Fixed Assets

Expenditure on assets that do not have a physical substance but are identified and controlled by the Council (e.g. software licences) is capitalised when it will bring benefits to the Council for more than one financial year. The assets are amortised over their estimated useful economic life (maximum of 20 years). The balance is amortised to the relevant service account over the economic life of the investment to reflect the pattern of consumption of benefits.

10. Tangible Fixed Assets

Tangible fixed assets are assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis.

Recognition: Expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised on an accruals basis, provided that it yields benefits to the Council and the services that it provides are for more than one financial year. Expenditure that secures but does not extend the previously assessed standards of performance of assets (e.g. repairs and maintenance) is charged to revenue as it is incurred.

Measurement: Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use.

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

- Investment properties and assets surplus to requirements – lower of net current replacement cost or net realisable value.
- Council dwellings – existing use value for social housing.
- Other dwellings, other land and buildings – lower of net current replacement costs or net realisable value.
- Vehicles, plant and equipment – depreciated historical cost as a proxy for net realisable value as difference is not significant.
- Infrastructure assets and community assets – depreciated historical cost.
- Assets under construction – historical cost.

Net current replacement cost is assessed as:

- Non-specialised operational properties – existing use value.
- Specialised operational properties – depreciated replacement cost.
- Investment properties and surplus assets – market value.

Assets included in the Balance Sheet at current value are revalued where there have been material changes in the value, but as a minimum every five years. Increases in valuation are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains may be credited to the Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to a service account.

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: The values of each category of assets and of material individual assets that are not being depreciated are reviewed at the end of each financial year for evidence of reductions in value. This can be as a result of:

- A significant decline in an assets value during the preceding period of 12 months.
- Evidence of physical damage or obsolescence to the asset.
- A significant change in the statutory or regulatory environment in which the authority operates.
- A commitment by the authority to undertake a significant reorganisation.

All assessments of impairment are carried out in accordance with the CIPFA Code of Practice and the relevant sections of the RICS Appraisal and Valuation manual. When impairment is identified as part of this review or as a result of a valuation exercise, this is accounted for by:-

- Where attributable to the clear consumption of economic benefits – the loss is charged to the relevant service revenue account.

- Otherwise – written off against any revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess charges to the relevant service revenue account.

Where an impairment loss is charged to the Income and Expenditure Account but there were accumulated revaluation gains in the Revaluation Reserve for the asset, an amount up to the value of the loss is transferred from the Revaluation Reserve to the Capital Adjustment Account.

Disposals/Capital Receipts

When an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal.

Receipts from disposals are credited to the Income and Expenditure Account 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 in the Revaluation Reserve are transferred to the Capital Adjustment Account. Receipts in excess of £10,000 are categorised as capital receipts.

A proportion of receipts relating to Housing Revenue Account disposal (75% for dwellings and 50% for land and other assets, net of deductions and allowances) is payable into the Government pool. The balance of receipts is required to be credited to the Usable 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 Statement of Movement on the General Fund Balance.

The written off value of disposals is not charged against the Council tax, as the cost of the fixed asset is fully provided for under separate arrangements for capital financing. Any profit/loss on disposals is appropriated to the Capital Adjustment Account from the Statement of Movement on the General Fund Balance.

Depreciation

Depreciation is provided for on all assets with a determinable finite life (except for investment properties), by allocating the value of the asset in the Balance Sheet over the periods in which the benefits from their use are expected to arise.

Depreciation is calculated on the following bases:

- Council Dwellings – straight line over the estimated remaining life of the asset (up to 50 years).
- Vehicles – straight line over the estimated remaining life of the asset (5-10 years).
- Plant and Equipment – straight line over the estimated remaining life of the asset (5 – 20 years).
- Infrastructure – straight line allocation over 40 years.

- Operational buildings – straight line allocation over the life of the property as estimated by the Valuer.
- Land – not depreciated.
- Community assets – not depreciated.

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 charged based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

11. Charges to Revenue for Fixed Assets

Service revenue accounts, support service and trading accounts are charged with the following amounts to record the real cost of holding fixed assets during the year:

- Depreciation attributable to the assets used by the relevant service.
- Impairment losses attributable to the clear consumption of economic benefits on tangible assets used by the service and other losses where there are no accumulated gains in the Revaluation Reserve against which they can be written off.
- Amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise Council tax to cover depreciation, impairment losses or amortisation. However, the Council's policy is to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement (equal to at least 4% of the underlying amounts measured by the adjusted capital financing requirement). Depreciation, impairment losses and amortisation are therefore replaced by revenue provision in the Statement of Movement on the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

12. Revenue Expenditure Funded from Capital under Statute

Revenue expenditure funded from Capital under Statute represents expenditure that may be capitalised under Statutory provisions but which does not result in the creation of tangible assets. Expenditure incurred during the year has been written off as expenditure to the relevant service revenue account in the year. Where the Council has determined to meet the cost of the charges from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account in the Statement of Movements on the General Fund Balance then reverses out the amounts charged to the Income and Expenditure Account, so there is no impact on the level of Council tax. Similarly, where the cost is met by a grant or contribution this is credited to the revenue account to match the amortised expenditure so that there is no impact on the total cost of the revenue service.

STATEMENT OF ACCOUNTING POLICIES
13. Leases

Finance Leases

The Council accounts for leases as finance leases when substantially all the risk and rewards relating to the leased asset transfer to the Council. Rentals payable are apportioned between:

- A charge for the acquisition of the interest in the asset (recognised as a liability in the balance sheet at the start of the lease, matched with a tangible fixed asset – the liability is written down as it becomes payable).
- A finance charge based on a constant rate of charge over the period of the lease (debit to Net Operating Expenditure in the Income and Expenditure Account as it becomes payable).

Fixed assets recognised under finance leases are accounted for using the policies applied generally to tangible fixed assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated life.

Operating Leases

Leases that do not meet the definition of finance leases are accounted for as operating leases. Rentals payable are charged to the relevant Service Revenue Account so that, in general, rentals are charged when they become payable. Lease payments (net of charges for services such as maintenance) are charged to revenue on a straight-line basis over the term of the lease other than where a more systematic and rational basis is appropriated. No values relating to operating leases are carried on the Council's Balance Sheet except as either creditors or payments in advance. The City Council leases some of its properties to third parties. Rent is charged for the use of these properties, and the value of these assets is included as investment properties in the Council's Balance Sheet and credit rentals to revenue as they become payable.

14. Long Term Private Finance Initiative (PFI) Contracts

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

The original recognition of these fixed assets was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the assets. For the schools PFI scheme the liability was written down by an initial capital contribution of £10.8m and for the street lighting PFI scheme the liability was written down by an initial capital contribution of £1.2m.

Fixed Assets recognised on the balance Sheet are revalued and depreciated in the same way as other Fixed Assets 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 Income and Expenditure Account.
- Finance Cost – An interest charge of 5.21% - 5.31% on the outstanding Balance Sheet liability, debited to Interest Payable and Similar Charges in the Income and Expenditure Account.
- Contingent Rent – Increases in the amount to be paid for the property arising during the contract, debited to Interest Payable and Similar Charges in the Income and Expenditure Account.
- Payment Towards Liability – Applied to write down the Balance Sheet liability towards the PFI operator.
- Lifecycle Replacement Costs – Recognised as fixed assets on the Balance Sheet

15. Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable plus any accrued interest, and interest charged to the Income and Expenditure Account is the amount payable for the year in the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to Net Operating Expenditure in the Income and Expenditure Account in the year of repurchase/settlement. However, where repurchase has taken place as part of the 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 Income and Expenditure Account is spread over the life of the loan by adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Income and Expenditure Account, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain/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 Income and Expenditure Account to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Statement of Movement on the General Fund Balance.

16. 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 initially measured at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For the loans that the Council has made the amount presented in the Balance Sheet is the outstanding principal receivable, and interest credited to the Income and Expenditure Account 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 Income and Expenditure Account. Any gains and losses that arise on the derecognition of the asset are credited/debited to the Income and Expenditure Account.

Available-for-Sale Assets

Available-for-sale assets are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Income and Expenditure Account 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 (e.g. Dividends) is credited to the Income and Expenditure Account 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 it is deemed not to be material then held at historical cost).

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Statement of Total Recognised Gains and Losses (STRGL). The exception is where impairment losses have been incurred – these are debited to the Income and Expenditure Account, along with any net gain/loss for the asset accumulated in the reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made or fair value falls below cost, the asset is written down and a charge made to the Income and Expenditure Account.

Any gains or losses that arise on the derecognition of the asset are credited/debited to the Income and Expenditure Account, along with any accumulated gains/losses previously recognised in the STRGL.

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

17. Stocks and Work in Progress

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

18. Repurchase of Borrowing

Gains on the repurchase or early settlement of borrowing are credited to Net Operating Expenditure in the Income and Expenditure Account in the year of repayment/settlement. Losses on the repurchase or early settlement of borrowing are debited to Net Operating Expenditure, which may be met by capital receipts, reducing the level of unapplied capital receipts carried forward, or from borrowing.

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 Income and Expenditure Account 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 Income and Expenditure Account, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain/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 Income and Expenditure Account to the net charge against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Statement of Movement on the General Fund Balance.

19. Housing Revenue Account

The HRA has been prepared in accordance with the Code of Practice on Local Authority Accounting in the UK. The HRA is a statutory account, ring-fenced from the rest of the General Fund. In accordance with the Statement of Recommended Practice, the transactions relating to the HRA have been separated into two statements;

- The HRA Income and Expenditure Account
- The Statement of Movement on the HRA Balance

20. Overheads and Support Services

The cost of overheads and support services are charged to those that benefit from the supply of service in accordance with costing principles of the CIPFA Best Value Code of Practice 2008 (BVACOP).The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits they receive as shown below:

- Accountancy, Audit - Charge based on time allocation.
- Administrative buildings - Charge based on floor area and fixed charges.
- Cash collection, payroll, creditors, financial ledger, debtors and financial services - Charge based on usage e.g. number of invoices, wages paid etc.
- Computer services - Charge based on usage and contractual charges.
- Design and Property Services – architectural services, quantity surveying, property maintenance, repairs and maintenance fees - Charge based on time allocation of work undertaken.
- Estates and valuation - Charge based on time allocation.
- Legal services - Charge based on time allocation.
- Personnel services - Charge based on number of staff and time allocation.
- Telephone system - Charge based on number of extensions and fixed charge application.

The following are exceptions to this:

- Corporate and Democratic Core - Costs relating to the Council's status as a multi-functional, democratic organisation.
- Non Distributed Costs - The cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on non-operational properties.

These two cost categories are defined in BVACOP and accounted for as separate headings in the Income and Expenditure Account as part of Net Cost of Services.

21. VAT

Income and Expenditure excludes any amounts relating to VAT, as all VAT collected on income is payable to HM Revenue and Customs and all VAT paid on expenditure is recoverable from them.

22. Interests in Companies and Other Entities

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

23. Events after the Balance sheet date

These are events that have happened after the balance sheet date of 31 March 2010. There are two types of event and it depends on its nature as to its treatment within the Statement of Accounts.

If the event is an adjusting event (one that has a material economic effect on the Council and existed at the balance sheet date) then the Statement of Accounts have been adjusted accordingly. Details about any such event have adjusted any effected notes accordingly.

If the event is indicative of conditions that arose after the balance sheet date then this is a non-adjusting event. For these a note only is included within the Statement of Accounts identifying the nature of the event and estimates of the financial effect (unless this cannot be estimated reliably where upon a statement saying this is included).

THE CORE FINANCIAL STATEMENTS

THE INCOME AND EXPENDITURE ACCOUNT

2008/09 Net Expenditure (restated) £000		2009/10 Gross Expenditure £000	2009/10 Gross Income £000	2009/10 Net Expenditure £000	Note
(860)	Central Services to the Public	30,546	(29,829)	**717**	
51,034	Cultural, Environmental, Regulatory and Planning Services	81,114	(37,562)	**43,552**	
75,699	Children and Education Services	309,067	(239,002)	**70,065**	
17,480	Highways and Transport Services	36,345	(15,859)	**20,486**	
71,956	Housing	137,492	(136,849)	**643**	
57,303	Adult Social Services	83,044	(27,877)	**55,167**	
5,439	Corporate and Democratic Core	7,644	(1,564)	**6,080**	
1,531	Non Distributed Costs	201	0	**201**	
279,582	**Net Cost of Services**	**685,453**	**(488,542)**	**196,911**	1
124	(Gain)/loss on disposal of fixed assets			**373**	
(37)	(Surplus) or deficit of Trading Undertakings not included in Net Cost of Services			**(389)**	4
20,157	Interest Payable and Similar Charges			**17,373**	
634	Contribution to Housing Capital Receipts Pool			**1,180**	
(9,947)	Interest and Investment Income			**(1,579)**	
11,921	Pensions Interest Cost and Expected Return on Pensions Assets			**17,202**	30
19	Amortised Premiums and Discounts			**(92)**	
302,453	**Net Operating Expenditure**			**230,979**	
(74,404)	Demand on the Collection Fund			**(77,188)**	
(30,285)	General Government Grants			**(39,423)**	11
(774)	Share of previous year collection fund surplus			**(762)**	
(89,791)	Non-Domestic Rates Redistribution			**(86,276)**	
107,199	**Deficit for the Year**			**27,330**	

THE STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

The Income and Expenditure Account shows the Council's actual financial performance over the year, measured in terms of resources consumed and generated over the last twelve months. However the Authority is required to raise Council tax on a different accounting basis, the main differences being:

- Capital investments are accounted for as they are financed rather than when the fixed assets are consumed.
- The payment of a share of housing capital receipts to the Government scores a loss in the Income and Expenditure Account but is met from the usable capital receipts balance rather than Council tax.
- Retirement benefits are charged as amounts become payable to the pension fund and pensioners, rather than as future benefits earned.

The movement in General Fund Balance shows whether the Council has over or under spent against the Council tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

This reconciliation statement summarises the difference between the outturn on the Income and Expenditure Account and the General Fund Balance.

2008/09 (restated) £000		**2009/10 £000**
107,199	Deficit for the year on the Income and Expenditure Account	27,330
(106,120)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	(27,375)
1,079	**(Increase)/decrease in General Fund Balance for the Year**	**(45)**
(13,158)	General Fund Balance brought forward	(12,079)
(12,079)	**General Fund Balance carried forward**	**(12,124)**
(5,593)	Amount of General Fund Balance held by governors under schemes to finance schools	(5,381)
(6,486)	Amount of General Fund Balance generally available for new expenditure	(6,743)
(12,079)		**(12,124)**

NOTE OF RECONCILING ITEMS FOR THE STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

2008/09 (restated) £000		2009/10 £000
	Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year	
(20,044)	Depreciation and Amortisation of Fixed Assets	(17,235)
(108,329)	Impairment of Tangible Fixed Assets	(31,216)
2,639	Government Grants Deferred amortisation	18,655
(2,068)	Revenue Expenditure Funded from Capital under Statute (REFCS)	(13,809)
(124)	Net Gain / Loss on Sale of HRA Fixed Assets	(373)
698	Differences between statutory debits/credits and amounts recognised as Income and Expenditure in relation to financial instruments.	(19)
774	Movement in Council Tax	303
(31,616)	Net charges made for retirement benefits in accordance with FRS17	(30,320)
(158,070)		**(74,014)**
	Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year	
7,702	Statutory Provision for the Repayment of Debt (Minimum Revenue Provision)	7,518
2,634	PFI Scheme Principal repayments	2,519
1,819	Share of liability Derbyshire County Council transferred debt	1,762
4	Credit arrangement notional interest	4
2,782	Capital expenditure charged in-year to the General Fund Balance	5,954
(633)	Transfer from Usable Capital Receipts to meet payments to the Housing Capital Receipts Pool	(1,180)
22,051	Employer's contribution payable to the Pension Fund and retirement benefits payable direct to pensioners	22,940
36,359		**39,517**
	Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year	
1,239	Housing Revenue Account balance	907
14,352	Net transfer to / (from) earmarked reserves	6,215
15,591		**7,122**
(106,120)	**Net additional amount required to be credited to the General Fund balance for the year**	**(27,375)**

THE CORE FINANCIAL STATEMENTS

THE STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

This statement brings together all the gains and losses of the Council for the year and shows the aggregate increase in its net worth. In addition to the surplus generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.

2008/09 (restated) £000		2009/10 £000
107,199	Deficit for the year on the Income and Expenditure Account	**27,330**
44,304	(Surplus)/deficit arising on revaluation of fixed assets	**(36,931)**
(41,917)	Actuarial (gains) / losses on pension fund assets and liabilities	**84,320**
(99)	Other (Gains) and Losses	**4,262**
109,487	**Recognised (gains)/losses for the year**	**78,981**
(1,542)	Prior year adjustments	**(3,421)**
107,945	**Total (Gains)/Losses since last Statement of Accounts**	**75,560**

Further details of the prior year adjustments can be found in Note 2 to these accounts.

A further breakdown of Other Gains and Losses is listed below.

2008/09 (restated) £000	Other Gains and Losses	2009/10 £000
77	Business Improvement District (BID)	**0**
0	Restatement of Fixed Assets	**4,262**
(176)	Gains / Losses on Financial Instruments	**0**
(99)	**Total**	**4,262**

THE CORE FINANCIAL STATEMENTS

<u>THE BALANCE SHEET</u>

2008/09 (restated) £000		2009/10 £000	Note
	Fixed Assets		
116	Intangible assets	164	17
495,776	Council Dwellings	509,465	14
475,847	Other land and buildings	449,427	14
10,475	Vehicles, plant, furniture and equipment	9,545	14
105,637	Infrastructure assets	112,098	14
14,241	Community assets	16,180	14
15,511	Investment properties	38,350	14
6,636	Assets under construction	23,349	14
18,498	Surplus assets held for disposal	16,316	14
1,142,737	Total Fixed Assets	**1,174,894**	
22,139	Long term investments	3,360	19
5171	Long term debtors	5,482	20
1,170,047	Total long term assets	**1,183,736**	
	Current Assets		
1,144	Stocks and works in progress	1,188	21
35,849	Debtors	49,506	22
109,943	Investments	54,011	
2,674	Cash and bank	3,168	
149,610	**Total current assets**	**107,873**	
1,319,657	**Total Assets**	**1,291,609**	
	Current Liabilities		
(54,645)	Creditors	(64,077)	23
(2,519)	Finance leases falling due within one year	(2,358)	6
(8,969)	Bank overdraft	(7,951)	
(66,133)	**Total current liabilities**	**(74,386)**	
1,253,524	**Total assets less current liabilities**	**1,217,223**	
	Long Term Liabilities		
(335,488)	Long term borrowing	(260,930)	24
(37,412)	Finance leases falling due over one year	(40,608)	6
(1,861)	Provisions	(2,158)	27
(93,540)	Government grants deferred	(113,004)	34
(34,164)	Government grants unapplied	(38,613)	35
(41,294)	Deferred liabilities	(39,368)	26
(200,695)	Net Long Term Liability related to defined benefit pension scheme	(292,395)	30
(744,454)	**Total long term liabilities**	**(787,076)**	
509,070	**Total assets less liabilities**	**430,147**	

THE CORE FINANCIAL STATEMENTS
The Balance Sheet Continued….

2008/09 (restated) £000		2009/10 £000	Note
	Represented by:		
(33,466)	Revaluation Reserve	(60,269)	33
(579,256)	Capital Adjustment Account	(561,124)	36
(11,117)	Useable Capital Receipts Reserve	(7,807)	37
(111)	Deferred Capital Receipts	(96)	
(4,169)	Capital Earmarked Reserves	(6,093)	
200,695	Pensions Reserve	292,395	30
(6,486)	General Fund Balance	(6,743)	
(17,069)	Housing Revenue Account Balance	(17,976)	
(938)	Collection Fund Adjustment Account	(1,241)	
(716)	Major Repairs Reserve	(1,040)	
(49,643)	Revenue Earmarked reserves	(53,590)	
(1,201)	Financial Instrument Adjustment Account	(1,182)	
(5,593)	Schools Balances	(5,381)	
(509,070)	**Total Net Worth**	**(430,147)**	

Signed:	**Date:**
Strategic Director of Resources	
Chair of Audit and Accounts Committee	

THE CASH FLOW STATEMENT

This statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes. Cash is defined for the purpose of this statement, as cash in hand and deposits repayable on demand less overdraft repayable on demand.

2008/09 £000 (restated)		2009/10 £000		Note
	REVENUE ACTIVITIES			
(20,113)	Net Revenue Activities Cash Flow		**(46,654)**	41
	RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
	Cash outflows –			
16,555	Interest paid	**14,901**		
2,165	Interest Element on PFI Finance Leases	**2,351**		
18,720				
	Cash inflows -			
(9,733)	Interest received	**(2,759)**		
8,987			**14,493**	41
	CAPITAL ACTIVITIES			
	Cash outflows –			
51,409	Purchase of fixed assets	**49,631**		
11,794	Revenue expenditure funded from Capital under Statute	**16,904**		
12,563	Other net capital cash	**(17,619)**		
	Cash inflows -			
(1,341)	Sales of fixed assets	**(1,979)**		
(45,395)	Capital grants received	**(50,528)**		
29,030	**Net Capital Activities Cash Flow Outflow / (Inflow)**		**(3,591)**	
17,904	Net Cash Outflow/(Inflow) before Financing		**(35,752)**	
	MANAGEMENT OF LIQUID RESOURCES			
(45,361)	Net increase/(decrease) in short term deposits	(55,932)		42
666	Net increase/(decrease) in Other Liquid Resources	9,085	**(46,847)**	
	FINANCING			
	Cash outflows –			
36,195	Repayments of amounts borrowed	88,568		42
2,634	Capital Element of PFI Finance Leases	2,519		42
	Cash inflows -			
(11,000)	New loans raised	(10,000)		42
(16,866)			**81,087**	
1,038	**Net Cash (Inflow)/Outflow = Net (Increase)/ Decrease in Cash**		**(1,512)**	42

NOTES TO THE CORE FINANCIAL STATEMENTS

1. Expenditure on Services

The analysis of service expenditure is in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom. The classification of services and total costs is fully compliant with the Best Value Code of Practice (BVACOP). The recharge costs of support services are shown only in the gross expenditure of the services receiving them. No new services have been provided by the City Council in 2009/10.

The 2009/10 Net Cost of Services shows net expenditure of £196.9m compared to £279.5m in 2008/09. This £82.6m reduction in expenditure is largely due to the inclusion in the 2008/09 accounts of a £108.3m impairment charge for the reduction in asset values recognised on the balance sheet following the general downturn in the property markets. The impairment charge included within the 2009/10 accounts is £22.7m, a reduction of £85.6m.

2. Prior Period Adjustments

a) Private Finance Initiative Schemes

Prior period adjustments have been included within the 2008/09 figures for the treatment of Private Finance Initiative Schemes. In accordance with the SORP (2009) the accounting requirements for Private Finance Initiatives are no longer based on the UK Accounting Standard FRS 5, but on International Financial Reporting Standards (IFRIC 12 Service Concession Arrangements). This change in accounting policy has led to £45.434m of Schools PFI assets and £8.879m of Street Lighting PFI assets used to deliver PFI services being recognised in the Council's 2008/09 Balance Sheet. A liability for the financing provided by the PFI operator of £39.931m has also been recognised.

The required changes in accounting treatment under IFRIC 12 also led to the reversal of previously recognised long term debtors of £12.093m and the inclusion of £1.134m for the prepayment of lifecycle costs. These adjustments gave rise to an overall restatement of the Balance Sheet of £3.421m. This gain has also been reflected as a prior period adjustment in the Statement of Recognised Gains and Losses. Further details of the Council's PFI schemes and accounting for these are included in Note 6.

b) Council Tax and National Non-Domestic Rates

In accordance with the SORP 2009 a prior period adjustment has also been made to the 2008/09 accounts for Council Tax and National Non-Domestic Rates (NNDR). The SORP 2009 clarifies for the first time the agency arrangements between the Council and Central Government / Precepting Authorities in terms of collection of taxes. Council Tax and NNDR transactions and balances have therefore been allocated between the Council as the billing authority and Central Government / major preceptors.

Apart from the Council's share of council tax transactions, the Council's accounts only reflect the effects of timing differences between the collection of council tax attributable to major precepting bodies and paying it across to those authorities. This led to a downwards restatement of the 2008/09 Council Tax debtor and creditor figures by £0.240m.

Under the agency arrangements, NNDR income is not the income of the Council and is not included in the Income and Expenditure Account. Similarly the NNDR debtor and creditor balances with taxpayers are not assets and liabilities of the Council and therefore have not been recognised in the Balance Sheet. The Council's accounts instead include a debtor balance relating to the difference between the cash collected from NNDR taxpayers and the amount paid to Central Government at the Balance Sheet date. The 2008/09 debtor and creditor balances have been reduced accordingly by £0.196m.

3. Auditors Fees

Our external auditors, Grant Thornton, were appointed 1 April 2007 with regard to external audit services under the Audit Commission Act 1998.

2008/09 £000		2009/10 £000
366	Fees payable to Grant Thornton with regard to external audit services	370
26	Fees payable to Grant Thornton in respect of statutory inspections	19
225	Fees payable to Grant Thornton for the Certification of Grant Claims and Returns	168
617	**Total**	**557**

4. Trading Services

Trading services have been analysed in accordance with Best Value Accounting Code of Practice.

2008/09		2009/10		
(Surplus) / Deficit £000	Service	Income £000	Expenditure £000	(Surplus) / Deficit £000
(147)	Building	(16,111)	16,646	535
36	Building Cleaning/Caretaking	(2,741)	2,962	221
415	Catering	(5,681)	5,829	148
(114)	Waste Management	(7,031)	6,830	(201)
(68)	Grounds Maintenance	(4,223)	3,983	(240)
48	Other Cleaning (Gullies)	(3,998)	3,911	(87)
21	Golf	(481)	516	35
3	Sports and Leisure Management	(4,565)	4,428	(137)
194	**Net trading (surplus) / deficit**	(44,831)	45,105	274
(231)	**FRS17 adjustment**	(663)	0	(663)
(37)	**Net (surplus) / deficit in Income & Expenditure Account**	(45,494)	45,105	(389)

The Catering services free school meal allowance was increased in 2009/10 leading to a reduction in the Catering deficit, and the recent refurbishment of one of the Council's leisure centres has led to an increase in Sports Centre income in 2009/10.

In 2009/10 the Public Buildings contracts section was not successful in winning the forecasted number of tenders required to make the service viable. Ultimately the Council decided to transfer the Public Buildings section along with the Housing Repairs section to its subsidiary company, Derby Homes Ltd, in 2010/11.

5. Health Act 1999 Pooled Funds

The Council has entered into a pooled budget arrangement with Derby City Primary Care Trust to provide an integrated disabled children's service (IDCS) across Derby City. The IDCS pooled budget operates under Section 75 of the National Health Service Act and the Council act as the host partner.

The pooled budget hosts the grant Aiming High For Disabled Children which became fully operational during 2009/10, however there has been no extra allocation to the IDCS and, therefore, this has not affected the pooled budget.
The Council's contribution to the budget in 2009/10 was £1.183m – 54.93% (£1.218m – 55.64% in 08/09)

Income and expenditure for the 2009/10 financial year are as follows:

2008/09 £'000	**Integrated Disabled Children's Service**	**2009/10** £'000
	Income	
(1,016)	Social Services	(1,132)
(971)	Central Derby PCT	(971)
(202)	Other income	(51)
(2,189)	**Gross income**	**(2,154)**
	Expenditure	
1,061	Residential services	1,022
373	Community Service Team (Outreach service)	369
189	Disability & Fieldwork social work services	158
611	Management and Administration	643
2,234	**Gross Expenditure**	**2,192**
45	**(Surplus)/deficit for the period**	**38**
(104)	(Surplus)/deficit brought forward	(59)
(59)	**(Surplus)/deficit carried forward**	**(21)**

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

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

The objectives of the IDCS are to:

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

6. Obligations under Private Finance Initiative Contracts (PFI)

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

- Housing Inner City Regeneration:

30-year contract with Home Housing Association, which commenced in January 2001. Gross service charge payments of £4.404m are anticipated in 2010/11. Future cash payments between 2011/12 and the end of the contract are expected to be approximately £9.912m.

- Grouped Schools

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

The rentals payable in 2009/10 were £5,482,057 (2008/09 £5,463,491) of which £1,750,376 related to write down of obligations, £1,680,041 finance costs and the remainder to service charges/prepayments.

Outstanding obligations to make payments under the Grouped Schools PFI finance lease at 31 March 2010, accounted for as part of long-term liabilities, are as follows:

	Repayment of Finance lease (excl finance charges)	Finance charges	Service charges/ prepayments
	£000	**£000**	**£000**
Obligations payable in 2010/11	1,703	1,591	2,138
Obligations payable between 2011/12 and 2014/15	6,392	5,512	9,103
Obligations payable between 2015/16 and 2019/20	7,265	5,129	12,719
Obligations payable between 2020/21 and 2024/25	6,776	3,329	14,392
Obligations payable between 2025/26 and 2029/30	6,622	1,618	16,282
Obligations payable between 2030/31 and 2031/32	2,344	161	6,200
Total liabilities at 31 March 2010	**31,102**	**17.340**	**60,834**

Future PFI charges are subject to partial indexation using RPIx tables.

- Street Lighting:

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. The first service charge was paid in June 2007. The Core Investment Period of the project is during the first five years of the scheme. Ultimately, the value of contract payments depend on the level of performance of Connecting Roads (Derby), measured against predetermined standards.

The rentals payable in 2009/10 were £3,198,072 (2008/09: £2,924,522), of which £768,708 related to write down of obligations, £670,720 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 2010, accounted for as part of long-term liabilities, are as follows:

	Repayment of Finance lease (excl finance charges)	Finance charges	Service charges / Prepayments / Contingent rents
	£000	£000	£000
Obligations payable in 2010/11	654	926	2,111
Obligations payable between 2011/12 and 2014/15	2,562	4,576	10,123
Obligations payable between 2015/16 and 2019/20	4,116	4,913	14,188
Obligations payable between 2020/21 and 2024/25	5,331	3,698	15,831
Obligations payable between 2025/26 and 2029/30	6,904	2,125	17,591
Obligations payable between 2030/31 and 2031/32	3,718	315	8,465
Total liabilities for the scheme	**23,285**	**16,553**	**68,309**

Finance lease obligations are recognised on a stage of completion basis during the Core Investment Period (CIP – 2007/08 – 2012/13) and therefore the finance lease liability excluding finance costs at 31 March 2010 are £11,863m (2008/09 - £7,077m).

Future PFI charges are subject to partial indexation using RPIx tables.

- Affordable Housing

A 30-year PFI contract is currently in procurement, to provide a minimum of 170 affordable houses in the City. Negotiations continue with one bidder. Financial close is anticipated to be in 2010/11.

7. Members' Allowances

In 2009/10 the Council paid the following to members:

2008/09 £000		2009/10 £000
504	**Basic Allowance**	505
271	**Responsibility Allowance**	277
2	**Dependant Carers Allowance**	2
19	**Travel & Subsistence Allowance**	13
0	**Co-opted Allowance Payments**	2
796	**Total**	**799**

8. Officers' Remuneration

The breakdown of employees, including senior officers, whose total remuneration, excluding pension contributions, was £50,000 or more is shown below in bands of £5,000. Remuneration includes all taxable benefits.

Remuneration Band	2008/09 Number of employees	2009/10 Number of employees	Remuneration Band	2008/09 Number of employees	2009/10 Number of employees
£50,000 - £54,999	89	88	£105,000 - £109,999	1	1
£55,000 - £59,999	40	56	£110,000 - £114,999	3	2
£60,000 - £64,999	16	23	£115,000 - £119,999	1	2
£65,000 - £69,999	12	9	£120,000 - £124,999	2	2
£70,000 - £74,999	9	8	£125,000 - £129,999	0	1
£75,000 - £79,999	10	14	£130,000 - £134,999	0	0
£80,000 - £84,999	7	9	£135,000 - £139,999	0	0
£85,000 - £89,999	1	1	£140,000 - £144,999	0	0
£90,000 - £94,999	1	0	£145,000 - £149,999	0	0
£95,000 - £99,999	1	1	£150,000 - £154,999	1	0
£100,000 - £104,999	0	0	£155,000 - £159,999	0	0
Total number of officers with remuneration over £50,000				**194**	**217**

9. Senior Officer Remunerations

From the financial year 2009/10 a disclosure is required of those Senior Officer posts with an annual salary of £50,000 and above together with the post holder's name where the annual salary is £150,000 and above. Senior Officers are those officers who are responsible for the management of the Council and who have power to direct or control the major activities of the Council. A breakdown of senior officer's remunerations for 09/10 is listed below.

Total remuneration excluding pension contribution 2008/09 £	Post title and name	Salary (Including car allowance) £	Travel, relocation and subsistence Expense £	Total remuneration excluding pension contribution 2009/10 £	Pension contributions £	Total remuneration including pension contribution 2009/10 £
n/a	Chief Executive - A Wilkinson. Started 27/07/09	108,817	526	**109,343**	19,369	**128,712**
150,701	Chief Executive - R.Cowlishaw. Left 26/07/09	48,719	214	**48,933**	8,616	**57,549**
122,813	Director of Corporate & Adult Services	127,929	261	**128,190**	22,533	**150,723**
117,526	Director of Regeneration and Community	120,228	148	**120,376**	21,162	**141,538**
113,765	Director of Environmental Services	114,654	1,770	**116,424**	20,202	**136,626**
112,157	Director of Resources	114,391	377	**114,768**	20,202	**134,970**
120,907	Director of Children & Young People	120,054	687	**120,741**	21,162	**141,903**
737,869		**754,792**	**3,983**	**758,775**	**133,246**	**892,021**

10. Transactions with Related Parties

The Accounting Code of Practice requires that disclosure be made of material transactions with related parties. For Local Government these parties are mainly Central Government, other Local Authorities or Precepting Bodies, subsidiary and associated companies, joint ventures and joint venture partners, Members and Chief Officers and the pension fund.

Central Government, Other Local Authorities or Precepting Bodies

Disclosure is made in both the Collection Fund and Income and Expenditure Account of the main transactions with these bodies, together with a statement of debtors and creditors in the notes to the Balance Sheet.

Subsidiary and Associated Companies

The Council has included £0.589m income (£0.995m in 2008/09) from Derby Homes Limited for the provision of support services, paid out of the management fee Derby Homes received from the Housing Revenue Account. This income is included in the Income and Expenditure Account. Derby Homes is treated as a Subsidiary Company within these accounts.

The Council also provided £2.635m of funding to Connexions Derbyshire Limited, for which the Council has an agreement of joint ownership with Derbyshire County Council. Connexions Derbyshire Ltd is treated as an Associated Company within these accounts.

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

Joint Ventures and Joint Venture Partners

The Council owns a 19.9% minority interest in a joint venture company with Bowmer & Kirkland Ltd (Derby City Homes Regeneration Ltd) with the objective of the refurbishment of vacant properties owned by the Council which are in disrepair in order to bring such properties back into use for social housing.

Members and Chief Officers

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 addition, where Members are nominated by the Council to sit on outside bodies, this is reported to the Council.

During 2009/10 services to the value of £340k were commissioned from companies in which a Member had an interest. This 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 £555k to voluntary organisations in which two Members had an interest. These grants were made with proper consideration of declarations of interest.

Partnership and Accountable Body Arrangements

Transactions totalling £1.0m (£2.1m in 2008/09) relating to the Derwent New Deal for Communities programme are included in the Income and Expenditure Account. This is because the Council acts as Accountable Body for funding streams managed by these organisations and consequently enters into funding contracts on their behalf.

The Derwent Community Team Management Board manages the Derwent New Deal for Communities 10 year programme that commenced in 2001.

Derby City Partnership is the City's Local Strategic Partnership and is responsible for bidding for, and management of, most external funding including national and European Union funded action plans. The Partnership was formed in 1995 and represents a range of organisations with an interest in the economic and social regeneration of Derby. It includes over 200 organisations plus community representatives. The Derby City

Partnerships includes the External Funding Management Groups and the Community Safety Partnership who manage individual funding streams on behalf of the partnership. The Council spent £0.4m with Derby City Partnership in 2009/10 (£0.3m in 2008/09).

In addition, Adult Social Services and Children and Education Services include £11.077m income from other Local Authorities, Health Authorities and other partners for the provision of services. This income was not received as part of a pooled budget agreement.

Contributions to Joint Committees and Joint Bodies

The City Council contributes to Derbyshire County Council towards the cost of the Coroners, Emergency Planning and Concessionary Fares services.

11. Government Grants

The split of general Government grants are shown in the following table.

2008/09 Restated £000		2009/10 £000
(12,986)	Area Based Grant	(14,625)
(12,500)	Revenue Support Grant	(19,914)
(4,799)	PFI Grant	(4,884)
(30,285)	**Total**	**(39,423)**

12. Financial Instruments

a) Disclosure of Nature and Extent of Risk Arising from Financial Instruments

Key Risks

The Council's activities expose it to a variety of financial risks, the key risks are:

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

Overall Procedures for Managing Risk

The Council's overall risk management procedures focus on the unpredictability of financial markets, and on implementing restrictions to minimise these risks. 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. Overall these procedures require the Council to manage risk in the following ways:

- by formally adopting the requirements of the Code of Practice.
- by approving annually in advance prudential indicators for the following three years limiting:
  - The Council's overall borrowing
  - 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's annual Council Tax setting budget. 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 Technical Finance 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

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above.

The following analysis summarises the Authority'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 banks and financial institutions	Amount at 31 March 2010 £000	Historical experience of default (market as a whole rather than DCC) %	Adjustment for market conditions at 31 March 2010 %	Estimated maximum exposure to default as at 31 March 2010 £000	Estimated maximum exposure as at 31 March 2009 £000
	(a)	(b)	(c)	(a * c)	(a * c)
AAA rated counterparties	17,065	0.00%	0.00%	0	0
AA rated counterparties	28,019	0.03%	0.03%	8	14
A rated counterparties	5,000	0.08%	0.08%	4	387
BBB rated counterparties	5,000	0.24%	0.24%	12	62
Other counterparties	0	42.67%	42.67%	0	2,987
Trade debtors	19,766	4.00%	4.00%	791	945
	74,850			**815**	**4,395**

During 2009/10 the Council undertook a review of its investment criteria, reducing its exposure limits across a wide range of counterparties, as a response to market volatility. This resulted in a greatly reduced maximum default exposure figure for its investments. In 2008/09 the Council used non-credit rated institutions (for instance smaller building societies). These investments were classified as “Other counterparties”.

No breaches of the Council’s counterparty criteria occurred during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

The Council does not generally allow credit for its trade debtors, such that £6,866m of the £19.766m balance, as at 31 March 2010, is past its due date for payment.

The past due amount can be analysed by age as follows:

2008/09 £000		2009/10 £000
6,918	Less than three months	2,787
140	Three to six months	74
1,015	Six months to one year	1,290
2,883	More than one year	2,715
10,956		**6,866**

Collateral – During the reporting period the Council held no collateral as security.

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.

Refinancing and Maturity Risk

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer-term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer-term financial liabilities and longer-term financial assets.

The approved prudential indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council-approved treasury and investment strategies address the main risks and the Technical Finance team addresses the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council’s day-to-day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of financial liabilities is as follows:

31/03/09 £000		31/03/10 £000
11,103	Less than one year	7,092
7,091	Between one and two years	0
34	Between two and five years	30
5	Between five and ten years	10,003
325,105	More than ten years	248,311
343,338	**Total**	**265,436**

The maturity analysis of financial assets is as follows:

31/03/09 £000		31/03/10 £000
106,550	Less than one year	52,084
18,000	Between one and two years	3,000
3,000	Between two and three years	0
0	More than three years	0
127,550	**Total**	**55,084**

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 on the Balance Sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Income and Expenditure Account or Statement of Total Recognised Gains and Losses (STRGL). However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Income and Expenditure Account and effect the General Fund Balance, subject to influences from Government grants. Movements in the fair value of fixed rate investments will be reflected in the STRGL, unless the investments have been designated as Fair Value through the Income and Expenditure Account.

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 Technical Finance team monitor market and forecast interest rates within the year to adjust exposures appropriately. 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. Note that the risk of interest rate loss is partially mitigated by Housing Revenue Account subsidy grant payable on financing costs.

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

Financial Effect of 1% Variance in Interest Rates	£000
Increase in interest payable on variable rate borrowings	0
Increase in interest receivable on variable rate investments	(370)
Impact on Income and Expenditure Account	(370)
Increase in Government grant receivable for financing costs	0
Share of overall impact debited to the HRA	0
Decrease in fair value of fixed rate investment assets	0
Impact on STRGL	0

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed. These assumptions are based on the same methodology as used in the Note – Fair value of Assets and Liabilities carried at Amortised Cost.

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

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

b) Financial Instruments Gains and Losses

The gains and losses recognised in the Income and Expenditure Account and Statement of Total Recognised Gains and Losses (STRGL) in relation to financial instruments are made up as follows:

2008/09 Restated Total £000		Financial Liabilities Measured at amortised cost £000	Financial Assets Loans and receivables £000	2009/10 Total £000
(10,112)	Interest payable and similar charges	(7,312)	0	(7,312)
9,947	Interest and investment income	0	1,579	1,579
(165)	**Net gain/(loss) for the year**	**(7,312)**	**1,579**	**(5,733)**

These amounts represent the net cost of the Council's loans (liabilities) and investments (assets) over the course of 2009/10. The Council holds no financial assets that could be subject to regular revaluation.

c) Financial Instruments Balances

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments:

	Long-Term		Current	
	31 March 2009 £000	31 March 2010 £000	31 March 2009 £000	31 March 2010 £000
Total Borrowings:				
Financial liabilities (principal amount)	332,236	258,372	11,102	7,091
Financial liabilities at amortised cost	335,465	260,917	11,201	7,105
Total Investments:				
Loans and receivables (principal amount)	21,000	3,000	106,550	52,084
Loans and receivables at amortised cost	22,138	3,360	109,943	54,011

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 2010.

d) Fair Value of Assets and Liabilities Carried at Amortised Cost

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

- For loans from the Public Works Loan Board (PWLB) and other loans payable, premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures.
- For loans receivable prevailing benchmark market rates have been used to provide the fair value.
- No early repayment or impairment is recognised.
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the principal outstanding or the billed amount.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

Financial Liabilities	31 March 2009		31 March 2010	
	Carrying amount (restated) £000	Fair value (restated) £000	Carrying amount £000	Fair value £000
PWLB debt	346,590	374,080	268,021	281,250
Trade creditors	24,882	24,882	36,084	36,084
Total financial liabilities	**371,472**	**398,962**	**304,105**	**317,334**

The fair value is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date.

Financial Assets	31 March 2009		31 March 2010	
	Carrying amount £000	Fair value (restated) £000	Carrying amount £000	Fair value £000
Money market investments < 1 yr	109,943	109,943	54,011	54,011
Money market investments > 1 yr	22,139	22,986	3,360	3,203
Trade debtors	19,412	19,412	19,766	19,766
Total Loans and receivables	**151,494**	**152,341**	**77,137**	**76,980**

The differences are attributable to fixed interest instruments payable being held by the authority whose interest rate is higher than the prevailing rate estimated to be available at 31 March. This increases the fair value of financial liabilities and raises the value of loans and receivables.

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

The fair values for loans and receivables have been determined by reference to the PWLB redemption rules. These provide a good approximation for the fair value of a financial instrument, and include accrued interest. The comparator market rates prevailing have been taken from published LIBID investment rates at each balance sheet date.

In practice rates are determined by the size of the transaction and the counterparty. It would be impractical to attempt to determine each of these actual rates, as this would mean contacting a variety of brokers and counterparties and asking them about rates they might have offered the Council on the balance sheet dates. However, as the LIBID rates represent an average of what the market generally is offering, it is assumed that the difference between actual rates and those used for the purposes of this note will be negligible.

13. Commitments under Operating Leases

Operating lease rentals paid in the year amounted to £1,468m (General Fund). As at 31 March 2010, the Council had a commitment to meet the following payments under existing operating leases:

Financial Year	Land and Building £000	Plant and Equipment £000	Total £000
Due to expire within 1 Year	182	295	477
Due to expire within 2 – 5 years	423	390	813
Due to expire over 5 Years	269	10	279
Total	**874**	**695**	**1,569**

NOTES TO THE CORE FINANCIAL STATEMENTS

14. Tangible Fixed Assets

a) Movement in fixed assets 2009/10

The table below shows the movements in fixed assets for the year.

	Operational Assets					Non Operational Assets			
	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infra-structure Assets	Community Assets	Investment Properties	Surplus Properties	Construction & Work in Progress	**Total**
	£000	£000	£000	£000	£000	£000	£000	£000	**£000**
Cost or valuation									
At 1 April 2009 (restated)	707,913	562,954	27,649	124,340	14,455	26,500	22,851	6,636	1,493,298
Restatement of Opening Balances	(135,566)	(79,364)	(10,980)	(142)	53	9,707	450	0	(215,842)
Additions	10,479	10,989	2,468	11,839	1,374	1,074	191	19,536	57,950
Revaluations	(54,186)	7,138	0	0	0	2,484	(293)	0	(44,857)
Impairments	(7,279)	(22,679)	0	0	0	(791)	(3,976)	0	(34,725)
Reclassifications	28	2,086	0	13	820	0	(124)	(2,823)	0
Disposals	(1,579)	0	0	0	0	(8)	(845)	0	(2,432)
As at 31 March 2010	**519,810**	**481,124**	**19,137**	**136,050**	**16,702**	**38,966**	**18,254**	**23,349**	**1,253,392**
Depreciation and impairments									
At 1 April 2009	(212,137)	(87,107)	(17,174)	(18,703)	(214)	(10,989)	(4,353)	0	(350,677)
Restatement of Opening Balance	132,794	57,552	10,954	0	179	10,838	(354)	0	211,963
Depreciation charge for 2009/10	(10,364)	(8,017)	(3,256)	(3,320)	0	0	0	0	(24,957)
Depreciation/impairment on disposals	19	0	0	0	0	0	112	0	131
Reclassifications	(10)	10	0	0	0	0	0	0	0
Impairments	0	0	(116)	(1,929)	(487)	(475)	0	0	(3,007)
Depreciation adjustments on revaluations	42	5,244	0	0	0	0	0	0	5,286
Impairment adjustments on revaluation	79,311	621	0	0	0	10	2,657	0	82,599
As at 31 March 2010	**(10,345)**	**(31,697)**	**(9,592)**	**(23,952)**	**(522)**	**(616)**	**(1,938)**	**0**	**(78,662)**
Balance Sheet amount as at 31 March 2010	**509,465**	**449,427**	**9,545**	**112,098**	**16,180**	**38,350**	**16,316**	**23,349**	**1,174,730**
Balance Sheet amounts at 1 April 2009 (restated)	**495,776**	**475,847**	**10,475**	**105,637**	**14,241**	**15,511**	**18,498**	**6,636**	**1,142,621**

Nature of asset holding	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Infra-structure Assets £000	Community Assets £000	Investment Properties £000	Surplus Properties £000	Construction & Work in Progress £000	Total £000
Owned	509,465	376,730	9,545	96,966	16,180	38,350	16,316	23,349	1,086,901
Finance Lease	0	0	0	0	0	0	0	0	0
PFI	0	72,697	0	15,132	0	0	0	0	87,829
Total	**509,465**	**449,427**	**9,545**	**112,098**	**16,180**	**38,350**	**16,316**	**23,349**	**1,174,730**

In 2009/10 the Council decided to set up separate accumulated impairment accounts, rather than including this within the asset values on the balance sheet. The Council also used this opportunity to review the existing split between asset value and accumulated depreciation recorded for each asset. This resulted in a different apportionment between gross book value and accumulated depreciation and impairment for clarity. These movements have been included within the restatement of opening balances figures within Note 14, although these did not have any actual impact on the balance sheet values for each asset.

b) Tangible fixed asset valuation

The freehold and leasehold assets that comprise the Authority's fixed asset portfolio have been valued as at 1 April 2009 by the Council's Chief Estates Officer, S J Meynell, ARICS. The valuations detailed below are in accordance with the Statement of Asset Valuation Practice and Guidance Notes published by the Royal Institution of Chartered Surveyors (RICS), except that buildings were not inspected where this was either impracticable or considered by the Valuer to be unnecessary for the purpose of valuation. Static plant and machinery is included within the valuation of buildings.

Property valuations are performed as part of a rolling programme to ensure that all assets are reviewed over a 5 year cycle in accordance with recommended practice.

Valuation of the Council housing stock was carried out in accordance with Government guidance on existing use value for social housing, as defined by the RICS. The beacon principle was used to arrive at the vacant possession value of the properties and adjusted to reflect occupation by a secure tenant.

Buildings regarded by the Council as operational have been valued at open market value for existing use or, where there was insufficient evidence of market transactions for that use, at the depreciated replacement cost (DRC). Where a DRC valuation approach has been used, this has been on a direct replacement basis. However, the Council plans to change to a Modern Equivalent Asset approach for the 2010/11 DRC asset valuations and thereafter.

Non-operational buildings have been valued in all cases on the basis of open market value. The valuations were carried out on the basis of existing records with limited site inspections.

Vehicles, plant and equipment, infrastructure and community assets are all valued at historic cost, and as such require no formal valuation.

c) Depreciation

Depreciation has been provided for on assets with a finite useful life in accordance with Financial Reporting Standard 15 and SORP 2009. There is no requirement to depreciate land assets. The following table details the cumulative provisions for depreciation for each category of assets as at 31 March 2010.

Asset Category	Depreciation provision at 1 April 2009 £000	Restatement of Opening Balances £000	Reclassifications £000	Depreciation Adjustments on Revaluations £000	Depreciation Charge for 09/10 £000	Depreciation on Disposals £000	Depreciation provision at 31 March 2010 £000
Council Dwellings	**(94,719)**	94,687	(10)	42	(10,364)	19	(10,345)
Other Land and Buildings	**(52,025)**	29,963	10	5,244	(8,017)	0	(24,825)
Investment Properties	**(46)**	46	0	0	0	0	0
Community Assets	**(185)**	185	0	0	0	0	0
Infrastructure Assets	**(18,660)**	0	0	0	(3,320)	0	(21,980)
Vehicles Plant & Equipment	**(17,174)**	10,954	0	0	(3,256)	0	(9,476)
TOTAL	**(182,809)**	**135,835**	**0**	**5,286**	**(24,957)**	**19**	**(66,626)**

d) Impairment

The Council carries out works to bring property and infrastructure assets up to a reasonable standard. This capital expenditure is matched by borrowing for capital works. However, as they do not increase asset value these works are classified as impairments resulting from clear consumption of economic benefit.

As well as impairment losses incurred from in year capital expenditure, impairment also occurs through the annual revaluation process. Impairment losses due to revaluations total £18.458m and have been accounted for as part of the rolling programme of revaluations.

In accordance with FRS 15 (Tangible Fixed Assets) and FRS 11 (Impairment of Fixed Assets and Goodwill) impairments are either recognised immediately against the current cost or valuation of the asset or are included within an accumulating impairment balance. The treatment of the impairment is dependent on the reasons for the impairment charge arising and on the valuation basis used for each asset.

As with all capital expenditure, impairment works carried out in the year are partly funded through Government grants, contributions and Section 106 contributions. Therefore, the corresponding grant funding for impairment losses have been written down to revenue (£4.442m).

The impairment charges recognised in 2009/10 are as follows:

Summary of Impairment Charges

Asset Category	Impairment Charge recognised against Cost / Valuation £000	Associated Write Off of Brought Forward Accumulated Depreciation and Impairment £000	Accumulating Impairment Charge for 2009/10 £000	Total Impairment Charge for 2009/10 £000	Impairment Funded from Revaluation Reserve £000	Impairment Charged to Income and Expenditure Account £000
Council Dwellings	(7,279)	0	0	(7,279)	6,679	600
Other Land & Buildings	(22,679)	3,411	0	(19,268)	1,846	17,422
Vehicles, Plant & Equipment	0	0	(116)	(116)	0	116
Infrastructure Assets	0	0	(1,929)	(1,929)	0	1,929
Community Assets	0	0	(487)	(487)	0	487
Investment Properties	(791)	485	(475)	(781)	0	781
Surplus Properties	(3,976)	2,158	0	(1,818)	462	1,356
Total	**(34,725)**	**6,054**	**(3,007)**	**(31,678)**	**8,987**	**22,691**

Analysis of Movement in Accumulating Impairment

Asset Category	Accumulated Impairment at 1 April 2009 £000	Restatement of Opening Balances £000	Impairment Adjustments on Revaluations £000	Accumulating Impairment Charge for 2009/10 £000	Impairment on Disposals £000	Accumulated Impairment at 31 March 2010 £000
Council Dwellings	(117,418)	38,107	79,311	0	0	0
Other Land & Buildings	(35,082)	27,589	621	0	0	(6,872)
Vehicles, Plant & Equipment	0	0	0	(116)	0	(116)
Infrastructure Assets	(43)	0	0	(1,929)	0	(1,972)
Community Assets	(214)	179	0	(487)	0	(522)
Investment Properties	(10,943)	10,792	10	(475)	0	(616)
Surplus Properties	(4,353)	(354)	2,657	0	112	(1,938)
Total	**(168,053)**	**76,313**	**82,599**	**(3,007)**	**112**	**(12,036)**

e) Private finance initiative contracts

The following values of assets are held under finance leases by the authority, accounted for as part of Tangible Fixed Assets:

	Land, Buildings and Operational	Infrastructure
	£000	**£000**
PFI Scheme:	Grouped Schools	Street Lighting
Cost/Value at 1 April 2009	74,932	9,647
Reclassifications	531	0
Additions funded by PFI contract	0	5,555
Additions funded by Council contributions	205	250
Revaluations	841	0
Impairments charged against Cost/Valuation	(2,626)	0
Closing Cost/Valuation at 31 March 2010	**73,883**	**15,452**
Accumulated Depreciation & Impairment B/Fwd at 1 April 2009	(2,347)	(79)
Accumulated Depreciation & Impairment written off on revaluation	2,270	0
Annual Depreciation Charge	(1,109)	(241)
Accumulated Depreciation & Impairment C/Fwd at 31 March 2010	**(1,186)**	**(320)**
Balance Sheet Amount at 31 March 2010	**72,697**	**15,132**

15. Financing of Capital Expenditure

Financing	£000	Expenditure	£000
Borrowing	7,159	Tangible Fixed Assets	52,090
Capital Receipts	4,044	Intangible Fixed Assets	139
Government / other grants	38,669	Revenue Expenditure Funded from Capital under Statute	18,961
Major Repairs Allowance	7,490	Movement in working capital	(2,903)
Revenue and Revenue Reserves	6,624		
Other external contributions	3,891		
Capital reserves	410		
Total	**68,287**		**68,287**

Revenue Expenditure Funded from Capital under Statute has been fully amortised to revenue, along with any grant funding, in 2009/10. However, under the capital control framework this expenditure is still classed as capital expenditure and capital financing applies as shown above.

The Council's Capital Financing Requirement (CFR) as at 31 March 2010 is £440.235m. This represents the unfinanced element of the Council's capital programme to date, that is, the amount of capital expenditure for which the funds have been provided by borrowing. The costs of such borrowing include the repayment of the £440.235m plus interest, and will be charged to the Council's Income & Expenditure account in future years. This future cost will be met partly from central government grant and partly through council tax.

16. Commitments under Capital Contracts

The Council has ongoing commitments on capital schemes totalling £20.477m. These are summarised by Directorate below.

	20010/11 £000
Children and Young Peoples Services	840
Housing – Private Sector	4,916
Regeneration and Community Services	8,909
Corporate and Adult Social Services	1,273
Environmental Services	4,539
Total	20,477

Significant capital expenditure included in the above departmental commitments are as follows:

- Connecting Derby - £9.3m was spent on the construction of major road works along the line of the inner ring road, stretching from Osmaston Road to Ford Street and including the works at King Street.
- Local Transport Plan **-** £4.4m was spent on Highways and Transport improvements
- The Environmental Services capital programme includes schemes for the following:
  £0.45m in three new Adizone play areas, £0.54m on eight refurbished play areas, £0.2m on a wheeled sports facility on King George V Playing Fields and commenced the refurbishment of the swimming pool at Gayton.
- The Public Sector Housing capital programme includes schemes totalling £10m focussing on replacement of worn out building elements such as kitchens, bathrooms, heating systems and windows and other refurbishment work. There is also a capital element of £1.4m in the Estates Pride Fund, which makes improvements to the external environment of Council estates. A New Build

programme also started during the year with expenditure of £0.283m on the first phase of 33 new homes. The private sector element of the programme includes schemes totalling £10.5m including schemes to bring homes to the Decent Homes Standard, particularly those occupied by vulnerable householders, delivering home adaptations for disabled people and helping older low income homeowners stay in their homes through the provision of financial assistance. Also within the private sector element are schemes to bring empty properties back into use as well as area based housing regeneration. The private sector programme also includes a contribution of £2.26m to an Extra-Care facility at Tomlinson Court developed by Housing 21.

- The Children & Young People's capital programme includes the new Multi Use Games Area and changing rooms at St Benedict's Catholic School and Performing Arts college, £1.108m, the New Children's Home "Shine"- autistic unit at Mickleover, £1.034m, Pitch Roof Covering replacement & Fire Risk Assessment Work at Dale Primary School, £0.500m, Phased replacement of windows & lintels at Brackensdale Junior School, £0.494m and two classroom extension at Chellaston Infants School, £0.490m.
  A programme of fire precaution works, following fire risk assessments, is being undertaken across the City's schools, £1.048m.

- Expenditure on Phase 3 Children's Centres: Stonehill/Babington Children's Centre (Normanton) £0.401m, Chellaston Children's Centre, £0.680m, Oakwood Children's Centre £0.484m and Chaddesden Children's Centre, £0.240m.

- Mackworth Community Centre refurbishment expenditure was £0.563m. £3.979m was spent on condition and modernisation projects in a range of schools.

17 Intangible Fixed Assets

In accordance with the SORP 2009 intangible fixed assets are required to be carried on the Balance Sheet at cost. They represent capital expenditure that does not result in a fixed asset with physical substance for the Council. The expenditure in this instance relates to the purchase of software licences.

31 March 2009 £000		31 March 2010 £000
188	Balance at 31 March 2009	116
23	Additions	139
(95)	Amounts Amortised in year to Service Revenue Account	(91)
116	**Balance at 31 March 2010**	**164**

18. Analysis of Net Assets Employed

31 March 2009 £000	Net Assets Employed	31 March 2010 £000
200,173	General Fund	107,357
329,125	Housing Revenue Account	345,984
(20,171)	Trading Operations	(23,194)
509,127	**Total**	**430,147**

19. Long Term Investment

Long term investments of £3m, with Barclays Bank PLC and Lloyds TSB PLC, were entered into during June and July 2008 which mature with interest between 2 June 2010 and 1 July 2011.

31 March 2009 £000	Long Term Investments	31 March 2010 £000
5,000	Chelsea Building Society	0
16,000	Barclays Bank PLC and Lloyds PLC	3,000
1,139	Accrued Interest on Long Term Investments	360
22,139	**TOTAL**	**3,360**

20. Long Term Debtors

31 March 2009 (restated) £000		Additions £000	Reductions £000	31 March 2010 £000
80	Mortgages for sales of Council housing	0	(12)	**68**
3,884	Derbyshire County Council 1974 transferred funds	0	(156)	**3,728**
36	Car Loans to Employees	0	(21)	**15**
38	Other loans	0	(5)	**33**
1,133	PFI Prepayments	505	0	**1,638**
5,171	**TOTAL**	**505**	**(194)**	**5,482**

NOTES TO THE CORE FINANCIAL STATEMENTS

21. Stocks and Work in Progress

31 March 2009 £000		31 March 2010 £000
	Stocks	
290	Trading Services	**158**
373	DICES	**338**
124	Other departments	**123**
	Work in progress	
357	Trading Services	**569**
1,144	**Total**	**1,188**

Derby Integrated Community Equipment Services (DICES)

This is a joint project hosted by Derby City Council to provide equipment to service users to enable rehabilitation in their own homes.

22. Debtors

The table below shows an analysis of the amounts owing to the Council at the balance sheet date.

31 March 2009 (restated) £000		31 March 2010 £000
	Amounts falling due within one year	
15,227	Government Departments	26,558
3,026	Other local authorities	2,605
7,933	Council taxpayers	8,758
878	Housing rents	1,188
19,412	Sundry debtors	19,766
46,476		**58,875**
(10,627)	Provision for bad and doubtful debts	(9,369)
35,849	**Total**	**49,506**

NOTES TO THE CORE FINANCIAL STATEMENTS

23. Creditors

The table below analyses the Council's creditors at the balance sheet date.

31 March 2009 (restated) £000		31 March 2010 £000
11,102	PWLB Borrowing with less than one year to maturity	**7,091**
11,837	Government Departments	**13,722**
6,560	Other local authorities	**5,883**
264	Council taxpayers	**1,297**
24,882	Sundry creditors	**36,084**
54,645	**Total**	**64,077**

24. Long Term Borrowing

The following table shows an analysis of the Council's long term borrowing at the balance sheet date.

Total Outstanding 31 March 2009 £000		Range of interest rates payable %	Total Outstanding 31 March 2010 £000
	Source of loan		
332,235	Public Works Loan Board	2.13% - 6.75%	**258,344**
3,253	Premiums and Discounts rescheduling and interest	n/a	**2,586**
335,488	**Total Borrowing**		**260,930**
	Analysis of loans by maturity		
3,253	Premiums and Discounts rescheduling and interest	n/a	**2,586**
7,091	Maturing within 1 - 2 years - PWLB	2.13% - 4.25%	**0**
34	Maturing within 2 - 5 years	3.75% - 4.25%	**30**
5	Maturing within 5 – 10 years	3.84% - 6.25%	**10,003**
325,105	Maturing after 10 years	2.5% - 6.75%	**248,311**
335,488	**Total Borrowing**		**260,930**
374,080	PWLB fair value (including all debt not that just over 1 year to maturity)	2.135% – 6.75%	**281,250**
374,080	**Total Fair Value**		**281,250**

NOTES TO THE CORE FINANCIAL STATEMENTS

25. Deferred Capital Receipts

Deferred capital receipts are amounts mainly derived from sales of assets, which will be received in instalments over agreed periods of time. They arise principally from mortgages given by the Council to finance the purchase of Council housing. They totalled £0.96m at 31 March 2010 (£0.111m at 31 March 2009) and are matched by sums included in long-term debtors.

26. Deferred Liabilities/Credits

31 March 2009 £000		31 March 2010 £000
	Deferred Liabilities	
39,933	Share of liability for the payment of a proportion of the County Council's debt charges on becoming a Unitary Authority on 1 April 1997.	**38,335**
1,231	Loans transferred from neighbouring authorities in 1968	**911**
130	Other	**122**
41,294	**TOTAL**	**39,368**

27. Provisions

Provisions have been made for known liabilities uncertain as to the amount or timing in compliance with FRS 12.

2008/09 £000		2009/10 £000
	Provision for uninsured risks	
597	Balance at 1 April	**582**
481	Provision made in year	**616**
(496)	Provision used in year	**(495)**
0	Provision written back in year	**(74)**
582	**Balance at 31 March**	**629**
	Provision for future pension payments	
788	Balance at 1 April	**780**
(8)	Provision used in year	**(45)**
780	**Balance at 31 March**	**735**
	Other provisions	
526	Balance at 1 April	**499**
136	Provision made in year	**772**
0	Provision used in year	**(310)**
(163)	Provision written back in year	**(167)**
499	**Balance at 31 March**	**794**
1861	**TOTAL PROVISIONS AT 31 MARCH**	**2,158**

Provisions for Uninsured Risks

The Council has a number of outstanding uninsured claims that are due to be settled during 2010/11. The provision represents an estimate of the amounts, which the Council will have to pay for claims arising before 31 March 2010, but where the exact amount and the date of payment are uncertain.

	2009/10 £000
To cover third party public and employee liability claims	629
Total Provisions for Uninsured Risks	**629**

Provisions for Future Pension Payments

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

	2009/10 £000
Provision to enable continued funding of liabilities for former DCT (passenger transport) employees' pension	735
Total Provisions for Future Pension Payments	**735**

Other Provisions

Housing Benefits Provision – The Council has set aside a provision at 31 March 2010 for the likely repayment of reward funding from the Council's 2007/08 Housing Benefit Grant. Payment is due to occur during 2010/11.

Single Status Provision – The Council is currently in negotiations with 17 claimants who lodged Equal Pay claims. The current estimated cost of settlement is £160,000. Settlement is expected to be made in 10/11.

Senior Officer Costs Restructure Provision – The Council has carried out a restructure of the Senior Officer posts. From this, a number of redundancy and retirement costs will arise and a provision has therefore been established to meet these expected payments.

	2009/10 £000
Housing Benefits Provision	477
Senior Officer Restructure Costs Provision	157
Single Status Provision	160
Total Other Provisions	**794**

28. Contingent Assets and Liabilities

The Council does not have any contingent assets for 2009/10 (nil 2008/09).

The Council is in the process of introducing Single Status for all employees subject to NJC terms and conditions. The main aim of this is to create fair and non-discriminatory grading structures in the Council. Although the cost cannot be reliably quantified at this stage, an annual contingency budget of £1m in 2010/11 is maintained in the revenue budget increasing to £2.5m from 2011/12 together with a corporate reserve of £5m. This will be considered further as the implementation of single status progresses and more is known about the likely impact.

The Information Commissioner's Office (ICO) has published guidance relating to the treatment of property search data. The guidance outlines the ICO's view that the majority of property search data is environmental information and that local authorities are required to allow inspection of this data at no charge (in accordance with the Environmental Information Regulations (EIR)).

The Local Government Association has already outlined strong concerns about this position to the ICO and working with their solicitors has obtained counsel's opinion on the legal issues concerning the 2008 Charging Regulations and the EIR. They are now considering the implications of that advice with member authorities.

If it's decided that the local authorities are legally obliged to disclose the information under EIR they have to repay income from property searches back dated to April 2005. Derby City Council's potential exposure for income received from April 2005 for Personal searches is £134k.

Following the finalisation of the audited final 2007/08 Benefit Subsidy claim with the Department for Works and Pensions, a £477k repayment is required. This has been provided for in the accounts. At this stage no similar provision has been made for any repayment relating to the 2008/09 Benefit Subsidy claim, as this has not yet been finalised and cannot be quantified.

29. Deployment of Dedicated Schools Grants

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education and Skills, 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 2008. The Schools Budget includes elements for a range of services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school. Over and under-spends on the two elements are required to be accounted for separately.

Details of the deployment of DSG receivable for 2009/10 are as follows:

Schools Budget Funded by Dedicated Schools Grant			
	Central Expenditure £000	Individual Schools Budget £000	Total £000
Final DSG for 2009/10			(147,844)
Brought forward from 2008/09			340
Agreed budget distribution in 2009/10	(12,492)	(135,012)	(147,504)
Actual central expenditure	12,345		12,345
Actual ISB deployed to schools		135,012	135,012
Carried forward to 2010/11	147	0	(147)

30. Pension Disclosures

a) Net Long Term Liability related to Council Pension Scheme

2008/09 £000		2009/10 £000
	Local Government Pension Scheme:	
343,954	Estimated Assets in Scheme	477,650
(525,280)	Estimated Fair Value of Liabilities in Scheme	(747,337)
	Teachers' Pension Scheme:	
(19,369)	Estimated Fair Value of Liabilities in Scheme	(22,708)
(200,695)	**Net Pensions Liability**	**(292,395)**

b) Local Government Pension Scheme (LGPS)

The Council participates in the Derbyshire County Council defined benefit (open) funded pension fund. The Annual report of the Derbyshire Pension Fund is available from Derbyshire County Council.

The Authority is required to account for its pension costs under FRS17 Retirement Benefits. This means that FRS17 based pension assets and liabilities are included in the accounts, rather then the actual payment made in relation to pension during the year. The objective of FRS17 is to ensure that the Authority's financial statements reflect the fair value of future pension liabilities which have been incurred, and the extent to which assets have already been set aside to fund them.

The Council pays employers' contributions into the Pension Fund that provides its members with defined benefits relating to pay and service. The contributions are based on rates determined by the fund's professionally qualified actuaries based on triennial valuations.

NOTES TO THE CORE FINANCIAL STATEMENTS

The following table is a summary of the transactions within the Income and Expenditure Account under FRS 17 during 2009/10. However, local authorities are not required to fund expenditure relating to FRS 17 and therefore the transactions are reversed before impacting on the General Fund Reserve Balance.

The Council recognises the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge against Council Tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Statement of Movement on the General Fund Balance.

LGPS 2008/09 £000		LGPS 2009/10 £000
	Net Cost of Services	
19,559	• Current Service Cost	12,917
41	• Past Service Cost/(Gain)	6
95	• Curtailment Loss	195
	Net Operating Expenditure	
37,762	• Interest cost	37,453
(27,174)	• Expected return on assets in the scheme	(21,572)
	Amounts to be met from Government Grants and Local Taxation	
30,283	• Movement on pensions reserve	28,999
	Actual amount charged against Council tax for pensions in the year:	
20,582	• Employers' contributions payable to scheme including added years	21,408

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial losses of £80.77m were included in the Statement of Total Recognised Gains and Losses.

The figures below are derived by approximate methods from the full actuarial valuation of the Fund carried out by Mercer Limited as at 31 March 2007.

The total contribution expected to be made to the Local Government Pension Scheme by the Council in the year to March 2011 is £21,289,000. The corresponding projected finance cost is £11,682,000.

As at the 31 March 2010, the Council had the following overall assets and liabilities for pensions, which are not shown on the balance sheet:

NOTES TO THE CORE FINANCIAL STATEMENTS

Balance 31 March 2009 £000	Local Government Pension Scheme	Balance 31 March 2010 £000
343,954	Estimated Assets in Scheme	**477,650**
(525,280)	Estimated Liabilities in Scheme Present Value of Liabilities	**(747,337)**
(181,326)	**Net Asset (Liability)**	**(269,687)**

The movement in the present value of the pension liability of the Council for the year to 31 March 2010 is as follows:

2008/09 £000	Movement in Present Value of Scheme Liabilities	2009/10 £000
(612,575)	Present Value of Pensions Liability as at 1 April	**(525,280)**
	Movement In the Year	
(19,559)	Current Service Cost	**(12,917)**
(37,762)	Interest Costs	**(37,453)**
(6,899)	Member Contributions	**(7,232)**
138,140	Actuarial gain (loss)	**(179,953)**
13,511	Benefits Paid	**15,699**
(136)	Past Service Costs Curtailment Gain/Loss	**(201)**
(525,280)	**Present Value of Pensions Liability as at 31 March**	**(747,337)**

The movement in the fair value of the pension assets of the Council for the year to 31 March 2010 is as follows:

2008/09 £000	Movement in Fair Value of Scheme Assets	2009/10 £000
402,108	Fair value of scheme assets as at 1 April	343,954
	Movement In the Year	
(99,298)	Actuarial gain / (loss)	99,183
27,174	Expected Return on Assets	21,572
20,582	Employer Contributions	21,408
6,899	Member Contributions	7,232
(13,511)	Benefits Paid	(15,699)
343,954	**Fair Value of Scheme Assets as at 31 March**	**477,650**

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 current year was £120,755,000 (2008/09: -£72,124,000)

The actuarial gain can be analysed into the following categories, measured as absolute amounts and as a percentage of assets as at 31 March 2010:

Analysis of Actuarial Gain (loss)	**£000**	**% of Assets/liabilities**
Actuarial Gains/(Losses) on Assets	99,183	20.8% of Assets
Actuarial Gains/(Losses) on Liabilities	(179,953)	24.1% of Liabilities
Total Actuarial Gain (loss)	**(80,770)**	

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The City Council Fund liabilities have been assessed by Mercer Ltd, an independent firm of actuaries, estimates for the City Council Fund being based on the latest full valuation of the scheme as at 31 March 2007.

The main financial assumptions used by the actuary for the whole of the fund are:

	31 March 2009	**31 March 2010**
Rates of Inflation	3.3%	**3.3%**
Rate of Increase in Salaries	4.8%	**4.8%**
Rate of Increase in Pensions	3.3%	**3.3%**
Discount Rate	7.1%	**5.6%**
Commutation of pension for lump sum at retirement	50% take maximum cash, 50% take 3/80ths cash	50% take maximum cash, 50% take 3/80ths cash
Mortality Assumptions:		
Life Expectancy at 65 for current pensioners:		
Men	21.2	**21.2**
Women	24.0	**24.1**
Life Expectancy at 65 for future pensioners:		
Men	22.2	**22.2**
Women	25.0	**25.0**

Assets held by the fund as a whole are £2,238m valued at fair value as at 31 December 2009 (£1,907m at 31 December 2008). The proportion of assets held with expected rates of return is shown below:

	Long Term Expected Rate of Return %	Proportion of Assets Held	
		31 March 2009	**31 March 2010**
Equities	7.5%	63.5%	**68.0%**
Government Bonds	4.5%	20.9%	**14.6%**
Other bonds	5.2%	3.5%	**5.8%**
Property	6.5%	7.1%	**5.1%**
Cash	0.5%	4.7%	**5.8%**
Other	7.5%	0.3%	**0.7%**
Total		100.0%	**100.0%**

c) Teachers Pension Scheme

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by the Department for Children, Schools and Families. It provides teachers with defined benefits upon their retirement, and the authority contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

In 2009/10 the Council paid £12.593m to the Teachers Pensions Agency in respect of teachers' pension costs (£10.902m in 2008/09). The contribution rate for 2009/10 was 14.1 % (14.1% 2008/09).

The scheme is a defined benefit scheme. Although the scheme is unfunded, Teachers' Pensions use a notional fund as the basis for calculating the employers' contribution rate paid by the Local Education Authorities. However, it is not possible to identify a share of the underlying liabilities in the scheme attributable to its own employees. For the purposes of this Statement of Accounts, it is therefore accounted for as a defined contribution scheme, charging employer contribution to the Net Cost of services as they become payable by the City Council.

In addition to this the Council is responsible for all payments relating to added years' benefits that it, or its predecessor Derbyshire County Council, has awarded. These discretionary early retirement pension enhancements awarded to teachers are treated under FRS17 as though they were a defined benefit scheme. These are accounted for in the Income and Expenditure Account as follows:

Teachers' Pension Scheme 2008/09 £000		Teachers' Pension Scheme 2009/10 £000
	Net Operating Expenditure	
1,333	• Interest cost	1,321
	Amounts to be met from Government Grants and Local Taxation	
1,333	• Movement on pensions reserve	1,321
	Actual amount charged against Council tax for pensions in the year:	
1,469	• Employers' contributions payable in respect of added years	1,532

The Council is required to make pensions disclosures in compliance with FRS 17. These disclosures are intended to provide additional information on the underlying economic situation of the Council.

The figures below are derived by approximate methods based on information provided by the actuaries to the Derbyshire Pension Fund, Mercer Ltd. As at the 31 March 2010, the Council had an overall liability of £22.708m in respect of teachers' pensions (£19.369m at 31 March 2009).

Actuarial losses of £3.55m were included in the Statement of Recognised Gains and Losses. The movement in the pension liability of the Council for the year to 31 March 2010 is as follows:

2008/09 £000	Movement in Net Teachers' Pension Liability	2009/10 £000
(22,580)	Net Teachers' Pension Liability as at 1 April	(19,369)
	Movement In the Year	
1,469	Contributions Paid	1,532
(1,333)	Interest Costs	(1,321)
3,075	Actuarial gain (loss)	(3,550)
(19,369)	**Net Teachers' Pension Liability as at 31 March**	(22,708)

The Teachers Pension Scheme has no assets to cover its liabilities.

The actuarial loss can be analysed into the following categories, measured as absolute amounts and as a percentage of liabilities as at 31 March 2010:

Analysis of Actuarial Loss	**£000**	**% of liabilities**
Difference between actuarial assumptions about liabilities and actuarial experience	(3,550)	15.6%

The main financial assumptions used by the actuary are:

	31 March 2009	**31 March 2010**
Rates of Inflation	3.3%	**3.2%**
Rate of Increase in Pensions	3.3%	**3.2%**
Discount Rate	7.1%	**5.5%**
Mortality Assumptions:		
Life Expectancy at 65:		
Men	21.2	**21.2**
Women	24	**24.1**

d) Scheme History

	2005/06*	2006/07 restated	2007/08 restated	2008/09	2009/10
Present value of liabilities (LGPS)	(560,565)	(572,852)	(612,575)	(525,280)	(747,337)
Present value of liabilities (Teachers' pensions added years)	(21,101)	(20,194)	(22,580)	(19,369)	(22,708)
Fair value of assets	379,456	413,786	402,108	343,954	477,650
Surplus / (Deficit)	**(202,210)**	**(179,260)**	**(233,047)**	**(200,695)**	**(292,395)**

*The Council has elected not to restate the fair value of scheme assets for 2005/06 as permitted by FRS17 (as revised).

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £770m has a substantial impact on the net worth of the authority as recorded in the Balance Sheet, resulting in a net deficit balance of £292m.

However, the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

	2005/06	2006/07 restated	2007/08 restated	2008/09	2009/10
Differences between the expected and actual return on assets	14.1%	0.3%	13.2%	28.9%	20.8%
Experience gains and losses on liabilities	2.1%	0.0%	4.2%	0.0%	0.0%

31 Movements on Reserves

The Council has a number of reserves in the Balance Sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practice, and others have been set up voluntarily to earmark resources for future spending plans.

Reserve	Balance at 31 March 2009 (restated) £000	Gains or (Losses) During the Year £000	Transfers to/(from) Other Reserves £000	Balance at 31 March 2010 £000	Purpose of Reserve
Revaluation Reserve	**(33,466)**	456	(27,259)	**(60,269)**	**See Note 33 below**
Capital Adjustment Account	**(579,256)**	(18,569)	36,701	**(561,124)**	**See Note 36 below**
Usable Capital Receipts Reserve	**(11,117)**	(1,970)	5,280	**(7,807)**	**See Note 35 below**
Deferred Capital Receipts	**(111)**	15	0	**(96)**	
Capital Earmarked Reserves	**(4,169)**	(2,334)	410	**(6,093)**	**These are reserves held for specific capital purposes**
Pensions Reserve (Restated)	**200,695**	91,700	0	**292,395**	**See Note 30**
General Fund Balance	**(6,486)**	0	(257)	**(6,743)**	**See Statement of Movement on General Fund Balance**
Housing Revenue Account Balance	**(17,069)**	(907)	0	**(17,976)**	**See HRA Statements**
Collection Fund Balance	**(938)**	(303)	0	**(1,241)**	**See Collection Fund Statements**
Revenue Earmarked Reserves	**(49,643)**	(3,947)	0	**(53,590)**	**These are reserves held for specific revenue purposes**
Major Repairs Reserves	**(716)**	(324)	0	**(1,040)**	**See HRA note**
Financial Instruments Adjustment Account	**(1,201)**	19	0	**(1,182)**	**See Note 32**
Schools Balances	**(5,593)**	212	0	**(5,381)**	**These balances are held by schools under Local Management of Schools arrangements, including Foundation Schools.**
TOTAL	**(509,070)**	**64,048**	**14,875**	**(430,147)**	

32. Financial Instrument Adjustment Account

31 March 2009 £000		31 March 2010 £000
2,050	PWLB Premiums	2,166
(3,247)	PWLB Discounts	(3,348)
(4)	Premium amortisation adjustment	0
(1,201)		**(1,182)**

The FIAA consists of the Council's premiums and discounts resulting from the restructuring of PWLB loan debt, plus any adjustments to the carrying amounts of the Council's loans stemming from the requirement to recognise these at amortised cost.

Premiums that relate to modified loans need to be amortised in line with SORP 2009. The premium amortisation adjustment in the above table represents the difference between the straight-line write-off of premiums attributable to modified loans and their amortised write-off.

33. Revaluation Reserve

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. The revaluation reserve balance is as follows:-

2008/09 £000		2009/10 £000
(75,379)	Balance at 31 March 2009	**(33,466)**
0	Restatement of Opening Balance	**1,202**
164	Reclassifications	**0**
(24,157)	Revaluation of Fixed Assets	**(37,448)**
872	Historic cost depreciation adjustment	**119**
419	Disposals – write down of revaluation gains	**337**
0	Impairments – write down of revaluation gains charged directly to Revaluation Reserve	**462**
64,615	Impairments – write down of revaluation gains recharged from Capital Adjustment Account	**8,525**
(33,466)	**Balance at 31 March 2010**	**(60,269)**

The revaluations include revaluation increases of £25.167m relating to Council dwellings, £9.560m relating to buildings and land, £2.484m relating to investment assets and £0.237m relating to surplus properties.

The 'Restatement' balance in 2009/10 corrects the value of the depreciation and impairment previously charged to this reserve. An equal and opposite restatement has been made to the Capital Adjustment Account.

34. Deferred Government Grants/Contributions

2008/09 £000		2009/10 £000
62,679	**Balance at 1 April**	**93,540**
	Government Grant receipts and contributions applied to finance capital:	
47,644	Expenditure funded from Grants	38,670
5,871	Expenditure funded from Contributions	3,891
	Government Grants and contributions not amortised to revenue:	
(2,639)	Grants/contributions amortised to revenue	(2,753)
113,555	**Government Grant receipts & contributions to be amortised**	**133,348**
(9,726)	Credited direct to revenue for Revenue Expenditure Funded from Capital under Statute	(15,876)
(10,251)	Credited direct to revenue for impairment	(4,442)
(38)	Credited direct to revenue for de-minimis	(26)
93,540	**Balance at 31 March – Total Grants and Contributions unamortised**	**113,004**

35. Unapplied Government Grants/Contributions

2008/09 £000		2009/10 £000
(46,463)	**Balance at 1 April**	**(34,164)**
1,427	Claw back of prior year grants / contributions	3,894
2,639	Movement in grants / contributions debtors	(32)
(45,282)	Grants / contributions received	(50,871)
53,515	Grants / contributions applied	42,560
(34,164)	**Balance at 31 March**	**(38,613)**

36. Capital Adjustment Account

2008/09 (restated) £000		2009/10 £000
(689,072)	**Balance at 1 April**	(579,256)
1,119	Restatements	(1,769)
	Capital financing from:	
(3,515)	Capital receipts	(4,044)
(7,343)	Major repairs allowance	(7,490)
(3,393)	Other revenue and revenue reserves	(6,625)
(809)	Capital reserves	(410)
	Transfers from Movement on General Fund Balance	
(7,702)	Minimum revenue provision	(7,518)
(2,635)	Minimum reserve provision PFI	(2,519)
(4)	Outstanding credit arrangement	(4)
(84)	Capital receipts set aside in year	(56)
(2,639)	Government Grants Amortised to revenue	(2,753)
(9,726)	REFCS grants amortised to revenue	(15,876)
(38)	Government Grants amortised to Revenue to offset de-minimis expenditure	(26)
11,630	Revenue Expenditure Funded from Capital under Statute (REFCS)	18,251
(28,903)	Government Grants amortised to Revenue to offset impairments	(4,442)
(1,820)	Transferred Debt	(1,762)
(872)	Historic Cost depreciation adjustment	(119)
14,978	Depreciation charged to Revenue (non HRA)	14,544
201,847	Impairment	31,216
	Other Movements	
653	De-minimis expenditure written down	671
12,794	Depreciation HRA charged to Revenue	10,505
1,312	Disposals	2,301
(64,615)	Impairment charged to Revaluation Reserve	(8,525)
0	Restatement of Fixed Assets	4,919
(419)	Disposal gains – write down from Revaluation Reserve	(337)
(579,256)	**Balance at 31 March**	(561,124)

The ‘Restatement’ balance in 2009/10 corrects the value of the depreciation and impairment previously charged to the revaluation reserve. An equal and opposite restatement has been made to this reserve.

37. Usable Capital Receipts Reserve

These are capital receipts that are available to finance future capital expenditure. They derive from the sale of Council housing and other property or land. The Local Government and Housing Act 1989 laid down rules for the use of both accumulated and in-year receipts whereby part of the receipts are available for use and part has to be set aside (see Note 19).

2008/09 £000		2009/10 £000
14,018	**Balance at 1 April**	11,117
1,332	Capital receipts in year from sales of assets	1,970
(3,515)	Receipts applied to finance capital expenditure in year	(4,044)
(634)	Housing Pooling	(1,180)
(84)	Receipts set aside	(56)
11,117	**Balance at 31 March**	7,807

38. Trust Funds

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

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

2008/09 Trust Funds (restated) £000	Aggregate Revenue Account	2009/10 Trust Funds £000
1,594	Opening balance 1 April	1,408
172	Income during the year	130
1,766	Total Funds available in the year	1,538
(358)	Expenditure during the year	(496)
1,408	**Closing balance 31 March**	1,042

Balance 31 March (restated) 2009 £000	The funds are represented by:	Balance 31 March 2010 £000
	Investments:	
28	COIF Charity Funds	**30**
3	Treasury Stock	**3**
107	National Savings investment funds	**134**
1,270	Cash	**875**
1,408	**Total Assets**	**1,042**
39	Number of Funds	**40**

39. Subsidiary / Associate Companies

Derby Homes Limited

Derby Homes Limited, the Council's arms length management organisation, is a limited company wholly owned by the Council. It was incorporated on 25 February 2002.

The net liability and results of operations for the year to 31 March 2010 are as follows:

2008/09 £000		2009/10 £000
(3,677)	Net liability at 31 March 2010	**(9,338)**
93	Operating profit / (loss) before taxation	**316**
93	Operating profit /(loss) after taxation	**(218)**
	Indebtedness with Derby City Council included in net assets above is:	
1,407	Derby Homes Debtors	**1,818**
(1,709)	Derby Homes Creditors Mainly relating to services provided to Derby Homes by the Council	**(988)**
(302)	**TOTAL NET INDEBTEDNESS**	**830**

The above figures are from the draft Statement of Accounts for Derby Homes Ltd. These can be obtained from:

Derby Homes Limited, Floor 2, Southpoint, Cardinal Square, 10 Nottingham Road, Derby, DE1 3QT.

Connexions Derbyshire Limited

Connexions Derbyshire Limited is a company which is jointly owned by Derby City Council and Derbyshire County Council and provides help and advice to young people and adults across Derbyshire. Derby City Council owns 50% of the company and it is treated as an associate for the purposes of the Council's group accounts. It was incorporated on 01 April 2008.

Derbyshire City Council's 50% share of the deficit, after the adjustment of £12.73m for FRS17 (Retirement Benefits), made for the financial year 2009/010 was £6.36m.

The above figures are from the draft Statement of Accounts for Connexions Derbyshire Ltd. These can be obtained from:

Connexions Derbyshire Limited, 2 Godkin House, Park Road, Ripley, Derbyshire, DE5 3EF.

40. Post Balance Sheet Events

Pension Schemes

In his budget statement on 22 June, the Chancellor announced that the government would start to increase public service pensions in line with the consumer price index (CPI) rather than the retail price index (RPI), which has been the practice in the past. As a result, future pension increases under the Council's Local Government Pension Scheme and Teachers' Pension Scheme are expected to be slightly lower, on average, than would have been the case if this change had not been made. This change is estimated to reduce the FRS17/IAS19 benefit obligations by between 5% and 8% for most employers although it is not currently possible to assess the impact on liability values with any more accuracy than this suggested range. The precise financial effect will be taken into account in the FRS17/IAS19 figures for the financial year ending 31 March 2011.

Building Schools for the Future

On 5th July 2010 the Government released a statement that all Building Schools for the Future (BSF) projects that had not already reached financial close would not go ahead, but that they would however consider funding the sample scheme projects that had been used as part of the competitive dialogue process. All of the schools in Derby City with secondary age pupils had been included within the Council's BSF programme, which had allocated funding of £206m to replace or renovate secondary schools, plus an additional £25m specifically for ICT. Financial close was due to take place in October 2010 following the competitive dialogue process. The Council has received approval for the capital funding for the sample schools in its BSF programme so that the complete new build of Noel Baker Community School and St Martin's Special School (£39m), and the refurbishment of Derby Moor Community Sports College (£20m) can continue.

41. Reconciliation between the Net (Surplus) / Deficit on the Income and Expenditure Account to the Revenue Activities Net Cash Flow

2008/09 £000		2009/10 £000
(305)	Net (surplus) - I&E / General Fund	(257)
1,384	Net (increase)/decrease in Schools' balances	212
(1,239)	Net (surplus) / deficit - Housing Revenue Account	(907)
(386)	Net (surplus) / deficit - Major Repairs Reserve	(324)
77	Net (surplus)/deficit – BID Revenue Account	0
(774)	Net (surplus) / deficit – Collection Fund	(303)
389	(Decrease)/Increase in debtors	13,657
(1,101)	(Decrease)/Increase in stock and work in progress	44
(11,622)	(Increase) / decrease in creditors	(9,432)
50	(Increase) / Decrease in provisions	(297)
92	(Increase) / Decrease in available for sale reserves	0
(779)	(Increase) / Decrease in Financial Instruments Adjustment Account	19
(10,117)	(Increase) / Decrease in earmarked reserves	(3,947)
	Adjustment for non-cash transactions:	
5,895	Capital activities	(17,530)
	Adjustment for movements in financing:	
7,976	Short term borrowings	(4,011)
	Adjustment for movements in liquid resources:	
256	Council Tax	(467)
(922)	NNDR	(8,618)
	Less:	
(8,987)	Servicing of finance items	(14,493)
(20,113)	**Revenue Activities Net Cash outflow**	(46,654)

42. Reconciliation to Cash Related Balance Sheet Movements

Balance 31 March 2009 (restated) £000	Movement 2008/09 (restated) £000		Balance 31 March 2010 £000	Movement 2009/10 £000
2,674	**(146)**	Cash in hand	**3,168**	**494**
(8,969)	**(892)**	Bank overdraft	**(7,951)**	**1,018**
(6,295)	**(1,038)**	**Net Cash Increase/(Decrease) = net cash inflow / (outflow)**	**(4,783)**	**1,512**
109,943	**(45,361)**	Short Term Investments	**54,011**	**(55,932)**
(346,590)	**25,195**	Borrowings	**(268,021)**	**78,569**
(39,931)	**2,634**	Capital Element of PFI Finance Leases	**(37,412)**	**2,519**
(276,578)	**(17,532)**	**Net (Increase) / Decrease in Investments and Borrowings**	**(251,422)**	**25,156**

43. Revenue and Capital Grants

The following capital grants are included:

	Received in 2008/09 £000	Received in 2009/10 £000
Regional Housing Pot	4,490	3,470
Schools capital grants	12,531	12,904
Disabled Facilities grant	681	669
Urban II capital grant	424	98
Objective 2 capital grant	517	322
New Deal for Communities	103	0
Lottery Capital	3,653	1,867
Transport Supplementary Grant	918	13,746
ODPM	2,768	240
DEFRA	183	449
Sure Start	1,792	1,401
Derby & Derbyshire Economic Partnership (DDEP)	4,896	0
GEST	1,032	223
Learning & Skills Council	1,713	637
Play Pathfinder	0	389
Home Office	94	103
CLG – Gypsy and Traveller Funding	1,416	0
Growth Point	2,590	2,746
East Midlands Development Agency grant (EMDA)	0	1,225
Department of Health	325	1,818
LPSA	512	955
Other capital grants	1,437	1,711
Youth Capital Fund	0	572
S106	1,423	773
Contributions	1,897	4,513
	45,395	50,831

The following revenue grants from central government are included:

	Received in 2008/09 £000	Received in 2009/10 £000
Arms Length Management Organisation (ALMO) Subsidy	**1,701**	**1,578**
Housing Benefit Subsidy	**31,962**	**41,121**
Council Tax Benefit Grant	**15,018**	**17,460**
Rent Rebate – Housing Benefit	**26,172**	**27,802**
Social Care	**850**	**1,393**
Early Years and Sure Start	**6,069**	**8,173**
Learning and Skills	**10,404**	**12,397**
Standards Fund	**23,623**	**27,112**
Urban II	**315**	**636**
Objective 2	**287**	**1,503**
Single Regeneration Budget (SRB) grant	**242**	**0**
Single Programme (EMDA)	**0**	**1,994**
Dedicated Schools Grant	**142,955**	**147,844**
Revenue Support Grant	**12,500**	**19,914**
New Deal for Communities	**1,798**	**1,006**
Supporting People Programme	**10,556**	**10,556**
LPSA2 Reward Grant	**0**	**824**
Growth Point	**0**	**353**
Area Based Grant	**15,264**	**14,625**
Other Regeneration and Community Services Revenue Grants	**6,434**	**7,230**
Other Children & Young People Revenue Grants	**2,293**	**2,443**
Other Corporate & Adult Social Services Revenue Grants	**1,681**	**1,868**
Other Housing Grants	**637**	**402**
Other Environmental Services Revenue Grants	**311**	**834**
Other Resources Revenue Grants	**2,055**	**2410**
	313,127	**351,478**

THE HOUSING REVENUE ACCOUNT

The Housing Revenue Account (HRA) summarises the income and expenditure arising from the provision, management and maintenance of Council housing. Since 1 April 1990, the Housing Revenue Account has been ring-fenced from the General Fund. This means that there can be no cross subsidies between the two accounts. These accounts have been prepared in accordance with the Best Value Accounting Code of Practice and incorporate guidance on Resource Accounting in the HRA.

2008/09 £000	HRA Income and Expenditure Account	2009/10 £000
	Income	
(40,413)	Dwelling rents (Gross)	(41,907)
(411)	Non dwelling rents (Gross)	(415)
(1,312)	Charges for Services and facilities	(1,326)
(239)	Contributions towards expenditure	(242)
(1,828)	Housing Revenue Account subsidy receivable	(1,359)
0	Decrease in bad debt provision	(121)
(44,203)		(45,370)
	Expenditure	
10,042	Repairs and Maintenance	9,973
14,213	Supervision and Management	14,572
85,823	Depreciation and impairments of fixed assets	18,600
95	Debt Management costs	100
421	Increase in bad debt provision	0
110,594		43,245
66,391	**Sub Total: Net cost of HRA Services as included in the whole authority income and expenditure account**	(2,125)
86	HRA services share of Corporate and Democratic Core	79
66,477	**Net Cost of Services**	(2,046)
125	Gain or loss on sale of HRA fixed assets	(7)
8,617	Interest payable and similar charges	7,637
152	Amortisation of premiums and discounts	(42)
(743)	Interest and Investment income	(88)
74,628	**(Surplus) / Deficit for the year on HRA services**	5,454

STATEMENT OF MOVEMENT ON THE HOUSING REVENUE ACCOUNT BALANCE

2008/09 £000	Statement of Movement on the Housing Revenue Account Balance	2009/10 £000
	Increase or decrease in the Housing Revenue Account Balance comprising:	
74,628	(Surplus) or deficit for the year on the HRA income and expenditure Account	5,454
(75,867)	**Net additional amount required by statute to be debited or (credited) to the HRA balance for the year**	(6,361)
(1,239)	**(Increase) or decrease in the Housing Revenue Account**	**(907)**
(15,830)	**Housing Revenue Account balance brought forward**	**(17,069)**
(17,069)	**Housing Revenue Account balance carried forward**	**(17,976)**

NOTE OF RECONCILING ITEMS TO THE STATEMENT OF MOVEMENT ON THE HOUSING REVENUE ACCOUNT BALANCE

2008/09 (restated) £000	Note to the Statement of movement on the HRA Balance	2009/10 £000
	Items included in the HRA Income and Expenditure Account but excluded from the movement on the HRA balance for the year	
(73,029)	Difference between any other item of income and expenditure determined in accordance with the SORP and determined in accordance with statutory HRA requirements	(8,801)
(125)	Gain or loss on sale of HRA fixed assets	7
(73,154)		**(8,794)**
	Items not included in the HRA Income and Expenditure Account but included in the movement on HRA balance for the year	
(5,066)	Transfer to/(from) Major Repairs Reserve (Note 6)	(2,691)
(334)	Transfers to/(from) Housing Repairs Account	(38)
(30)	Employer's contributions payable to the Pension Fund and retirement benefits payable direct to pensioners	210
99	HRA share of Minimum Revenue Provision	320
1,443	Capital expenditure funded by the HRA	4,814
(1,011)	Appropriations from Reserves	(316)
2,186	Appropriations to Reserves	134
(2,713)		**2,433**
(75,867)	**Net additional amount required by statute to be debited or (credited) to the HRA balance for the year**	**(6,361)**

NOTES TO HOUSING REVENUE ACCOUNT

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

Dwelling Type	1 April 2009	31 March 2010
Houses	7,949	7,920
Flats	4,453	4,374
Bungalows	1,332	1,329
Total	**13,734**	**13,623**

Operational/Non Operational Assets

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

a. Operational Assets

31 March 2009 £000		31 March 2010 £000
495,776	Dwellings	509,465
10,299	Other Land & Buildings	2,737
2,133	Infrastructure	2,049
0	Vehicles, plant and equipment	214
327	Community Assets	327
508,535	**Total**	**514,792**

b. Non Operational Assets

31 March 2009 £000		31 March 2010 £000
5,637	Surplus properties	5,728
33	Investment Properties	7,204
0	Construction & work in progress	491
5,670	**Total**	**13,423**

During 2009/10 the Council carried out a review of the Fixed Asset Register to review the existing split between asset value and accumulated depreciation recorded for each asset. As part of this exercise, a number of investment property assets were identified as incorrectly classified as Other Land and Buildings. These classification errors have been corrected in the 2009/10 figures.

2. Council Dwellings Vacant Possession Value

The total vacant possession value of dwellings within the HRA at 1 April 2009 was £1,036m (1,198m at 1 April 2008). ODPM guidance requires that the balance sheet valuation of £518.188m at 1 April 2009, (£598.975m at 1 April 2008) be determined by applying a regional multiplier (50% for the East Midlands) 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.

NOTES TO HOUSING REVENUE ACCOUNT

3. Major Repairs Reserve

The movements on the Major Repairs Reserve are shown below:

2008/09 £000		2009/10 £000
(330)	Balance at beginning of the year	(715)
(7,728)	MRA allowance	(7,814)
(8,058)		(8,529)
7,343	Debit to MRA in respect of capital expenditure on properties within the HRA	7,489
(715)	**Balance at end of the year**	(1,040)

4. Housing Repairs Account

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

2008/09 (Restated) £000		2009/10 £000
(387)	Balance at beginning of the year	(53)
(9,185)	*Add* contributions during the year	(9,917)
(9,572)		(9,970)
9,519	*Less* actual expenditure incurred	9,955
(53)	**Balance on the Repairs Account on 31 March**	(15)

The 2008/09 figures have been restated due to an error identified in the 2007/08 contributions which was reflected in the opening balance.

5. a. Summary of Capital Expenditure and Financing

2008/09 £000		2009/10 £000
	Expenditure	
1,128	Land	1,754
8,247	Dwellings	10,327
9,375	**Total Capital Expenditure**	**12,081**
	Sources of Funding	
877	Revenue Contributions	4,104
855	Other Contributions and Grants	488
300	Service Reserves	0
7,343	Major Repairs Reserve	7,489
9,375	**Total**	**12,081**

b. Summary of Capital Receipts

2008/09 £000		2009/10 £000
681	Dwellings	1,670
365	Land	16
159	Other property	0
1,205	**Total Receipts**	**1,686**

6. Depreciation

The total charge for depreciation of the assets within the HRA was £10.505m. This is made up of:

2008/09 £000		2009/10 £000
	Operational	
12,408	Council Dwellings	10,364
331	Other operational land and buildings	57
55	Infrastructure	84
12,794	**Total depreciation HRA**	**10,505**
(7,728)	Net of MRA Allowance	(7,814)
5,066	**Net Charge to HRA**	**2,691**

There are no non-operational assets within the HRA.

7. Impairment

Although the borrowing for capital works has increased, works included within the spending, as detailed below, do not increase asset value but merely bring the property and infrastructure up to a reasonable standard of repair to aid the more effective and efficient provision of services. This is known as the impairment works required to bring the asset up to standard. HRA impairment works for capital improvements in the year totalled £6.537m in 2009/10 (£4.210m in 2008/09).

Impairment also occurs through the annual revaluation process, resulting impairment in 2009/10 of £1.558m (£119.3m in 2008/09).

The HRA impairment charges are summarised below:

NOTES TO HOUSING REVENUE ACCOUNT

Asset Category	Impairment Charge recognised against Cost / Valuation	Associated Write Off of Brought Forward Accumulated Depreciation and Impairment	Total Impairment Charge for 2009/10	Impairment Funded Indirectly from Revaluation Reserve	Impairment Charged to HRA Income & Expenditure Account
Council Dwellings	(7,279)	0	(7,279)	6,679	600
Investment Properties	(66)	0	(66)	0	66
Surplus Properties	(1,825)	1,075	(750)	0	750
Total	**(9,170)**	**1,075**	**(8,095)**	**6,679**	**1,416**

8. Revenue Expenditure Funded from Capital under Statute

There has been no Revenue Expenditure Funded from Capital under Statute attributable to the HRA for 2009/10 (Nil in 2008/09)

9. Analysis of HRA Subsidy

2008/09 £000		2009/10 £000
20,981	Management and Maintenance Allowances	21,278
7,729	Major Repairs Allowance	7,814
5,311	Charges for Capital	4,333
7,774	ALMO Allowance	7,774
0	MRA adjustment Pre-budget report	800
(40,080)	Rent	(40,601)
(7)	Interest on Receipts	(6)
1,708	**Total Housing Revenue Account Subsidy**	**1,392**
5	Defective Dwellings	0
114	Overprovision of housing subsidy	(33)
1,827	**Total Subsidy**	**1,359**

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

2008/09 £000		2009/10 £000
1,753	**Amount of rent arrears**	**1,252**
1,912	**Aggregate Balance sheet provision in respect of uncollectible debts**	**1,234**
	Analysed as follows:	
1,428	Weekly Rents	1,046
132	Housing Benefit overpayments	116
352	Other Debts	72

These figures are reflected in the Income and Expenditure Account.

THE COLLECTION FUND

These accounts represent the transactions of the Collection Fund, which is a statutory fund to be maintained separately to the Council's accounts. The accounts have been prepared on an accruals basis.

2008/09 £000		Notes	2009/10 £000
	INCOME AND EXPENDITURE ACCOUNT		
	Income		
(75,859)	Council Tax		(78,190)
(82,488)	Business Rates	2	(80,788)
(15,322)	Council Tax Benefit		(16,893)
(173,669)	**TOTAL INCOME**		**(175,871)**
	Expenditure		
	Precepts and Demands		
74,404	Derby City Council		77,188
10,369	Derbyshire Police Authority		11,323
4,399	Fire Precept		4,599
	Business Rates		
80,369	Payment to National Pool		76,955
325	Costs of Collection		325
	Provision for bad and doubtful debts		
1,049	Council Tax		1,050
1,794	Business Rates		3,508
	Transfer of previous years estimated surplus		
0	Derby City Council		459
0	Derbyshire Police Authority		27
0	Derbyshire Fire Authority		64
172,709	**TOTAL EXPENDITURE**		**175,498**
(960)	(SURPLUS) / DEFICIT FOR THE YEAR		(373)
(164)	(SURPLUS) / DEFICIT AT THE BEGINNING OF YEAR		(1,124)
(1,124)	**(SURPLUS) / DEFICIT AT END OF THE YEAR**		**(1,497)**
	Share of Collection Fund surplus		
(938)	Derby City Council		**(1,241)**
(131)	Derbyshire Police Authority		**(182)**
(55)	Derbyshire Fire Precept		**(74)**
(1,124)	**(SURPLUS) / DEFICIT AT END OF THE YEAR**		**(1,497)**

NOTES TO THE COLLECTION FUND

1. Council Tax

The Council's tax base for 2009/10 was 70187.03 (69,854.20 in 2008/09). This is the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply) converted to an equivalent number of band D dwellings. Details are as follows.

Band	Ratio	Band D Equivalent Dwellings
A (disabled)	5/9	48.46
A	6/9	29,293.65
B	7/9	13,565.86
C	8/9	12,396.37
D	9/9	7,428.62
E	11/9	4,692.78
F	13/9	2,989.38
G	15/9	898.15
H	18/9	15.01
		71,328.28
Less adjustment for non-collection		(1,141.25)
Council Tax Base		**70,187.03**

2. Income from Business Ratepayers

The Council collects non-domestic rates for its area based on local rateable values multiplied by a national uniform rate. The total amount, less certain relief and other adjustments, is paid into a central pool (the NNDR Pool) which is managed by the Government. The Council receives a share of the pool based on a standard amount per head of local adult population into its General Fund.

The non-domestic rateable value at 31 March 2010 was £197,652m (£198,942m in 2008/09).

The national non-domestic multiplier for 2009/10 was 48.5p (46.2p in 2008/09).

GROUP ACCOUNTS

SORP 2008 requires Local Authorities to examine their relationship with other organisations. This is with a view to checking whether the Council needs to prepare group accounts because of another organisation being classified as a subsidiary or associate. The method for determining this is laid out in the SORP which the authority follows.

INTRODUCTION

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

INCLUSION WITHIN THE GROUP ACCOUNTS

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

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

Derby Homes Limited
Floor 2, Southpoint
Cardinal Square
10 Nottingham Road
Derby DE1 3QT

Connexions Derbyshire Limited is a limited company jointly owned by the Derby City Council and Derbyshire County Council. It was incorporated on 01 April 2008. The company's net liability in 2009/10 was £12,325m of which £12,730m was the defined benefit pension scheme liability (£6,131m in 2008/09 of which £6,527m was the defined benefit pension scheme liability). The deficit on ordinary activities before taxation in 2009/10 was £200k (£598k in 2008/09) and after taxation £201k (£607k in 2008/09).

The full Connexions Derbyshire Limited company accounts can be obtained from:

Connexions Derbyshire Limited,

2 Godkin House,

Park Road, Ripley,

Derbyshire, DE5 3EF

The Council also has a 19.9% minority interest (based on 19.9% shareholding) in a Joint Venture company, Derby City Homes Regeneration Ltd, with Bowmer & Kirkland Ltd. The purpose of this joint venture is the refurbishment of vacant properties owned by the Council which are in disrepair in order to bring such properties back into use for social housing. DCHR Ltd has not been consolidated within these Group Accounts as the Council does not have significant influence over the company.

Subsidiary

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

The operating income and expenditure of the Council's subsidiary has been included within the appropriate services lines before Net Cost of Services.

Associate

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

GROUP INCOME AND EXPENDITURE ACCOUNT

This account shows the gross expenditure, income, and net expenditure analysed by service, which is ultimately paid for by Council taxpayers, business ratepayers and the Government.

2008/09 Net Expenditure (restated) £000		Gross Expenditure £000	Gross Income £000	Net Expenditure 2009/10 £000
(860)	Central Services to the Public	30,546	(29,829)	**717**
51,034	Cultural, Environmental and Planning Services	81,114	(37,562)	**43,552**
75,699	Children and Education Services	309,067	(239,002)	**70,065**
17,480	Highways, Roads and Transport Services	36,345	(15,859)	**20,486**
70,507	Housing	152,509	(152,182)	**327**
57,303	Adult Social Services	83,044	(27,877)	**55,167**
5,439	Corporate and Democratic Core	7,644	(1,564)	**6,080**
1,531	Non Distributed Costs	201	0	**201**
278,133	**Net Cost of Services**	**700,470**	**(503,875)**	**196,595**
124	(Gain)/loss on disposal of fixed assets			**373**
(37)	(Surpluses)/ Deficits on Trading Undertakings not included in Net Cost of Services			**(389)**
20,157	Interest Payable and Similar Charges			**17,373**
634	Contribution of Housing Capital Receipts to Government Pool			**1,180**
(9,947)	Interest and Investment Income			**(1,579)**
0	Taxation of Subsidiary Company			**5**
13,277	Pensions Interest Cost and Expected Return on Pensions Assets			**17,731**
19	Amortised Premiums and Discounts			**(92)**
302,360	**Net Operating Expenditure**			**231,197**
(74,404)	Demand on the Collection Fund			**(77,188)**
(774)	Share of Previous Year Collection Fund Surplus			**(762)**
303	Share of Connexions Derbyshire Ltd (Surplus) / Deficit			**104**
(30,285)	General Government Grants			**(39,423)**
(89,791)	Non-Domestic Rates Redistribution			**(86,276)**
107,409	**Deficit for the Year**			**27,652**

No additional group notes have been included as these are not materially different to those disclosed in Derby City Council's published Income and Expenditure Account.

RECONCILIATION OF THE SINGLE ENTITY SURPLUS OR DEFICIT FOR THE YEAR TO THE GROUP SURPLUS OR DEFICIT

2008/09 (restated) £000		2009/10 £000
107,199	Derby City Deficit	**27,330**
(93)	Derby Homes Ltd (Surplus)/Deficit	**218**
303	Connexions Derbyshire Ltd (Surplus)/Deficit	**104**
107,409	**Group Deficit for the Year**	**27,652**

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

This statement brings together all the gains and losses of the Council for the year and shows the aggregate increase in its net worth. In addition to the surplus generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.

2008/09 (restated) £000		2009/10 £000
107,409	Deficit for the year on the Income and Expenditure Account	**27,652**
44,301	Deficit arising on revaluation of fixed assets	**(36,931)**
(44,576)	Actuarial (gains) / losses on pension fund assets and liabilities	**89,762**
1,448	Share of Actuarial (gains) / losses for Connexions Derbyshire Ltd	**2,997**
(99)	Any other gains and losses	**4,262**
108,483	**Recognised (Gains)/Losses for the year**	**87,742**
(1,542)	Prior year adjustments	**(3,421)**
106,941	**Total (Gains)/Losses since last Statement of Accounts**	**84,321**

GROUP BALANCE SHEET

2008/09 (Restated)		2009/10
	Fixed Assets	
530	Intangible fixed assets	501
495,776	Council Dwellings	509,465
475,847	Other land and buildings	449,427
10,544	Vehicles, plant, furniture and equipment	9,570
105,637	Infrastructure assets	112,098
14,241	Community assets	16,180
16,180	Investment properties	39,161
6,636	Assets under construction	23,349
18,498	Surplus assets held for disposal	16,316
1,143,889	Total Fixed Assets	**1,176,067**
22,139	Long term investments	3,360
5,171	Long term debtors	5,482
1,171,199	Total long term assets	**1,184,909**
	Current Assets	
1,144	Stocks and works in progress	1,188
34,400	Debtors	49,083
109,943	Investments	54,011
2,677	Cash and bank	3,172
148,164	**Total current assets**	**107,454**
1,319,363	**Total Assets**	**1,292,363**
	Current Liabilities	
(51,703)	Creditors	(62,047)
(2,519)	PFI Finance Lease < 1 Year	(2,358)
(8,969)	Bank overdraft	(7,951)
(63,191)	**Total current liabilities**	**(72,356)**
1,256,172	**Total assets less current liabilities**	**1,220,007**
	Long Term Liabilities	
(335,488)	Long term borrowing	(260,930)
(1,861)	Provisions	(2,158)
(94,209)	Government grants deferred	(113,775)
(34,164)	Government grants unapplied	(38,613)
(41,294)	Deferred liabilities	(39,368)
(37,412)	PFI Finance Lease > 1 Year	(40,608)
(206,352)	Net Long Term Liability related to defined benefit pension scheme	(303,746)
(3,065)	Share of net liabilities from Connexions Derbyshire Ltd	(6,166)
(753,845)	**Total long term liabilities**	**(805,364)**
502,327	**Total assets less liabilities**	**414,643**

GROUP BALANCE SHEET

Balance Sheet continued…

2008/09 (Restated)		2009/10
	Represented by:	
(33,466)	Revaluation Reserve	(60,269)
(579,256)	Capital Adjustment Account	(561,124)
(11,117)	Useable Capital Receipts Reserve	(7,807)
(111)	Deferred Capital Receipts	(95)
(4,169)	Capital Earmarked Reserves	(6,093)
206,352	Pensions Reserve	303,746
(6,486)	General Fund Balance	(6,743)
(1,979)	Derby Homes Profit and Loss Account	(2,013)
(17,068)	Housing Revenue Account Balance	(17,976)
3,065	Interest in Connexions Derbyshire Ltd	6,166
(938)	Collection Fund Balance	(1,241)
(716)	Major Repairs Reserve	(1,040)
(49,644)	Revenue Earmarked reserves	(53,591)
(1,201)	Financial Instrument Adjustment Account	(1,182)
(5,593)	Schools Balances	(5,381)
(502,327)	**Total Net Worth**	**(414,643)**

No additional group notes have been included as these are not materially different to those disclosed in Derby City Council's published Balance Sheet

GROUP CASH FLOW

2008/09			2009/10
		£000	£000
(20,467)	**Net Cash (Inflow)/Outflow from Revenue Activities**		(46,831)
	Returns on investments and servicing of finance:		
16,555	Interest paid	14,901	
2,165	Interest Element on PFI Finance Leases	2,351	
(9,733)	Interest received	(2,759)	
8,987			14,493
0	Taxation		5
	Capital Expenditure and Financial Investment:		
51,763	Purchase of fixed assets	49,802	
12,463	Revenue expenditure funded from Capital under Statute	17,006	
(1,341)	Sales of fixed assets	(1,979)	
(46,064)	Capital grants received	(50,630)	
12,563	Other capital cash payments	(17,619)	
29,384			(3,420)
17,904	**Net Cash Inflow before Financing**		**(35,753)**
	Management of Liquid Resources:		
(45,361)	Net increase/decrease in short-term deposits	(55,932)	
666	Other Movement in Liquid Resources	9,085	
			(46,847)
	Financing:		
36,195	Repayments of amounts borrowed	88,568	
2,634	Capital Element on PFI Finance Leases	2,519	
(11,000)	New loans raised	(10,000)	
			81,087
1,038	**Net (Increase) / Decrease In Cash**		**(1,513)**

NOTES TO THE GROUP ACCOUNTS

1. Restatement of Prior Year

A number of restatements have been carried out to the 2008/09 figures within the Group Accounts. These reflect the changes made to the Derby City Council individual accounts, and in particular to the Prior Period Adjustments made for changes in accounting policies for Private Finance Initiative Schemes, Council Tax and National Non-Domestic Rates. See Note 2 to the individual accounts for further details.

In addition the 2008/09 results for Connexions Derbyshire Ltd based on the materiality of the draft accounts of this company. However, the final audited results included a significant liability for FRS 17 (Retirement Benefits) of £6.527m. These were results were not available at the date of the 2008/09 accounts. For 2009/10, Connexions Derbyshire Ltd has been consolidated into the group accounts and the 2008/09 results restated accordingly. This led to a decrease in the 2008/09 deficit for the year shown on the Income and Expenditure account of £1.57m and a decrease in the total net worth of the group in 2008/09 of £3.065m. The 2009/10 figures include the FRS 17 adjustments.

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

Actuarial gains and losses: Changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Statement of Total recognised Gains and Losses.

AGS: Annual Governance Statement.

Amortised: Reducing the value of revenue expenditure funded from capital under statute in an accounting period. The reduction in value transferred from the Balance Sheet to the Income and Expenditure Account.

Appropriation: Transferring of an amount between specific reserves in the Income and Expenditure Account.

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

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

Bad (and doubtful) Debts: Debts which may be uneconomical to collect or unenforceable.

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

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

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

GLOSSARY

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

BVACOP: Best Value Accounting Code of Practice. An accounting code that applies to all Local Government with the aim of standardising categorisation of spend and accounting practices.

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

Capital Expenditure: Expenditure on the purchase, construction or enhancement of major items which have a lasting value to the Authority.

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 Authorities level of debt relating to capital expenditure.

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

Capital Receipts: Money the Council receives from selling 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.

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

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

CIPFA (Chartered Institute of Public Finance and Accountancy): The principal accountancy body dealing with Local Government finance.

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

Community Assets: Assets that the Council intend to hold in perpetuity, have no determinable finite useful life and in addition may have restrictions on their disposal. Examples of community assets are playing fields and parks.

Consistency: The concept that the accounting treatment of like items within an accounting period and from one period to the next should be the same.

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

GLOSSARY

Contingent Assets/Liabilities: Potential assets/liabilities at the balance sheet date which depend on the occurrence or non-occurrence of one or more uncertain future events. The assets/liabilities should be included in the balance sheet at the time the accounts are prepared. Otherwise, where the contingencies are likely to be material, the fact that they exist should be disclosed as a note to the accounts.

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 Domestic Core: Defined elements of support service costs which are not chargeable to services, sub-divided into Democratic Representation and Corporate Management.

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

CPA: Comprehensive Performance Assessment.

Credit Liabilities: Forms of credit scored against the capital resources of the Council.

Creditors: Amounts owed by the Authority for work done, goods received or services rendered but for which payment has not been made by the end of the financial year.

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

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

Debtors: Amounts due to the Authority but unpaid at the end of the financial year.

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

DCSF: Department for Children, Schools and Families – responsible for Government policy and advice in connection with education and the social welfare of children and families.

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

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

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

GLOSSARY

Depreciation: The loss in value of an asset due to age, wear and tear, deterioration or obsolescence.

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

DWP: Department for Work and Pensions.

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

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

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

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

Finance Leases: A lease that transfers the risk and rewards of ownership of a fixed asset to the lessee. Such a transfer of risk and reward may be presumed to occur if, at the inception of the lease, the present value of the minimum lease payments including any initial payment amount to substantially all the fair value of the leased asset.

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

Fixed Assets: Tangible assets which have value to the Council for more than one year.

FRS: Financial Reporting Standard. Statements prepared by the Accounting Standards Committee. Many of the FRSs and the earlier Statements of Standard Accounting Practice (SSAPs) apply to Local Authorities and any departure from these must be disclosed in the published accounts.

Gains /losses on settlements and curtailments: The result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs.

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

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 Authority. The HRA is ring-fenced: no cross subsidy is allowed between the HRA and the General Fund.

Impairment Loss: A material reduction in the value of fixed assets outside the normal periodic revaluations.

Income; Amounts due to the Council in respect of services performed, taxes levied or grants receivable during the accounting period, irrespective or whether or not any movement of cash has taken place.

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

Infrastructure Assets: Fixed assets that are indisputable, expenditure on which is recoverable only by continued use of the asset created. Examples of infrastructure assets are highways and footpaths.

Intangible Assets; Intangible assets represent expenditure which may be properly capitalised, but which does not represent a tangible fixed assets which needs representing on the balance sheet, Intangible assets are amortised to revenue over an appropriate period not exceeding five years and as part of the capital accounting entries intangible assets are passed through the Capital Financing Account and the Income and Expenditure Account so there is no impact on the levels of Council tax.

Interest Costs: The expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to Net Operating Expenditure in the Income and Expenditure Account.

Investment Properties: Interest in land and/or buildings in respect of which construction work and development have been completed and which are held for their investment potential rather than for operational purposes, any rental income being negotiated at arms length.

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

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

GLOSSARY

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

Material: The concept that any omission from or inaccuracy in the Statement of Accounts should not be large enough to affect the understanding of those statement readers.

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. It largely replaces credit approvals as a means of financing HRA capital expenditure.

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

Net Book Value: The amount at which fixed assets are included in the balance sheet, i.e. their historical value or current value less the cumulative amounts provided by depreciation.

Net Realisable Value: The open market value of the asset in its existing use, less the expenses to be incurred in realising the asset.

Non-Operational Assets: Fixed assets held by the Council but not directly occupied, used or consumed in the delivery of services. Examples are investment properties and assets that are surplus to requirements pending sales or redevelopment.

Operational Asset; Fixed asset held and occupied in the pursuit of strategic or service objectives.

Operating Lease: A lease where the risk and rewards of ownership of a fixed asset remains with the lessor. Such a lease will be for a fixed period which is significantly less than the useful economical life of the asset.

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

Precept; An amount charged by another Authority to the Council's Collection Fund. There are two preceptors on Derby's collection fund: the Police and Fire Authorities.

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

Prior Year Adjustment: Material adjustments to the accounts of earlier years arising from changes in accounting policies or from the correction of fundamental errors. They do not include normal recurring correction or adjustments of accounting estimates made in prior years. The prior period adjustments are allowed for comparative purpose under FRS28.

GLOSSARY

Provision: An amount of money set aside in the budget to meet liabilities that are likely or certain to arise in the future, but which cannot be quantified with certainty.

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

Reserves: The amount of money still held at the end of a year, after allowing for all of the expenditure and income that has taken place. Earmarked reserves are those established for a specific purpose.

Residual Value: The difference between the agreed contractual residual value and the projected fair residual value must be built up over the life of the project. The fair value must match the accumulated entries at the end of the contract. The revenue account is to be credited each year with an equal amount to enable an asset to be credited at the end of the contract.

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

SSAP: Standard Statement of Accounting Practice. Accounting standards that apply to all accounts unless there is legislation or a SORP covering that area.

Statement of Recommended Practice (the SORP): This document specifies the principles and practices of accounting required to prepare this document.

Statement of Total Recognised Gains and Losses (STRGL); This statement reports gains and losses that are not reflected in the income and expenditure account. It includes movements on revaluations of fixed assets and pension fund assets and liabilities.

Stocks and Work in Progress; Comprises the following categories: goods or other assets purchased for resale; consumable stores; raw materials and components purchased for incorporation into products for sale; products and services in intermediate stages of completion, long term contract balances and finished goods.

Trust Funds: Funds administered by the Council on behalf of minors and others for such purposes as prizes, charities and specific projects,

UK GAAP: United Kingdom Generally Accepted Accounting Practices. Accounting regulations adhered to in the UK.

Statement of Accounts 2009/10 **Appendix 3**
Changes post Audit and Accounts Committee 24th June 2010

Income and Expenditure Account

	Net Expenditure 24 June 2010 £000	Changes £000	Revised Net Expenditure £000
Central Services to the Public	1,662	(945)	717
Cultural Environmental and Planning Services	44,044	(492)	43,552
Children's and Education Services	70,781	(716)	70,065
Highways Roads and Transport Services	20,582	(96)	20,486
Housing	1,378	(735)	643
Adult Social Services	55,126	41	55,167
Corporate and Democratic core	6,080	0	6,080
Non-Distributed Costs	201	0	201
Net Cost of Services	**199,854**	**(2,943)**	**196,911**
(Gain)/Loss on Disposal of Fixed Assets	(26)	399	373
(Surplus) / Deficit on Trading Undertakings	(389)	0	(389)
Interest Payable and similar charges	17,373	0	17,373
Contribution of housing capital receipts to Government Pool	1,180	0	1,180
Interest and Investment income	(1,579)	0	(1,579)
Pensions interest and expected return on pension assets	17,202	0	17,202
Amortised Prema and Discounts	(92)	0	(92)
Net Operating Expenditure	**233,523**	**(2,544)**	**230,979**
Demand on the collection fund	(77,188)	0	(77,188)
Share of Previous Year Collection Fund Surplus	(762)	0	(762)
General government grants	(39,423)	0	(39,423)
Non-Domestic Rates Redistribution	(86,276)	0	(86,276)
Deficit For the Year	**29,874**	**(2,544)**	**27,330**

The changes to the Net Cost of Services lines are in relation to:-

- (£945k) Central Services to the Public.
  - (£198k) Correction to non-enhancing capital expenditure.
  - (£597k) Correction of overstatement of provisions.
  - (£150k) Correction of overstatement of bad debt provision.

  (£945k) Total

- (£492k) Cultural Environmental and Planning Services.
  - £402k Correction to impairments
  - (£894k) Correction to non-enhancing capital expenditure.

  (£492k) Total

- (£716k) Children's and Education Services.
  - £100k Correction to impairments
  - (£816k) Correction to non-enhancing capital expenditure.

  (£716k) Total

- (£96k) Highways Roads and Transport Services.

o	(£40k)	Correction to impairments
o	(£56k)	Correction to non-enhancing capital expenditure.
	(£96k)	Total

- (£735k) Housing Services.

o	(£56k)	Correction to impairments
o	(£49k)	Correction to depreciation charge
o	(£710k)	Correction to Revenue Expenditure funded from Capital under Statute
o	£80k	Correction to benefit payment accruals
	(£735k)	Total

- £41k Adult Social Services.

o	(£94k)	Correction to non-enhancing capital expenditure.
o	£135k	Correction to impairments
	£41k	Total

- £399k Loss on Disposal of Fixed Assets

o	£399k	Assets transfers to Derby Homes
	£399k	Total

Balance Sheet

	24 June 2010 Audit and Accounts £000's	Changes £000's	Final 2009/10 Statement £000's
Fixed Assets			
Intangible Fixed Assets	164	0	164
Council Dwellings	509,465	0	509,465
Other land and buildings	449,796	(369)	449,427
Vehicles, plant, furniture and equipment	9,545	0	9,545
Infrastructure assets	112,042	56	112,098
Community assets	14,927	1,253	16,180
Investment properties	36,800	1,550	38,350
Assets under construction	22,373	976	23,349
Surplus assets held for disposal	20,335	(4,019)	16,316
Total Fixed Assets	**1,175,447**	**(553)**	**1,174,894**
Long-term investments	3,360	0	3,360
Long Term debtors	5,482	0	5,482
Total long term assets	**1,184,289**	**(553)**	**1,183,736**
Current Assets			
Stocks and work in progress	1,188	0	1,188
Debtors	48,456	1,050	49,506
Investments	54,011	0	54,011
Cash and Bank	3,168	0	3,168
Total Assets	**1,291,112**	**497**	**1,291,609**
Current Liabilities			
Creditors	(62,176)	(1,901)	(64,077)
Finance leases falling due within one year	(2,358)	0	(2,358)
Bank Overdraft	(7,951)	0	(7,951)
Total Current Liabilities	**(72,485)**	**(1,901)**	**(74,386)**
Total Assets less current liabilities	**1,218,627**	**(1,404)**	**1,217,223**
Long term liabilities			
Long term borrowing	(260,930)	0	(260,930)
Finance leases falling due over one year	(40,608)	0	(40,608)
Provisions	(2,755)	597	(2,158)
Government grants deferred	(113,004)	0	(113,004)
Government grants unapplied	(39,269)	656	(38,613)
Deferred liabilities	(39,368)	0	(39,368)
Liability related to defined benefit pension scheme	(292,395)	0	(292,395)
Total assets less liabilities	**430,298**	**(151)**	**430,147**
Represented by:			
Revaluation Reserve	(60,959)	690	(60,269)
Capital Adjustment Account	(561,253)	129	(561,124)
Useable capital receipts reserve	(7,807)	0	(7,807)
Deferred capital receipts	(96)	0	(96)
Capital Earmarked Reserves	(6,093)	0	(6,093)
Pensions reserve	292,395	0	292,395
General fund balance	(6,743)	0	(6,743)
Housing Revenue Account balance	(17,976)	0	(17,976)
Collection Fund Balance	(1,241)	0	(1,241)
Business Improvement District	(1,040)	0	(1,040)
Revenue Earmarked reserves	(52,922)	(668)	(53,590)
Financial Instrument Adjustment Account	(1,182)	0	(1,182)
Schools balances	(5,381)	0	(5,381)

Total Net Worth	**(430,298)**	**151**	**(430,147)**

The details of the adjustments within the assets and liabilities on the balance sheet are below:-

- (£369k) Other Land and Buildings
    - £1,116k Decrease in non-enhancing capital expenditure. Expenditure classification changed to enhancing.
    - £152k Opening balance restatements
    - (£1,270k) Correction to revaluations
    - (£416k) Increase in impairment
    - £49k Correction to depreciation charge

    (£369k) Total

- £56k Infrastructure Assets
    - £56k Decrease in non-enhancing capital expenditure. Expenditure classification changed to enhancing

    £56k Total

- £1,253k Community Assets
    - £886k Decrease in non-enhancing capital expenditure. Expenditure classification changed to enhancing.
    - £217k Opening balance restatements
    - £150k Correction to reclassifications

    £1,253k Total

- £1,550k Investment Properties
    - £1,567k Opening balance restatement
    - £118k Revaluations
    - (£135k) Increase in impairment

    £1,550k Total

- £976K Assets under Construction
    - £710k Correction to Revenue Expenditure funded from Capital under Statute
    - £266k Increase in capital accruals

    £976k Total

- (£4,019k) Surplus Assets held for disposal
    - (£3,243k) Opening balance restatement
    - (£195k) Increase in impairment
    - (£431k) Corrections to disposals
    - (£150k) Correction to reclassifications

    (£4,019k) Total

- £1,050k - Debtors

    £1,050k Total
    - £1,050k Correction for restatement of debtors

- (£1,901k) – Creditors
    - (£1,901k) Correction for restatement of creditors

      (£1,901k) Total

- £597k Provisions
    - £597k Restatement of provisions, mainly re Senior Officer Costs Restructure Provision

      £597k Total

- £656k Government Grants Unapplied
    - £656k Correction for capital credit note recognised in 2010/11 in error

      £656k Total

- £690k Revaluation Reserve
    - (£103k) Corrections to non-enhancing capital expenditure.
    - (£625k) Opening balance restatements
    - £207k Corrections to disposals
    - £1,151k Corrections to revaluations
    - £60k Corrections to impairments

      £690k Total

- £129K Capital Adjustment Account
    - (£1,954k) Corrections to non-enhancing capital expenditure.
    - £1,932k Opening balance restatements
    - £224k Corrections to disposals
    - (£49k) Corrections to depreciation
    - £686k Corrections to impairments
    - (£710k) Correction to Revenue Expenditure funded from Capital under Statute

      £129k Total

- (£668k) Revenue Earmarked reserves
    - (£597k) Restatement of provisions, mainly re Senior Officer Costs Restructure Provision
    - £80k Correction to benefit payment accruals
    - (£151k) Correction of overstatement of bad debt provision.

      (£668k) Total

Statement of Total Recognised Gains and Losses

	As at 24 June 10 £000	Changes £000	Final 2009/10 £000
Deficit for the year	29,874	(2,544)	27,330
Surplus Arising on revaluation of fixed assets	(38,319)	1,388	(36,931)
Actuarial (gains) / losses on pension fund assets and liabilities	84,320	0	84,320
Any other gains and losses	2,955	1,307	4,262
Recognised gains for the year	**78,830**	**151**	**78,981**
Prior year restatements	(3,421)	0	(3,421)
Total (Gains) / Losses Since the Last Statement of Accounts	**75,409**	**151**	**75,560**

Statement of Movement on the General Fund Balance

	As at 24 June 10 £000	Changes £000	Final 2009/10 £000
Deficit for the year on the Income and Expenditure Account	29,874	(2,544)	27,330
Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	(29,919)	2,544	(27,375)
Increase in General Fund Balance for the Year	**(45)**	**0**	**(45)**
General Fund Balance brought forward	(12,079)		(12,079)
General Fund Balance carried forward	**(12,124)**	**0**	**(12,124)**
Amount of General Fund Balance held by governors under schemes to finance schools	(5,381)	0	(5,381)
Amount of General Fund Balance generally available for new expenditure	(6,743)	0	(6,743)
	(12,124)	**0**	**(12,124)**

Cashflow Statement

	As at 24 June 10 £000	Changes £000	Final 2009/10 £000
REVENUE ACTIVITIES			
Net Revenue Activities Cashflow	**(48,725)**	**2,071**	**(46,654)**
RETURNS ON INVESTMENT AND SERVICING OF FINANCE			
Cash Outflows-			
Interest Paid	14,901	0	14,901
Interest element of finance leases	2,351	0	2,351
	17,252	**0**	**17,252**
Cash Inflows-			
Interest Received	(1,743)	(1,016)	(2,759)
Net Investment Activities Cashflow	**15,509**	**(1,016)**	**14,493**
CAPITAL ACTIVITIES			
Cash Outflows-			
Purchase of Fixed Assets	48,655	976	49,631
Revenue expenditure funded from Capital under Statute	18,961	(2,057)	16,904
Other net capital cash	(16,989)	(630)	(17,619)
	50,627	**(1,711)**	**48,916**
Cash Inflows-			
Sales of fixed assets	(1,979)	0	(1,979)
Capital grants received	(51,184)	656	(50,528)
	(53,163)	**656**	**(52,507)**
Net Capital Activities Cashflow	**(2,536)**	**(1,055)**	**(3,591)**
Net Cash Outflow/(Inflow) before financing	**(35,752)**	**0**	**(35,752)**
MANAGEMENT OF LIQUID RESOURCES			
Cash Outflows-			
Net decrease in short term deposits	**(55,932)**	0	**(55,932)**
Net increase in Other Liquid Resources	**9,085**	0	**9,085**
Net Management of Liquid Resources Cashflow	**(46,847)**	**0**	**(46,847)**
FINANCING			
Cash Outflows-			
Repayments of amounts borrowed	88,568	0	88,568
Capital Element of PFI Finance Leases	2,519	0	2,519
Cash Inflows-			
New loans raised	(10,000)	0	(10,000)
Net Financing Activities Cashflow	**81,087**	**0**	**81,087**
Net Cash Outflow/(Inflow)	**(1,512)**	**0**	**(1,512)**

Housing Revenue Account

	As at 24 June 10 £000	Changes £000	Final 2009/10 £000
INCOME			
Dwelling rents (Gross)	(41,907)	0	(41,907)
Non dwelling rents (Gross)	(415)	0	(415)
Charges for services and facilities	(1,326)	0	(1,326)
Contributions towards expenditure	(242)	0	(242)
Housing Revenue Account subsidy receivable	(1,359)	0	(1,359)
Increase in bad debt provision	(121)	0	(121)
Total Income	**(45,370)**	**0**	**(45,370)**
EXPENDITURE			
Repairs and maintenance	9,973	0	9,973
Supervision and management	14,572	0	14,572
Depreciation and impairments of fixed assets	18,705	(105)	18,600
Write down of Revenue Expenditure funded from Capital under Statute	710	(710)	0
Debt management costs	100	0	100
Total Expenditure	**44,060**	**(815)**	**43,245**
Sub Total	**(1,310)**	**(815)**	**(2,125)**
HRA share of CDC	79	0	79
Net cost of HRA services	**(1,231)**	**(815)**	**(2,046)**
Gain or loss on sale of HRA fixed assets	(26)	19	(7)
Interest payable and similar charges	7,637	0	7,637
Amortisation of premiums and discounts	(42)	0	(42)
Interest and investment income	(88)	0	(88)
(Surplus) or deficit for the year on HRA services	**6,250**	**(796)**	**5,454**
STATEMENT OF MOVEMENT ON HRA BALANCE			
(Surplus) or deficit for the year on HRA services	6,250	(796)	5,454
Net additional amount required by statute to be debited or (credited) to the HRA balance for the year	(7,157)	796	(6,361)
(Increase) or decrease in the Housing Revenue Account	**(907)**	**0**	**(907)**
Housing Revenue Account balance brought forward	**(17,069)**	**0**	**(17,069)**
Housing Revenue Account balance carried forward	**(17,976)**	**0**	**(17,976)**

NOTE OF RECONCILING ITEMS FOR THE STATEMENT OF MOVEMENT ON THE HOUSING REVENUE ACCOUNT BALANCE

Note to the Statement of movement on the HRA Balance	As at 24 June 10 £000	Changes £000	Final 2009/10 £000
Items included in the HRA Income and Expenditure Account but excluded from the movement on the HRA balance for the year			
Difference between any other item of income and expenditure determined in accordance with the SORP and determined in accordance with statutory HRA requirements	(8,906)	105	(8,801)
Gains or loss on sale of HRA fixed assets	26	(19)	7
	(8,880)	**86**	**(8,794)**
Transfer to/from Major Repairs Reserve (MRR)	(2,691)	0	(2,691)
Transfer to/from Housing repairs account	(38)	0	(38)
HRA share of contributions to/(from) the Pension Reserve	210	0	210
HRA share of MRP	320	0	320
Capital Expenditure Funded by the HRA	4,104	710	4,814
Appropriations from reserves	(316)	0	(316)
Appropriations to reserves	134	0	134
	1,723	**710**	**2,433**
Net additional amount required by statue to be debited or (credited) to the HRA balance for the year	**(7,157)**	**796**	**(6,361)**

The details of the adjustments within the Housing Revenue Account are shown below.

- £105k Correction to impairments
- (£19k) Correction to disposals
- £710k Correction to Revenue Expenditure funded from Capital under Statute

£796k Total

Collection Fund

	As at 24 June 10 £000	Changes £000	Final 2009/10 £000
Income			
Council Tax	(78,190)	0	(78,190)
Business Rates	(81,473)	685	(80,788)
Transfer from General Fund:			
Council Tax Benefit	(16,893)	0	(16,893)
Total Income	**(176,556)**	**685**	**(175,871)**
Expenditure			
Precepts and Demands:			
Derby City Council	77,188	0	77,188
Derbyshire Police Authority	11,323	0	11,323
Derbyshire Fire Authority	4,599	0	4,599
Business Rates:			
Payment to National Pool	77,640	(685)	76,955
Costs of Collection	325	0	325
Provision for Bad and Doubtful Debts:			
Council Tax	1,050	0	1,050
Business Rates	3,508	0	3,508
Transfer of Previous Years Estimated Surplus:			
Derby City Council	459	0	459
Derbyshire Police Authority	27	0	27
Derbyshire Fire Authority	64	0	64
Total Expenditure	**176,183**	**(685)**	**175,498**
(Surplus) / Deficit for year	(373)	0	(373)
(Surplus) / Deficit at Beginning of Year	(1,124)	0	(1,124)
(Surplus) / Deficit at End of Year	(1,497)	**0**	(1,497)

The details of the adjustments within the Collection Fund are shown below.

o	£685k	Correction to Business Rates income to reflect NNDR deferral scheme introduced in 2009/10.
o	(£685k)	Correction to Payment to National NNDR Pool to reflect NNDR deferral scheme introduced in 2009/10.
	(£0k)	Total

Glossary of terms

Amortisation: Reduction in the value of revenue expenditure funded from capital under statute in an accounting period. The reduction in value transferred from the Balance Sheet to the Income and Expenditure Account.

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

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

Depreciation: The loss in value of an asset due to age, wear and tear, deterioration or obsolescence.

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

HRA: Housing Revenue Account – an account that includes the expenditure and income arising from the provision of housing accommodation by the Authority.

Impairment: The material reduction in the value of fixed assets outside the normal periodic revaluations.

Income and Expenditure Account: A statement that reports the net costs of all services and functions of which the authority is responsible for, and demonstrates how this has been best financed from general government grants and income from local tax payers.

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

Statement of Total Recognised Gains and Losses: Statement reporting gains and losses that are not reflected in the income and expenditure account. It includes movements on revaluation of fixed assets and pension fund assets and liabilities.

CAPITAL FINANCING DETERMINATIONS 2009/10

The following determinations are made under the Local Government and Housing Act 1989 and Local Government Act 2003.

Determination	**Section of Act**	**Amount**
		£
1. Expenditure for capital purposes		
(a) Use of credit approvals	S56 (2)	3,138,729
(b) Usable capital receipts	S60 (2)	4,043,888
(c) Grants and outside contributions	S42 (2)(g)	42,559,692
2. Minimum Revenue Provision		
Set aside to meet credit liabilities	S63 (1)	10,037,303
3. Capitalisation Direction	16(2)(b) & 20	0

In accordance with 6 June 2006 Cabinet report recommendation 2.1 revenue contributions have been substituted with other funds, where possible, excluding the ring fenced HRA and Education Foundation Schools and capitalised maintenance. £900k of Revenue funding has been transferred to Adult Social Services revenue for the replacement of revenue funding paid to NHS in return for the capital funding for the Shine Project.